

GP.Bullhound

MAY 2023

Latin America

AN EMERGING TECH REGION



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The view

FROM GP BULLHOUND

"We are delighted to formally initiate coverage of the technology sector in Latin America; a region we have advised clients in the past and see many opportunities for investors in the years to come. In the last decade, the region has benefited from secular shifts in digital transformation and consumer behaviour, which has benefited verticals like fintech and digital services. As the tech ecosystem continues to evolve and software becomes more ubiquitous, we see many exciting B2B software opportunities and trends, which we highlight in the report."

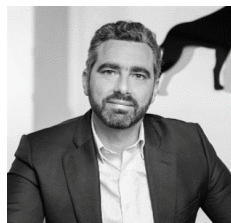
- Claudio Alvarez, Partner, at GP Bullhound

"The Latin American tech ecosystem has reached a pivotal moment in its evolution. Having undergone one of the most rapid accelerations globally in recent years, it has now reached a state of stability, emerging as a region with exceptional talent and opportunities."

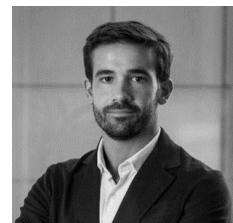
- Miguel Kindelán, Executive Director, at GP Bullhound



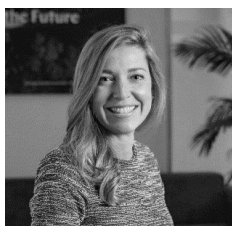
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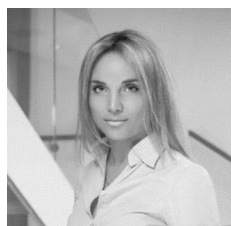
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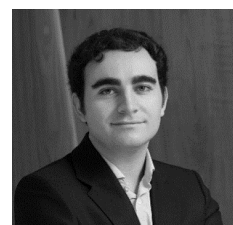
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Key takeaways

2022 was a year of many changes for the Latin American technology ecosystem. Fundraising volume slowed as the quarters progressed, and check sizes materially compressed. Many foreign investors paused or reduced investing in the region, while domestic players became more selective in their investment decisions. Founders and operators had to pivot their business strategies to align with what investors were seeking - profitability versus growth - while also having to balance the ever-changing geopolitics.

THE UNIQUE OPPORTUNITY: 53 TECHNOLOGY UNICORNS WITH MORE THAN \$28BN INVESTED

Has the music stopped, or has it just slowed? From our deep dive, we believe the answer is neither. Instead, the song has changed. The predominant investment thesis has evolved from growth / pre-IPO investing in Fintech and consumer-facing operating models to early-stage Software and B2B operating models. We remain bullish on Latin America and identify the following key takeaways to define the state of the technology landscape.

What's driving tech in Latin America

- ↗ ONE REGION, TWO ECOSYSTEMS

The state of tech is understood as two different ecosystems within one region. Brazil, seen as the largest and most mature with its own dynamics, and “the rest of LatAm”. However, Mexico is quickly catching up and Colombia could be considered the next contender. These three countries saw c.40% of the \$8bn invested in Latin America in 2022.
- ↗ CAPITAL SOPHISTICATION

The rise of emerging fund managers and alternative capital instruments investing in tech signal increased capital sophistication and maturity. There is still a blue ocean of funding opportunities given the gap between early-stage funding, led by regional funds, and late-stage growth, led by international capital.
- ↗ LATAM TECH FACTORIES

There are network effects inspiring the next generation of entrepreneurs trained and mentored by the successful, recurring players of the tech ecosystem. Globant, Rappi and Mercado Libre lead, together having created 450+ tech companies that have raised \$3.4bn in equity and employed over 22,000 people
- ↗ FOCUS ON B2B

With the intensifying need for digital solutions, the focus has shifted from consumer-internet to increasing specialisation in enterprise software and SME digital solutions. The amount of B2B companies founded each year has grown from 30% in 2010 to 61% in 2022 and B2C has shifted from 70% in 2010 to 39% in 2022.
- ↗ SOFTWARE DRIVING THE FIFTH WAVE

The start of a new era, the foundation is set for the fifth wave driven by the development of software solutions unlocking efficiencies across all verticals. While Fintech had the most dollar inflow in 2022, Software was second at 34% and also led in deal volume at 37.9%.
- ↗ SHAREHOLDER VALUE READY TO BE RETURNED

There is a robust tech exit pipeline for continued positive shareholder returns. In the past 10 years, 14 companies have gone public in the US and 19 in local markets. Of the 280+ investments led by selected growth funds, only c.15% have completed the full cycle and achieved exit.

The four waves of Latin America's tech ecosystem...

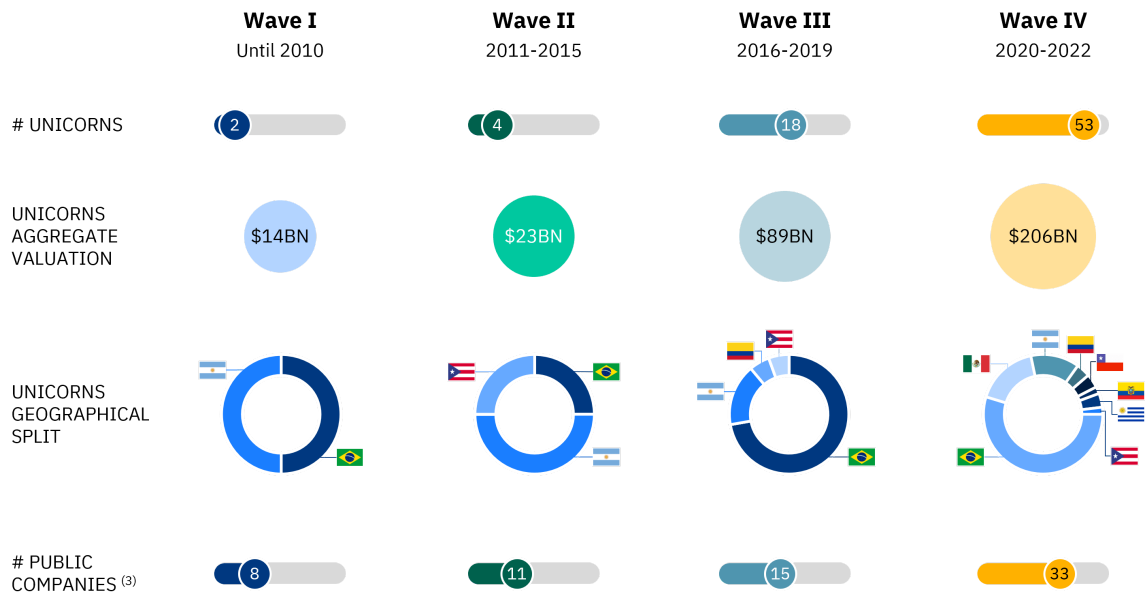
The LatAm technology ecosystem has matured since the foundation of its first companies to the current state: 50+ Unicorns, 30+ listed companies, and more than \$35bn⁽¹⁾ invested. This evolution is outlined in four waves, influenced by the region's socio-political environment which reflects the social and economic needs of each period.

Wave I (from dot-com bubble to 2010): This period provided the foundation for the first innovators, such as Mercado Libre and Globant, which have been key shapers of the ecosystem.

Wave II (2011-2015): After the Great Recession, early players in the regional VC ecosystem were created, supported by government capital inflow canalised via fund instruments (especially in Mexico) and other LP initiatives to increase investment in the ecosystem. While deal flow was limited, with the rise of internet penetration and know-how of the first investors, digital commerce and consumer-led companies were founded.

Wave III (2016-2019): The ecosystem began to flourish, underpinned by local investment and the inception of the SoftBank Latin America Fund, putting the region on the global investment map and attracting other international funds. Deal flow increased with the de-risked perception of the tech scene. Sector-wise, the first fintech and payment solutions were launched, driven by the needs of digital commerce companies as well as the vision to "bank the unbanked," creating the first B2C financial offerings.

Wave IV (2020-2022): There was acceleration and consolidation of the ecosystem, driven by the confluence of two themes: the tech-savvy middle class became mainstream, accelerated by the pandemic due to strict restrictions in most parts of the region; and the record capital inflow from cross-over funds (funds with no local office in the region), which saw a unique opportunity in Latin America. There are 53 unicorns with more than \$28bn invested in the region in 2020-2022⁽²⁾, with 73% in Ecommerce and Fintech in 2022, reflecting the consolidation of early investments and proven success stories.



Sources: GP Bullhound Insights, Capital IQ, Pitchbook, Bloomberg, LAVCA, Mergermarket, and press releases (as of April 2023)
 Note: Data of Unicorn and listed companies originally founded in LatAm; companies could have re-headquartered later to other regions; 1) Accumulated investment in tech companies from 2015 to 2022; 2) Aggregate valuation of both private and public Unicorn companies as of the last year of the described wave; 3) Number of public technology companies listed at the end of the described wave in both local and international markets

...have led to the birth and growth of 50+ Unicorns to date

Re-HQ companies originally from the local ecosystem



Rafa de Haro, Managing Partner, Cometa – an early-stage investor in technology companies for the Spanish-speaking world

“We continue to see a strong and resilient ecosystem, and we believe this can remain. There is still a lot of dry powder from local VCs who closed funds during H2 2022. In terms of sectors, we believe we have reached the fourth generation of founders, which are developing more B2B Software projects as they are more focused on launching products that easily expand internationally from inception.”

Sources: GP Bullhound Insights, Capital IQ, Pitchbook, Bloomberg, LAVCA, Mergermarket, and press releases (as of April 2023)
 Note: Non-exhaustive list, includes private and public technology companies that have achieved Unicorn status at some point since inception, although not necessarily maintain the Unicorn status as of April 2023, and companies originally founded in LatAm or with a strong presence in the local ecosystem that have re-headquartered later to other regions

Select success stories

nu



FOUNDERS EDWARD WIBLE, DAVID VÉLEZ & CRISTINA JUNQUEIRA

Founded in 2013, Nubank is a Brazil-based fintech. Aiming to challenge traditional banks and provide financial services with a better customer experience, it started as a credit card provider, offering no-fee credit cards with easy-to-use mobile apps and personalised services. Since its inception, Nubank has expanded its product portfolio and now offers personal loans, insurance, savings accounts, and investment options, among others. Its current offering covers B2C and B2B solutions, which has exponentially increased its customer base.

The company became one of the most valuable banks in Latin America after its IPO in December 2021, reaching a market value of c.\$40bn. Nubank's funding history is unique in the region, with some of the largest rounds historically, attracting major international funds such as Berkshire Hathaway, GIC, DST Global, and TCV. It has over 40 million customers in Brazil, Mexico, and Colombia, making it one of the largest neobanks in the world.

d-local



FOUNDERS SERGIO FOGEL & ANDRÉS BZUROVSKI

Founded in 2016, dLocal is an Uruguayan fintech company. Its platform simplifies cross-border payments for businesses operating in emerging markets, with a focus on Latin America, Asia and Africa, enabling payments from customers worldwide in a seamless, fast, and secure way. dLocal's platform operates in more than 40 countries and supports over 900 payment methods, including credit and debit cards, bank transfers, and local payment methods. It employs over 700 people and transacts over \$10bn per year through its platform.

It is building a unique, scalable API payment infrastructure while growing rapidly and being profitable with strong cash generation. The company completed its IPO in June 2021, reaching a c.\$6bn valuation after raising \$600m of capital. It is one of the most solid fintech histories in Latin America, with a promising future given its growth track record and international expansion across emerging markets.

Source: Company websites, Capital IQ, Crunchbase, Pitchbook, and press releases (as of April 2023)

Rappi



FOUNDERS JUAN PABLO ORTEGA, SEBASTIAN MEJIA & FELIPE VILLAMARÍN

Founded in 2015, Rappi began as a solution to connect small businesses or "neighbourhood stores" with users within a few city blocks. The app was seen as a digital pantry store and a small group of people promoted it by giving away doughnuts in exchange for downloads. Later, its major differentiator, the "Rappi Antojo" button, gave birth to the first SupperApp in Latin America by offering users access to restaurants, food chains, ATM services, pharmacies, and supermarkets.

Rappi operates in nine countries in Latin America and is present in more than 220 cities. With over 100 million downloads since 2015, the platform's major verticals offer a wide variety of options, from ordering products in under 10 minutes to opening a digital bank account with a card on your doorstep in minutes. Rappi has raised over \$2bn since its inception from leading international funds and is a candidate for a potential IPO, according to its investors.

KAVAK



FOUNDERS LOOREANNE GARCÍA, CARLOS GARCÍA, & ROGER LAUGHLIN

Founded in 2016, Kavak is a Mexican e-commerce platform for buying and selling used cars, simplifying the process and offering a seamless user experience. Its main product is its online marketplace, which offers a wide selection of certified used cars that have been inspected, serviced, and refurbished by Kavak's team of experts. Kavak's platform uses advanced technology and data analytics to provide customers with an accurate valuation of their cars and offer competitive prices.

Kavak has raised over \$1.5bn in equity funding, becoming one of the most valuable startups in Latin America with an \$8bn+ valuation, allowing it to quickly expand its product offering with ancillary services such as financing and warranties, and its geographical footprint to Argentina, Brazil, Colombia, Peru, Chile, Europe (Turkey), and the Middle East (UAE and Oman), with over 2,500 employees.

Expert view

ALLEN TAYLOR

MANAGING PARTNER | ENDEAVOR CATALYST



CAN YOU GIVE A BRIEF OVERVIEW OF ENDEAVOR'S STRATEGY AND ITS MAIN CONTRIBUTIONS/MILESTONES TO THE LATAM TECH ECOSYSTEM?

Endeavor's mission was to build a thriving entrepreneurial ecosystem in emerging and underserved markets around the world. In 1997, when we first launched in Latin America, emerging markets were overlooked and unlikely to produce a single startup worth \$1bn. Today, there are 2,400+ Endeavor entrepreneurs from about 1,500 companies in 42 markets globally, with over 65 of them reaching unicorn status.

Once Endeavor entrepreneurs scale their businesses with the support of our global network, they have a built-in platform to pay it forward. The compound effect these entrepreneurs have in their local communities is called "the multiplier effect". Our research shows that it only takes a few successful founders to jumpstart an entrepreneurial ecosystem, based on their readiness to mentor, inspire, and invest in the next generation of entrepreneurs. Take Mercado Libre: it became the largest online commerce in Latin America and the first tech company to be listed on the Nasdaq, with a market cap of \$65bn. But this is just half the story. After several years, Hernan Kazah, the company's co-founder, and Nicolas Szekasy, former CFO, went on to found Kaszek Ventures in 2011, one of Latin America's first venture firms. Since then, they've backed over 100 startups - enabling the region's growth through founder-friendly smart capital.

To sustain our long-term operations, we have created Endeavor Catalyst — a rules-based, co-investment fund, set up to invest in the very same entrepreneurs it supports. With a third of the fund's LPs consisting of high-growth Endeavor entrepreneurs themselves, a full circle phenomenon is created. When founders fund other founders, local ecosystems are given the opportunity to thrive.

HOW HAS THE LATAM TECH ECOSYSTEM MATURED IN RECENT YEARS?
DO YOU THINK IT'S STILL EMERGING?

Brazil is our largest market with Mexico and Colombia following closely behind, and we have witnessed first-hand how the ecosystem has matured recently. Brazil harbours second and third generations of founders, and this will be replicated across other Latin American regions. We are seeing a true generational effect. While it's still an emerging market, there are dynamic trends accelerating the region's growth.

The maturity of the market can also be observed in the evolution of different sectors seen in newly-formed startups. Initially, companies in the region were mainly digital commerce and consumer-led businesses. Between 2000-2015, funding was focused on commerce companies, like Mercado Libre. The arrival of fintechs pushed ecommerce to focus more on consumer-led finance. Following this, we are seeing technology's power in disrupting traditional sectors, such as edtech, healthtech, and smart cities like never before. The region is also evolving from B2C to B2B structures as there is a strong digitalisation happening in the SMB economy, particularly in Brazil.

WHICH SECTORS DO YOU THINK HAVE RECEIVED MOST INTEREST? HOW
WILL THIS EVOLVE IN THE COMING YEARS?

We've witnessed the last wave of investors focusing more on vertical SaaS, like Colombian admin and billing systems platform, Alegria, and B2B ecommerce system, Chiper. Latin America has been very underinvested for a long time, but appetite increased when international players like General Atlantic, Riverwood, and Coatue started investing heavily. We believe that focus will shift more towards enterprise, SaaS, and vertically-focused businesses. There still needs to be a replication of what happened in the United States, where general SaaS dominated before starting to branch out to custom solutions for each case. The key is understanding that large enterprise sale is not the same as SMB sale, but we're seeing more investors in the region focus on B2B rather than SMB. We will also see many companies being built in accelerators and potential growth in the health- and bio-tech sectors.

WHAT DO YOU THINK ABOUT THE FUNDING/INVESTMENT SENTIMENT
AND WHAT DO YOU EXPECT IN THE FUTURE?

The ecosystem still has enough capital for development, especially in early-stage companies, and there are players with a lot of dry powder focused solely on the Latin American region, like Kaszek, Monashees, and Valor. The remaining funding gap can be perceived as an opportunity. Late-stage companies are underserved in LatAm, where there is a gap from Series B and onwards. Founders from emerging markets have strong survival instincts and tremendous resilience, which serves them well in times like these.

