THE WALL STREET JOURNAL.

**A Wells Fargo Credit-Card Deal Struggles After Misjudgments**

By AnnaMaria Andriotis and Gina Heeb
1,047 words
17 June 2024
The Wall Street Journal
J
A1
English


When Charlie Scharf took over as CEO of Wells Fargo, one of his priorities was to expand the bank's credit-card business. Now, a flashy partnership with a startup is complicating a high-profile part of that strategy.

In 2022, Wells launched a credit card with Bilt Technologies, a **fintech** startup with big-name backers including Blackstone and Mastercard. The co-branded card came with a rare perk: Users can pay for rent with it without incurring fees from their landlords while also earning rewards points. More than one million accounts were activated in the first 18 months, many by young adults.

But Wells is losing as much as $10 million every month on the program as savvy customers flock to the card, according to current and former employees. Executives made internal projections on key revenue drivers, such as the likelihood that cardholders would carry balances, that turned out to be inaccurate.

The San Francisco bank has stopped bidding on new co-branded credit-card programs. Executives Wells recruited for such programs have left, and the bank is launching more credit cards that don't involve partners. (A Wells-Expedia credit card that was agreed to previously is expected to be the final launch for some time.)

The financial losses triggered a renegotiation of the program that has been under way for months. Wells has told Bilt that it doesn't intend to renew the contract, which is scheduled to end in 2029, unless economics are changed in its favor.

A Wells spokeswoman said co-brands are a "modest piece" of the bank's credit-card strategy.

"As with all new card launches, it takes multiple years for the initial launch to pay off," the spokeswoman said. "We look forward to continuing to work together to. . .make sure it's a win for both Bilt and Wells Fargo."

A Bilt spokesman said that The Wall Street Journal's reporting "is an inaccurate representation" of the partnership and that the company is "committed to a long-term partnership with Wells Fargo that benefits all parties."

The credit-card program helped catapult Bilt's valuation to $3.1 billion in a January fundraising round, up from $1.5 billion in late 2022. Ken Chenault, the former longtime American Express chief executive officer, joined Bilt's board this year. Wells itself has invested at least $20 million in Bilt, according to people familiar with the matter, an unusual arrangement in the world of credit cards.

The partnership has helped lift 34-year-old Bilt CEO Ankur Jain to billionaire status.

There is a reason why credit cards hadn't gained traction in the rent sector until Bilt came along. Most landlords didn't accept them because they refuse to pay card fees that get pocketed by the banks issuing them and often run between 2% and 3%.

Bilt structured the card so landlords won't incur the fees. Wells instead eats much of that.

About six months after the credit card was launched, Wells began paying Bilt a fee of about 0.8% of each rent transaction, even though the bank isn't collecting interchange fees from landlords.

Wells earns interchange fees every time people use the card to pay for anything but rent and splits those fees with Bilt.

Wells also pays Bilt $200 each time a new card account is issued. Such arrangements are often reserved for airline and other established credit-card programs.

Jain founded Bilt in 2019. The startup needed a bank partner to issue a credit card since it couldn't underwrite or lend on its own. Its first issuer was Evolve Bank & Trust, a small Tennessee bank, but Bilt wanted to ultimately go bigger.

Several lenders, including U.S. Bancorp and Synchrony Financial, passed. Jain also spoke with JPMorgan Chase to gauge its interest in the Bilt platform.

Some Wells employees thought the proposition was crazy, but the bank needed a win and figured Bilt would garner buzz and help attract younger customers. A deal also presented mortgage cross-selling opportunities. Bilt's cardholders will ultimately want to become homeowners, the thought process at Wells went, and the bank would be well-positioned to give them mortgages.

That hasn't come to pass, and at any rate, Wells has pulled back from mortgage lending.

Few projections that Wells had for the card have panned out. The bank assumed around 65% of card-purchase volume would be nonrent, generating interchange-fee revenue. The reality is inverted.

Wells expected that around half to three-fourths of dollars charged to the card would carry over from month to month, generating interest charges. The reality ranges between around 15% and 25%.

Many customers would pay their rent off within a few days of charging it to their cards, weeks before their statements arrived -- a strategy savvy cardholders use just to earn points.

Wells has told Bilt that cardholder behavior isn't providing a path for profitability for the bank and that more customers who carry balances and use the card for everyday purchases are needed.

Bilt, meanwhile, hasn't been satisfied with how Wells is marketing the partnership. Wells has replaced some of its marketing of the Bilt card in branches, on its ATMs and elsewhere with that of its own general-purpose cards.

