

Buy Now Pay Later giant Klarna strides towards \$15bn float

Klarna, the buy now, pay later (BNPL) finance giant, is setting up a new British holding company as it clears the path to a stock market flotation that could value it at more than \$15bn (£12.1bn).

Sky News has learnt that the Stockholm-based consumer credit provider has informed investors it has kicked off preparatory work ahead of a listing expected to be launched as soon as the first half of next year.

City sources said this weekend that Klarna, which employs about 5,000 people and boasts 150 million customers globally, would be ready to float within months if market conditions were accommodating.

Its founder and chief executive Sebastian Siemiatkowski said in August that three key conditions – becoming established in the US, having a sustainable business model and significant growth potential – for an initial public offering (IPO) had been met.

Third-quarter results to be released on Monday are expected to show continued progress towards annual profitability, according to insiders.

The administrative decision has been taken to reflect the UK's standing from a legal, regulatory and capital markets perspective, they added.

The incorporation of the new holding company does not, however, mean that Klarna will necessarily decide to float in London.

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Many bankers and investors expect it to choose New York to list instead, in what would be perceived as another blow to the City's prestige following the US listing of ARM Holdings, the chip designer.

In a statement issued to Sky News this weekend, a Klarna spokesman said: "We have initiated a process for a legal entity restructuring to set up a UK holding company as an

important early step on a journey towards an eventual IPO.

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“This is an administrative change that has been in the works for over 12 months and does not affect anyone’s roles, nor Klarna’s Swedish operations.

“Klarna Holding will continue to be the regulated financial holding company under the direct supervision of the SFSA [Swedish financial regulator] and we will continue to hold a Swedish banking licence.

“This entity would be registered in the UK.”

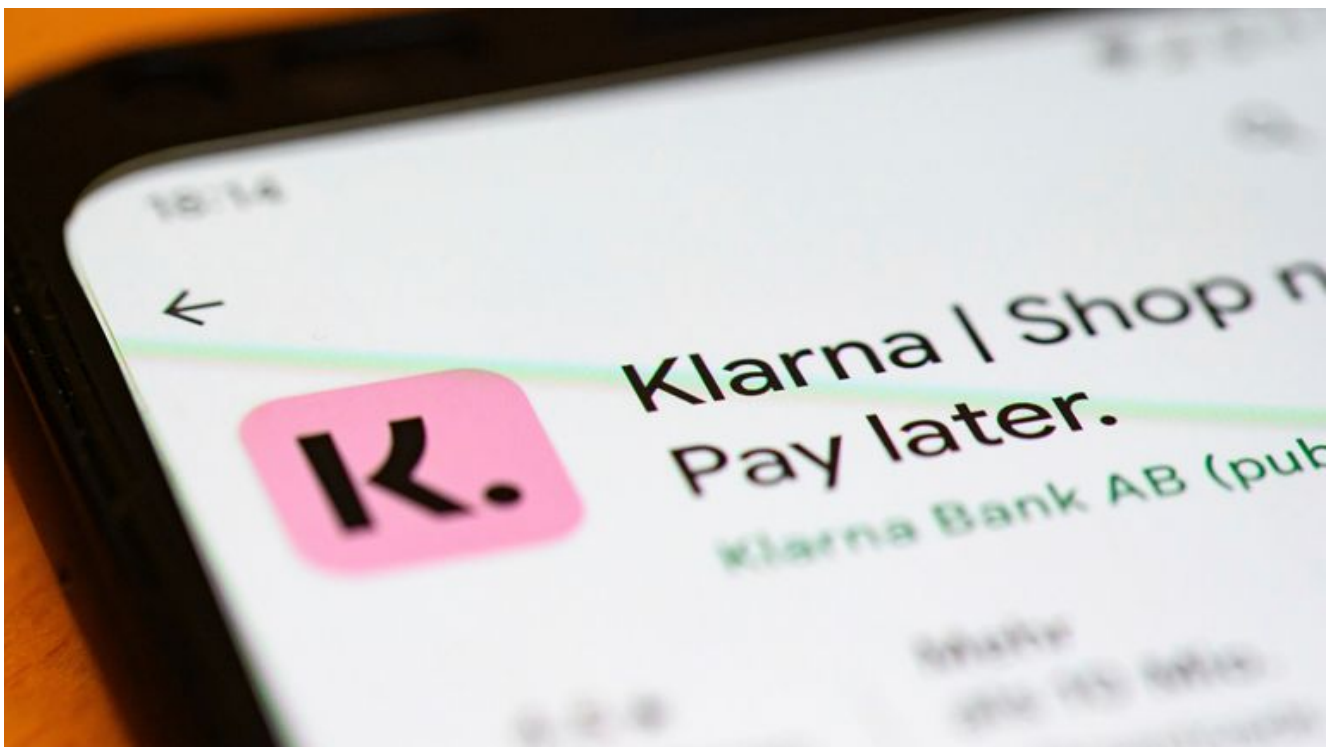


Image:

Klarna boasts 150 million customers globally

Klarna was forced to slash its valuation to \$6.7bn (£5.4bn) in a funding round last year, having once been valued at \$46bn (£37.2bn) and drawn backing from investors such as SoftBank’s Vision Fund, Sequoia Capital and Mubadala, the Abu Dhabi sovereign wealth fund.

Bankers believe that based on a comparison with New York-listed peer Affirm Holdings, Klarna should attract an IPO

valuation of between \$15bn and \$20bn (£16.1bn).

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The establishment of the British holding company, which requires shareholder approval, is expected to take place shortly.

Klarna's corporate reorganisation comes as the UK government veers away from a crackdown on the BNPL sector.

Sky News revealed in July that ministers were [planning to shelve new legislation to regulate providers](#) such as Klarna, with future rules instead incorporated into a reformed Consumer Credit Act.

Consumer group fury

Consumer campaign groups responded with fury to the decision, which has yet to be announced by the government.

One industry source said they understood that ministers were preparing to hold talks with BNPL providers about agreeing a series of voluntary measures prior to any legislative changes being introduced.

This week, the Financial Conduct Authority said it had secured contract changes for BNPL customers after an explosion in the use of such products.

Research published by the City watchdog showed that 27% of adults – roughly 14m people – had used BNPL at least once in the second half of 2023.

'Proportionate' regulation

Klarna has previously declared itself in favour of

“proportionate” regulation of the sector.

Earlier this year, it said it was “concerned with the suggestion to copy and paste Consumer Credit Act rules on credit agreements, which are outdated and don’t protect or inform consumers”.

“Quite the opposite, they leave consumers confused and, ironically, push them towards expensive and higher-risk forms of credit.

“With BNPL regulation the government has a golden opportunity to be bold and create new rules to give consumers the right information at the right time so they can make informed decisions.”

In May, Klarna launched what it described as Britain’s first “credit opt-out” product to give consumers greater control of their finances.

It said the idea had been suggested by Andrew Griffith, the City minister, during a meeting with Mr Siemiatkowski.