



2020 LATAM Fintech Report Addendum Update: Foreign Fintechs Operating in LATAM

Partners To The International Fintech, Payments And
Financial Services Industries

Published Spring 2021

San Francisco • New York • Mexico City • São Paulo • Singapore • Mumbai

KoreFusion provides strategy consulting and M&A advisory services exclusively for the international fintech, payments and financial services industries.

Authors

- **Jan Smith**, Founding Partner
- **Javier Guerrero**, Managing Director
- **Daniel Ben-Aron**, Managing Director
- **Alejandro Gonzalez**, Fintech Subject Matter Lead
- **Henrick Farías**, Consultant
- **Jaime Edelshein**, Consultant
- **Marine Huang**, Senior Consultant
- **Marisa Richetta**, Chief of Staff

For More Information On KoreFusion's Payments And Fintech Research, Please Contact:

 **Marisa Richetta** at m.richetta@korefusion.com

Follow KoreFusion on LinkedIn for additional insights and content:

 <https://www.linkedin.com/company/korefusion>

This material was prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice in any jurisdiction worldwide. Please refer to your advisors for specific advice. The opinions of third parties set out in this publication are not necessarily the opinions of the global KoreFusion organization or its member firms. Moreover, this material should be viewed in the context of the time they were expressed.

Spring 2020 © 2020 KoreFusion LLC. © 2020 KoreFusion Pte. Ltd. All Rights Reserved

San Francisco • New York • Mexico City • São Paulo • Singapore • Mumbai



Our Experience

25 Years As Strategy Partners And M&A Advisors To The International Fintech, Payments, And Financial Services Industries.

We Advise Companies Across The Industry Spectrum; From Fintechs and Established Payments Companies, To Clearinghouses, Regulators, and Investors.

Our Expertise

- **Faster / Real-Time Payments**
- **Push & Account-to-Account Payments**
- **B2B & Commercial Payments**
- **P2P & P2M Payments**
- **Consumer & Commercial Card Products**
- **Merchant Acquiring & Payment Processing**
- **Money Transfer & Remittances**
- **Supply Chain Digitization & Finance**
- **Digital Banking, Infrastructure & Emerging Models**
- **Digital Currencies & Super Platforms**

www.korefusion.com

A Small Note Of Thanks

Marisa Richetta
Chief of Staff



Dear Reader,

One of the biggest frustrations we hear our clients vent about regarding existing fintech maps and databases for Latin America is the lack of centralized insights at the category and subcategory level that can help improve strategy and investment allocation. Filling this lack of data and insight is the driver behind this report.

We sympathize, but we also know that providing this is a bigger challenge than it may seem. The sector is vibrant and ever shifting, but data is also patchy and the industry as a whole generally lacks a central rallying point or entity to collect information and serve as a lobbyist and spokesperson.

To be sure, we have much to thank to those individuals and organizations who took the first steps before us. This report stands on their shoulders, and we hope that as a community we can continue to build on each other's improvements. This is the driving reason behind our providing this report for free and asking the fintech community at large to help us improve it. At the end of our report we provide a list of the sources and organizations we referred to and wish to thank.

These will be stressful times and unfortunately many firms in the fintech sector will suffer from the economic fallout stemming from COVID-19. In the same breath, we expect multiple fintechs will find their business models and value propositions reinforced, and the market to be more eager to adopt them. We will emerge stronger if we collaborate and share.

Our hope is that by adding our grain of sand we help strengthen this fascinating sector.

We look forward to your feedback and are always at your service to help improve your strategy and investment efforts.

Stay safe and thank you from all of us at KoreFusion.

Marisa

Table Of Contents

- [Slide 4 | About This Report](#)
- [Slide 15 | Categories & Subcategories](#)
- [Slide 36 | Funding](#)
- [Slide 48 | Maturity](#)
- [Slide 59 | Foreign Fintechs Addendum](#)
- [Slide 78 | Closing Thoughts](#)

About This Report

- Introduction
- Approach & Definitions
- Categories & Subcategories Overview
- LATAM Fintech Country Snapshot

ABOUT THIS REPORT

See The LATAM Fintech Landscape Through Our Eyes

The inaugural **KoreFusion 2020 LATAM Fintech Report** adheres to a tighter definition of fintech while expanding the number of subcategories under review. The result is the most accurate curation of companies and data in today's market.

We established selection criteria that excluded many companies listed elsewhere—both big and small. Conversely, our criteria meant that some companies not listed elsewhere were included. This impacted Mexico and Colombia the most.

We recognize that our approach is conservative. Curating was not easy because there are many great ideas and companies out there. But a registered company is not the same as an active company. A fintech is not just an app or an e-wallet. Marketplaces are not the same as an open banking platform. APIs do not automatically make an incumbent a tech company.

We reserved banks and embedded fintech operating in the region for a separate layer of analysis.

Why Is This Report Different?

Actionable

This report is more than just a list and a map. You can use this report and its insights as the basis for a playbook to engage with fintechs in Latin America.

One Stop Shop

Need more? At your service. We are a strategy consulting and M&A advisory firm that has been covering this sector for over a decade. We are partners to banks, processors, fintechs and the investment community.

Report Highlights



5
Markets

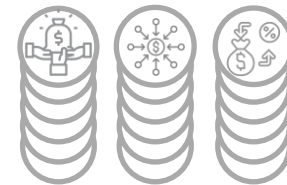
Brazil | Mexico | Chile
Colombia | Argentina

Source: KoreFusion Analysis



1,192
Companies

We filtered and scrubbed multiple reports and databases to get you only what is relevant:
1,075 LATAM Fintechs
117 Foreign Fintechs



45
Subcategories

The most comprehensive deep dive of subcategories.

Hands-On Experience

We can put ourselves in your shoes. Our team has experience as entrepreneurs and mentors both fintechs and incumbents. We are also active investors.

Curated By Experts

We did the heavy lifting for you. The best curation of existing maps, reports, and funding databases, coupled with the most robust categorization of fintech categories and subcategories.



~US\$ 8.8 B
In Reported Funding

Analysis of investment activity by country & category:
~US\$ 8.13 B In Regional Funding
~US\$ 0.68 B In Foreign Direct Investment

ABOUT THIS REPORT

A Better Definition Of Fintech

The Industry Defines Fintech Loosely And Many Companies “Misuse” The Term

Unfortunately, many existing lists and databases include companies that are not relevant or no longer exist. We therefore thought it necessary to tighten the definition of fintech in order to provide accuracy and consistency.

This report defines **fintechs** as companies that:

- Create innovative financial products;
- Develop technology to improve current processes;
- Use technology to promote access to the financial system.

We include fintechs that offer products or services directly to consumers, businesses, and those that act as intermediaries in the B2B market.

