

DALALBYTES RESEARCH

Klarna Group

From Checkout Button to Everyday Bank

NYSE: KLAR | OCTOBER 12, 2026

Verdict: 68/100, Selective Positive. The largest consumer-credit network outside the card duopoly, inflecting to profit, at 1.3x sales while its closest peer trades at 6.4x. The market is pricing the failings of 2025 and the guidance cut of August 2026. The numbers describe something else.

Reference price \$14.06 (October 9, 2026 close). 2029 targets: Bear \$11 / Base \$42 / Bull \$78.

>> VERDICT

68/100, Selective Positive

Klarna is the most hated quality name in US fintech right now, and the hatred is doing the valuation work for you. The stock IPO'd at \$40 in September 2025, traded as high as \$57.20, and now sits at \$14.06, a \$5.3 billion market cap for a company that will process roughly \$150 billion of GMV this year across 120 million consumers and 1.2 million merchants. That is 1.3x guided 2026 sales, against Affirm at roughly 6.4x sales with a market cap five times larger on similar revenue. The discount exists because Klarna cut its 2026 revenue guidance in August, because its biggest market (Germany) is soft, and because the CFO and CMO both announced departures in the same release. Fair concerns. None of them is a broken business.

Underneath the guidance drama, the engine improved on almost every line that matters in 2026. Transaction margin dollars, the metric management optimizes for, rose 42% in Q2 to \$446 million. Revenue per active consumer rose 24%. The Klarna Card went from 1.3 million to 6.5 million active users in a year. Memberships went 8x to 2 million paying subscribers, a revenue stream with no credit losses attached. Credit provisions fell to 0.52% of GMV. The CEO bought \$10 million of stock at \$14.37 eight days after the crash. And in July, Klarna applied for a Utah industrial bank charter, the single most valuable regulatory asset a US consumer lender can hold.

The honest debits: GAAP profitability is two thin quarters old (\$1M and \$9M of net income), 2025 showed what the Fair Financing mix shift does to credit provisions (up 60% in a year), and management credibility took real damage in August 2026. This is a show-me story at a don't-have-to-show-me price. Selective Positive: the asymmetry favors buyers, but expect volatility, because the next two quarters carry a soft Q3 guide and a November 2026 EU consumer-credit regime change.

\$14.06

REFERENCE PRICE
OCT 9, 2026 CLOSE

\$5.3B

MARKET CAP
378M SHARES

1.3x

PRICE / 2026E SALES
AFFIRM ~6.4x

\$42

2029 BASE TARGET
BEAR \$11, BULL \$78

01 SNAPSHOT

Item	Detail
Company	Klarna Group plc, HQ Stockholm; incorporated in the UK
Founded	2005 by Sebastian Siemiatkowski, Niklas Adalberth, Victor Jacobsson
Listed	NYSE, Sep 10, 2025; IPO \$40, raised ~\$1.37B (mostly secondary)
Business	BNPL, Fair Financing, Klarna Card, memberships, savings, deposits

Item	Detail
FY2025	GMV \$127.9B (+22%); revenue \$3.51B (+25%); net loss \$(273)M
H1 2026	Revenue ~\$2.04B; two consecutive GAAP-profitable quarters
FY2026 guide	GMV \$149-151B; revenue \$4.08-4.16B; adj. op. income \$280-300M
Network	120M active consumers; 1.2M+ merchants; 26 markets
Funding	\$13B consumer deposits (Q4 2025); ~91% of funding from deposits
CEO holding	~7.5% (28.6M shares); bought \$10M more Aug 2026 at \$14.37

02 THE STORY: 14 PROFITABLE YEARS, THEN AMERICA

Klarna was founded in Stockholm in 2005 to make online payments safer and simpler, and for its first 14 years it did something almost no fintech manages: it scaled across Europe while staying profitable. It took a Swedish banking license in 2017, becoming a real bank with deposit funding, years before fintech charters were fashionable.

The break came in 2019, when Klarna pushed hard into the United States. Growth exploded, and so did losses, as it bought share against Affirm, Afterpay, and the card networks. At the peak of the 2021 bubble, SoftBank marked Klarna at \$45.6 billion, then the most valuable fintech in Europe. In July 2022 it raised at \$6.7 billion, an 85% down round that became the symbol of the fintech winter.

What happened next is what the market keeps forgetting: Klarna rebuilt. It cut costs, let AI absorb support and operations work, refocused underwriting, and returned to a GAAP-profitable year in 2024 (\$21M net income on \$2.81B revenue). The IPO completed on September 10, 2025 at \$40, valuing the company at ~\$15.1 billion. Most of the raise was secondary: Sequoia, Silver Lake, BlackRock and others sold down. Siemiatkowski sold nothing.