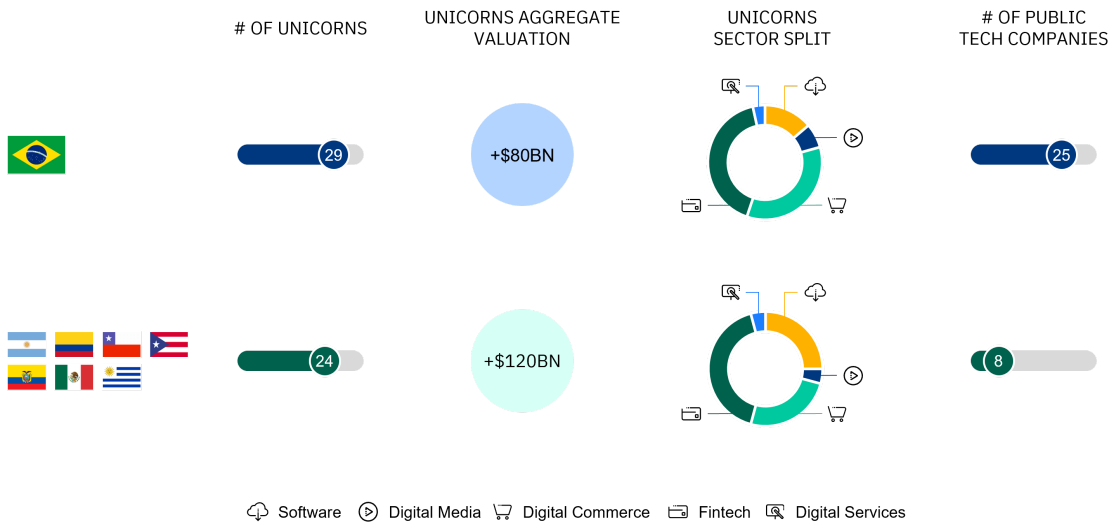
endeavor

One region, two ecosystems

State-of-tech perspective: Driven by differences in maturity, LatAm is perceived as two markets – Brazil and "the rest"

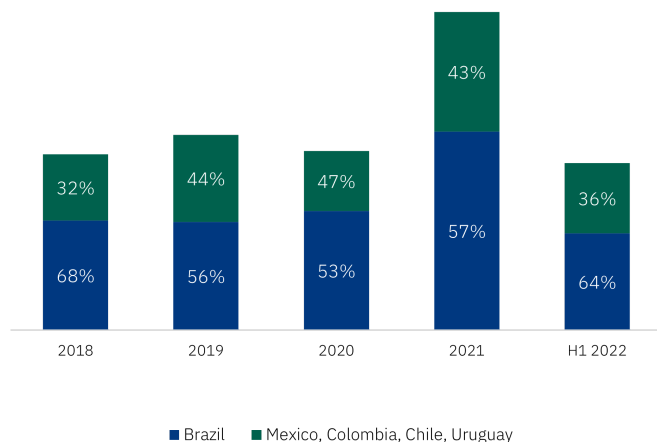
Latin America has traditionally been defined as a group of 21 countries with a population of over 650 million. When looking at certain parameters such as the number of Unicorns, the sophistication of active investors, and the amount of institutions and other industry stakeholders operating in the ecosystem, Brazil has reached a level of maturity that sets it apart from the rest of Latin America.

We expect the catalyst for this divergence to have been its population size relative to other LatAm countries and its unique language, enabling a significant serviceable domestic market for entrepreneurs. It began with consumer-focused / internet companies and then evolved into more B2B fintech and software solutions. Its tech-friendly regulation as well as a push from local corporates has also helped to attract international tech investors. Today, in our view, its tech ecosystem is more comparable to the likes of the US or Europe.



However, the “rest of LatAm” continues to follow Brazil’s path, influenced by the success stories they have seen as well as an increasing contagion effect, with certain contenders like Mexico or Colombia catching-up and ultimately battling Brazil for tech funding and talent.

INVESTMENT ACTIVITY ACROSS LATIN AMERICA (% OF TOTAL DEALS)



Source: GP Bullhound Insights, Capital IQ, CEPAL, CB Insights, Pitchbook, Bloomberg, LAVCA, Mergermarket, World Bank, and press releases (as of April 2023). Note: Data of Unicorn and listed companies originally founded in LatAm; companies could have re-headquartered later to other regions. Aggregate valuation of both private and public unicorn companies as of 2022. Number of public technology companies listed at the end of the described wave in both local and international markets

Bridging the funding gap

Robust dynamics point to maturing capital ecosystem, but blue ocean remains for all stakeholders

Venture capital remained the second-largest asset class in Latin America as a proportion of total private capital invested, representing 82% of all private capital transactions in 2022. There is a growing number of emerging fund managers and an increased exposure to venture from different multi-stage funds, with early-stage funding the most prominent, capturing \$4.9bn of total investment. Late-stage funding was notable in 2022, with \$2.2bn, dominated by cross-over and international funds.

The rise in invested capital, number of funds, and number of deals are strong drivers signalling a maturing ecosystem, but late-stage growth rounds are still dominated by international funds versus regional players given the “early stages” of capital instruments available. Another factor indicating maturity in market dynamics is the increase in alternative funding instruments, such as non-dilutive capital in the form of venture debt, which reached a record of \$1.1bn across 25+ transactions.

There is a trend towards bridging the funding gap driven by the increase in the number of fund managers, the size of existing funds, and the alternative funding instruments, which point to a maturing ecosystem. However, it is still blue ocean for various stakeholders, like late-stage regional funds, secondary funds, non-dilutive capital alternatives, project advisors, and others which can accelerate sophistication.

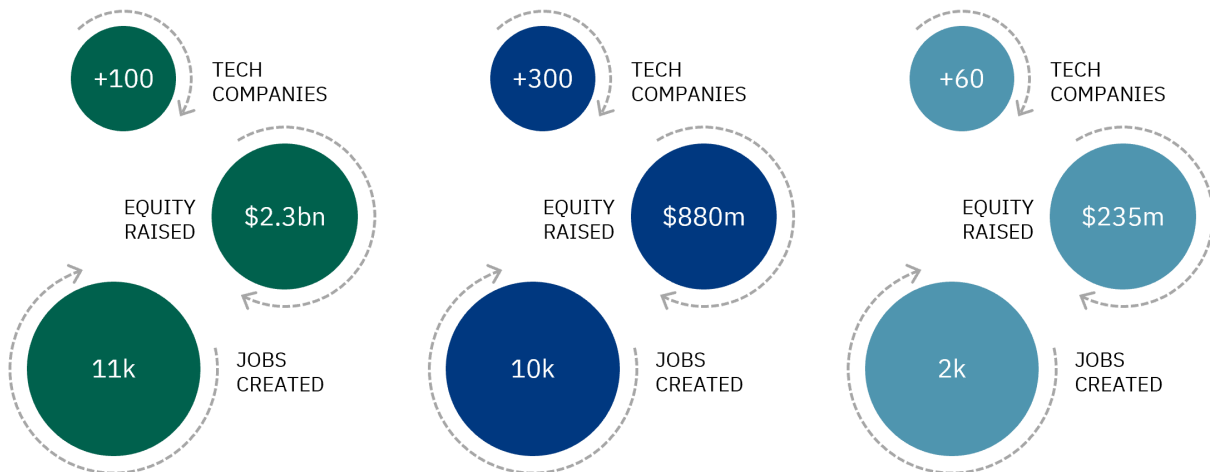
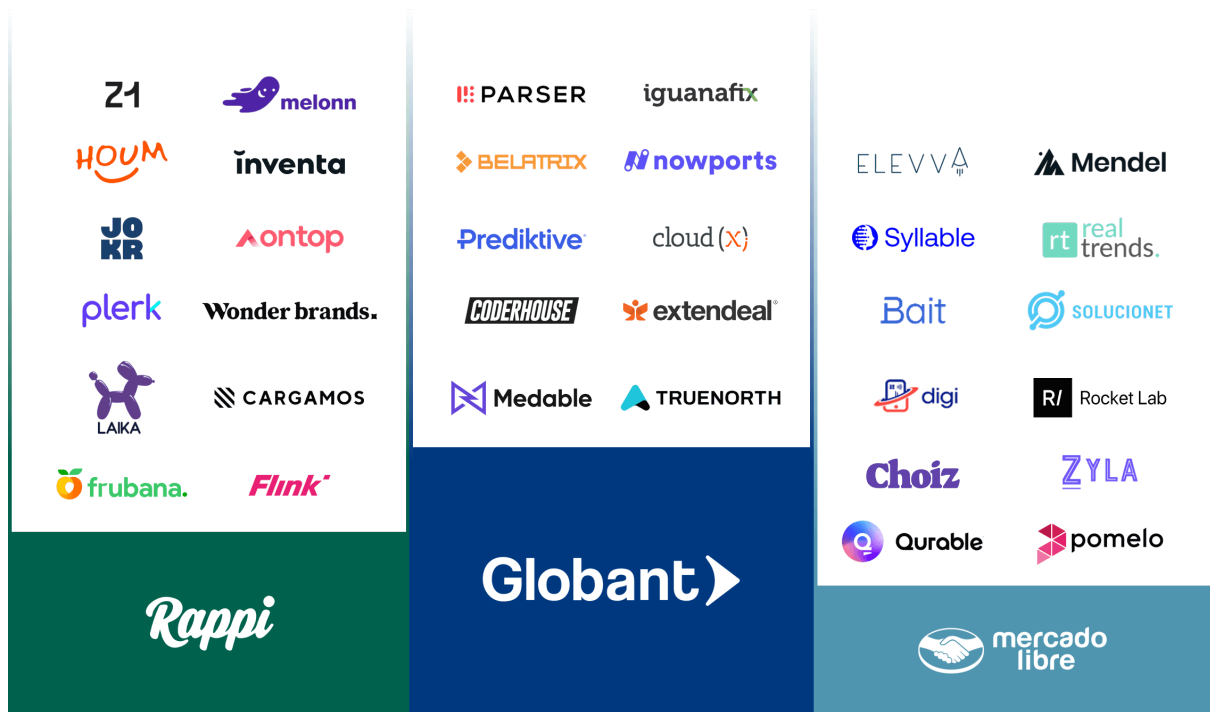


Sources: GP Bullhound Insights and LAVCA (as of April 2023)
 Note: Non-exhaustive list; logos displayed in each stage include the most active players across the region from 2015 to 2022, and USD funding of each stage as a % of total funding in technology companies in 2022

Latin America's tech factories

Successful founders are supporting the next generation of entrepreneurs, with Globant, Rappi and Mercado Libre leading the creation of new projects

The new generation of entrepreneurs is mentored by the tech ecosystem's key players. These serial founders and their early employees have experienced multiple economic cycles, building networks and learnings to deploy into new endeavours. Not only are there new projects, but also new alternative funds and platforms for the next generation of Unicorns. This powerful snowball effect boosts the ecosystem by creating more jobs and attracting the interest of even more investors. Together, Globant, Rappi and Mercado Libre have created 450+ tech companies, raised \$3.4bn in equity and employed over 22,000 people.



Sources: GP Bullhound Insights, Crunchbase, Pitchbook, and LinkedIn (as of April 2023)
 Note: Statistics based on information gathered from public sources; includes only technology companies founded by former employees of either Globant, Rappi or Mercado Libre, and does not include non-technology companies, venture capital firms, or other types of organisations

Expert view

JUAN CARLOS NARVÁEZ

CO-FOUNDER | TUL

HOW DID YOU START TUL AND WHAT INSPIRED YOU?

I come from a corporate background and entrepreneurship was never a path I considered. But my co-founder, Enrique [Enrique Villamarin Lafaurie, CEO of Tul] floated the idea of potentially venturing into the startup world by setting up an ecommerce business for small-sized retailers. I knew I wanted to take a chance on it. So I went to the market to meet potential customers and quickly realised that the technology we had in mind for Tul could solve many of the issues they were facing. Not only were we offering them a way to fulfil large orders and reach profitability, but we also offered the convenience of buying what they wanted, when they wanted.



WHAT WERE THE BIGGEST CHALLENGES AND HOW DID YOU OVERCOME THEM?

The first challenge was raising money and convincing investors that there was a real problem that we could solve. The second biggest challenge was educating ourselves on the supply-chain process, from manufacturing, down to construction and retail. Without fully understanding how individuals and organisations in this space work together, we weren't able to show how Tul could benefit them. Earning their trust was very difficult, because this industry hasn't changed much in the last 100 years. It was like convincing someone used to a rotary dial telephone to switch to a smartphone. We wanted to prove to them that there is a more efficient way to do business.

HOW IS THE RELATIONSHIP WITH THE INVESTORS ON YOUR CAP TABLE?

Our investors are really connected to what goes on in the tech world and we learn from them. Some investors are more involved than others. The more active ones not only provide funding, but they also bring "cross-pollination" from other companies. They share ways in which other companies deal with similar issues to us. I really enjoy it when investors ask us difficult questions. It helps us introspect.

HOW HAS THE ECOSYSTEM IN LATAM EVOLVED SINCE YOU STARTED OUT?

From the investors' side, it's much more mature and professional. From the innovation side, Brazil is the most sophisticated market, with other LatAm countries still learning how they can speed up digitalisation, or how technology can improve the value chain, which is what we're doing with Tul. Distributors in manufacturing and construction are finally looking for ways to innovate to keep up with market expectations. Additionally, the success stories of companies like Rappi have put Colombia –and LatAm in general – on the map and proved to investors that there is a lot of great talent in the region, as well a big untapped market to prove an idea. While there's been a decline in investments recently, I think there's a real opportunity for companies to create sustainable businesses that don't rely heavily on VC money.

WHAT ADVICE DO YOU HAVE FOR EARLY-STAGE STARTUPS?

Choose the right co-founders and partners. I think it's important to have the same values but different capabilities. Invest in the best people and nurture your company's culture from the beginning. But culture is not the slogans that you cover your walls with – it's understanding what you want from your people and hiring accordingly.

WHERE DO YOU WANT TO TAKE THE BUSINESS? WHAT'S NEXT FOR TUL?

When we started Tul, we thought we were offering a solution to developing countries only, but with time we realised that more developed regions could also benefit from our offer. So the market is bigger than we expected. Our model is replicable in other countries, but at the same time we don't want to stretch ourselves too thin and lose focus. Right now we want to fully develop our value chain and deliver to our investors. We want to keep achieving sustainable growth, building our technology and increasing our customer base. That's our playbook.



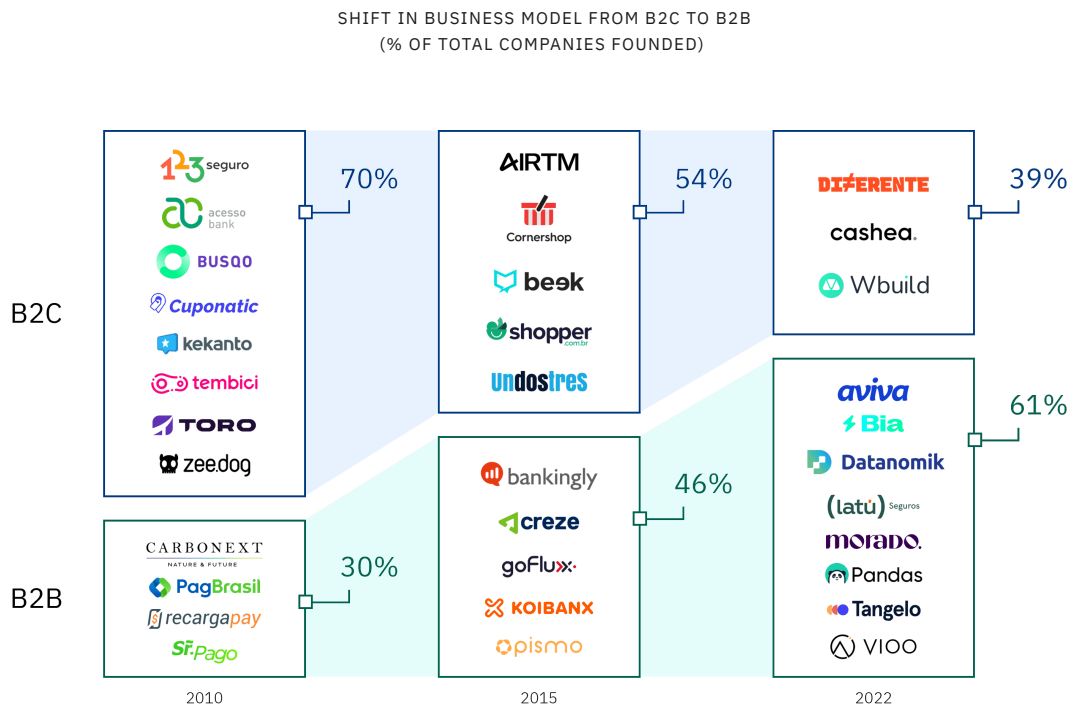
B2B versus B2C

An evolving ecosystem: From consumer-internet focus to increasing specialisation in enterprise software and SME digital solutions

When we analysed the Latin American tech ecosystem six years ago in our “Spain – the gateway between Europe and Latin America” report, consumer-focused startups dominated given the size of the population, smartphone penetration, and “still-to-be-digitalised” economy. From basic digital commerce/marketplaces to more complex consumer fintech, the user was top of mind.