Types Of Companies We Excluded

Some Blockchain Companies

- Blockchain is often lumped with fintech without considering whether it focuses on financial services.
- Our study only considers companies using blockchain technology if these are developing or offering financial products and services.

Simple Comparison Sites

- “Simple” product /price comparison sites or tools are not considered fintechs in this report.
- Our report only includes comparison platforms when these are backed by additional technology, e.g., some credit comparison platforms use a proprietary credit scoring solution.

Select Tech Categories

- Companies that are tangentially associated with financial services but do not provide technology to the financial system or create financial products themselves were excluded:
 - Legaltech
 - Regtech
 - EdTech

Insurtech¹

- This category is often considered fintech, but in LATAM it is limited to product and price comparison platforms and is therefore not included in this report. KoreFusion is tracking the segment and will include new players in future editions, if warranted.

Types Of Companies We Added

B2B Financial Services

- B2B financial service fintechs suffer omission in existing maps and databases, likely because they self-report less than consumer-facing fintechs and live in the shadow of incumbent fintechs 2.0. We made space for innovators in e-invoicing, procure-to-pay, and receivables financing.

Foreign Fintechs

- Foreign fintechs active in the region are included in the last section of the report.
- Analyzing active categories, subcategories, maturity and direct investment in LATAM.

ABOUT THIS REPORT

Curated By Experts

Our Approach

KoreFusion's proprietary database consolidates input from multiple sources. We complemented these sources with our proprietary database built from M&A advisory work and due diligence efforts on behalf of clients.

This report is more than a list and a map. It also presents general trends derived from our experience and knowledge of the region and the industry.

KoreFusion's Fintech Database is the engine behind this report. It can be used for more insights and can be coupled with our strategy consulting and M&A advisory services.

Let us know if you require more data or insights – chances are we have what you need.

KoreFusion's Fintech Report Process

A Create A Unique Database

We curate a wide-range of sources to provide a single reliable source. A company is included if it meets the following criteria:

1. Is a financial services technology company, or related company which provides a product or service which is integral to the business operations of fintechs.
2. Is active.
3. Operates in Brazil, Mexico, Chile, Argentina, or Colombia.

C Sort & Filter Companies

We filter the universe of potentially relevant fintechs, eliminate companies that are out of scope, and sort these into the right categories:

1. Identify relevant fintechs and categorize them according to their primary business activity (category) and primary use case (subcategory).
2. Add secondary functions in order to refine the subcategory level classification.
3. Add secondary geographies in which they are active.

B Define Categories In A Better Way

We define relevant categories of fintechs and provide the most thorough list of subcategories:

1. Created a tight taxonomy of relevant fintechs based on use case and business model.
2. Developed a list of 12 categories and 45 subcategories.

D Provide Fintech Highlights

We conduct analyses and generate insights about the market:

1. Determine the most prevalent types of fintechs by category and subcategory, regionally, and by country.
2. Identify the highest funded fintech categories.
3. Conduct an analysis to understand the industry's maturity at a country level and draw relevant insights.

ABOUT THIS REPORT

We Started At 2,800 And Landed At 1,192 Relevant Fintechs

1,075 Regional And 117 Foreign Fintechs Active In LATAM

We researched all the commonly referenced fintech reports and databases and compared them to our proprietary database.

We then identified all potentially relevant categories of fintechs and sorted the database into our improved and expanded list of categories and subcategories.

Finally, we added a country filter and added funding data for each fintech from a wide number of sources.

Solutions embedded in e-commerce or banks were not included but are tracked for future classification.

Unsubstantiated companies that show no signs of activity and may be defunct or unseeded remain in our database and helped add to our understanding of maturity and trends.

1. Using A Broad Set Of Criteria Across Many Sources, We Identified 2,800 Companies In Five Markets

Geography

We analyzed the five largest economies in LATAM:

1. Brazil
2. Mexico
3. Argentina
4. Colombia
5. Chile

We categorized companies based on their corporate headquarters, and not on their primary revenue market.

Search Criteria

To avoid missing potentially relevant fintechs, we first used a very broad definition of fintech. We included any company offering financial services or enabling financial services. As a result, our initial universe included many companies that were not true “tech” companies. These companies were filtered and not included in our Fintech Report.

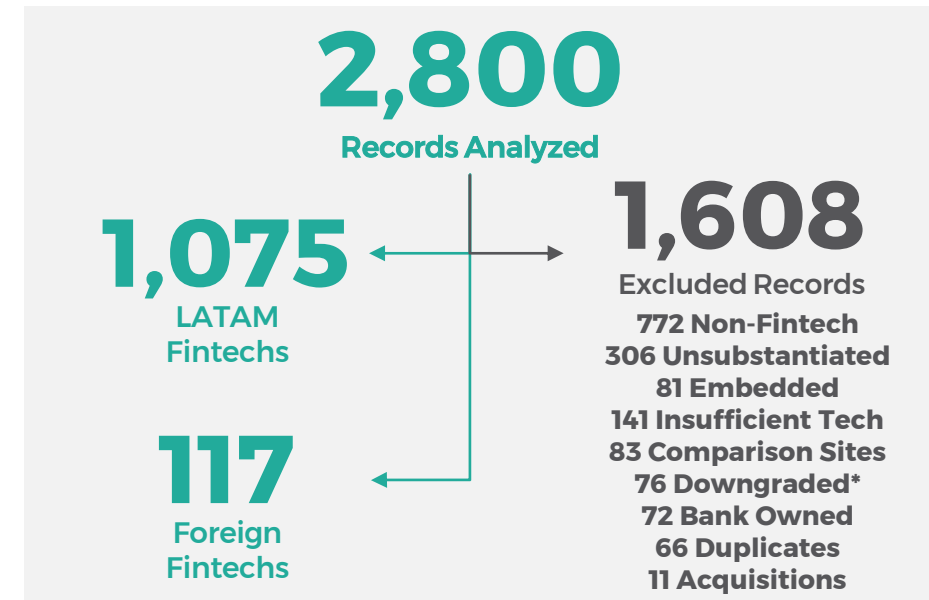
Sources

- The sources drew companies from:
1. VC Investment Databases
 2. Diverse Fintech Industry Reports
 3. Chambers of Commerce
 4. Industry Publications
 5. Proprietary KoreFusion Fintech Database
 6. Our Experience

2. We Filtered Down To 1,192 Relevant Fintechs

The main reasons for exclusion were:

1. The company is not relevant (not a fintech or not active in one of the relevant categories).
2. The fintech is no longer active.



ABOUT THIS REPORT

We Identified 12 Fintech Categories

According To Their Main Business Activity



Blockchain

Fintechs that use blockchain as a core enabler of their business model.



Crowdfunding

Platforms that enable individuals, organizations, and companies to launch funding campaigns and receive donations via the internet.



Cryptocurrencies

Fintechs whose business models are primarily based on the use of encrypted digital tokens.