The program has also been hit by fraud. Random account numbers and expiration dates are generated when new cards are given to customers, but the process for the Bilt card wasn't so random, which opened the door to swindlers. Last summer, they created fake Bilt card accounts and went shopping with them, leading to losses for Wells.

The partnership also poses money-laundering risk, which the companies have worked to address. When consumers charge rent to their cards, a third-party company sends a check for that amount to the person or entity the cardholder says is the landlord.

That is easy for Bilt to track when it is one of the real-estate companies that participate in its rewards program and hard when it is a mom-and-pop landlord or other company. A Wells representative said the bank hasn't experienced "any meaningful money-laundering issues with Bilt."

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THE WALL STREET JOURNAL.

**Business News: Wells Fargo Ex-CFO Starts New Chapter --- Executive plots path at venture-backed solar-financing company GoodLeap**

By Kristin Broughton
1,113 words
11 June 2024
The Wall Street Journal
J
B6
English


John Shrewsberry, former finance chief of Wells Fargo, is aiming to accelerate growth at GoodLeap, the solar and home-energy financing company.

Shrewsberry is embarking on a new chapter at GoodLeap, which announced his appointment as chief financial officer in December. He had stepped down as Wells Fargo's CFO in 2020 after six years in the role, and stayed on at the bank through the following spring. Most of his tenure overlapped the bank's fake-accounts scandal, and he was among the few top executives to stay in his position through that period. He continued to oversee the bank's finances into the early days of the pandemic.

**Fintech** GoodLeap is a new arena for the longtime bank executive. The company, through software used by contractors, originates consumer loans for solar and other home-energy efficiency projects -- roofing, windows and heat pumps.

GoodLeap, which makes most of its money selling and servicing loans, is profitable and cash-flow positive, meaning it doesn't rely on its investors for incremental funding.

The company has raised a total of $1.6 billion from investors including New Enterprise Associates, WestCap and BDT & MSD Partners.

CFO Journal spoke with Shrewsberry about his career move, his priorities for the CFO role and what venture-backed companies look for in a finance chief. Below are condensed and edited excerpts.

WSJ: How did you get to GoodLeap?

Shrewsberry: I retired from Wells in 2021. I had been the CFO for 6 1/2 years and had been there for over 20 years. I went into invest-and-advise mode for a couple of years and lived my best life. We all worked remotely. After 10 years probably being on the East Coast at least twice a month, I went through a year of Covid lockdown.

WSJ: What were you investing in and advising?

Shrewsberry: It was a little bit of **fintech**, but a lot of early-stage things. I created a nice little portfolio and I thought, frankly, I would probably do that until end of days. After a couple of years, I decided I should do one more operating role. I'm in my 50s. My wife encouraged me to think about working -- really dedicating myself to a company.

I met Hayes [Hayes Barnard, GoodLeap's chief executive] through a CFO friend of mine, Mark Hawkins, who was the CFO at Salesforce. When Hayes needed a new CFO, he said to Mark: "Who do you know who can do X, Y and Z?"

WSJ: What's the through line in your career from Wells to GoodLeap?

Shrewsberry: This is a scaled, full unicorn scale in terms of the capital it has raised, the valuations it has achieved. It's a company that over some number of years -- three, four, five, six, who knows how long -- will probably put itself in a position to -- I don't know whether an IPO is the path that it will go down, but there's some sort of event in its future.

WSJ: If not an IPO, a sale?

Shrewsberry: Who knows, but a value-creation destination. What this company does and what aligns with my life's work is there's a big lending component to this company. There's a lot of investor relations and capital raising at the asset level, where we're originating many billions of dollars worth of loans. They need to find homes with banks, with credit unions, with asset managers, with life insurance companies, with others.

There's a lot of capital-raising to do. There's a lot of structured finance. There's a lot of interest-rate risk management. There's a big treasury component. Then there's the, "How do we create a valuable company?"

The through line is it's a big enough company where it needs hard-core accounting and finance that supports what it will be in its next chapter.

WSJ: Could the company just operate as a large, private business? Is that an end goal?

Shrewsberry: It could. Especially with strong enough cash flow, these investors would at some level just as soon receive distributions year after year, whenever it makes sense for that to be the case.

Like all venture investors, they have to figure out how to repatriate capital back to their LPs [limited partners]. That usually causes at some point the need to have a transaction that liquefies them. But that's not in sight right now.

WSJ: What are your top priorities for the role?