Today, we find that the solutions tech founders provide have evolved in complexity, specialisation, and the end-user focus, particularly towards SME and enterprise. As the global digitalisation trend continues, boosted by the pandemic, LatAm’s incumbent companies need more digital solutions. What’s more is that most LatAm economies structurally rely on SMEs, and founders are acting on the opportunity to serve them, which has created an entire ecosystem with fintech services to more verticalised software (procurement, HR, ERP, etc.).

On the enterprise side, the demand for advanced digital transformation services (including Cloud, AI/ML and more) has boomed in recent years, and the lack of large digital consultancies to serve those clients has increased the demand for tech talent in the region. And as the region’s flywheel has shown, this talent is likely to become the next generation of LatAm’s founders.



Source: GP Bullhound Insights, Dealroom, and Crunchbase (as of April 2023)
 Note: Stats and graph includes companies founded in either 2010, 2015 or 2022 that operate under Digital Commerce or Fintech verticals

The new era: Software

Governed by the growth of software solutions

Software has become one of the fastest-growing markets, representing 34% of capital invested and 320 of fundraising deals, reflecting the confluence of various shifts:

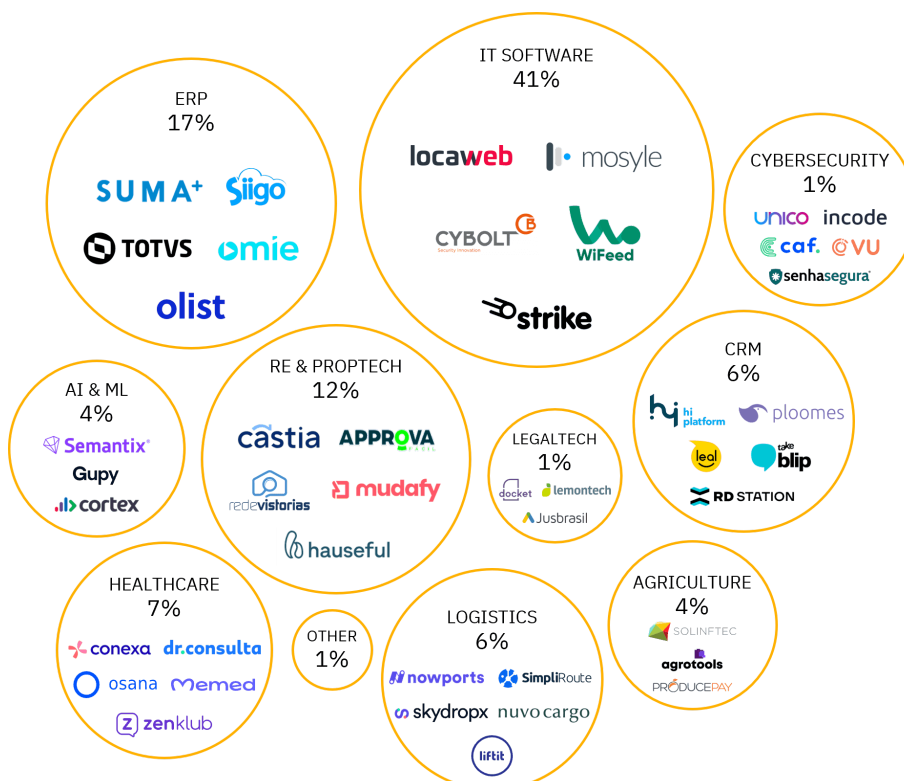
- Focus on B2B
- Move towards the development of global, scalable products
- Infrastructure enhancement
- SMB digitalisation

Brazil is the most mature ecosystem in the region, placing it at the forefront of upcoming trends. The rise in Software startups clearly reflects demand, as c.40% of total deals are early-stage investments. While the ecosystem is seeing success stories, this is only the beginning and, as the customer base matures, should develop into more niche and verticalised solutions.

Mike Packer, Partner, QED - leading the LatAm coverage, has been one of the first international fintech investors in the region. QED's first investment was Nubank, and given its strong expertise in fintech, it has looked at hundreds of opportunities in the region for the last decade.

"We have seen a big shift in the region. There has been a strong growth of SMBs in the ecosystem and the B2B market is ripe for disruption. We are seeing a lot of tech adoption from large corporations, which implies a big growth potential for companies in the region. There are still a lot of gaps in enterprises where companies can look for efficiency improvements and solve problems which could increase ROI and bring costs down. Fintech solutions are maturing and developing and while the first phase of embedded solutions was mostly focused on retail and marketplaces, we expect to also see new use cases play out this year as SMEs and corporates continue to identify ways to engage, monetise and optimise their client base."

SPLIT OF SOFTWARE VERTICALS BY FUNDING (%)



Sources: GP Bullhound Insights and LAVCA (as of April 2023)

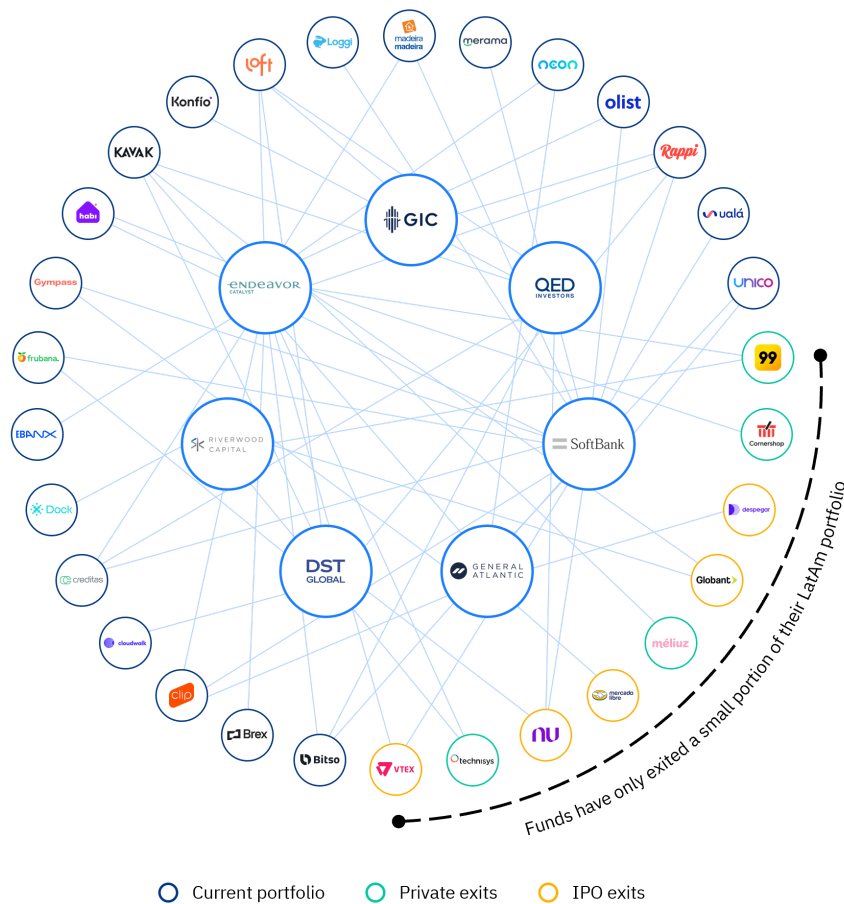
Note: % of funding per software vertical based on disclosed 2022 funding figures; logos are key LatAm-based players in each vertical that may have not raised in 2022

The exit route: A robust tech pipeline

High shareholder returns generated, driven by numerous successful private and public exits, but still robust pipeline for additional value creation

In the past 10 years, 14 LatAm-founded tech companies have gone public in the US and 19 in local markets, showing public listing has traditionally been the preferred route. Of the 280+ investments led by selected growth funds⁽¹⁾, only c.15% have completed the full cycle and achieved exit⁽²⁾.

A robust pipeline is being created, which will return additional shareholder value. Several companies have recently filed to go public and investors speculate other potential IPOs, together with strong interest from private trade deals. The US has historically been the preferred listing market given its size and sophistication, providing more liquidity, but we could see more exits in local markets as the regional ecosystem matures. Companies like Mercado Libre, Globant, Nubank, Despegar, and 99 are success stories, and these first full-cycle entrepreneurs are driving growth and confidence in the ecosystem for entrepreneurs and investors.



Sources: GP Bullhound Insights, Funds website, Capital IQ, Crunchbase, and Pitchbook (as of April 2023)
 Note: 1) Disclosed investments or acquisitions carried out by GIC, QED Investors, SoftBank, General Atlantic, DST Global, Riverwood Capital and Endeavor Catalyst; and 2) Publicly disclosed exits, non-exhaustive list; and image: Current portfolio companies of displayed funds that have publicly disclosed over \$250m in equity funding

Expert view

ZEEV THEPRIS

VICE PRESIDENT, LATAM | GENERAL ATLANTIC



CAN YOU GIVE A BRIEF OVERVIEW OF GENERAL ATLANTIC'S STRATEGY IN LATIN AMERICA?

We seek to identify emerging companies with strong fundamental performance and organic growth that can accelerate their expansion and scale globally. Beyond capital, we actively partner to help entrepreneurs grow their businesses through our value creation capabilities, global resources, and deep collaborative network. Within Latin America, General Atlantic was one of the first growth equity funds to establish a presence in the region. General Atlantic has been investing in Latin America since 2000 and today has more than 20 active investments across Brazil, Mexico, Colombia, and Uruguay. We seek to identify investment themes that are driven by innovation and entrepreneurship and supported by long-term secular growth. GA's portfolio is highly diversified by sector and region, with more than one-third in emerging markets.

WHAT ARE GENERAL ATLANTIC'S MAIN FACTORS FOR SUCCESS IN THE LATAM TECH ECOSYSTEM?

We believe that being on the ground and fully committed to the region has been a determinant factor to GA's success. We have a long-term mindset and a local network and presence, and we are betting on local entrepreneurs. We aim to partner with strong entrepreneurs who are creating innovative business models that can travel well both across the LatAm region but also internationally, where we can help them grow through our deep global network. Examples of such companies include Dlocal, Incode, Kavak, Gympass, and Hotmart, among others⁽¹⁾.

WHAT DO YOU THINK ABOUT THE FUNDING/INVESTMENT SENTIMENT AND WHAT DO YOU EXPECT IN THE FUTURE?

Since 2020 the region has gained increased investment attention. As the investment landscape became more challenging to navigate in other Emerging Markets, Latin America became attractive on a relative basis and drew attention from investors looking for appealing risk-adjusted returns. Many VCs, growth, and crossover funds started investing in the region, which we believe has helped propel entrepreneurship and promote Latin America as an attractive region amidst the global landscape. Growth in the LatAm IPO market may return during the first half of 2024, provided macro conditions improve. In addition, we see a lot of consolidation opportunities, even with smaller companies acquiring traditional companies to expand capabilities and improve unit economics.

WHICH SECTORS DO YOU THINK HAVE RECEIVED MOST INTEREST? HOW WILL THIS EVOLVE IN THE COMING YEARS?

We are focused on six key sectors in Latin America, including Technology, Financial Services, Healthcare, Consumer, Life Sciences and Climate. I believe that business models centred on financial inclusion, SaaS, increased healthcare and insurance penetration, and marketplaces will continue to generate interest going forward. We are optimistic about the future and believe the current environment will help nurture stronger entrepreneurs that can create world-class companies.

Note: 1) Companies listed represent Latin America portfolio companies with revenues outside of Latin America. General Atlantic's full list of its Latin America portfolio is available on its website.



GENERAL
ATLANTIC

Expert view

ALEXANDRE PORTO

PARTNER | RIVERWOOD CAPITAL



CAN YOU GIVE A BRIEF OVERVIEW OF RIVERWOOD'S STRATEGY, ITS MAIN CONTRIBUTIONS / MILESTONES TO THE LATAM TECH ECOSYSTEM AND ITS MAIN MISSION FOR THE COMING YEARS?

Riverwood's mission is to invest in and support a selected group of high-growth proven technology companies from across the globe that can scale into long-lasting category-defining businesses. In the past 15 years we have invested in more than 70 growth-stage tech companies, 28 of which are from Latin America and have grown their revenues at an average of 50%⁽¹⁾ per year during the past decade. Some of our portfolio companies have become established leaders in Brazil, built platforms serving countries across the region, and have become global leaders in their respective sectors. We have invested in companies that have achieved some of the most relevant exits and IPOs, helping to establish the region as an attractive end market and source of technology talent globally. Lastly, we have always endeavoured to build a community, including founding the LatAm Tech Forum, a leading event for top tech founders.

HOW HAS THE LATAM TECH ECOSYSTEM MATURED IN THE LAST COUPLE OF YEARS? DO YOU THINK IT IS STILL AN EMERGING ECOSYSTEM?

We continue to see Latin America as a large, growing, and attractive market for tech investing, with the tech opportunity increasing at a faster pace than in more developed regions. LatAm has been catching up with the US, Europe and Asia in terms of technology business formation and digitalisation, with a meaningful growth in companies during the past five years. Building on the momentum of the last decade, we are also seeing the emergence of LatAm tech companies becoming global contenders in their respective sub-sectors and showing up as industry frontrunners on internationally recognised leaderboards from providers like IDC, Forrester, and Gartner, all of which illustrates the maturation of the tech ecosystem, as well as the development of world class talent.

HOW HAS THE FUNDING / INVESTMENT SENTIMENT BEEN IN 2022 AND WHAT DO YOU EXPECT FOR 2023? IS THE MARKET MATURING IN TERMS OF DIFFERENT CAPITAL ALTERNATIVES?

In 2021, Latin American tech went through a boom, reaching \$16bn in capital invested, a 283% YoY increase and by far the peak investment year. Excitement was fueled by growing technology opportunities in the region, the acceleration in tech trends due to Covid, and low interest rates that drove excess liquidity and risk-taking globally. After a record surge in 2021, deal activity was down in 2022. And we expect this correction to continue. Despite the reduction in capital commitments, technology adoption trends are stronger than ever, and we believe that business building in Latin America will continue to be robust, driving the development of a new generation of companies and becoming a main contributor to macroeconomic development.

WHICH SECTORS DO YOU CONSIDER HAVE RECEIVED MOST INTEREST?
HOW WILL THIS EVOLVE THIS COMING YEAR?

During the end of the last cycle, “full stack” and highly visible companies disrupting entire industry value chains received the most interest and dollars. This was most notable in ecommerce, fintech, proptech, and delivery businesses. We expect these segments to continue to disrupt and take share from incumbents, but perhaps at a more measured pace while moderating capital consumption needs. The consumer was “digitalised” across several industries, and we expect the B2C opportunity to evolve from an initial phase of digital adoption to a chapter of consumer experience and retention.

In addition to this category, there exists a large and growing demand for LatAm B2B software, data, and services, which is something that Riverwood has been investing in for over a decade. We expect this trend to accelerate as enterprises and mid-market companies seek to digitise and automate, increasing productivity. Buying and leveraging software in Latin America is evolving from a “nice to have” to a necessity, and the region has high-quality talent in order to build software companies to serve local communities, as well as to expand globally.

HOW IS THE GLOBAL MACROECONOMIC SITUATION AFFECTING TECH FUNDRAISING /
M&A ACTIVITY? WHICH OPPORTUNITIES/THREATS DO YOU FORESEE?

Global inflation and geopolitical tension are creating a mixed context for LatAm: on one hand, there is increased risk aversion and interest rates, but on the other hand, the rising commodity prices can be a driver of growth and stability for the region. Additionally, we see expanding secular technology adoption trends such as the increasing utilisation of cloud/SaaS, automation tools, and emerging AI use cases.

HOW ARE YOU APPROACHING A SUCCESSFUL EXIT STRATEGY?

As lead growth partners, Riverwood assists our companies to scale up across product and go-to-market, driving compound growth with proven unit economics and profitability to create a sustainable competitive advantage. In addition to organic growth, we support our portfolio in M&A. We also help our portfolio companies attract capital alternatives, including liquidity events through sales to local strategic players, sales to international strategic players, and IPOs. We think a successful exit strategy is mainly driven by maintaining an attractive business, coupled with a measured approach to building visibility across the different capital markets for the company.

Note: 1) Revenue CAGR calculated from LTM from the date of the investment to the LTM ended December 31, 2022 or the date of exit of the investment, as applicable, and weighted by invested capital. Such weighted average CAGR includes data from all investments across all funds made since inception through December 31, 2021. CAGR calculation uses constant currency figures, before exchange rate variations.



Expert view

MATT COLE

CO-FOUNDER & CEO | SUMA



HOW DID YOU START SUMA AND WHAT INSPIRED YOU?

I moved to Chile from the US over 10 years ago. My mission was to digitise millions of Small and Medium Businesses (SMBs) in Latin America. Together with Riverwood Capital we acquired Nubox in Chile, to create a product that combines global standards and world-class benchmarking, but with local solutions in every country where we operate. Today, SUMA supports more than 100k SMBs in Mexico via Bind-ERP, in Chile via Nubox, and in Argentina via Colppy.

WHAT WERE THE MAIN CHALLENGES AND HOW DID YOU OVERCOME THEM?