Digital Banks

Fintechs that offer regulated banking services which are delivered exclusively or predominately through digital channels.



Enterprise Financial Management

B2B fintechs that provide technology that is primarily used by downstream businesses to enable financial services.



Fintech As A Service

B2B fintechs that offer regulated or unregulated banking services to downstream companies, normally on a white label or open-platform basis.



Lending

Fintechs that enable or provide business and/or consumer lending.



Payments

Fintechs that provide or enable payment services or technology.



Personal Financial Management

Platforms that enable individuals to optimize their financial needs by providing services such as tax advisory, savings planning, and debt management.



Remittances & Foreign Exchange

Fintechs that specialize in domestic and cross-border remittance, as well as foreign currency exchange.



Scoring, Identity & Fraud

Fintechs that specialize in providing risk scoring, customer identity services (e.g. KYC), and fraud detection.



Wealth Management

Fintechs that enable personal or corporate wealth management through primarily digital means (e.g. asset management).

ABOUT THIS REPORT

We Created the Most Comprehensive List of Subcategories: 45

The 12 Fintech Categories Were Further Delineated By Business Activity And Subdivided Into 45 Subcategories

Blockchain

- Blockchain

Crowdfunding

- Agroinvestment
- Real Estate Funding
- Startups & microSME Investment
- Social Cause Funding

Cryptocurrencies

- Digital Currencies
- Marketplaces (Buy & Sell Crypto)

Digital Banks

- Digital Banks (Held by Traditional Banks)
- Neobanks

Enterprise Financial Management

- AR Solutions
- AP Solutions
- AR & AP Solutions
- ERPs With Procure-To-Pay Functionality
- E-Invoicing
- Financial Reporting
- Payroll & Benefits
- Travel & Expense Management
- Treasury

Fintech As A Service

- Other Banking Services
- Payments Enablers
- Risk Management Solutions
- Technology Enablers

Lending

- Business Lending
- Consumer Lending
- Consumer & Business Lending
- Receivables Financing

Payments

- Billing Platforms
- E-Wallets
- Loyalty Currencies
- mPos & Alternative Payment Acceptance
- Payment Gateways & Portals
- Prepaid Cards & Other Card Products
- Processing

Personal Financial Management

- Debt Negotiation
- Financial Planning & Management
- Savings & Purchase Planning
- Tax Advisory

Remittances & Foreign Exchange

- Foreign Exchange
- Remittances

Scoring, Identity & Fraud

- Fraud
- Identity
- Scoring

Wealth Management

- Investment & Trading Platforms
- Retirement & Pension Planning
- Roboadvisors

ABOUT THIS REPORT

45 Fintech Subcategory Definitions

Within The 12 Main Categories, We Identified 45 Subcategories Of Fintechs. Fintech Subcategories Were Delineated By Use Case.

| Category | Subcategory | Definition |
|--|---|---|
| Blockchain | Blockchain | Fintechs that use blockchain as a core enabler of their business model. |
| Crowdfunding | Agroinvestment | Fintechs that specialize in raising funds to invest in agrobusiness projects. |
| | Real Estate Funding | Crowdfunding platforms specialized in raising funds for real estate projects. |
| | Social Cause Funding | Fintechs specialized in raising money to fund socially conscious projects (e.g. for non-profits or social enterprises). |
| | Startup & microSME Investment | Platforms that enable individuals to contribute a small amount of money and raise capital for new ventures. |
| Cryptocurrencies | Digital Currencies | Fintechs whose business models are primarily based on the development of digital assets designed to work as a medium of exchange and/or secure financial transactions. |
| | Marketplaces (Buy & Sell Crypto) | Fintechs whose business models are primarily based on the trading of digital token currencies. |
| Digital Banks | Digital Banks (Held by Traditional Banks) | Digital banks that are owned by incumbent banks but are marketed as unique offerings or independent banks. |
| | Neobanks | Fintechs that offer regulated banking services that are delivered exclusively or predominately through digital channels and are not owned by incumbent banks within their home markets. |
| Enterprise Financial Management | AP Solutions | B2B fintechs that provide services related to managing accounts payable. |
| | AR Solutions | B2B fintechs that provide services related to managing accounts receivable. |
| | AR & AP Solutions | B2B fintechs which provide services related to managing both accounts payable and accounts receivable. |
| | E-Invoicing | Fintechs that provide enterprises and/or individuals with services to digitize invoices, usually following governmental guidelines. |
| | ERPs With Procure-To-Pay Functionality | Enterprise resource planning software with integrated e-invoicing, procurement or payment capabilities. |
| | Financial Reporting | B2B fintechs that provide financial reporting and compliance software and solutions. |

ABOUT THIS REPORT

45 Fintech Subcategory Definitions (Continued)

Within The 12 Main Categories, We Identified 45 Subcategories Of Fintechs. Fintech Subcategories Were Delineated By Use Case.

| Category | Subcategory | Definition |
|--|---------------------------------------|---|
| Enterprise Financial Management | Payroll & Benefits | Fintechs that provide solutions to help companies provision payroll and benefits to their employees. |
| | Travel & Expense Management | B2B fintechs that provide solutions that assist companies in monitoring and managing employee expenses. |
| | Treasury | B2B fintechs that provide services to assist corporate treasury functions (e.g. cash management, investments, etc). |
| Fintech As A Service | Other Banking Services | Fintechs that provide banking services which do not fit into any other subcategory. |
| | Payments Enablers | Fintechs that offer payment solutions to downstream companies, normally on a white label or open platform basis (e.g. management platforms for prepaid cards or e-wallets). |
| | Risk Management Solutions | B2B fintechs that specialize in helping companies manage financial risk or risks related to the provision of financial services (e.g. credit, AML, operational, liquidity). |
| | Technology Enablers | B2B fintechs that developed technology to enable financial institutions to offer any product/service related to the other subcategories mentioned in this report. |
| Lending | Business Lending | Fintechs that originate or facilitate lending to businesses, including the disbursement of funds. |
| | Consumer Lending | Fintechs that originate or facilitate lending to consumers, including the disbursement of funds. |
| | Consumer & Business Lending | Fintechs that originate or facilitate lending to both businesses and consumers, including the disbursement of funds. |
| | Receivables Financing | Fintechs that enable corporate lending based on the accounts receivable of the borrower. |
| Payments | Billing Platforms | Fintechs than connect billing institutions with collection institutions or individual bill payers. |
| | E-Wallets | An electronic device or online service that allows an individual to make electronic transactions and potentially store funds. |
| | Loyalty Currencies | Fintechs that specialize in loyalty programs and enable customers to use these rewards as a payment method. |
| | mPos & Alternative Payment Acceptance | Mobile point-of-sale (mPOS) solutions and alternative payment acceptance solutions. |
| | Payment-Gateways & Portals | Customer-facing payment acceptance solutions for both offline and online merchants. |