Public life since has been a slow derating: a \$57.20 high, a soft FY2025 print (back to a \$(273)M net loss as Fair Financing provisions spiked), then the August 18, 2026 capitulation, when a guidance cut took 19-23% off the stock in a day. The shares now trade below the 2022 down-round valuation per share, for a business roughly twice the size.

03 THE BUSINESS: FOUR PRODUCTS, ONE ACCOUNT

Klarna's model is a funnel. Interest-free products acquire the consumer; interest-bearing and banking products monetize her.

Pay Now and Pay in 4 / Pay in 30. The classic BNPL: the consumer pays over 6 weeks to 30 days, interest-free, while the merchant pays a fee (typically 3-6% of basket) for conversion and basket lift. Huge volume, thin margin, and the data exhaust that trains underwriting.

Fair Financing. Interest-bearing installment loans up to 36 months, underwritten per transaction. Fair Financing GMV grew 165% in Q4 2025 and 138% in Q1 2026; 256,000 merchants now offer it (+107% YoY). This is where the money is, and where the credit risk lives.

Klarna Card. A Visa card that lets users pay from balance or activate pay-later plans anywhere, in-store included. 6.5 million active users across 16 countries, up from 1.3 million a year earlier. Card users transact roughly 3x more often than non-card users.

Memberships, savings, the account. Paid membership tiers reached 2 million subscribers, 8x in a year, subscription revenue up 600%+: the highest-quality revenue Klarna has, carrying no credit cost. Banking customers (15.8M at Q4 2025, +101% YoY) generate ~3x the revenue of payment-only customers (company claim), and their deposits fund the machine.

Distribution is the quiet revolution. Klarna is switched on by default inside Stripe, Nexi, Worldpay, and, since August 2026, JPMorgan Payments, the largest US merchant acquirer (\$2.6 trillion processed annually). Merchants can offer Klarna with no new integration. Add anchor deals: Walmart (through OnePay, replacing Affirm) and the Apple Upgrade device-leasing program announced in 2026.

04 WHY IT IS WINNING: THE EVIDENCE

- Transaction margin dollars +42% YoY in Q2 2026 to \$446M, growing faster than GMV (+18%) and revenue (+27%): monetization per transaction is rising, which is the whole thesis.
- Revenue per active consumer +24% YoY; the 2022 cohort generated \$12 per consumer in year one and \$52 by 2026. Cohorts deepen, they do not churn away.
- Transaction margin guidance for 2026 was RAISED in August (to \$1.62-1.65B) in the same release that cut revenue. The market sold the headline and ignored the profit line.
- Credit provisions at 0.52% of GMV in Q2 2026, down from 0.56%, even as mix shifts toward interest-bearing product.
- Deposits of \$13B at Q4 2025 (+37% YoY) fund ~91% of the balance sheet at ~270 days average duration: cheap, sticky, owned, not rented from partner banks.

05 FINANCIALS: THE THREE-YEAR RECORD

Metric	2023	2024	2025
GMV (\$B)	92.5	105.0	127.9
Revenue (\$B)	2.28	2.81	3.51
Revenue growth	-	+24%	+25%
Take rate	2.5%	2.7%	2.7%

Metric	2023	2024	2025
Transaction margin \$ (\$M)	1,085	1,217	1,238
Adjusted operating profit (\$M)	n/d	181	65
Net income (\$M)	(244)	21	(273)
Active consumers (M)	84	93	118
Merchants (K)	n/d	680	966

Source: Klarna Group Form 20-F (FY2025) and company releases. 2025's net loss despite 25% revenue growth is the key fact of the pre-IPO period: credit provisions rose ~60% as Fair Financing scaled, and adjusted operating profit fell \$116M. Klarna chose to buy US growth with credit losses, and 2025 is what that costs.

2026 is the inflection the IPO was sold on. Q1: revenue \$1.0B (+44%), TMD \$389M (+44%), adjusted operating profit \$68M, net income \$1M. Q2: revenue \$1.042B (+27%), TMD \$446M (+42%), adjusted operating income \$91M (+214%), net income \$9M, EPS \$0.01. Two consecutive GAAP-profitable quarters.

Then the guide: FY2026 revenue cut to \$4.08-4.16B (from \$4.34B guided in May; consensus \$4.42B), GMV cut to \$149-151B. Roughly \$600M of the revenue cut was currency translation, plus German softness (consumer spending in Klarna's largest volume market grew under 1% in H1 2026) and a fair-value accounting change on new US and German Fair Financing originations that shifts revenue timing. Q3 2026 is guided soft: revenue \$940-980M, adjusted operating income of just \$5-15M. Next print: Q3 results, expected November 17, 2026.