Breaking generational barriers was challenging. Many business owners here are still very analogue. In the beginning, it was incredibly difficult to issue electronic invoices, collect payments, complete tax filings and reconcile bank statements. There's an ocean of small businesses in Latin America, with over 26 million in the formal market, and millions more in the informal market. More than two million small businesses are born in Latin America every year and there are various factors driving digitalisation of SMBs. First, there's a generational shift. Young people aren't bookkeeping the old-fashioned, they're embracing software. Second, there's a massive increase in network bandwidth and reliability of the internet. Finally, there is a big shift in regulatory trends to digitalise SMBs – it's now a requirement to issue electronic invoices or file electronic tax returns in many LatAm countries, and this pushes businesses into the new era of technology adoption.

WHAT WERE SOME OF THE CULTURAL DIFFERENCES AND BARRIERS YOU FACED WHILE SETTING UP A COMPANY IN LATIN AMERICA?

When we started we knew we wanted to build beyond Chile. So everything we did, we did as a platform that could add and integrate other operations. I think you can have a sense of local culture, but still maintain global standards. If you look at the best things which come out of Latin America, they are truly world-class, whether it's Chilean wine, Argentine football, or Mexican cuisine. Being local does not mean having low standards. While there is still some volatility in the region, you can adjust for the lack of infrastructure and transparency in certain cases, but that doesn't mean lowering your standards. We decided we weren't shooting for the average and that's something we worked hard to build and maintain. With Riverwood as an investor, the bar is raised across the board in everything that we do at SUMA: developing talent, building products, supporting our clients, and managing our company.

WHAT WERE YOUR CRITERIA FOR PARTNERSHIPS?

When we looked at potential targets to pull into the SUMA platform, chemistry with the founding teams was the most important. We wanted to have the same view of what success looked like for them. We also looked for native cloud players. Building a scale-up is difficult enough, but migrating from on-premise legacy systems to the cloud would be even more so. Lastly, we wanted partners that already had a critical mass in terms of customers. We figured we could always improve the product, but if we started with a bad cultural fit or a legacy platform, it would be too difficult to get these businesses to align in the same direction later on.

WHAT ARE YOUR THOUGHTS ON ACCESS TO CAPITAL IN LATIN AMERICA?

There's more capital available now than ever before in Latin America. If you're benchmarking today against 2021/22, it's a very different scenario, but post-Covid entrepreneur and investor expectations just got way ahead of themselves. Today, there is a lack of clear planning to generate sustained profitability on a durable basis. Maybe it's easier to project for companies that aren't in the tech sector, but with tech, the priority was growth over durability. The question is whether there will be a semi-permanent repricing of assets, or if this is just a dip that will see things returning to normal soon. Also, there is a very slim market of bank debt for asset light companies, and not just for technology. Unfortunately lending to tech companies tends to be a "no-fly zone" for most traditional banks in Latin America.

WHAT DOES SUCCESS LOOK LIKE FOR SUMA? WHERE DO YOU WANT TO TAKE THE BUSINESS?

Our mission is to make Latin America more successful in creating a growth and employment engine with SMBs. Our average customer has about nine employees. If we could take that to 10, that's more than 10% growth in employment. And, of course, we want to continue developing a product that simplifies and automates business tasks so that our customers can integrate their business information with the various counterparties in their ecosystem. We want to free our customers from the burden of spreadsheets that don't add up, or a bunch of paper bills that they're not running through accounting systems or the local tax office. And we're not waiting for this digital revolution to happen – we're actively fostering it. As SUMA makes SMBs more successful, they will drive economic growth and prosperity of Latin America.

SUMA⁺

2022: A material shift in investment and operating strategy

We expect the focus on early-stage funding to continue through 2023; however, with the strong backlog and pipeline of potential IPOs, the market could begin re-allocating funds to growth and pre-IPO companies. The emerging venture debt and hybrid instruments are also becoming an option for a select number of companies that fit issuer criteria.

From "growth mode" to profitability

2020-2021 saw the rise of growth-stage investing in Latin America. There was a record number of capital raises, resulting in a record number of new investors entering the region. This allowed for a highly competitive investment environment where price, valuation and speed drove investment decisions versus quality (picking the right investment partner).

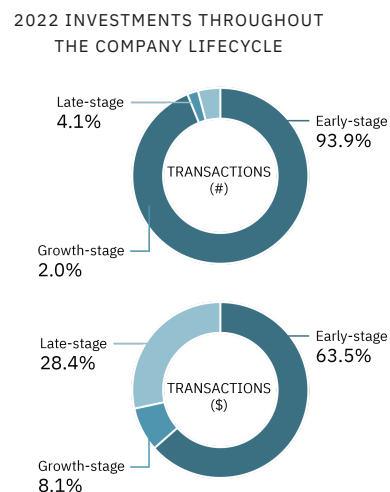
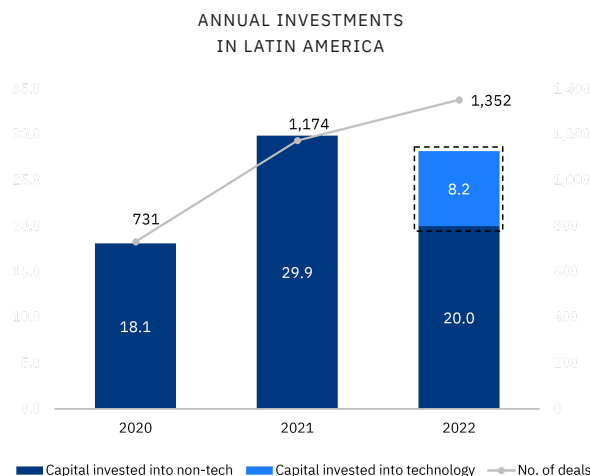
2022 marked a sobering year for all parties in the Latin American venture ecosystem:

- Founders and companies had to, for the most part, pivot from “growth mode” to profitability and learn how to operate a capital-constrained environment
- Investors new to the region experienced a combination of negative-impact events, including rapidly increasing interest rates in the fund-domiciled country (most likely the US, the UK, and the EU), and fluctuating Forex and interest rates in the portfolio company country. This caused many to re-evaluate their exposure in the region and, in some cases, exit investments via secondary transactions at an embedded discount
- Investors with a long track record of investing in the region experienced the same macroeconomic headwinds, but executed on a developed thesis. In some cases, blue-chip investors were opportunistic to increase their equity position in portfolio companies (via secondary transactions mentioned in point two) and bridge rounds

Another clear shift was the rotation into early-stage investments from growth/pre-IPO opportunities. We believe this is due to the following:

- Digital transformation continues to accelerate technology adoption in the region, expanding the TAM of existing offerings, and creating new TAMs to target
- There have been significant exits over the past 24 months. Many of these management teams have started new ventures (i.e. Rappi) and have finally reached “backable” scale (typically post-MVP stage, generating \$500k+ in revenue)
- Timing the investment to capitalise during the next bull run
- A correction in private company valuations leading to investor-friendly terms

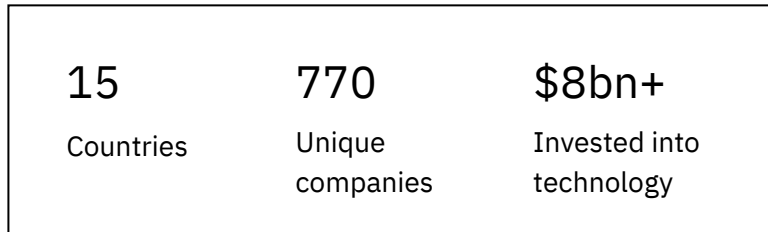
SHIFTING TO AN EARLY-STAGE INVESTMENT FOCUS (\$BN)



Sources: GP Bullhound Insights and LAVCA (as of April 2023)

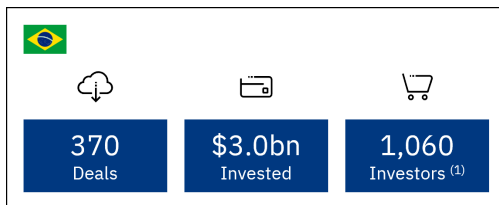
*Percentages represent proportion of deal count (#) and total transacted (\$)

2022 at a glance

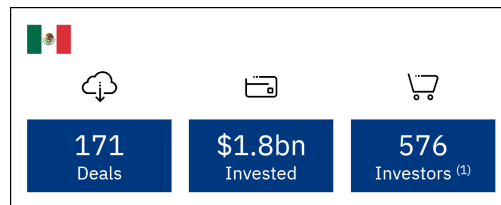


Software
 Digital Media
 Digital Commerce
 Fintech
 Digital Services

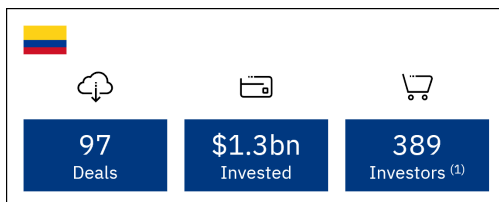
BRAZIL



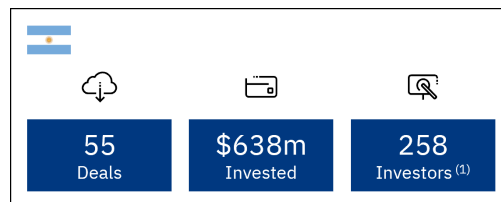
MEXICO



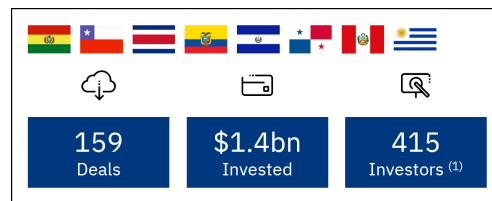
COLOMBIA



ARGENTINA



OTHER

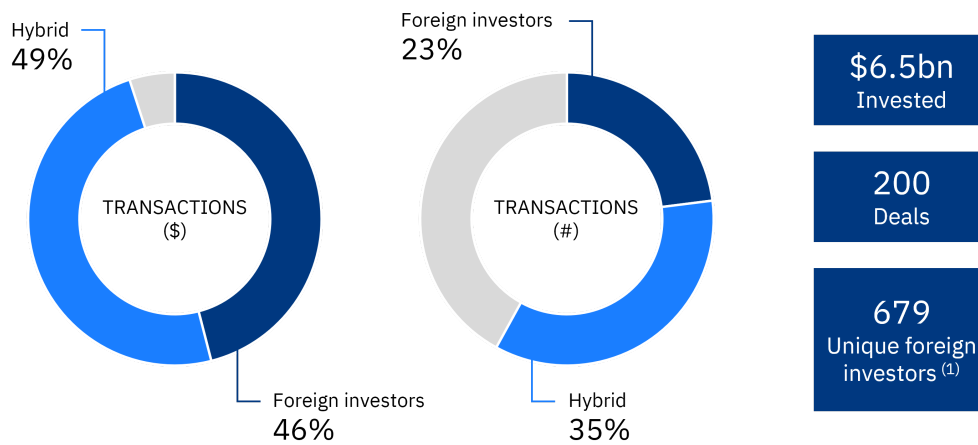


From left: Bolivia, Chile, Costa Rica, Ecuador, El Salvador, Panama, Peru, and Uruguay

Sources: GP Bullhound Insights and LAVCA (as of April 2023)

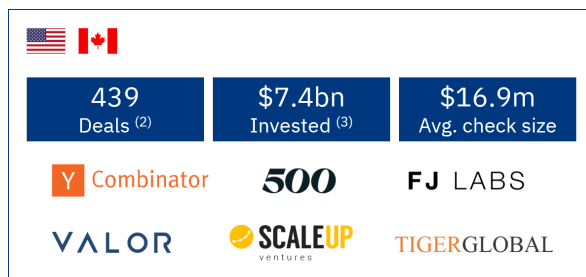
Note: Not all transactions have a disclosed investment amount; stats above reflect technology transactions; and 1) Figure represent the total number of investors participating in each stage and do not filter for unique counts of investors who participate multiple times.

A growing universe of foreign investors, partnering with local capitalists

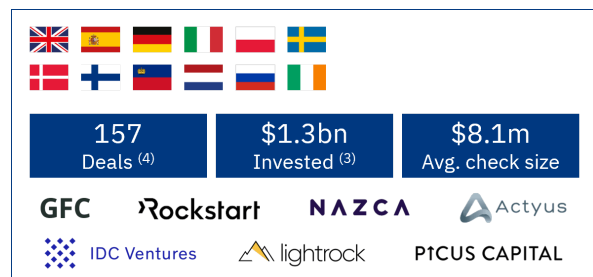


*Percentages represent proportion of deal count (#) and total transacted (\$)

NORTH AMERICA (EXCL-LATAM)⁽²⁾



EUROPE



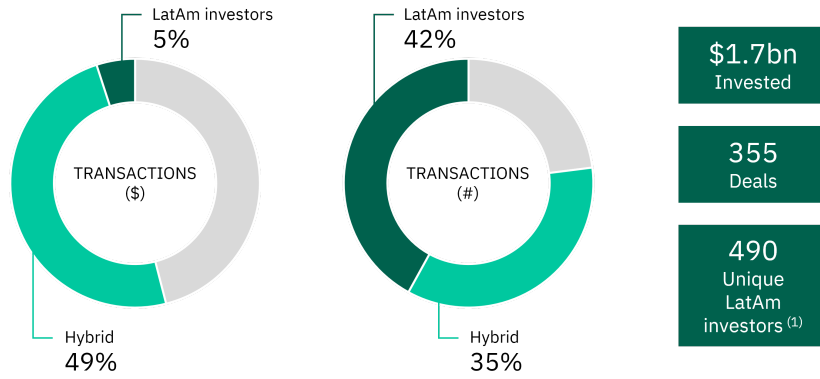
APAC & OTHER



Sources: GP Bullhound Insights and LAVCA (as of April 2023)

Note: 1) This figure represents the total number of unique foreign investors participating in LatAm tech deals; 2) North America includes the US and Canada; for data integrity purposes, Mexico is designated as Central America & Caribbean; 3) represents deals where an investor in the syndicate is established in the designated region; 4) to represent international money inflow across syndicated investment rounds, we assume that investors provided equal checks; the total deal value is divided in proportion to the percentage of investors from each region; and not all transactions have a disclosed an investment amount

Deal volume anchored by local investors



*Percentages represent proportion of deal count (#) and total transacted (\$)

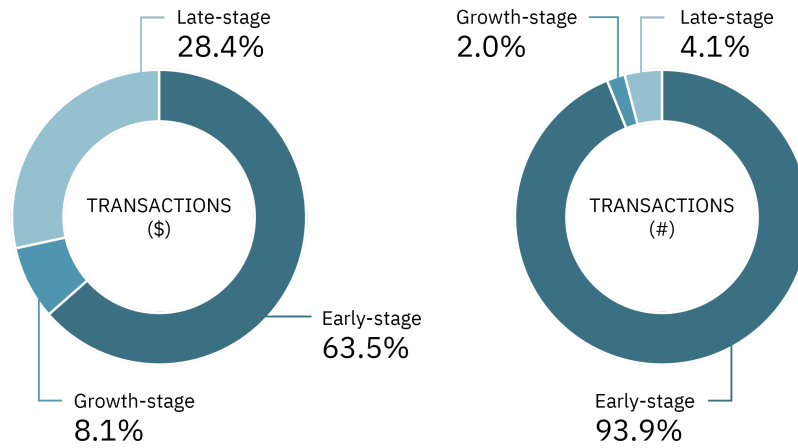


Sources: GP Bullhound Insights and LAVCA (as of April 2023)

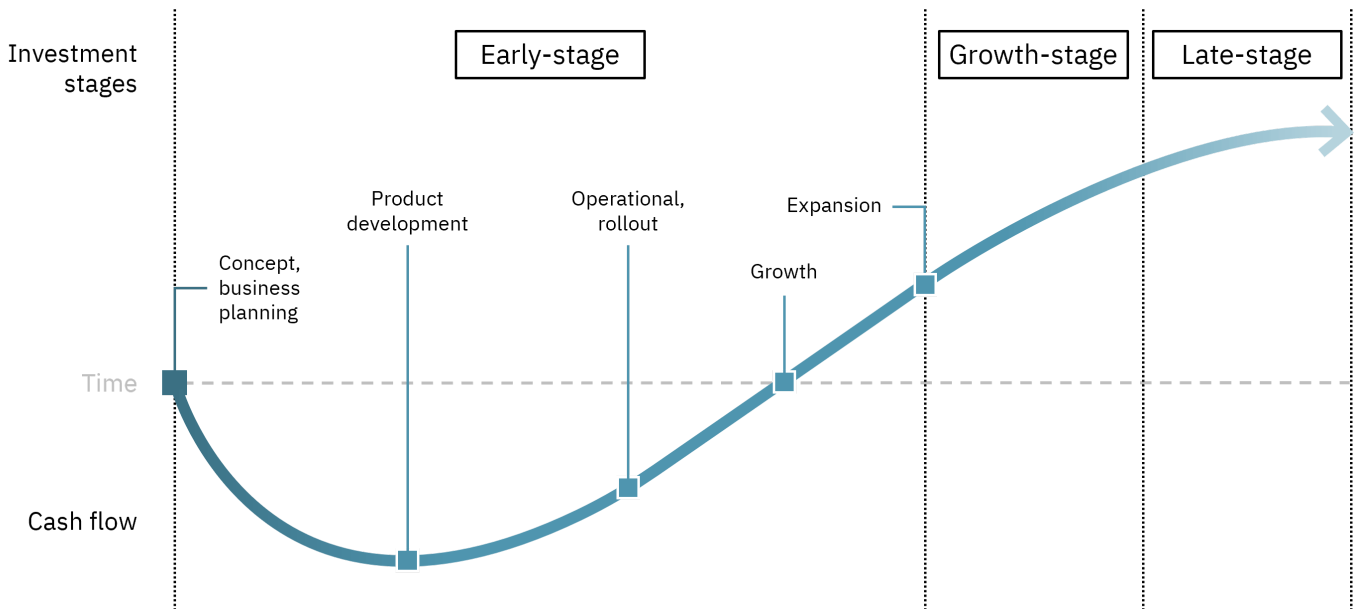
Note: The investors shown are not exhaustive; and 1) this figure represents the total number of unique LatAm investors participating in LatAm tech deals