ABOUT THIS REPORT

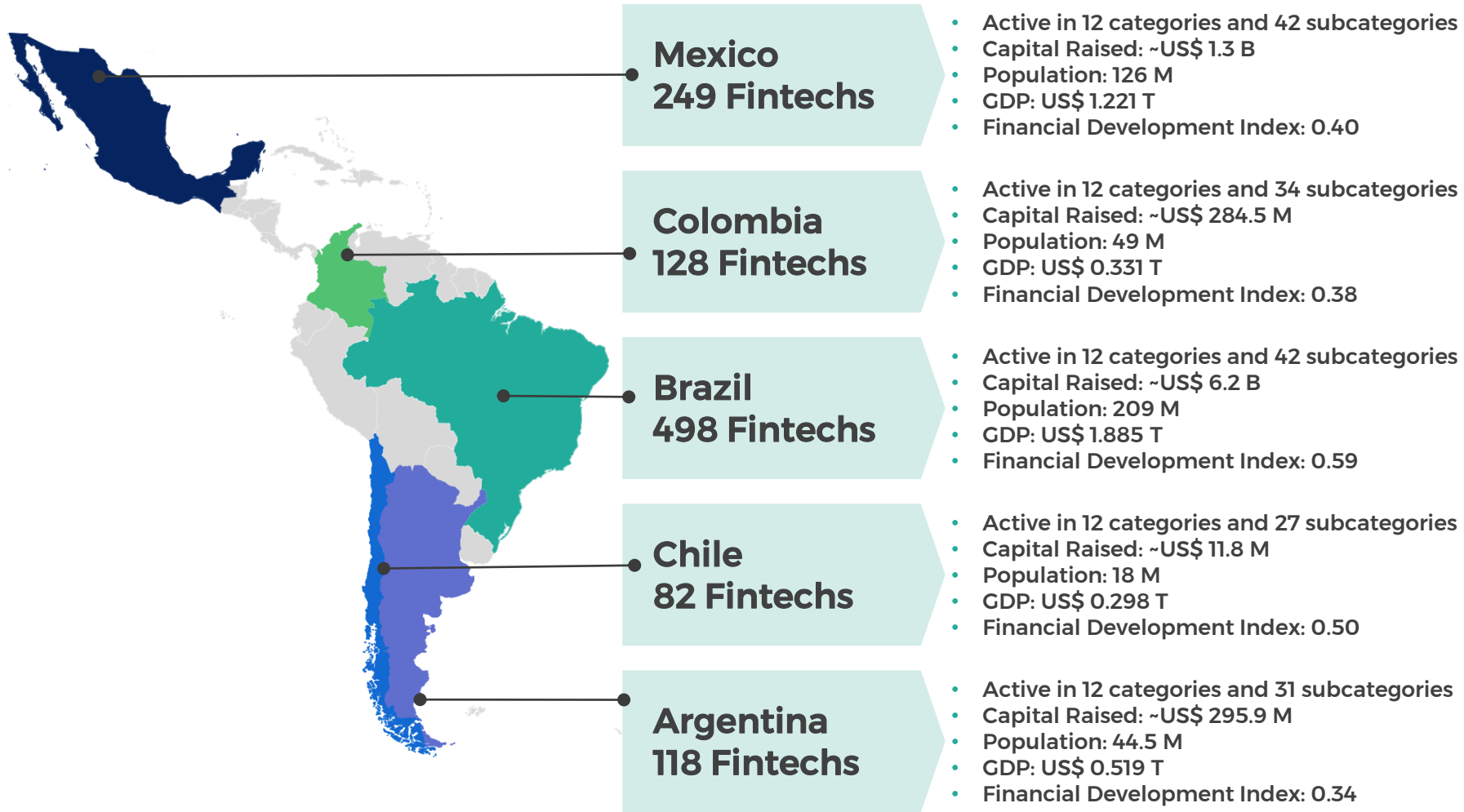
45 Fintech Subcategory Definitions (Continued)

Within The 12 Main Categories, We Identified 45 Subcategories Of Fintechs. Fintech Subcategories Were Delineated By Use Case.

| Category | Subcategory | Definition |
|---|-------------------------------------|---|
| Payments | Prepaid Cards & Other Card Products | Fintechs whose business primarily involves the issuance of prepaid cards and other non-credit card based solutions. |
| | Processing | Fintechs whose primary business model is providing back end payment processing for multiple payment channels. |
| Personal Financial Management | Debt Negotiation | Fintechs that primarily provide services (legal & financial advice) to assist consumers with problems of over-indebtedness. |
| | Savings & Purchase Planning | Fintechs offering tools (e.g. Virtual Piggy Bank) that enable users to save money in a simple way, usually with a specific short or mid-term objective (e.g. buying tickets for a concert). |
| | Financial Planning & Management | Fintechs that specialize in providing services to optimize financial management (e.g. platforms to consolidate financial overview of many bank accounts or credit cards). |
| | Tax Advisory | Fintechs that primarily provide tax accounting services in order to minimize tax payables while remaining compliant with the law. |
| Remittances and Foreign Exchange | Foreign Exchange | Fintechs that specialize in the development of trading platforms to buy and sell foreign exchange. |
| | Remittances | Fintechs that specialize in domestic & cross-border remittances. |
| Scoring, Identity & Fraud | Fraud | Fintechs that specialize in providing fraud detection services (e.g. AML). |
| | Identity | Fintechs that specialize in providing customer identity services (e.g. KYC, biometrics identification). |
| | Scoring | Fintechs that specialize in providing risk or credit scoring services. |
| Wealth Management | Investment & Trading Platforms | Online trading platforms used to place orders for financial products (e.g. stocks, bonds). |
| | Retirement & Pension Planning | Fintechs that offer digital retirement/pension planning services (process of determining retirement income goals). |
| | Roboadvisors | Fintechs that specialize in digital platforms that provide automated, algorithm-driven financial planning services with little to no human supervision. |

ABOUT THIS REPORT

1,075 LATAM Local Fintechs Country Snapshot: The Number Of Fintechs Is Not Everything



Fintech Winners Podium

| Subcategory Activity | Capital Raised As % Of GDP ¹ | Fintechs Per Population M | Fintechs Per GDP \$100 B | Avg. Funding Per Fintech |
|----------------------|---|---------------------------|--------------------------|--------------------------|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

Gold
 Silver
 Bronze

Categories & Subcategories

- Market Dynamics & Considerations
- Fintech Distribution by Category
- Fintech Distribution by Subcategory

CATEGORY

A Word About Ranking Categories

Jan Smith
Co-Founder



Dear Reader,

If you are reading this report, you likely want to know which fintech sectors to watch for growth and which ones face difficulties and pressure to change.

