Case’s Revolution Money Bags $42 Million

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Revolution Money, an online payment firm backed by AOL co-founder Steve Case, said on Monday it has received funding of $42 million from a group that includes a Goldman Sachs affiliate and earlier investors Citigroup and Morgan Stanley, Reuters reported.

Revolution Money, part of Washington-based Revolution L.L.C., competes with eBay’s PayPal service in peer to peer money transfers, and offers a credit card.

The company will use the money to beef up its technology and help retailers promote the credit card, with a view to reaching 3 million retailers by 2011 despite tumbling U.S. retail sales, chairman Ted Leonsis told Reuters.

“We see more rapid adoption of our service as merchants fight in this economy for more margin from sales,” Mr. Leonsis, who owns the National Hockey League’s Washington Capitals, told the news service.

Revolution Money estimated its RevolutionCard credit card is accepted at about 650,000 locations in the United States including those of bookseller Barnes & Noble, upscale grocer Whole Foods Market and department store chain Nordstrom.

Mr. Leonsis told Reuters that Revolution competes with PayPal by letting users transfer funds to one another for free and with major credit card issuers,
such as Visa, MasterCard and American Express by offering competitive interchange fees for merchants.

Interchange fees are paid by merchants to a credit card company when a customer makes a purchase.

The new investment follows on a $50 million funding in 2007 from Citi, Morgan Stanley and Deutsche Bank, Mr. Case and others.

Despite attracting these investments in a difficult capital market, Mr. Leonsis said Revolution Money would not consider an initial public offering or put itself up for sale before 2011.

“Right now, we are focused on the build-out of the platform, but at some point to really scale the business, we would have to go public,” Mr. Leonsis told Reuters.

Still, Mr. Leonsis thinks the business will be large enough in two years to attract public investors or a possible acquirer.

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