06 THE CREDIT QUESTION

Everything in BNPL eventually becomes a credit question. Klarna has underwritten roughly \$0.5 trillion of volume over 20 years. Its structural protections are real: loans are short-duration (Pay in 4 turns over in 6 weeks), every transaction is re-underwritten in real time, and no revolving balance quietly compounds. CFPB data showed pay-in-4 charge-offs of 1.83% in 2023 versus 4.19% for bank credit cards.

The offsetting facts: Fair Financing is a different animal, 36-month consumer credit, and its rapid growth pushed provisions up 60% in 2025 and the company back to a net loss. Newer, larger vintages are not seasoned through a downturn. Provisions improved through H1 2026 (0.55%, then 0.52% of GMV), encouraging but two quarters, not a cycle.

THE BEAR CASE IN ONE LINE

Underwriting looks disciplined and the funding is fortress-grade, but the earnings cushion is two thin quarters thick. A consumer credit turn, arriving while Fair Financing is the growth engine, is the scenario that takes this stock to single digits.

07 FUNDING: THE QUIET FORTRESS

Klarna funds itself like a bank because it is one. Consumer deposits were \$13B at Q4 2025, ~91% of total funding, average duration 270 days. On top sits a capital-light US machine: forward-flow agreements and securitization, including a \$2B facility arranged in Q1 2026 supporting ~\$17B of US financing capacity. Loans are substantially sold or investor-funded rather than warehoused, which is why enterprise value (~\$2.3B) sits far below market cap: the holdco carries net cash, and the lending is largely someone else's balance sheet.

Compare Affirm, which consolidates its loans and whose enterprise value exceeds its market cap. The market currently prices Affirm's model at 5x Klarna's per revenue dollar. That gap, not the P/S in isolation, is the valuation debate.

08 COMPETITION

Player	Scale / model	Market value
Affirm (AFRM)	FY26 GMV \$50.2B, revenue \$4.26B; balance-sheet lender, ~9% revenue/GMV, GAAP profitable	\$27B (6.4x sales)
Klarna (KLAR)	2026E GMV ~\$150B, revenue ~\$4.1B; capital-light, ~2.8% revenue/GMV	\$5.3B (1.3x sales)
Afterpay (Block)	Global BNPL inside Cash App and Square ecosystem	Inside Block
PayPal	Checkout ubiquity; Pay in 4 as a feature	\$55B+
Apple / Google Pay	Pay-later as an OS feature on billions of devices	n/m
Card networks	\$6T+ US card spend; revolving credit and rewards	n/m

Affirm is the comp that matters. Its quarterly revenue matches Klarna's (~\$1.04B) on a third of the GMV, because ~72% of its volume is interest-bearing and held on balance sheet, and it earns real GAAP profit today. Klarna's counter is reach (3x the GMV, 120M consumers, global licenses), funding ownership (deposits versus partner banks), and the everyday-finance funnel (card, memberships, savings) that Affirm does not match. Both can win; only one is priced to.

The structural threat is distribution owners: Apple and Google can put pay-later in front of every checkout on earth. Klarna's defense is to become the default inside the pipes (Stripe, JPMorgan) rather than fighting for the button.

09 STRENGTHS

- **Scale and licenses:** 120M consumers, 1.2M merchants, European banking licenses, a US charter pending. Not replicable quickly at any price.

- **Funding advantage:** \$13B of deposits at ~91% of funding, plus forward-flow capacity. The cheapest, most stable funding in BNPL.
- **Monetization inflecting:** TMD +42%, revenue per consumer +24%, memberships 8x, card users 5x in a year. The funnel converts.
- **Operating leverage:** revenue per employee ~\$1.4M, 4x the 2022 level. AI leverage is real in the cost line even where the rhetoric overshot.
- **Insider alignment:** founder CEO with ~7.5%, who sold nothing at the IPO and bought \$10M more at \$14.37 in August 2026.

10 WEAKNESSES

- **Embryonic profitability:** two GAAP-profitable quarters totaling \$10M; FY2025 was a \$(273)M loss. No P&L margin of safety yet.
- **Guidance credibility:** a revenue guide cut three months after it was set, delivered with CFO and CMO departures, earns a show-me multiple.
- **Germany concentration:** the largest volume market is stagnating while the US growth engine is still being funded.
- **Credit mix:** Fair Financing flatters revenue and provisions at once; the 2025 provision spike (+60%) is the template for what goes wrong.
- **Overhang:** down 65% from IPO with early holders already proven sellers; the bid returns when results force it, not before.

11 MANAGEMENT

Sebastian Siemiatkowski has run Klarna for 21 years: profitable for the first 14, a Swedish banking license in 2017, survival of the 2022 collapse from \$45.6B to \$6.7B, and a rebuild that delivered a GAAP-profitable 2024. On the engine's key test, did they do what they said, the operational record is strong: the card pivot, memberships and the TMD trajectory were promised and delivered.