Rankings are like family recipes: everybody has a favorite. Our taste is subjective, yes, but please rest assured there is a method to our madness, and our analyses and scoring criteria are locally farmed and sourced.

There are ingredients intrinsic to the database such as population of fintechs in a given sector, maturity, or reported funding trends. We also add a dash of feedback from founders, investors and incumbent financial players. Last, but definitely not least, we sprinkle in a good dash of our sector expertise for good measure.

Bad cooking analogies aside, we do know a thing or three about fintechs and financial services. In our roles as strategists and advisors, we have sized many categories on behalf of fintechs and investors, designed payment products for incumbents, and can sprangle about national payment hubs and regulation. In short, we understand where to seek trends or scope out subtleties in the data. If in doubt, we know who to ask.

Harboring a Unicorn or having the greatest number of fintechs is not enough for us to classify a category as worthy of watching. Inversely, categories that have but a handful of fintechs are not necessarily facing challenges or under pressure to change. In fact, we might think they make perfect categories to watch because they are overlooked.

Similarly, a category may be attractive to investors, but we disagree with the fundamental economics or value proposition underpinning the category. Perhaps a category is moving along nicely but we see regulatory and economic storm clouds that will upend growth. Sometimes the introduction of a new payment messaging standard by regulators will set off a set of circumstances that challenge or favor a category.

We did the heavy lifting, and to make the process simple and straightforward for you, we assigned each category to one of three easy to understand cohorts:

1. Categories to watch
2. Categories deserving an honorable mention
3. Categories facing pressure to change

Of course, if you have any questions or comments, we are glad to schedule a call. We are a curious bunch and are always glad to learn something new.

Thank you,

Jan

CATEGORY

Headers You Will Find In This Section

For Each Category

Categories To Watch

- Categories that hold fintechs that combined could meaningfully impact the financial system within the next five years.
- Categories that are poised to deliver multiple solid fintechs.
- Categories overlooked by investors.

Honorable Mention

- Categories with solid value propositions that are still in early growth.
- Categories that are complicated but will offer first movers outsized rewards.
- Categories that are attracting strategic or global investors.

Pressure To Change

- Categories that show signs of saturation and could witness consolidation.
- Categories that face softening funding or are distressed.
- Categories whose value proposition or business model is strongly challenged.
- Categories facing regulatory and macro-economic hardships.

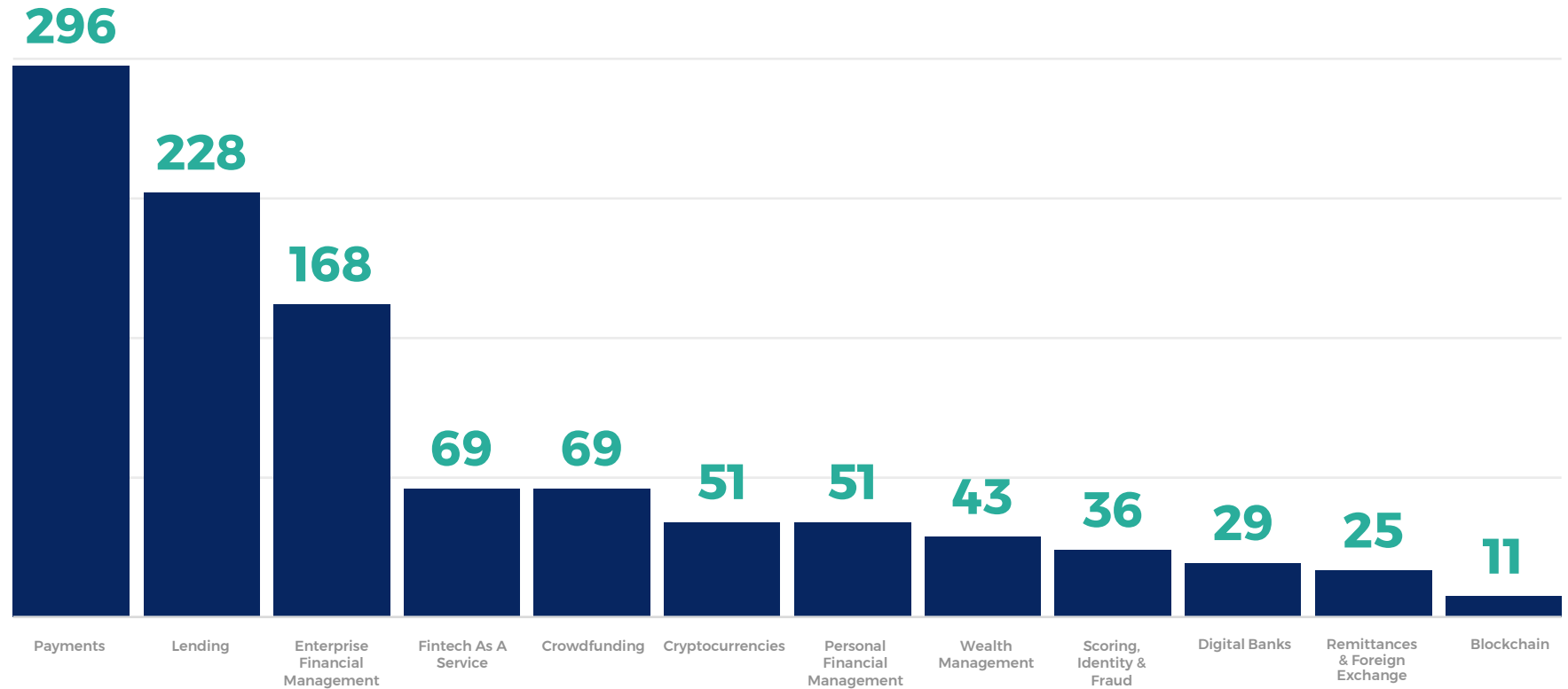
CATEGORY

LATAM

Fintech Distribution By Category

- Unsurprisingly, the most subscribed regional categories are **Payments** and **Lending**. They represent 49% of all fintechs and house some of the largest or most valuable fintechs.
- **Digital Banks** are making great headlines and it will be interesting to watch incumbents test their digitized avatars (that we did not include in this report) against neo-banks.
- **Enterprise Financial Management** has considerable room to grow and it is too soon to call any winners.
- How Open Banking and Central Bank Digital Currency regulation pans out will affect **Fintech As A Service, Cryptocurrencies, and Blockchain**.
- **Remittances & Foreign Exchange** are sleepers waiting to meet the right Super App.

