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Curve banks on product diversification for growth despite widening losses

Article

The news: The UK-based account aggregator's **operating losses reached £37.9 million ($48.6M) in 2020**, up from £28.5 million ($36.5M) in 2019, per AltFi.

How we got here: Curve's focus is on broadening its product suite—to the detriment of its bottom line.

- Following the collapse of payment processor **Wirecard** last year, Curve made the costly move of bringing its emoney solution in-house and growing its staff: It added **100 new employees** in 2020 and another **130** as of June this year.
- It's also planning to add new services, including SMB banking, consumer finance, wealth management, and even insurance. Last week, it started letting customers use their Curve cards to buy crypto from select platforms, like **Coinbase** and **Kraken**.
- Despite the widening losses, its product expansion may eventually put it in the green. Fees gathered from new services that strike a chord among consumers should boost revenues to the point they could outpace operating costs
- Curve's revenues actually **grew 86% year over year to £9.9 million** ($12.7M) in 2020, and it added **1 million users**. And its new products tap high-growth areas: For example, **2.3 million UK adults held cryptos as of July**, up from 1.9 million last year.

The bigger picture: The path to profitability remains elusive for most UK fintechs, and yet high-profile acquisitions and persistent funding suggest this threshold is not a prerequisite to success.

- **Less than 5% of UK fintechs were profitable in 2020**, per a **Clarus Investments** study that tracked **more than 1,000 fintechs** in the country since 2009.
- It's traditionally assumed that profitability is a key stepping stone on a startup's road map. Profits help generate greater investor support, especially for the public market: Cross-border payment fintech **Wise**, which has been profitable since 2017, became the biggest tech IPO ever held in London.
- But there's also evidence that fintechs can successfully exit without ever reaching profitability: Robo-advisor **Nutmeg**, which reported deepening losses for eight years in a row, was acquired by **JPMorgan** in June for up to **£1 billion ($1.28B)**.
- And despite the dearth of profitable startups, **UK fintechs have raised €9 billion ($10.26B)** so far this year, up from €4.5 billion in 2020 ($5.13B), highlighting that founders do not necessarily need to chase profitability over growth to raise funding.