Investing across the company lifecycle

The rise of early-stage



*Percentages represent proportion of deal count (#) and total transacted (\$)

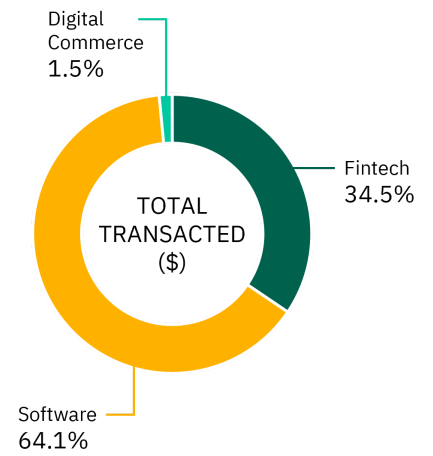
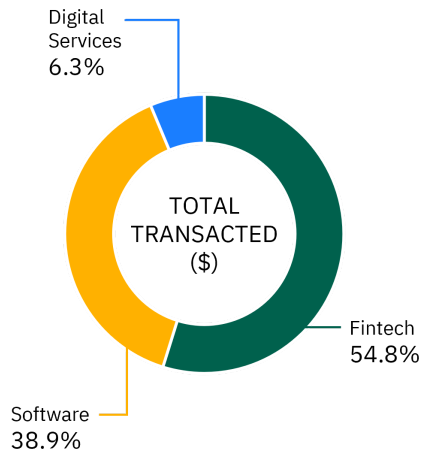
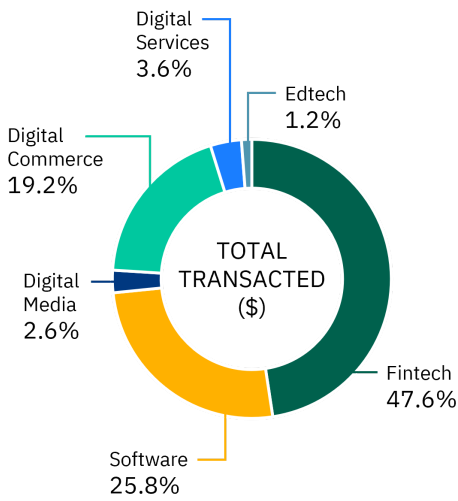


Note: Early-stage includes startup capital for companies including Seed, Series A to Series B rounds, and venture debt. Growth is non-control investment in an existing company to finance growth strategy. Typically, this is the first outside institutional capital in a traditional business. Late-stage includes capital for companies that have reached a sustainable level of development and may be expanding past their home country; includes PIPEs, Senior Loans, and Series C rounds and beyond.

794 Deals	\$4.9bn Invested
\$6.2m Avg. check size	2,522 Investors ⁽¹⁾

17 Deals	\$622m Invested
\$36.6m Avg. check size	29 Investors ⁽¹⁾

35 Deals	\$2.2bn Invested
\$62.4 Avg. check size	141 Investors ⁽¹⁾



*Percentages represent proportion of deal count (#) and total transacted (\$)

Sources: GP Bullhound Insights and LAVCA (as of April 2023)

Note: 1) Figure represents the total number of investors participating in each stage and does not filter for unique counts of investors who participate multiple times; stages exclude buyouts, secondary buyouts, distress/restructuring, and mezzanine.

The state of technology investments

Not all sectors are created equally; the amount of money invested doesn't necessarily reflect most popular sector

In 2022, investor appetite for Software and B2B grew as the ecosystem continues to evolve and sophisticate. While the Fintech sector continued to dominate from a total dollars transacted perspective, Software saw the most volume, sitting at 38% of total transactions.



Fintech

Popular themes remained constant throughout 2022. “Banking the Unbanked” (consumer finance, financial & banking, and digital banking)-focused ventures received the most attention from investors. Early-stage investments into Fintech were the most popular as investors continue to fuel the financial transformation of the region.



Software

Software was the second-most active vertical, driven by significant late-stage into subsectors such as IT software, ERPs, and PropTech. LatAm has all the ingredients to become a leading Software hub: talented developers, attractive pricing dynamics, and time zone overlap with the western hemisphere.



Digital Commerce

The growing digital commerce companies in LatAm are largely focused on helping SME's manage and scale their businesses. Several of these companies are creating ecommerce solutions that enable the digitisation of small businesses through inventory management, accounting automation, and online distribution channels.



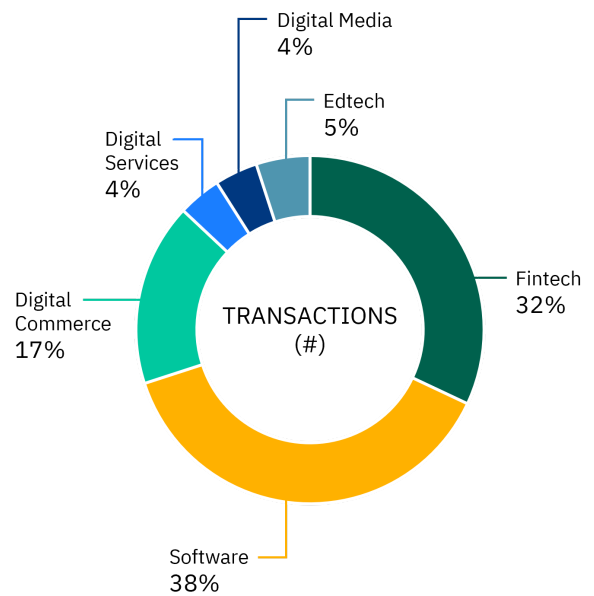
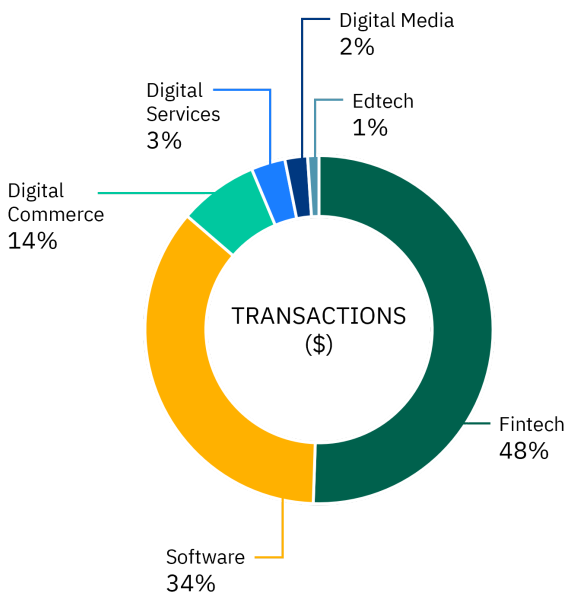
Digital Services

Digital Services represented 4% of investments and 3% of dollars transacted. Digital infrastructure and innovation remain leading areas of investment as the region continues to modernise. Later-stage investors typically look at cash flow generating companies.



Digital Media

While the Digital Media and EdTech sectors saw the least activity in 2022, these transactions are propelled by significant tailwinds in the region. Digital Media was driven by gaming, which has seen a spike in interest over recent years. Growing EdTech businesses in LatAm are primarily focused on professional development of the region’s talent.



*Percentages represent proportion of deal count (#) and total transacted (\$)

Sources: GP Bullhound Insights and LAVCA (as of April 2023)

Note: Early-stage includes startup capital for companies including Seed, Series A to Series B rounds, and venture debt, and growth is a non-control investment in an existing company to finance growth strategy - typically, this is the first outside institutional capital in a traditional business; late-stage includes capital for companies that have reached a sustainable level of development and may be expanding past their home country - includes PIPEs, Senior Loans, and Series C rounds and beyond; and: 1) Figure represents the total number of investors participating in each stage and does not filter for unique counts of investors who participate multiple times; stages exclude buyouts, secondary buyouts, distress/restructuring, and mezzanine.

The state of Fintech

A new fuel for the consumer economy

In recent years, Fintech has been a rapidly growing sector in Latin America. 2022 was no exception. Compared to the other five GP Bullhound sectors, Fintech saw the most dollar inflow, accounting for 33.6% of the total invested in LatAm technology. Leading the pack were companies focused on consumer finance, digital banking, and payments. Thirty universe constituents participated in multiple rounds. Latin America is poised for Fintech’s continued growth as confidence in the region’s financial institutions weakens and consumers look for more alternatives.

What’s driving the sector

➤ BANKING IN THE PALM OF YOUR HAND

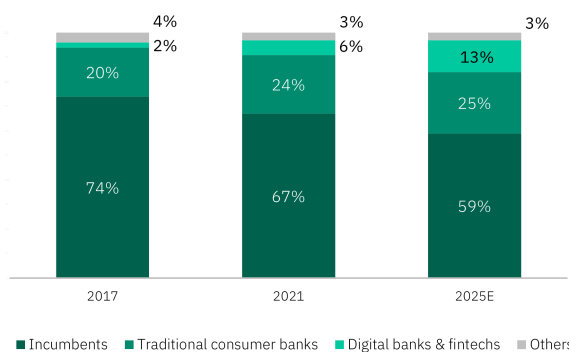
For decades, much of the Latin American population has struggled with a poor quality of service from consumer banks, facing high rejection rates and bureaucratic processes. Coupled with the fact that much of the rural population in Latin America is unbanked – often miles away from the nearest branch – banking services have been inaccessible to many.

Digital banking has plugged this gap. As mobile phones have become affordable and proliferated, access to banking services is now a tap away. A digital environment gives way to innovative methods of assessing a customer’s creditworthiness by using their digital footprints – enabling those that have struggled to build credit traditionally. As the pandemic caused more people to adopt online services, this trend is set to continue.

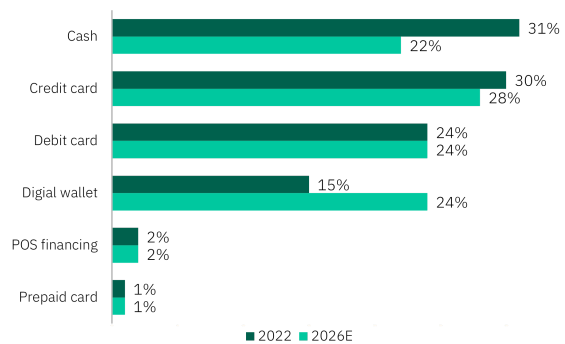
➤ STILL-WIDE PENETRATION GAP AS CASH REMAINS KING

While payments and banking have gone mobile in the digital environment, cash remains the number one payment method for brick-and-mortar transactions. In 2022, cash comprised 31% of LatAm’s total POS transaction value, with credit cards a close second at 30%. This comes as no surprise given the penetration of mobile devices and digital adoption by older generations. Fintech’s continued growth hinges on a shift to credit cards and digital wallets, likely surpassing cash by 2026.

TOTAL OUTSTANDING BALANCE OF RETAIL CREDIT (BRAZIL)

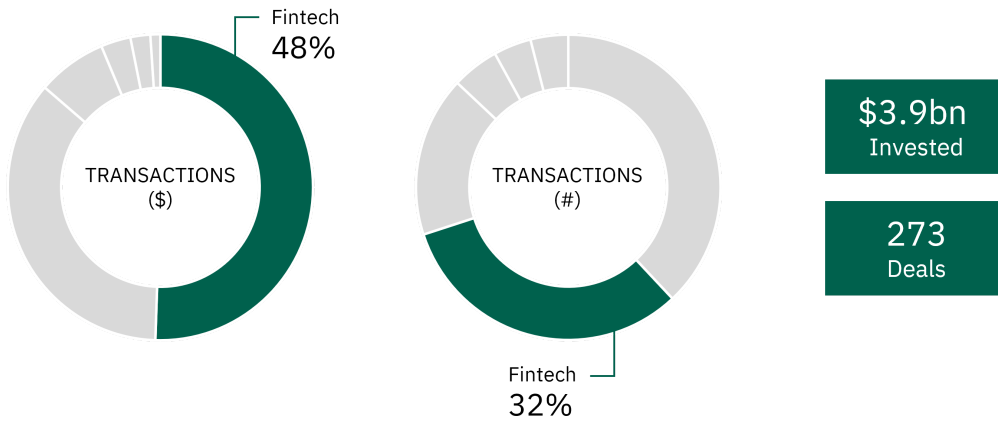


LATAM POS PAYMENT METHODS SHARE OF TRANSACTION VALUE, 2022-2026E



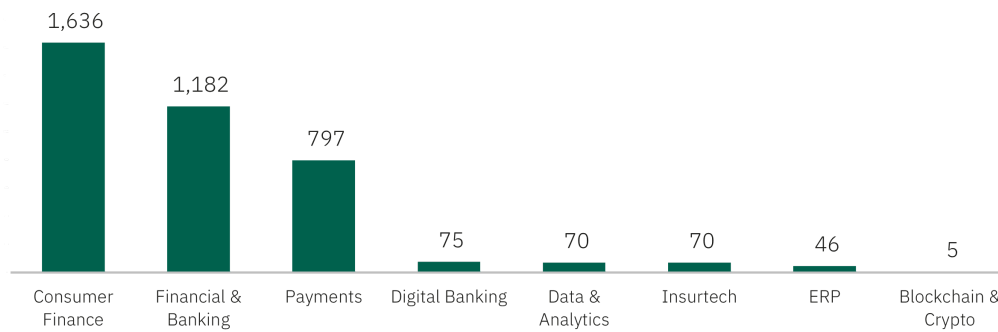
Sources: GP Bullhound Insights, LAVCA, Capital IQ, Ebanx, and 2021 Global Payments Report (as of April 2023)

Double clicking on: Fintech



*Percentages represent proportion of deal count (#) and total transacted (\$)

CONSUMER FINANCE THE MOST POPULAR SUBSECTOR (\$M)



BY THE NUMBERS



Sources: GP Bullhound Insights and LAVCA (as of April 2023)
Note: Not all transactions have disclosed an investment amount

Expert view

ANGEL SAHAGUN FERNANDEZ

FOUNDER & CEO | ALBO



WHAT INSPIRED YOU TO START ALBO AND WHAT WERE THE MAIN CHALLENGES?

In 2015, I realised that the time was ripe for the creation of an efficient and innovative bank that understands customers' needs. I wanted to give people financial freedom. That's how Albo was born in 2016, becoming the number one digital bank in Mexico. We're empowering people by providing easy access to a new era of digital banking, technology, and finance. The main challenges I faced were in Albo's first year, because it required building the tech stack of the platform while being compliant with financial regulations, and understanding if a digital banking model was possible at all. We're talking about a time when managing money through a smartphone wasn't at all common.

HOW ACTIVE ARE YOU IN THE FINTECH ECOSYSTEM?

Creating financial inclusion for all is my top priority. Many people in developing countries lack access to basic financial services, like bank accounts, loans, and insurance. Albo plays a key role in addressing these issues by developing innovative solutions that make financial services more accessible and affordable to underserved communities. Financial education is also very important to me, as many don't have basic financial literacy skills. Fintech companies can develop educational resources that help consumers understand financial concepts and make better decisions.

WHAT ARE THE MAIN ENGINEERING TALENT CONSTRAINTS IN LATIN AMERICA?

Some countries in LatAm have highly-skilled engineers, while others have a shortage. The quality of engineering education has a significant impact on the talent pool, as does migration – many skilled engineers migrate to more developed countries for better opportunities. The types of industries that are prevalent in a region impact the availability of engineering talent as well, as do cultural factors and attitudes towards education and careers. In many countries there still is a significant gender bias in STEM fields, including engineering, which results in a smaller pool of talented engineers.

WHAT OPPORTUNITIES DOES LATAM PRESENT FOR ENTREPRENEURS AND FOR THE FINTECH SECTOR SPECIFICALLY?

Fintech in LatAm is still relatively nascent, with significant room for growth and expansion. There is also a large underbanked population, which presents opportunities for fintechs to offer alternative financial services. In addition, many LatAm countries are taking steps to support fintech innovation, including implementing supportive regulations and investing in fintech hubs and incubators. Lastly, we've seen accelerated adoption of digital financial services during the pandemic. Fintech is also nearing maturity, with an increased trend towards it being integrated into other business models, and the potential for it to be consolidated into a range of industries.

WHAT IS THE ULTIMATE VISION FOR ALBO?

Our go-to-market strategy was different from that of other digital banks in Mexico because we focused on serving lower-income customers through retail partnerships. We have also recently expanded our offerings to include B2B services, such as Albo for Business, which allows companies to manage employee expenses and payments through the Albo platform. While our retail customers are primarily looking for convenient and affordable banking services, our B2B customers are looking for tools to help manage their businesses more effectively. We always had a roadmap for expanding into B2B, as we saw an opportunity to leverage our technology and expertise to serve small and medium-sized businesses in Mexico. Our ultimate vision is to become the leading digital banking platform in Mexico, serving both retail and B2B customers.