Regional Distribution Of 1,075 Fintechs Across 12 Categories



Source: KoreFusion Analysis, Crunchbase, Fintech Reports, Fintech National Associations

Distribution Of 498 Fintechs Across 12 Categories

CATEGORY



Fintech Distribution By Category

Categories To Watch:

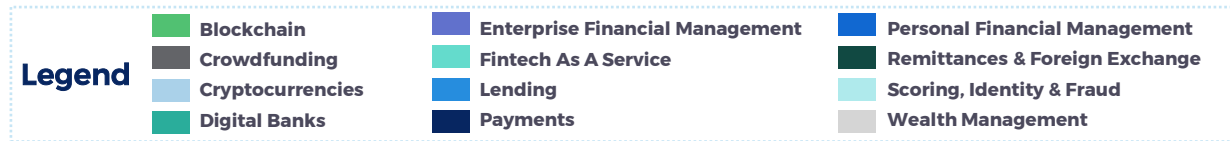
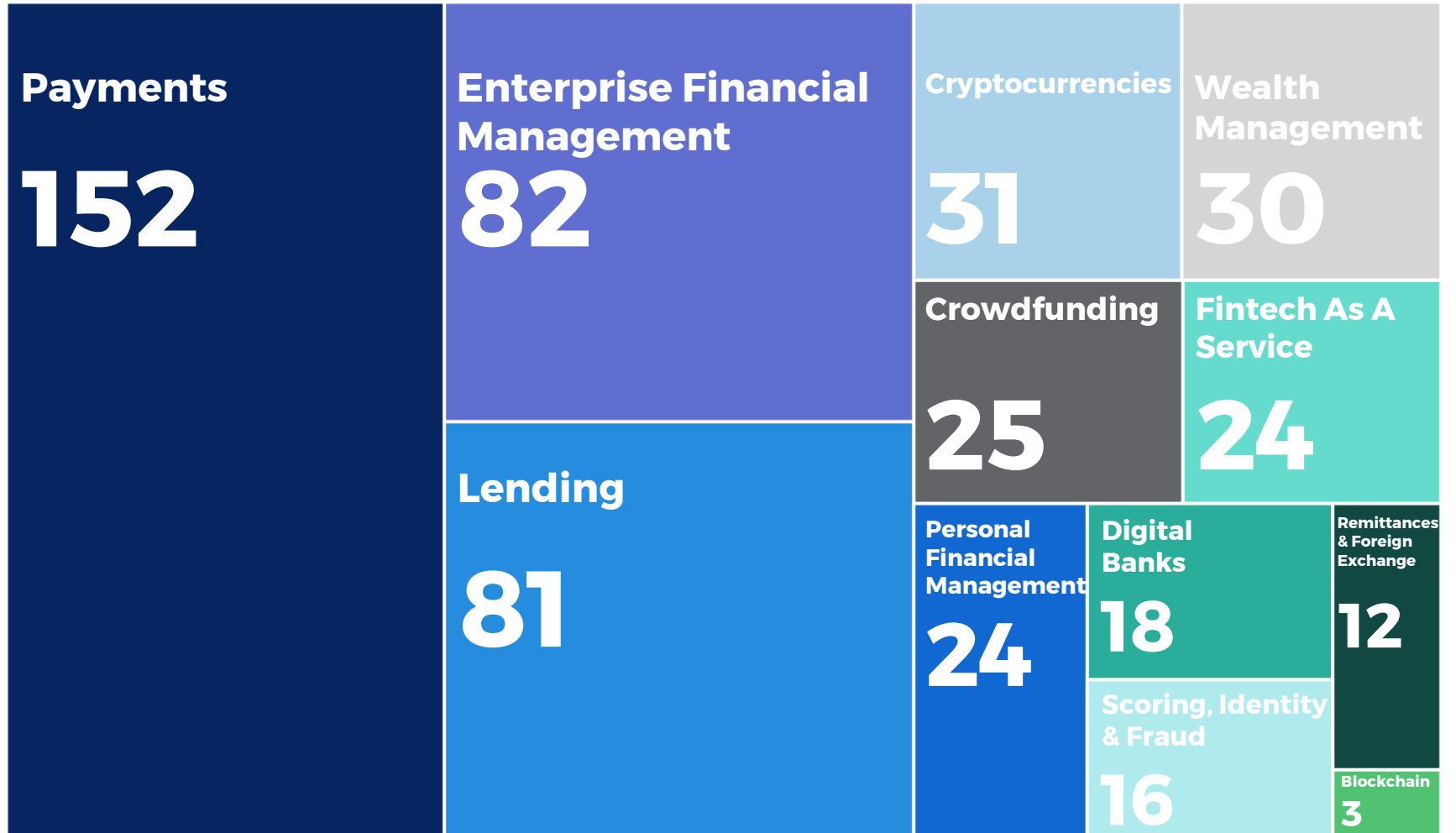
- Digital Banks
- Enterprise Financial Management

Honorable Mention:

- Lending
- Fintech As A Service

Pressure To Change:

- Payments
- Crowdfunding



Source: KoreFusion Analysis, Crunchbase, Fintech Reports, Fintech National Associations

CATEGORY



Fintech Distribution By Category

Categories To Watch:

