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Q&A: SumUp sees 'exciting' opportunities to nab discounted startups during downturn

Article

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SumUp

It's been an eventful year for the payments industry as economic uncertainty pummels fintech valuations and firms reconsider growth plans. But there's also opportunity in the downturn for companies to consolidate their market positions and expand into new verticals as smaller competitors cut back.

UK-based point-of-sale payments provider **SumUp**, for example, is plowing ahead with expansion despite a gloomy market outlook. It **raised €590 million** ($595.0 million) this year and recently diversified into consumer payments with a digital wallet for customers across Europe.

In an exclusive interview with Insider Intelligence, **CEO of SumUp Payments Ltd Steve Delpy** spoke about future acquisitions, falling fintech valuations, and his views on buy now, pay later (BNPL).

The following has been edited for clarity and brevity.

Insider Intelligence (II): SumUp launched a digital wallet for customers across Europe in September. Why expand into customer payments?

Steve Delpy (SD): We launched a wallet product back in 2014, but the timing wasn't right. We deprioritized that, focusing instead on the merchant experience.

SumUp has grown a lot in the merchant space, and we've helped include small merchants in the financial ecosystem. The merchant side is the core of our business, but also helping consumers is the logical next step. It's been one of our objectives for several years, and the time is right. We've delivered enough and we've got enough momentum behind our core that we can focus resources on building this side as well.

II: Back in June, SumUp raised €590 million ($595.0 million) at an €8 billion ($8.07 billion) valuation. What have you earmarked that money for?

SD: We're going to use it to invest in our products but also as a war chest for potential acquisitions.

It's a tricky time for the industry, but the time for opportunities is always more exciting when things are tough. Shifting company valuations creates opportunity: We could look at acquiring a company that gives us another step toward a product without building it ourselves. When you see something that's decently priced and has a product that you can bolt on to our product set, we can win more merchants, compete more aggressively against our competitors, and also add value.

We also want to keep this to cover uncertainties over the next 12 to 18 months.

II: Let's talk about that uncertainty. How has the wider market picture impacted SumUp's plans?

SD: The economic uncertainty in the fintech space has been coming for a while. The valuations that you were seeing—the multiples on revenues, not income—were crazy. So there was always gonna be this moment. The correction was just waiting for a trigger.

For us, it doesn't change that much because we've got enough cash in the business to support growth. We'll probably spend a little bit less than we would've six months ago, but it doesn't change our direction. We still have the same core purpose: delivering value and inclusion for small merchants and consumers.

As long as you've got a healthy business and the basic fundamentals are in place, the valuation almost doesn't matter. Really, you can self-fund. The market is a fickle place, and in a year's time, valuations will be different again. We're focusing on running our business—and if we do that, we'll be on a good footing.

II: Are there any new markets you want to expand into?

SD: We're largely present in Europe, Latin American, and North America. And we're in the process of launching in Australia.

From there, we'll see how it performs and then look to grow across Asia as well. We're also always looking at Latin America because we have a good understanding of some of the countries there—local merchant behavior, customer spend patterns. We may slow down, but expansion is one of our core purposes. And one of our mission statements is to be the world's first truly global payments and acceptance brand. So that means being in all of the countries around the world where we can provide services and value to our merchants.

II: How do you think the UK landscape is changing for payment providers?

SD: It's a very competitive space. Several players compete directly with us, but if I look at our core business growth, it's still largely unchecked.

We're still growing 100% year over year in the UK, which shows the demand from small merchants. While we obviously compete with other payments companies, traditionally, we were always competing with cash and traditional banks that often didn't really offer a solution for small merchants. So there was quite a big space to play in and find these opportunities.

I expect there to be consolidation. Businesses that haven't built sufficient scale or that lack solid balance sheets won't be able to survive without raising funds. So there's an opportunity for bigger players with healthy business models to acquire and consolidate. I think that's gonna be the big play over the next 12 to 24 months.

II: BNPL products are becoming more popular. Would SumUp ever consider moving into the space?

SD: We do offer installment payments in a few of our markets around the world. But there's a difference between those more structured payment plans and a true BNPL plan like Afterpay offers.

I think you've got to be very careful how you manage that product in a rising interest rate environment and potentially a worsening credit environment. People are pretty bearish on the business model right now. I was always a little bit of a BNPL skeptic because it's fundamentally a deconstructed credit card and the merchants are paying for it. But that doesn't mean we would never do it.

If you look at the discount rate as a percentage that the merchant will pay on purchases with BNPL, it could be 5% to 7%. Whereas if you're paying with a traditional credit card, it can be 1%, 2%, or even less. So merchants pay quite a premium. It goes back to our mission of helping merchants: If they want this and they don't want to take the credit risk associated, fine—then there's value. But I think it's a high price for the merchant to pay.

II: How do you think SumUp's brand has evolved?

SD: We're seeing more and more SumUp readers in the UK, and I think people see the value we bring. They see that we give merchants simple, cheap, easy-to-use products. And as we build consumer products, getting brand awareness with consumers is gonna be an interesting journey as well.

Our brand team has done a great job building awareness of what we stand for—that we help small merchants be included. And particularly in tough times, if we get deep into a recession and people start losing their jobs and they want to go out and start their own thing, you can just pick up a SumUp reader and take payments for your services immediately. It gives you credibility not just as somebody asking for cash payments but actually a legitimate business.