HOW HAVE YOU ADAPTED THE COMPANY'S STRATEGY WHEN THERE WAS A SHIFT OF FOCUS TOWARDS PROFITABILITY OR A SHIFT IN MARKET DYNAMICS?

When that happens, there are several ways to adapt its strategy. One approach is to focus on improving operational efficiency and reducing costs to increase profitability. This could involve streamlining processes, optimising the supply chain, or reducing overhead expenses. Another approach is to focus on revenue growth by expanding into new markets, developing new products or services, or increasing market share. However, in some cases, this may require a significant investment of resources upfront, which may not be feasible for companies focused on improving profitability.

HOW DID HAVING REGIONAL AND INTERNATIONAL FUNDS ON YOUR CAP TABLE HELP YOU GROW?

Having both has been incredibly valuable. Regional investors bring deep knowledge and expertise of the local market, which helps navigate regulatory and compliance issues, as well as understand the needs and preferences of our customers. International investors bring a broader perspective and access to global networks and resources, which helps us stay on the cutting edge of technology and innovation. There is definitely room for regional growth investors in Mexico and other emerging markets. These investors provide critical support and capital to startups that are looking to grow and expand, but may not yet have the international reach or profile to attract global investors.

WHAT WILL THE TECH ECOSYSTEM LOOK LIKE IN LATAM OVER THE NEXT FEW YEARS?

The tech ecosystem will continue to evolve. As fintech grows, new companies enter the market and established players expand their offerings, resulting in increased competition and innovation, and greater consumer choice and convenience. With AI and ML adoption in tech, there will be opportunities for companies to improve their services and UX. The rising acceptance of blockchain technologies will also play a part. I'm convinced that crypto will be the money of the future, facilitating the world towards more financial liberty.

albo

The state of Software

Levelling the global playing field

While Fintech attracted the most dollar inflow in 2022, the Software sector led in terms of deal volume, comprising 37.9% of technology rounds in Latin America. It also attracted 34% of total dollars invested, second to Fintech. The adoption of software tools has been on the rise as the region undergoes a digital transformation. Coupled with the cost-effective advent of cloud computing, services like accounting, sales management, human resource insights, and IT, have become more accessible and affordable. This has benefitted small businesses, which can now automate time-intensive processes by subscribing to a software platform. IT software and enterprise resource planning software attracted the most funding in 2022 with \$2bn in aggregate value – 71.2% of total dollars invested in software.

What’s driving the sector

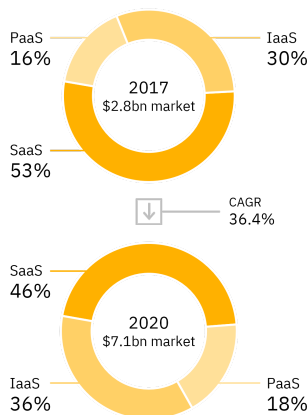
JOURNEY TO THE CLOUD

Enterprise resource planning (ERP) has historically been expensive to adapt and implement, especially in Latin America where small- to mid-size enterprises (SMEs) have lacked access to these services. As cloud computing has revolutionised the simplicity and costs of ERP software, increasingly more Latin American SMEs have implemented these services to automate and scale their operations. The region has experienced a spike in cloud platforms, enabling higher productivity and data-driven insights. This has attracted the attention of industry leaders like Oracle, AWS, Google, IBM and Microsoft. The onset of the pandemic also contributed to LatAm’s cloud computing growth, with these legacy players establishing over a dozen cloud regions since 2020.

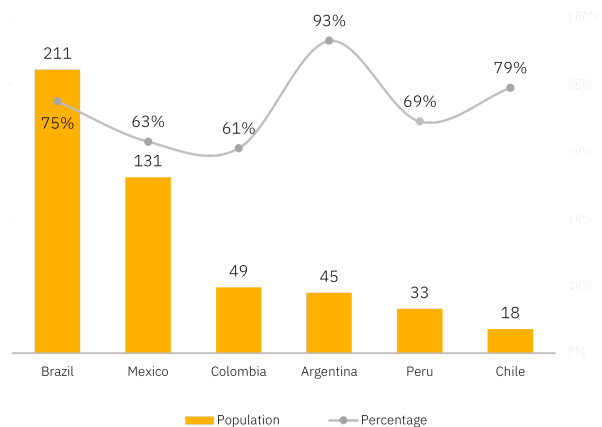
INFRASTRUCTURE AND CONNECTIVITY

The Software sector's success in Latin America is only possible with proper connectivity and adequate infrastructure to support online services like cloud computing and appropriate data transfer speeds. While industry leaders are investing in developing these capabilities, inadequate infrastructure has historically been a barrier to LatAm’s digital transformation. Leading countries like Argentina and Brazil have achieved impressive connectivity levels, with an internet penetration rate of 80-90%. However, as it stands, this remains an area of opportunity for most of Latin America and the continued investment signals investor optimism.

CLOUD SALES IN LATAM BY SERVICE TYPE

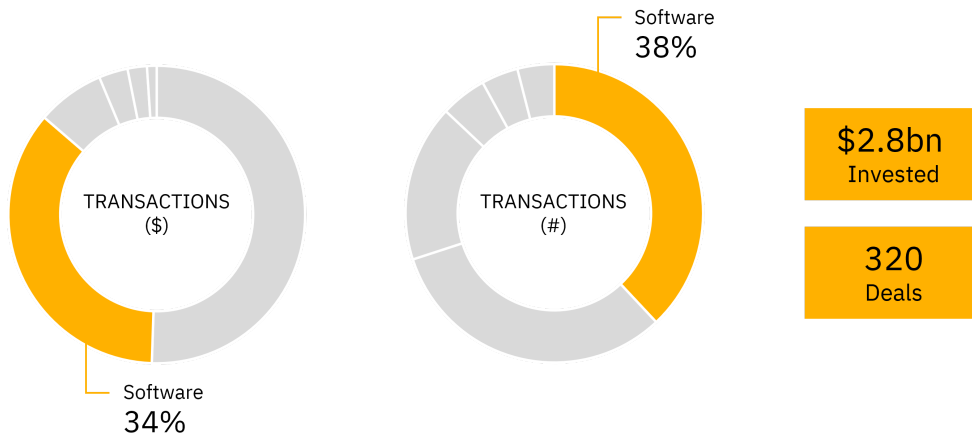


2021 INTERNET PENETRATION IN LATAM



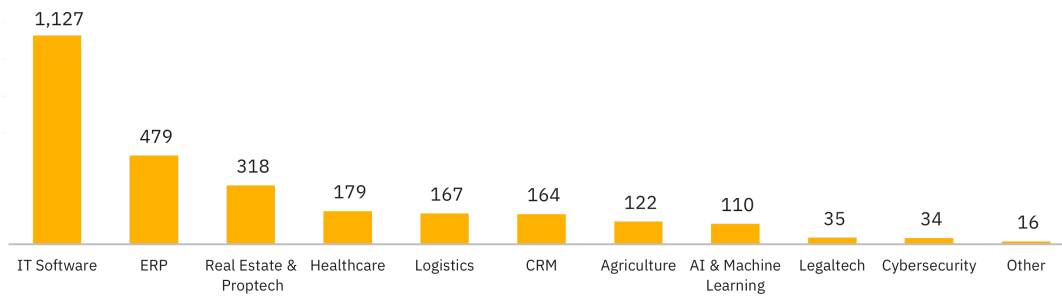
Sources: GP Bullhound Insights, LAVCA, Capital IQ, S&P Global, BCG Platinion, and Triton Market Research (as of April 2023)

Double clicking on: Software



*Percentages represent proportion of deal count (#) and total transacted (\$)

IT SOFTWARE - MOST POPULAR SUBSECTOR (\$M)



BY THE NUMBERS



Sources: GP Bullhound Insights and LAVCA (as of April 2023)
 Note: Not all transactions have disclosed an investment amount; "Other" category includes Fitness/Wellness Tech, ESG, Travel & Leisure, Data & Analytics, and Talent Marketplace

The state of Digital Commerce

LatAm finds new appetite for online retail

Digital Commerce has also experienced rapid growth in recent years, driven by rising consumer confidence in online shopping, internet penetration, and a growing middle class. Pandemic lockdown policies also drove Latin American consumers to online marketplaces. The LatAm ecommerce market is valued at \$84bn as of 2021, with an 8.6% CAGR, reaching \$117bn by 2025. The leading category for investment in 2022 was retail shopping, attracting \$400m across 34 transactions. Rising challengers like Mexico’s Valoreo and Brazil’s Inventa are competing for market share, which incumbents like Mercado Libre (LatAm’s Amazon) have established – and investors are showing increasing support for these new entrants.

What’s driving the sector

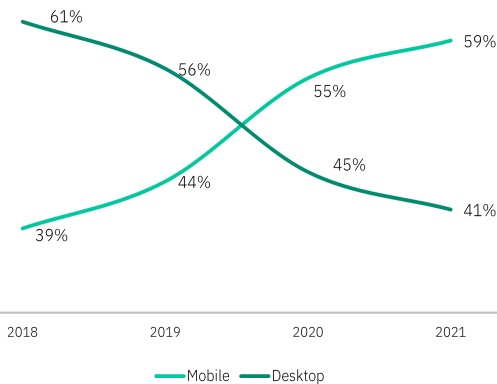
SHOPPING GOES MOBILE

Digital Commerce is another industry that has benefited from the proliferation of mobile technology in Latin America. Just five years ago, Digital Commerce transactions were largely completed using a desktop, comprising 61% of total sales. That meant more intentional shopping sessions at a lower rate. Mobile now makes up 59% of total ecommerce sales. A major contributor was the pandemic, with millions adopting ecommerce in lieu of in-person shopping.

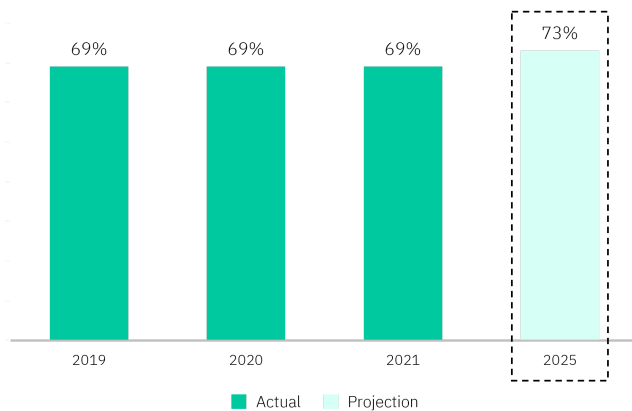
MOBILE PENETRATION TO INCREASE

Mobile transactions remain a strong driver of digital commerce in Latin America and in 2021 shopping apps were among the most downloaded mobile applications. While the penetration of mobile devices has varied in different countries across Latin America, on the whole, it has remained consistent at 69% since 2019. This is set to increase to 73% by 2025 for the region, bolstering consumer and investor appetite for the Digital Commerce sector.

MOBILE’S SHARE OF TOTAL ECOMMERCE SALES IN LATAM

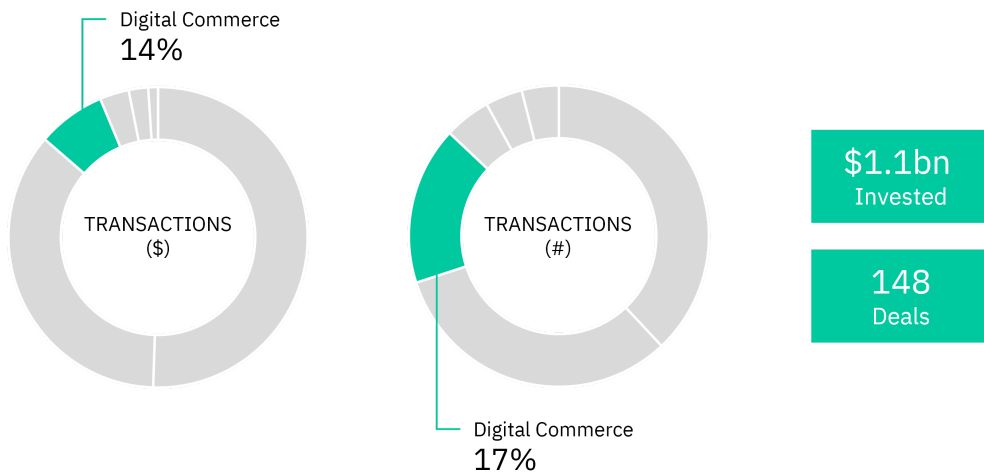


SMARTPHONE PENETRATION IN LATAM



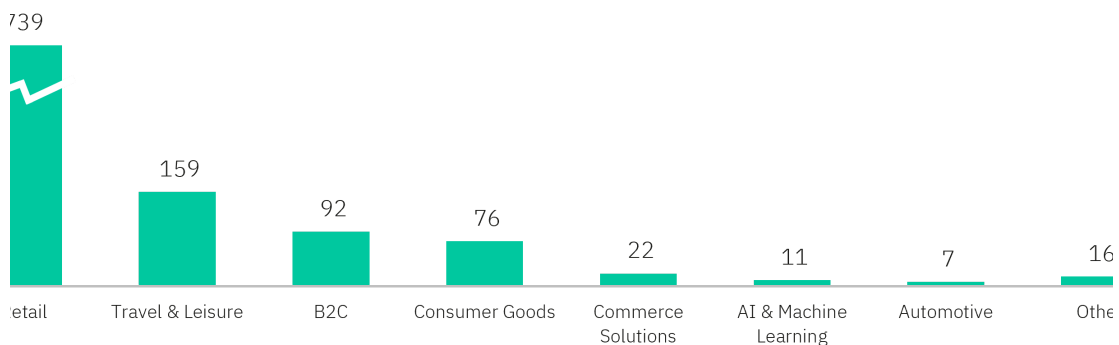
Sources: GP Bullhound Insights, LAVCA, Capital IQ, Ebanx, and Statista (as of April 2023)

Double clicking on: Digital Commerce



*Percentages represent proportion of deal count (#) and total transacted (\$)

RETAIL THE MOST POPULAR SUBSECTOR (\$M)



BY THE NUMBERS



Sources: GP Bullhound Insights and LAVCA (as of April 2023)
 Note: Not all transactions have a disclosed an investment amount; "Other" category includes B2B, Logistics, Manufacturing, Materials & Infrastructure, Fitness/Wellness TechBlockchain & Crypto

Expert view

ARTURO SÁNCHEZ CORREA

CO-FOUNDER & CEO | SOFÍA



HOW DID YOU START SOFÍA AND WHAT INSPIRED YOU?

My co-founders and I were working in different parts of the technology sector – I was at Index Ventures, one of my co-founders worked at Google and the other was at Patreon. We all had complimentary views on the tech ecosystem and investing in the space. We started thinking about how we could improve healthcare in Mexico. We wanted to disrupt the established set of practices that were no longer providing solutions to people across the country.

WHAT WERE THE MAIN CHALLENGES YOU FACED AND HOW DID YOU OVERCOME THEM? WHAT WERE THE MAIN OPPORTUNITIES YOU SAW?

Insurance is a very bureaucratic process in Mexico, so navigating the regulatory space was very challenging. Compliance was tough because the insurance space is designed and built around the big players, and there is no playbook for startups in the space. So adapting this old-school model into what we were trying to build was difficult. We had to build a very robust compliance team that could help with legal matters, which is unusual for a seed-stage startup. In addition, on the commercial front, we were building a new insurance company and asking people to trust us with their money, and with insurance, people don't get anything immediately tangible in return, they get protection, but that can be an abstract concept. In the beginning, we didn't appreciate just how much work we were required to do to get to a point where people would trust us. Today we have thousands of users and enough success stories of people who have come to us for better access to quality healthcare through their insurance plans, which gives us credibility with our customers.

HOW DO YOU SEE THE MARKET FOR HEALTHECH SECTOR EVOLVING IN LATAM? WHAT IS YOUR VISION FOR SOFÍA IN THE COMING YEARS?

Insurance, and particularly health insurance, is an industry that has been slow in adopting technology. But today we all carry a device in our pocket that enables a different approach to healthcare as a whole. Mexico is an outlier in that there is no dedicated health insurer at scale in contrast with the US, with companies like Kaiser Permanente or United Healthcare. So there is an opportunity to create an iconic company that combines technology with financial protection. Our vision is to create an integrated healthcare system that utilises software and data to help people piece together all the different parts which conform a care episode to help them get better care and, ultimately, help them be healthier.

HOW HAS THE FUNDING LANDSCAPE CHANGED? WHAT DO YOU EXPECT FROM THE NEXT FEW YEARS IN TERMS OF INVESTING IN LATAM?

We are fortunate to have really great investors. There was a phase over the past couple of years when capital became very commoditised. Today, and for the next few years, that capital is going to be scarcer. As an entrepreneur, you need to be more thoughtful, less optimistic and probably more conservative in how you think about accessing capital. But at the same time, today's environment can be beneficial. If you are able to access capital, that creates a barrier to competition because it is harder to fundraise right now. It is a matter of placing yourself in a position where you can make the most out of the environment.