- Digital Banks
- Enterprise Financial Management

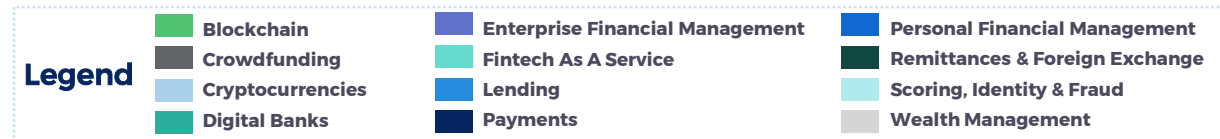
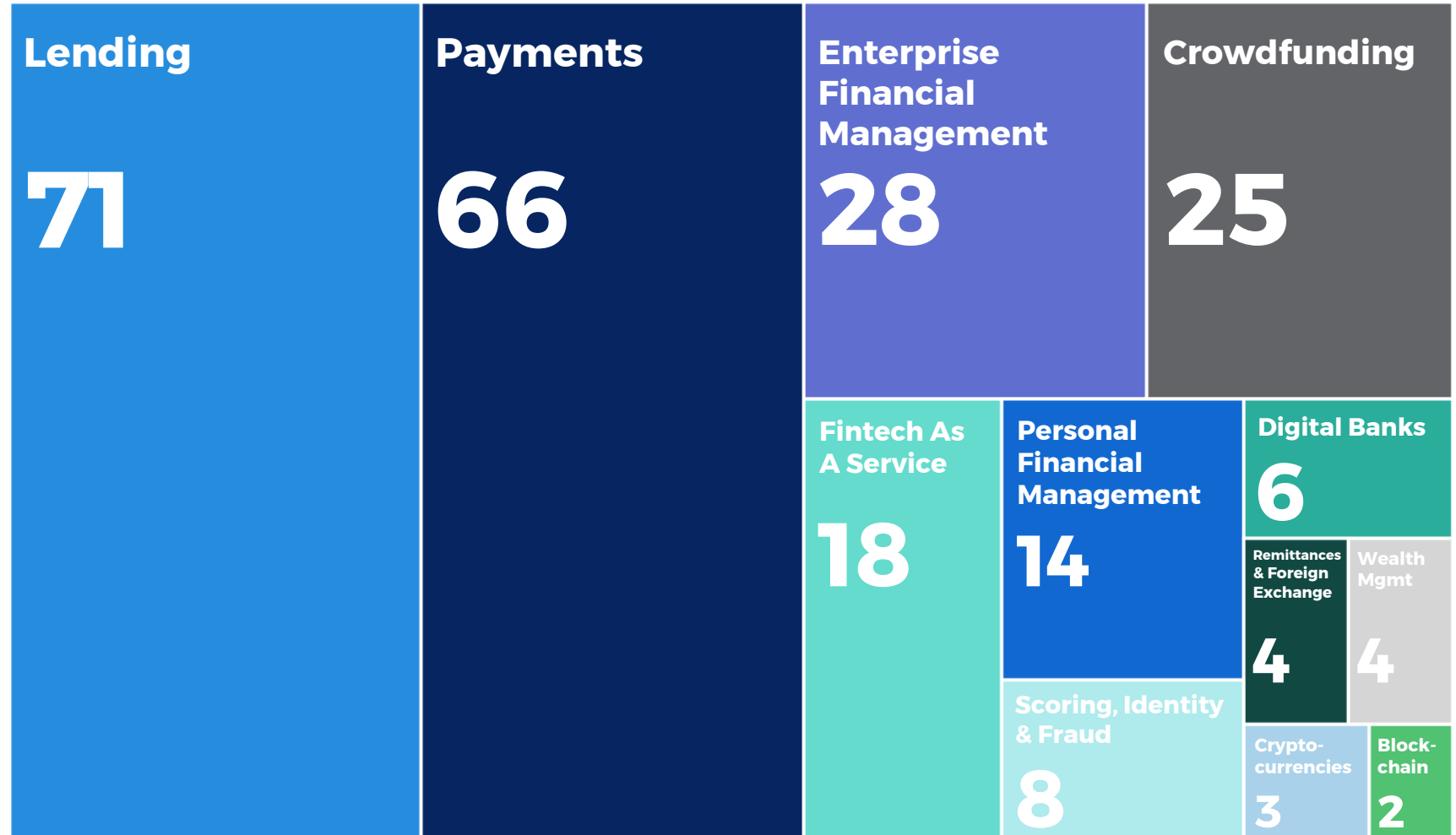
Honorable Mention:

- Remittances & Foreign Exchange
- Cryptocurrencies

Pressure To Change:

- Lending
- Payments

Distribution Of 249 Fintechs Across 12 Categories



Source: KoreFusion Analysis, Crunchbase, Fintech Reports, Fintech National Associations Our curation of non-fintech and unsubstantiated companies weighed heavily for Mexico and impacted the total number of fintechs attributed to Mexico in other sources.

Distribution Of 128 Fintechs Across 12 Categories

CATEGORY



Fintech Distribution By Category

Categories To Watch:

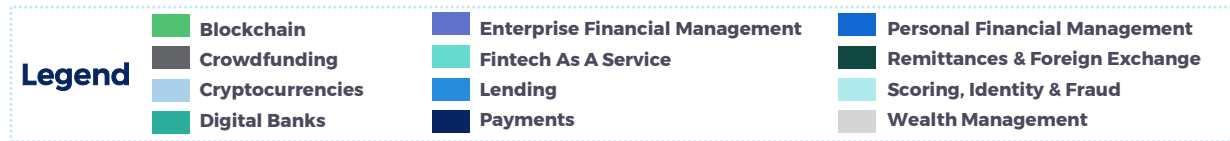
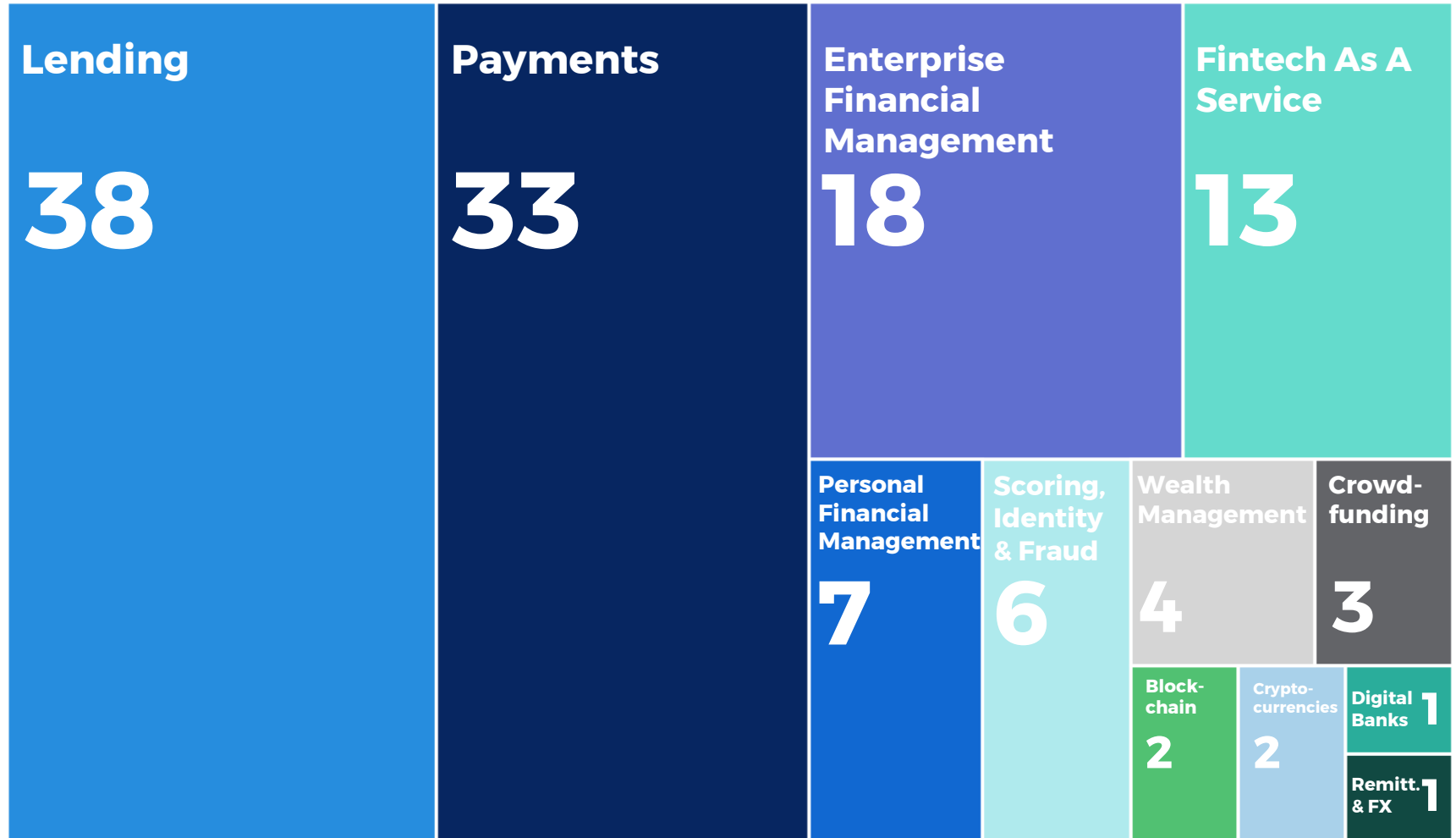
- Payments
- Fintech As A Service

