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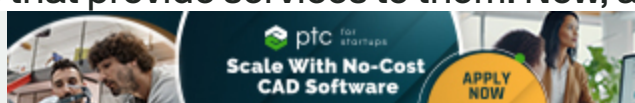


Amex acquires SoftBank-backed Kabbage after tough 2020 for the SMB lender

Ingrid Lunden

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Small and medium businesses have been some of the hardest hit in the coronavirus pandemic, and in many cases that has had a knock-on effect on the companies that provide services to them. Now, a startup that built



giant in the world of credit as the fintech industry begins to size up what the “new normal” will look like when it comes to doing business with smaller businesses.

[Kabbage](#), which had built a platform that uses machine learning algorithms to assess and loan out money to small business owners, is getting gobbled up by American Express, the [two](#) companies [announced](#) today. Amex says it has “millions” of small business customers and the addition of Kabbage’s loan and other financial services tools signifies that it plans to double down on that sector with a much wider range of offerings.



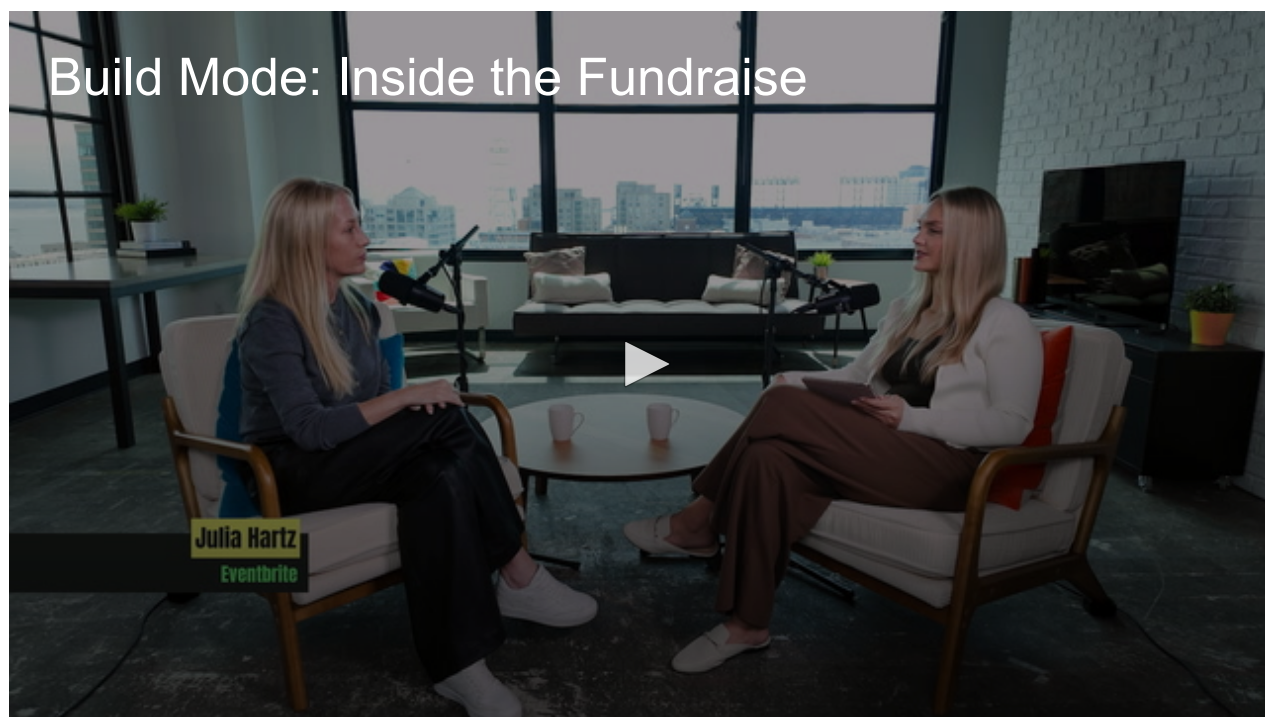
The financial terms of the deal are not being disclosed, but reports earlier this month put the value of the acquisition at [up to \\$850 million](#). For some context, Kabbage had raised nearly \$990 million in debt and equity (and at least \$3.5 billion in securitizations), and was [valued at over \\$1.2 billion](#) in its last equity round of \$250 million, in 2017, led by SoftBank.

The acquisition comes at a tricky time not just for SMBs but also the fintech companies that serve them, and specifically for Kabbage itself, with all of them weathering the storms of COVID-19.

Amex’s acquisition, tellingly, will include employees, technology and financial data, but “Kabbage’s pre-existing loan portfolio is not included in the purchase agreement,” Amex noted in its press release.

As for what happens with that loan portfolio, a spokesperson for Kabbage said there will be a separate entity that manages and services these loans at the time of close.

We don't have a total amount of value for that loan book, but a spokesperson confirmed it includes not just loans that Kabbage had issued in its previous years of operation, but also loans made to SMBs in the U.S. under the Paycheck Protection Program. As of [last week](#) the latter totaled \$7 billion across nearly 300,000 loans; and in 2019 Kabbage told TechCrunch it was on pace to loan out [between \\$2.5 billion and \\$3 billion](#), so the pre-existing loan portfolio is not insignificant, and in current economic times, possibly one that comes with a lot of risk.



The news caps off an interesting run in the world of fintech that has seen Kabbage hit some significant ups and downs. The company attracted the attention of SoftBank and many other investors (and customers) on the back of a fast-growing business based around the idea of using artificial intelligence to speed up the process of small businesses applying for and subsequently getting loans.

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from traditional accounting statements through to social media signals, into its proprietary machine learning algorithms, in order to determine eligibility for issuing loans, and the terms under which a business would pay it back. It was successful enough that Kabbage was also offering its product as a white-label service to other loan providers (including the banks it was disrupting).

But things have been tricky since February, with business dropping off a cliff after many SMBs were forced to shut their doors at the start of the pandemic — with too many of those closures becoming permanent. The company [furloughed](#) a significant proportion of its staff at the end of March, [abruptly shut down its credit lines](#) for SMBs in April and then slowly brought things back online as one of the three biggest PPP lenders.

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But PPP is a short-term program, and so a deal between Kabbage and Amex underscores how the two will join forces to bring a different approach to providing financial services to SMBs for the longer term, specifically by consolidating what they do under one roof.

“For several years, American Express has been expanding beyond our industry-leading commercial card products to offer our business customers a growing set of payment and working capital solutions,” said Anna Marrs, president of Global Commercial Services at American Express, in a statement. “This acquisition accelerates our plans to offer U.S. small businesses an easy and efficient way to manage their

ever in today’s environment. By bringing together Kabbage’s innovative technology and talented team with our broad distribution capabilities and over 60 years of experience backing small businesses, we can better help our customers successfully emerge from this challenging period and beyond.”

“At Kabbage, we have always made the success of America’s small businesses our primary objective,” said Kabbage CEO and co-founder, Rob Frohwein, in a statement. “We have built a technology and data platform that provides them with the kind of capabilities and insights often reserved for larger businesses. By joining American Express, we can help more small businesses succeed with a fully digital suite of financial products to help them run and grow their companies.”

Topics: [American Express](#) [Fintech](#) [Kabbage](#) [Rob Frohwein](#) [Softbank](#)

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