YOU ARE ALSO TARGETING B2B, SO WHAT DOES SUCCESS LOOK LIKE FOR YOUR COMPANY?

We still sell our B2C product, but the main avenue for growth is on the B2B side. It is not that our B2C product was not working, it was just that our B2B product was working better. Although there are opportunities on the B2C side that we wish we could explore right now, it will pay off more to focus our efforts on the B2B sector and go after that opportunity with full force to take us to new heights.

sofía

The state of Digital Services

Workforce enters the global jobs market

Digital Services was LatAm’s third most popular sector in 2022 with \$2.9bn invested – 27.0% of total dollars in tech. Stonepeak’s \$2.7bn acquisition of Cirion (former Lumen Technologies’ LatAm operations) represented the sector's largest cash inflow and is a testament to continued digital transformation and consolidation in the region. As digital advertising grew in LatAm and people turned to online platforms for both employment and skilled employees, business services and online talent marketplaces emerged as top investment verticals.

What’s driving the sector

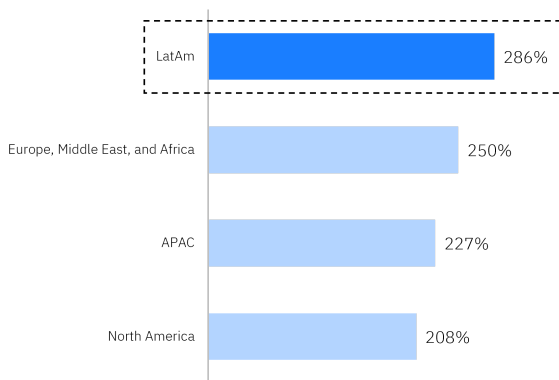
➤ A GROWING WORKFORCE FOR THE WORLD

Digital services companies that broker between employers and Latin America’s workforce have risen in popularity. As the region’s population becomes more educated and upskills to be competitive, the opportunity for talent marketplaces to match a candidate’s profile with jobs has become a need, particularly as international employers have taken a special interest in LatAm’s skilled workforce – with major corporations tapping the region for outsourcing IT software and software development. North American employers, in particular, have begun outsourcing in the region due to proximity, similar time zones, English proficiency, and less cultural friction.

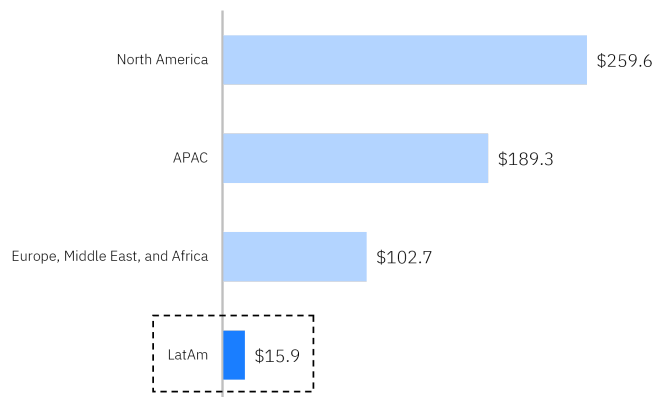
➤ LACKLUSTRE ADVERTISING SPEND

One of the most effective avenues for growth in the digital environment is digital ad spend, which rewards platforms for high viewership and traffic. In LatAm, however, ad spend has historically lagged behind other regions. This comes as no surprise as most of LatAm’s digital transformation remains underway and analogue outlets still see significant traffic. More digital dollars mean not only more revenue avenues for businesses but higher brand visibility and customer acquisition – it is an integral part of a digital platform's growth efforts. We expect traditional ad dollars to shift to digital in the near-term. Digital spend growth in LatAm is set to outpace the world average by 3.5% in 2023.

REGIONAL HIRING GROWTH RATE, JULY–DECEMBER 2021

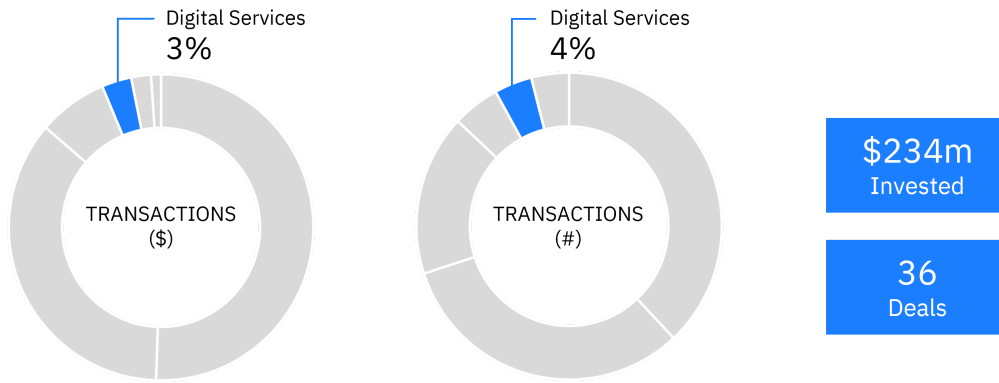


DIGITAL AD SPEND IN 2022 (\$BN)



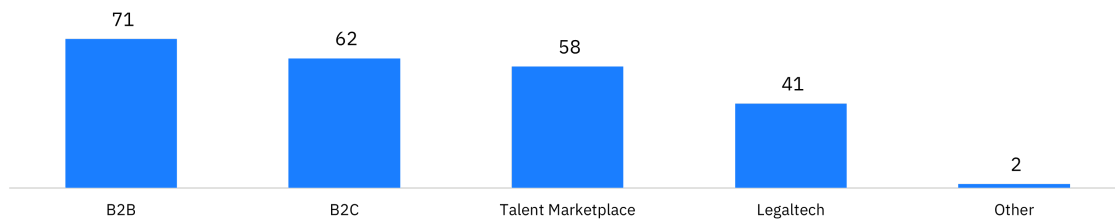
Sources: GP Bullhound Insights, LAVCA, Capital IQ, Statista, Deel, Tecla, and Insider Intelligence (eMarketer) (as of April 2023)

Double clicking on: Digital Services



*Percentages represent proportion of deal count (#) and total transacted (\$)

TELECOMMUNICATIONS THE MOST POPULAR SUBSECTOR (\$M)



BY THE NUMBERS



Sources: GP Bullhound Insights and LAVCA (as of April 2023)
 Note: Not all transactions have disclosed an investment amount; "Other" category includes IT software, AR, VR, & Web 3, and Fitness/Wellness Tech

Expert view

FABIO CAMARA

FOUNDER & CEO | FCAMARA



GIVEN YOUR PROGRAMMING BACKGROUND, SHOULD THE PROBLEM OR THE PLATFORM COME FIRST?

A product presents a solution to a problem. But a platform presents a problem to a solution. I've lived through most trends out of Silicon Valley and have seen many companies build products for imaginary problems, or build platforms with no corresponding solutions. These companies were created with a focus on making money and exiting, without providing a necessary service. FCamara has existed for 16 years and has been bootstrapped for 14, with only recently raising capital. And that's not because we wanted to do secondaries, or take chips off the table, but because we wanted to accelerate growth and invest more into the business.

HOW HAS DIGITAL TRANSFORMATION CHANGED FROM WHEN YOU STARTED TO TODAY?

When I started, there were only very large companies that were considered "full-service" providers, but in practice it was more staff augmentation and IT outsourcing. Alongside these large companies you had very small specialised shops. This was an issue I had to navigate early on - we had to adopt a pure technology approach and identify market segments to specialise in, as opposed to "offering everything". We originally focused on ecommerce, and over time became the largest digital service provider for ecommerce and retail in Latin America. We are also one of the main players in Brazil in the healthcare and finance markets focused on Open Finance, giving we developed Open Banking and Open Insurance for regulatory agencies there.

WHAT DO YOU THINK ABOUT FCAMARA SCALING TO COMPETE AGAINST THE INCUMBENTS IN THE SPACE SO QUICKLY?

We commit to growing the business every year by 35%, whether it's a good year or a difficult one. Every employee commits to helping the company grow at this pace. Between 2019-2022, our CAGR was over 50%. We don't go telling our people that we plan to "generate \$1bn in sales in 2025" or that we are going for unicorn status. We just want to grow at 35% annually. This gives us flexibility, since we commit to the day-to-day vs the long-term, enabling us to be attentive to new opportunities when they were not initially considered in the annual planning.

HOW DO YOU PLAN TO MAINTAIN THIS CULTURE AS YOU GROW, ESPECIALLY IF ACQUISITIONS ARE MADE?

At our core, we are dedicated to employee development. For example, when I started the business, I decided to use my name (FCamara stands for Fabio Camara), but in case it backfired, I would change it to FC for “Formacao Consultoria” or “Development Consultancy”. We deploy a significant amount of training across the organisation, from interns and part-time employees to the C-Suite. We focus on these employees early on to develop a purpose and buy into the organisation. Today, professionals from within the business have a significant interest in FCamara because of our culture.

EMPLOYEE RETENTION IS KEY, BUT SOMETIMES EMPLOYEES LEAVE BECAUSE OF COMPENSATION, OR TO A CLIENT THEY WORKED ON. WHAT ARE YOUR THOUGHTS ABOUT THIS?

FCamara’s retention is best-in-class. It is harder to compete with multinational organisations, as their compensation is tied to stronger currencies, but we go head-to-head for talent because of our core pillars: training, commitment, and developing a passion for the industry. Our ideal employee profile is similar to a football player: young, from a lower-income background, without a strong educational pedigree. Why? Because we offer a career path and development beyond the role. This type of relationship leads to loyalty to each other. Our training programme has 17k+ subscribers for 150 slots, and we’re bringing together technology lovers – including FCamara employees and nonemployees – through our initiative called Orange Juice, which has over 20k participants. Another reason our employees don’t leave for clients is that they don’t want to be “pigeon-holed” into a specific technology - they understand that it can become obsolete over time.

WHAT ADVICE WOULD YOU GIVE TO SOMEONE WHO WANTS TO START THEIR OWN BUSINESS?

To be an entrepreneur, you need to know a little about everything. Universities teach you how to be a good employee but not a good founder. That is a big issue for anyone plunging into entrepreneurship. No degree will teach you about HR, accounting, recruiting, corporate finance, legal documents, or compliance. I had to pay a lot of fines in my early days because of ignorance. My advice is to hire highly competent professionals to help you on your journey. Also, strive to be the most organised person in the room - the most organised person organises the least organised person.

FCamara

The state of Digital Media & Edtech

Sectors with growing potential

While Digital Media and Edtech saw the least investment activity in 2022, there are clear tailwinds that could bolster the sectors. An increasing number of Latin Americans are engaging with digital media and educational platforms for both entertainment and professional training. Higher engagement levels present an opportunity for monetisation and growth in these sectors. Anchoring the Digital Media and Edtech verticals are gaming and workforce development.

What’s driving the sector

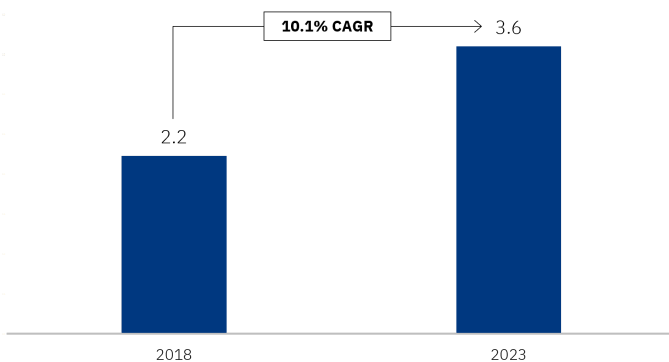
↗ DIGITAL MEDIA: LATAM PRESSES PLAY ON GAMING

Gaming has seen a recent explosion in Latin America. The overall gaming sector was propped up in 2020 due to lockdown restrictions and in recent quarters has normalised as those policies eased. In LatAm, however, tailwinds like increased internet penetration, the proliferation of mobile devices, and Spanish-speaking streaming influencers, have popularised the digital medium further. LatAm gaming revenues have had a steady increase and are set to reach a 10% 4-year CAGR in 2023. Additionally, ~68% of adults in Latin America are playing mobile games with an even split between men and women. This demographic is also consuming other forms of digital media with nearly 100% using social networks and watching online videos.

↗ EDTECH: THE LATAM WORKFORCE UPSKILLS

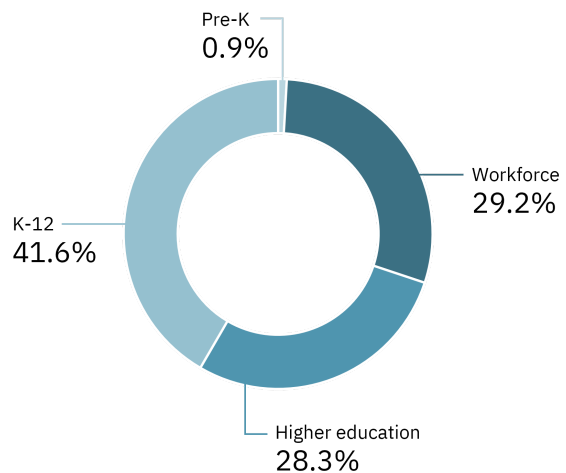
The edtech space in Latin America has demonstrated the potential to accelerate the region’s economy and strengthen the skillset of its workforce to competitive global standards. As these countries continue to heal from the tolls of the 2020 pandemic, which include a spike in dropout rates and unemployment, the accessibility of edtech could close the skills gap and address societal inequalities. In 2022, the majority of edtech capital raises were focused on the professional development/workforce space. These companies help users upskill and re-skill for the demands of the global job markets. While K-12 represents ~40% of all EdTech startups, it attracts less funding than its workforce counterparts, which are more commercially oriented and quickly monetisable.

LATAM GAMING REVENUE (\$BN)



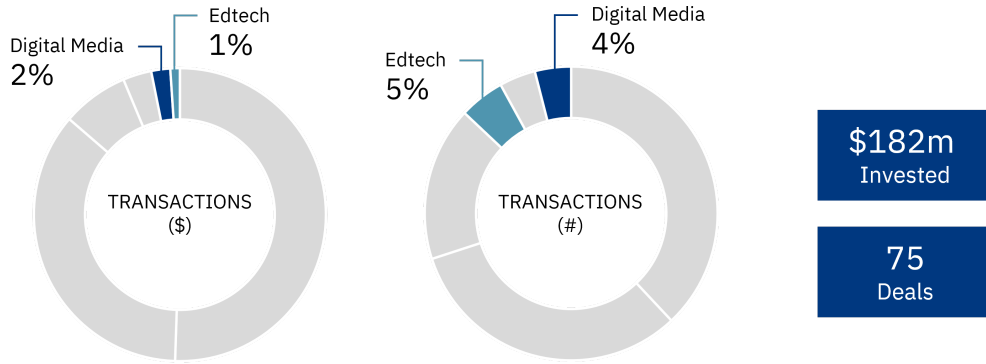
3 / 5 Top Twitch channels in April 2023 were Spanish-speaking

NUMBER OF EDTECH STARTUPS IN LATAM, 2021



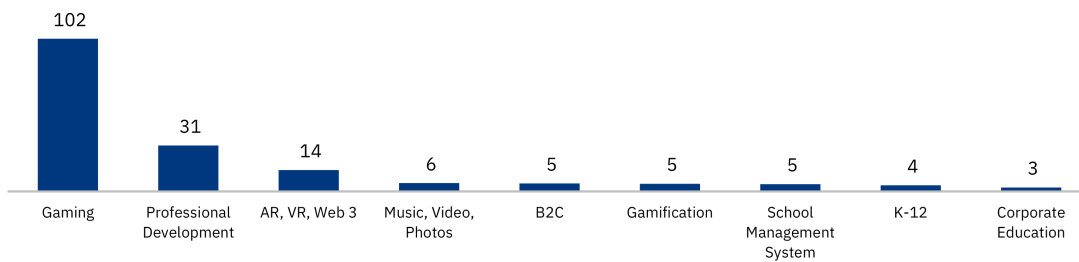
Sources: GP Bullhound Insights, Statista, HolonIQ, and Global Web Index (as of April 2023)

Double clicking on: Digital Media & Edtech



*Percentages represent proportion of deal count (#) and total transacted (\$)

GAMING AND PROFESSIONAL DEVELOPMENT THE MOST POPULAR SUBSECTOR (\$M)



BY THE NUMBERS



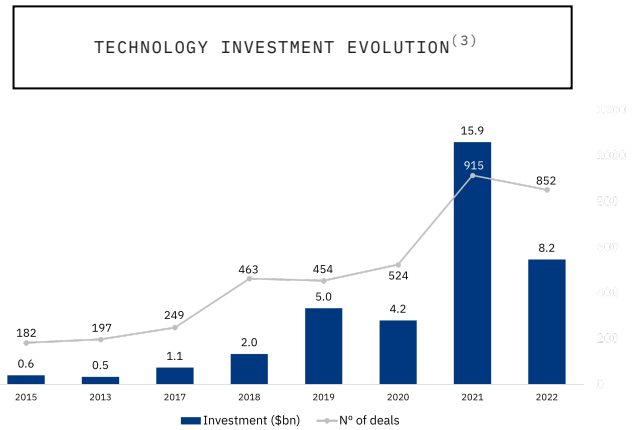
Sources: GP Bullhound Insights and LAVCA (as of April 2023)
 Note: Not all transactions have a disclosed an investment amount

Investment activity

Record investment from international funds; Fintech and Digital Commerce lead the way

Over the past few years, Latin America's technology industry has received a significant boost in investments, thanks to the creation of local early-stage funds and the recent involvement of international investors. These investors have brought significant funding: Latin American Venture Capital Association (LAVCA) estimates over \$35bn of capital deployed across tech companies⁽¹⁾, allowing these companies to grow and scale at an unprecedented rate.