Shrewsberry: The top priority is to prepare the company for growth. Whenever the future happens, the more we've executed on the growth plan, the more valuable the company will be. So it's helping to expand product, helping to expand markets, helping to expand the categories that we're involved in.

Making sure you've got the capital, we've got the right business model, the right unit-level economics. We prioritize properly. We measure results properly, and we make the company as big, diverse and resilient as possible.

WSJ: What do you think venture-backed companies are looking for in a finance chief?

Shrewsberry: It depends. In our case, it's somebody who is comfortable at this scale. I think for later-stage, venture-backed companies, a CFO that has operated at a higher scale, is in a position, whenever it happens, to go from where we are to what's next. Market-facing. And maybe, maybe not, somebody who's been around the block a few times.

The more cycles we go through, the more beneficial it is to have people who have taken their lumps in a prior cycle.

WSJ: GoodLeap and other companies in the sector are facing legal pressure from state attorneys general over issues including fee disclosures. Do you see it as part of your role to prepare the company for this type of pressure?

Shrewsberry: The company has done a nice and sophisticated job of preparing itself. It has a real compliance function. At some level, we would welcome some national regulation in the space to create a level playing field, so that the weakest hands don't have an opportunity to sully the expectation of the experience from the consumers' perspective.

WSJ: Do regulatory issues cross your desk?

Shrewsberry: I work closely with the legal team, and the compliance team just to really understand exactly where we stand and the elements of financial risk. You don't want disenchanted customers out there who don't get what they bargained for.

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THE WALL STREET JOURNAL.

**EQT Buys Software Maker Avetta --- The deal values the U.S. company at more than $3 billion including debt**

By Maria Armental and Dominic Chopping
578 words
3 April 2024
The Wall Street Journal
J
B12
English


European buyout shop EQT AB is buying risk-management software provider Avetta from private-equity firm Welsh, Carson, Anderson, & Stowe.

The transaction values supply-chain-focused Avetta at more than $3 billion, including debt, according to several people familiar with the matter. The deal, which comes at a time when two of the world's crucial trade corridors have been roiled by disruptions, also marks an exit for Avetta investors Norwest Venture Partners and TCV, which backed the U.S. company with venture and growth investments at different times.

"Supply-chain issues are pronounced," said EQT Partner Arvindh Kumar, citing disruptions that have included long delays that hit customers particularly hard during the Covid-19 pandemic.

"There's a lot of everyday examples," said Kumar, who co-heads **technology** investments as part of the firm's private-equity advisory team. "Companies need a lot more visibility and automation" when it comes to managing their supply chains, he said.

Stockholm-listed EQT, which is investing through its 10th main buyout fund, clinched the deal after a sales process that drew "broad interest" from private equity and other investors, according to Christopher Hooper, a Welsh Carson general partner. With the Avetta transaction, EQT's 22 billion euros, or roughly $23.64 billion, vehicle is expected to be as much as 40% invested, the firm said.

Avetta's software helps customers manage and mitigate risk, including health and safety, sustainability, and financial and **cybersecurity** risks, working with both clients and their suppliers. The company operates from 12 offices worldwide, serving more than 500 clients and their 130,000 contractors, according to EQT.

The company initially focused on clients in "dirty and dangerous" industries such as oil and gas, construction, mining and telecommunications, as Jon Kossow, a Norwest managing partner, described it when Welsh Carson invested in the company.

Since then, the software provider's customer base has diversified significantly as managing supply-chain risk evolved from primarily focusing on safety, said Welsh Carson's Hooper, who led the firm's initial investment in Avetta as well as the sale process for the company.

Norwest first invested $35 million in Avetta, then called PICS Auditing, in 2012. Welsh Carson acquired a majority stake in 2018 through a roughly $500 million deal, investing alongside minority backer TCV.

Welsh Carson brought in new managers and helped Avetta expand, including through acquisitions such as a 2019 deal to add peer company Browz.

"So now was the right time" to sell, Hooper said. "The company's been hitting its stride very nicely for a number of years, and we felt like, where it is now, it would really benefit from a firm like EQT."

The European firm's reach can help Avetta's global expansion, he said.

EQT sees plenty of growth drivers for the business, Kumar said. The company still generates most of its revenue in the U.S. and is just beginning to capitalize on artificial intelligence **technology**, having set up a **generative AI** risk assistance system.

"There's a lot more to be done in terms of automation and optimization of supplier onboarding and auditing and risk assessment," Kumar said.

Further, the risk-management industry focusing on supply chains remains based on paper and manually composed spreadsheets, he said. "So there's a lot of growth to be had."

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