



MEMBER EXCLUSIVE

Cheat sheet: JPMorgan acquires investment app Nutmeg

JPMorgan acquired Nutmeg as it prepared to launch a digital bank in the U.K.

Nutmeg makes investment decisions for customers based on an algorithm.

SHEHZIL ZAHID | JUNE 29, 2021



Mid-June, JPMorgan announced that it was acquiring Nutmeg, a wealth management fintech, in preparation to launch its Chase digital bank in the U.K. later this year.

Details:

- While JPMorgan and Nutmeg have kept the financial terms of the agreement hush hush, Reuters pegs Nutmeg's purchase close to \$1 billion.
- If accurate, that works out to be about \$7,000 per customer for a company with just around 220 employees.
- JPMorgan and Nutmeg previously partnered together on Nutmeg's Smart Alpha investment portfolios in November 2020.

"Nutmeg's customers can expect the same level of transparency, convenience and service that helped make us a leading digital wealth manager in the U.K.," says Neil Alexander, CEO of Nutmeg, in a press release. "I am truly impressed with the digital experience that Chase is building for the U.K., and this new chapter in our story will see Nutmeg's customers benefit from a wider range of products and services in the future, and allow us to expand into new markets."

Nutmeg

Founded in 2012, Nutmeg is a robo-advisor with a customer base that has grown to 140,000 with \$4.9 billion of assets under management. While Nutmeg has yet to make a profit, robo-advising is expected to become a \$1.2 trillion industry by 2024.

Nutmeg began as a pure robo-advisor, offering ISAs, pensions, and general investment accounts. Nutmeg made investments in ready-made portfolios on behalf of the customer based on its proprietary algorithm. Nutmeg launched general investment accounts, and its stocks and shares ISA in September 2012. The wealthtech grew its product line-up slowly over the years, offering pensions in February 2015, fixed allocations in January 2017 and a Lifetime ISA in April 2017. It also eventually added a Junior ISA.

In 2018, it turned to a hybrid model, with financial advisors on call to offer personalized advice to customers. Earlier this year, Nutmeg partnered with JP Morgan to offer Smart Alpha portfolios that combined active and passively managed exchange-traded funds.

Nutmeg has come a long way since its founding. In December 2016, it reported a customer base of 26,000. Today's 140,000 customers are almost double the clients it had in January 2020. In 2018, it became the U.K.'s first wealth manager to provide an ESG rating across all of its portfolios, according to the Telegraph. Moreover, it's championed a customer experience that's helped it grow 70 percent year-on-year, according to the company.

Nutmeg began raising money in 2012, when it managed to raise \$4.7 million in its Series A funding. According to Crunchbase, Nutmeg raised \$153.6 million across eight rounds of funding in as many years.

The good, bad and ugly

Despite its growth in assets and customers, Nutmeg has not been profitable, reporting widening losses up to year after year. The Financial Times Advisor clocked Nutmeg's losses at \$27.1 million in 2019.

In that sense, JPMorgan's acquisition of Nutmeg could be a good thing, both for the fintech and the bank. For Nutmeg, the acquisition eases pressure on the robo-advisor to turn a profit. It also finds a wealth of resources at its disposal with JPMorgan's own expertise, experience and vast partner network. Nutmeg can then focus on improving and scaling its products, all of which can be bankrolled by JPMorgan's wallet.

Moreover, Nutmeg would benefit from a new thrust of customers that Chase may bring in when it launches in the U.K. Robo-advisory is expected to grow organically and for JPMorgan, there's a clear interest in developing a robo-advisory arm within its digital bank offerings in Britain.

While JPMorgan preps for Chase's launch in the U.K., it can look to Goldman Sachs and its success with Marcus. When Goldman Sachs took the Marcus brand across the pond in 2018, it had acquired half a million customers by June 2020. Marcus expanded close to \$30 billion in deposits last year, and this year, it announced that it was rolling out its own robo-advisory too.

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