The largest funding rounds have been primarily allocated to fintech and digital commerce companies, which have gained significant traction due to the high demand for digitalisation and reduced access to traditional financial services. Increasing activity in the early-stage funding of software companies positions it as the next sector to receive large rounds of funding.



Brazil, as the largest economy in the region, historically accounts for over 50% of the largest funding rounds². However, other countries such as Mexico, Colombia, and Argentina have also attracted substantial investments in their tech sectors in recent years, increasing the diversification of the tech ecosystem, which is crucial to accelerating the “snowball effect” and establishing permanent business startup hubs across all countries.

The professionalisation of funds investing in the region as well as the entrance of experienced international investors has not only provided access to significant amounts of capital but also expertise in scaling businesses. This has enabled Latin American startups to expand their operations globally and compete with established players in their respective industries.


















































GP BULLHOUND LATAM INDEX CONSTITUENTS

Companies	2021/2022A rev growth	2022A EBITDA margin	EV / LTM Rev	EV / LTM EBITDA
Digital Services AgileThought, BOLDT, CIST, Globant, POSITIVO, SONDA	37.3%	13.0%	1.6x	14.4x
Fintech cielo, CSUDigital, d.local, evertec, nu, PagSeguro, stone, tcc	24.2%	31.2%	3.1x	6.2x
Software Neogrid, Semantix, sinqia, TOTVS, VTEX, Z-E-N-V-I-A	42.5%	(3.7%)	0.9x	13.8x
Digital Commerce americanas, despegar, enjoei, GetNinjas, locaweb, Meluz, mercado libre, WESTWING	42.6%	(29.4%)	0.4x	16.1x
Digital Media arco	8.5%	15.9%	2.7x	30.4x

Source: Capital IQ (as of 25 April 2023). Note: Figures represent the average

Sources: GP Bullhound Insights and LAVCA (as of April 2023)
 Note: 1) Accumulated investment in tech companies from 2015 to 2022; and 2) Based on the targets' HQ for the top 25 funding rounds in the region, further details available in the following exhibit; 3) Investment data from LAVCA based on their LAVCA Trends in Tech report, stats might include VC investments outside of tech. 2022 is based on GP Bullhound industry classifications

Top investments in the region

Year	Target	HQ	Sector	Size (m)	Main investor (s)	Business description
2019			Digital Commerce	1,000	SoftBank	On-demand delivery platform connecting consumers with local stores
2021			Fintech	750	Bershire Hathaway	Digital banking services offering a wide array of financial products
2021			Digital Commerce	700	General Catalyst	Online platform for buying and selling used cars
2021			Digital Commerce	500	Insight Partners Tiger Global	Developer of an ecommerce platform for SMEs
2021			Fintech	430	Advent International	Platform enabling global merchants to process cross-border payments in LatAm
2021			Digital Commerce	425	D1 Capital Partners	Online platform for buying, selling, and renting residential and commercial properties
2021			Fintech	350	SoftBank Tencent	Digital bank democratising financial access through its banking application
2021			Digital Commerce	366	DX Ventures Delivery Hero	Social commerce platform for interactive group buying deals and experiences
2021			Digital Commerce	300	Ribbit Capital	Digital real estate marketplace for long-term residential rentals in Brazil
2022			Fintech	300	BBVA	Digital bank offering no-fee checking and savings accounts
2022			Fintech	260	Fidelity Management	Digital lending platform for lower interest rates on investments and financing
2021			Fintech	250	SoftBank Viking Global	Digital payment platform assisting businesses in simplifying payment acceptance
2021			Fintech	250	Tiger Global Coatue	Bitcoin exchange platform enabling seamless trading of cryptocurrencies
2021			Digital Commerce	225	Advent Softbank	Digital commerce company scaling brands for Ecommerce growth
2020			Software	225	Tiger Global Lone Pine	SaaS platform of ecommerce strategies for major retailers and consumer brands
2021			Digital Commerce	212	CapSur Capital	Online logistics platform connecting couriers and shippers for easy deliveries
2022			Fintech	200	IHC	Banking app with account opening, card, credit, and transfer services
2021			Fintech	200	Softbank	Online cryptocurrency exchange platform for buying and selling digital assets
2020			Fintech	200	General Atlantic	Provider of cross-border payment solutions for global merchants in emerging markets
2022			Digital Commerce	200	SoftBank	Real estate platform simplifying buying, selling of homes for middle-class consumers
2021			Digital Commerce	200	SoftBank Tencent	Operator of a trucking marketplace connecting drivers with shippers
2021			Digital Commerce	190	SoftBank Dynamo	Online platform for home furnishing offering a variety of decor products
2021			Fintech	190	Coatue	Developer of a payment networking platform for easy debit/credit transactions
2021			Software	186	Wellington Management	Facilitates direct sales on major online retailers through site aggregation
2022			Digital Commerce	181	8VC Avenir	Ecommerce platform connecting SMEs to construction material manufacturers

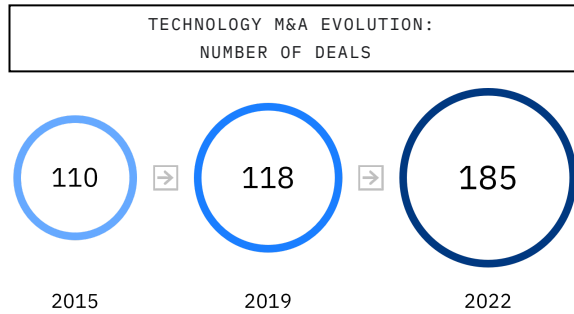
Sources: GP Bullhound Insights, Capital IQ, Pitchbook, Crunchbase, LAVCA, Mergermarket, and press releases (as of April 2023)

Note: Non-exhaustive list; includes largest funding rounds in the region to companies originally founded in LatAm or with a strong presence in the local ecosystem that could have re-headquartered later to other regions

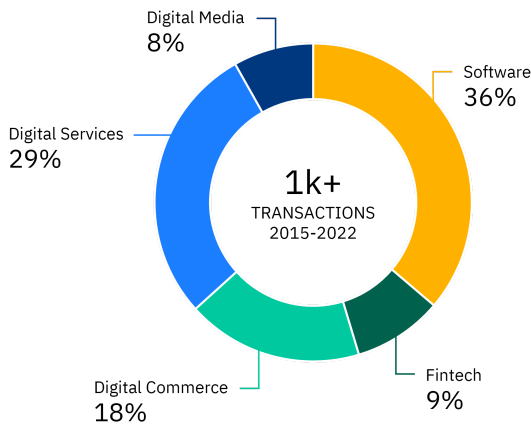
M&A activity

Surge in strategic players, but "mega-exit" shortfall

The Latin American tech industry has seen a significant increase in M&A activity in recent years, with over 1,000 transactions. Brazil and Argentina lead the exit race.



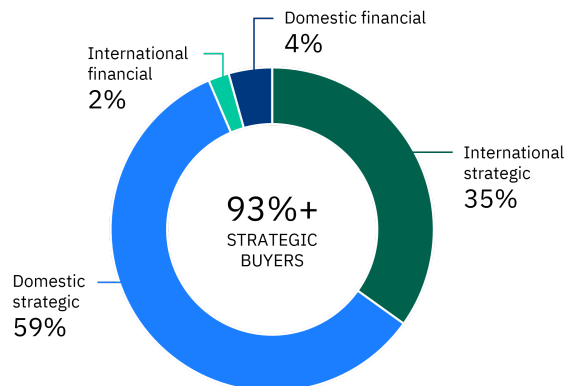
SECTOR BREAKDOWN
(AS % OF TOTAL DEALS)



In digital services, domestic buyers (e.g. Globant) are looking for potential consolidation cases. International players (e.g. Accenture and IBM) are focusing on product and geographical expansion, while also benefitting from the notable wage gap versus other countries, especially in the business process outsourcing (BPO) segment.

Software has enjoyed significant traction, particularly when compared to the lack of funding received. This trend suggests that many bootstrapped companies from the first waves, as well as legacy players, are being acquired by other companies, enabling product expansion and growing their client base by locking in B2B customers.

BUYERS, BY TYPE
(AS % OF TOTAL DEALS)



Only a few transactions have been carried out by financial players, indicating a lack of buyout funds operating in the region in recent years. As a result, the main exit route for entrepreneurs has been more limited, unlike in other markets such as Europe and the United States, and mostly focused towards strategic buyers.

There is still a shortfall of "mega-exits" in the region, but this could shift in the coming years given the increase in funding that large tech players have received.

Sources: GP Bullhound Insights and Capital IQ (as of April 2023)

Note: M&A transactions of LatAm-based technology companies that have been publicly disclosed from 2015 to 2022

Top M&A activity in the region

Year	Buyer	Target	Target HQ	Sector	Size (\$m)	Target description
2021	okta	auth0		Software	6,500	Identity and authentication platform focusing on verification and identity fraud
2022	prosus	ifood		Digital Commerce	1,800	Operator of an online platform offering food ordering services
2021	Uber	Cornershop		Digital Commerce	1,400	Online platform operator for multi-store grocery shopping and ordering
2020	stone ^{co}	linx		Fintech	1,280	Omnichannel software solutions for the retail and hospitality industries
2018	DiDi	99		Digital Commerce	1,000	Ride-hailing mobile application connecting passengers with local drivers
2022	SoFi	technisys		Fintech	957	Provider of digital banking solutions to financial institutions across the Americas
2019	Advent International	PRISMA		Fintech	724	Developer of payment gateways for ecommerce and transaction processing
2020	OLX GROUP	zap		Digital Commerce	646	Online platform for buying, selling, and renting properties
2021	loft	CredPago		Fintech	473	Online platform for debt negotiation exclusive to the real estate market
2021	TOTVS	RD STATION		Software	330	Digital marketing management platform designed to manage and automate digital marketing actions
2021	[B] ³	Neoway		Software	327	Big data analytics and business intelligence provider for businesses
2021	QuintoAndar	naveit		Digital Commerce	300	Operator of online real estate and jobs classifieds portal
2021	EBANX	Remessa Online		Fintech	229	Global remittance platform facilitating buying foreign currency and international online transfers
2021	Etsy	elo7		Digital Commerce	217	Online marketplace that allows its users to buy and sell handmade products
2021	CIST	Dextra		Digital Services	156	Software development company that creates end-to-end digital products
2022	arco	isaac		Digital Media	150	All-in-one platform that offers a suite of financial and software products to K-12 schools
2022	Z-F-N-V-I-A	movidesk		Software	121	Cloud-based software for customer service and support management
2020	sinch	WAVY		Software	119	Technological solutions to clients using multiple conversational channels
2018	falabella.com	LINIO		Digital Commerce	118	Ecommerce marketplace operating in Latin America with diverse product categories
2021	locaweb	bling		Digital Commerce	94	Cloud-based ERP software for small and medium-sized businesses
2017	Advent International	CNNVIN		Digital Services	85	Digital transformation company
2019	fiserv. First Data	Software Express		Fintech	79	Developer of communication, authorisation and reconciliation of financial transactions solutions
2020	Globant	gA		Digital Services	75	IT services provider
2019	magalu	NETSHOES		Digital Commerce	62	Sports and lifestyle online retailer based in LatAm
2021	affle	Jampp		Digital Media	41	Data-driven mobile advertising platform for user acquisition and retargeting

Sources: GP Bullhound Insights, Capital IQ, Pitchbook, Crunchbase, LAVCA, Mergermarket, and press releases (as of April 2023)

Note: Non-exhaustive list, based on publicly available data; includes largest M&A transactions in the region of companies originally founded in LatAm or with strong presence in the local ecosystem that could have re-headquartered later to other regions



Methodology

LAVCA Data

Investment and fundraising data of 2022 for this report are sourced from the LAVCA Annual Fund Manager Survey. LAVCA has conducted this survey since 2008 and the 2022 edition included over 500 fund management firms active in Latin America. LAVCA confirmed 92% of transactions with primary sources and 85% included financial details.

GP Bullhound ran a proprietary analysis on this data set. Transactions were classified by industries and subsectors according to GP Bullhound's technology stratifications. These include Software, Fintech, Digital Services, Digital Commerce, Digital Media, and EdTech. Non-technology-related deals we're parsed out of the data set. These include and are not limited to, transactions related to industrials, telecommunications, infrastructure, hardware, wholesalers, and power. GP Bullhound acted in good faith to classify each transaction accurately.

GP Bullhound also leveraged data from Capital IQ and public sources to establish demographics for investors active across all syndicates. These demographics include investor type, country, region, and headquarter location. To determine money inflows, each transaction was classified as "Foreign", "LatAm", or "Hybrid" according to the demographics comprised in each investor syndicate.

Investment stages were reclassified into "Early-stage", "Growth-stage", "Late-stage", and "Other":

- Early-stage includes seed rounds, venture debt, and startup capital including Series A and B rounds.
- Growth-stage includes non-control investments in existing companies to finance a growth strategy.
- Late-stage includes Senior Loans, PIPEs, Secondary Portfolios, and Series C and beyond
- Other includes secondary buyouts, distress/restructuring capital, and mezzanine debt.

PERSPECTIVES DATA & MARKET DEEP DIVE

GP Bullhound has created a proprietary dataset for multiple perspectives and deep-dive sections of this report using publicly available information from sources such as Capital IQ, Pitchbook, Mergermarket, Dealroom, Crunchbase, LinkedIn, CB Insights, as well as other sources such as press media and interviews. The accuracy of our dataset is limited to the disclosed data.

For the classification of the companies under the term technology, the verticals in which GP Bullhound operates have been used as a reference: Software, Fintech, Digital Services, Digital Commerce, Digital Media, and EdTech. In some cases, technology company statistics that have been obtained from third-party sources may use another technology company classification than the one mentioned above.

For the classification of companies under the term Unicorn, a threshold of a minimum valuation of \$1bn+ in the public or private markets has been established, including companies that have been acquired in the same year or in previous years for \$1bn+; the valuation of these companies is based on information published by the press or financial sources and may have received subsequent adjustments without being made public. For this report, companies are tracked for inclusion as billion-dollar companies until 31 December 2022, with valuations updated as of December 2022, unless otherwise stated, which has limitations related to, for example, the state of equity markets, recent company performance, etc.

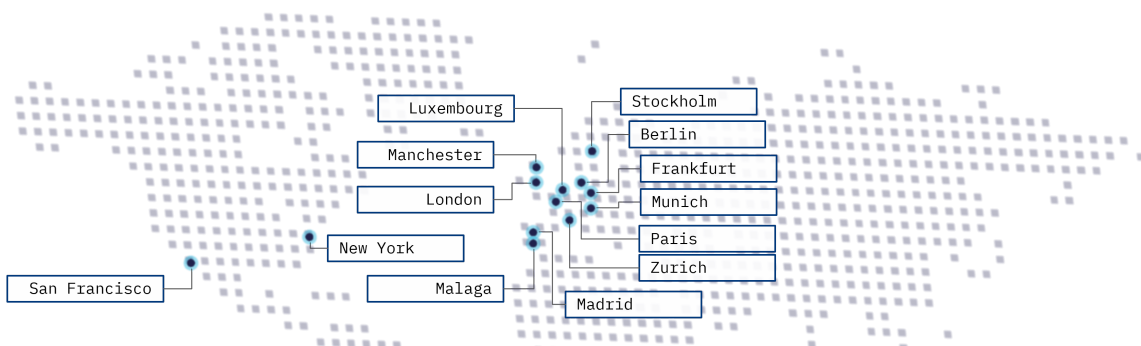
For the classification of companies under the Latin American region, due to the number of companies that have moved their headquarters to other regions (e.g. United States or Europe), they have been assumed to maintain their classification as Latin American companies if they were originally based there, if they maintain offices/team in the region or if press/media sources continue to classify them as Latin American.

Whenever logos are shown in the graphs, the lists are not exhaustive and represent a sample of the information presented. The selection of logos is based on relevance according to a set of attributes such as total funding, number of employees, size, etc. as indicated by the information our sources disclosed.

The status of funds' portfolio companies (current or exit; private or public) is based on the information published by the funds themselves on their websites or as disclosed by our public information sources as of April 2023, and is not exhaustive.

About GP Bullhound

GP Bullhound is a leading technology advisory and investment firm, providing transaction advice and capital to the world's entrepreneurs and founders. Founded in 1999 in London and Menlo Park, the firm today has 13 offices spanning Europe, the US and Asia. For more information, please visit www.gpbullhound.com.



<p>YEAR FOUNDED</p> <p>1999</p>	<p>PROFESSIONALS</p> <p>180+</p>	<p>OFFICE LOCATIONS</p> <p>13</p>
<p>SUCCESSFUL TRANSACTIONS</p> <p>640+</p>	<p>TRANSACTION VALUE ADVISED ON</p> <p>\$39bn+</p>	<p>AUM ACROSS GP BULLHOUND MANAGED FUNDS</p> <p>\$1bn+</p>

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