"Banking is built on trust. We have seen firsthand the appetite for a fairer, more transparent approach in the US, and our own banking licence is the natural next step."

SEBASTIAN SIEMIATKOWSKI, ON THE KLARNA BANK USA APPLICATION, JULY 2026

Two debits, plainly. First, his AI rhetoric ran ahead of reality: 2024 claims that AI could do the work of hundreds of support staff were followed by quality problems and partial rehiring. The cost leverage is real (revenue per employee up 4x since 2022), but the episode taught the market to discount his words. Second, the bench: CFO Niclas Neglén (6 years) and CMO David Sandström (9 years) both leave in early 2027, the CFO seat unfilled, a New York search under way. A finance-chief transition mid-flight, in the year of the US bank application, is real execution risk. Ownership alignment partially offsets: ~7.5% held, no IPO selling, \$10M bought at the lows.

12 REGULATION: THE MOAT BEING BUILT IN PUBLIC

In the US, the CFPB withdrew its 2024 BNPL interpretive rule in May 2025, so federal card-style rules are off the table near-term; states are filling the gap (New York's BNPL Act, licensing and disclosure rules proposed in 2026). In the EU, the revised Consumer Credit Directive applies from November 20, 2026, pulling BNPL formally inside consumer-credit law: a compliance cost, and a barrier that favors a licensed bank over unlicensed rivals. The UK FCA regime arrives on similar lines in 2026.

The strategic move: on July 6, 2026, Klarna applied to the Utah Department of Financial Institutions and the FDIC to charter Klarna Bank USA, an industrial bank, with veteran Utah banker Gary Harding as proposed president and CEO. A charter would let Klarna take US deposits directly, drop partner-bank rent, and own funding in its fastest-growing market (US GMV +27% in Q2; 30M+ US customers). ILC approvals are slow and political, but even a credible path to one re-rates the funding story. It is the largest identifiable catalyst in the stock.

13 VALUATION

At \$14.06, Klarna trades at ~1.3x guided 2026 revenue and ~3.2x guided 2026 transaction margin dollars. Affirm trades at ~6.4x FY26 revenue. The street is split and scarred: consensus Hold, average targets between \$22.60 and \$30 depending on the aggregator, with fresh cuts (TD Cowen to \$16) after the August guide-down. The market has priced Klarna as a subscale lender with a credibility problem, while the numbers describe the largest consumer-credit network outside the card duopoly, inflecting to profit.

The question reduces to one line: what is a 20%-growth, deposit-funded consumer finance network with a rising take rate worth at sustained double-digit operating margins? History says 2-4x sales. Klarna is at 1.3x with the margin part unproven. That gap is the opportunity, and the unproven part is the risk.

14 TARGETS AND ASSUMPTIONS (2029)

Scenario	2029 revenue	Outcome	Target
Bear	\$5.5B	EU stagnates under CCD, US growth halves, FF vintages sour; ~0.75x sales	\$11
Base	\$7.3B	20% CAGR, ~12% adj. op. margin, GAAP NI ~\$600-700M, US charter approved; ~2.2x sales	\$42
Bull	\$8.8B	Everyday-bank flywheel lands, ~15% op. margin, NI ~\$1.2B; ~3.5x sales / ~25x earnings	\$78

Base case pays roughly a third of Affirm's current sales multiple for a proven, profitable network. Bull case still leaves Klarna cheaper than Affirm trades today. Bear case is roughly today's price with three lost years: the downside is time and credit, not zero.

15 RISKS

- **Consumer credit cycle:** a US or European downturn hits Fair Financing first; the P&L shock absorber is thin.
- **Guidance execution:** one more guide-down in the next two quarters, with a new CFO not yet seated, likely breaks the stock to single digits.
- **Regulatory:** EU CCD implementation costs from November 2026; NY licensing; the Utah ILC application could be delayed or denied.
- **Competition:** Apple, Google, PayPal and the networks can compress take rates; Walmart volume runs through OnePay economics, not Klarna's alone.
- **Concentration:** Germany's softness shows the European core can stagnate while the US story is still being funded.
- **Currency:** earnings in EUR, SEK and GBP, reported in USD; ~\$600M of the 2026 guide cut was translation alone.

Sources: Klarna Group Form 20-F and Q1/Q2 2026 releases, Business Wire, FDIC/Utah application coverage (July 2026), CFPB and EU directive records, Affirm FY2026 Form 10-K, market data as of October 9, 2026. Company claims are labeled as such; guidance is company guidance, not DalalBytes estimates, except in Section 14.