Honorable Mention:

- Blockchain
- Scoring, Identity & Fraud

Pressure To Change:

- Crowdfunding



Source: KoreFusion Analysis, Crunchbase, Fintech Reports, Fintech National Associations. Our curation of non-fintech and unsubstantiated companies weighed heavily for Colombia and impacted the total number of fintechs attributed to Colombia in other sources.

Distribution Of 118 Fintechs Across 12 Categories

CATEGORY



Fintech Distribution By Category

Categories To Watch:

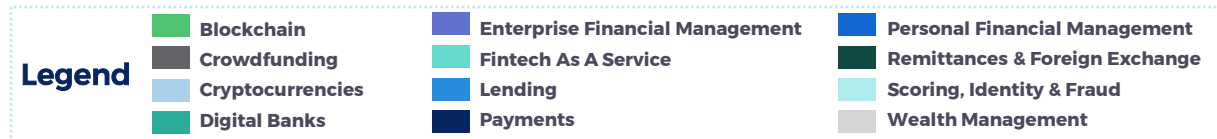
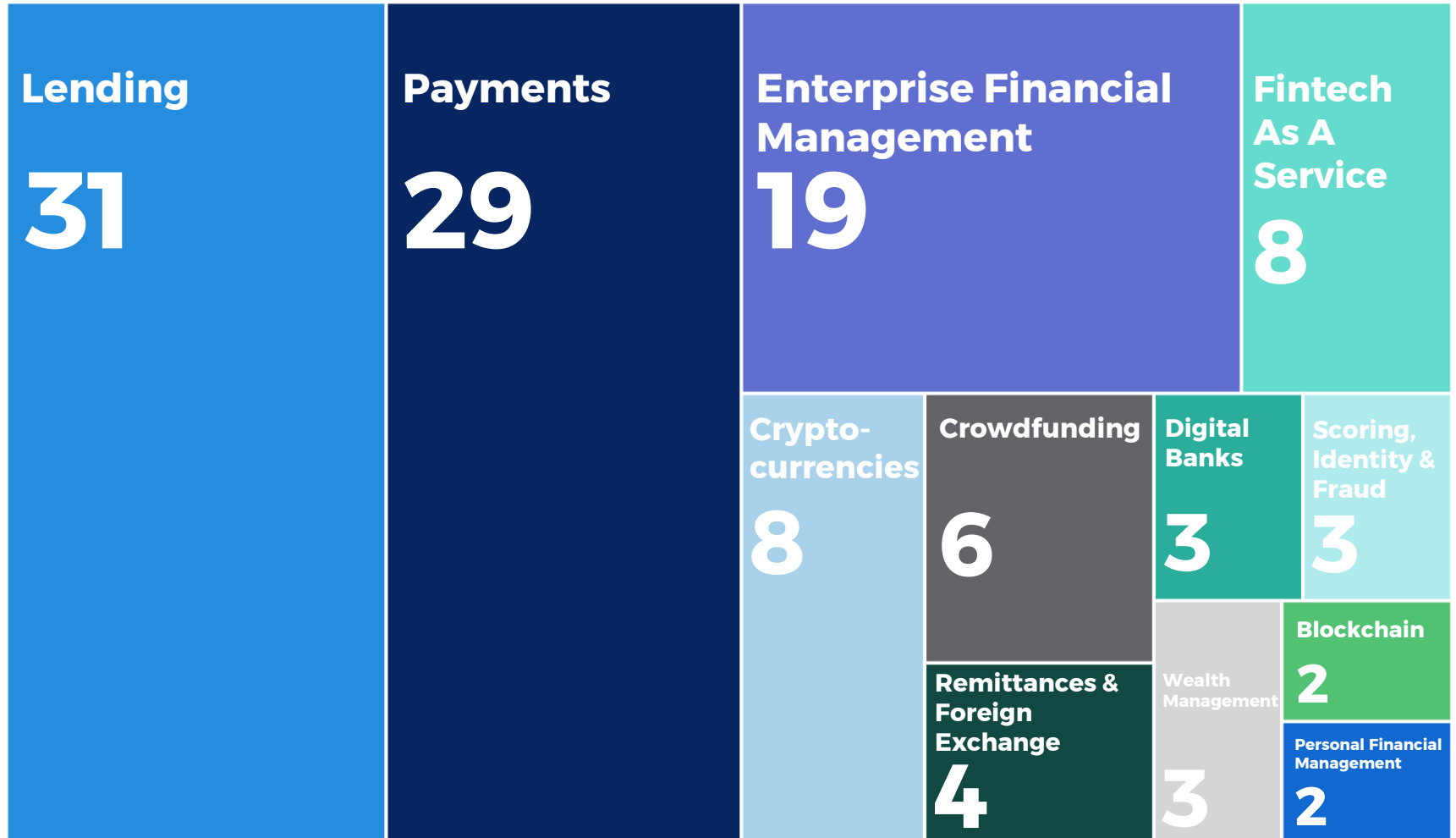
- Payments
- Cryptocurrencies

Honorable Mention:

- Digital Banks
- Remittances and Foreign Exchange

Pressure To Change:

- Lending
- Crowdfunding



Source: KoreFusion Analysis, Crunchbase, Fintech Reports, Fintech National Associations

Distribution Of 82 Fintechs Across 12 Categories

CATEGORY



Fintech Distribution By Category

Categories To Watch:

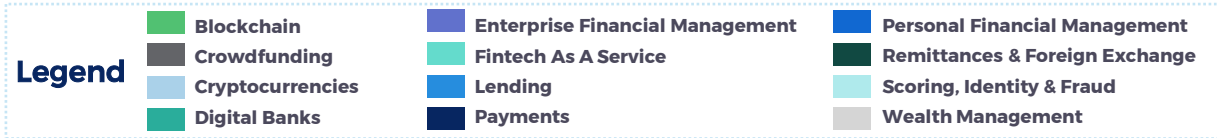
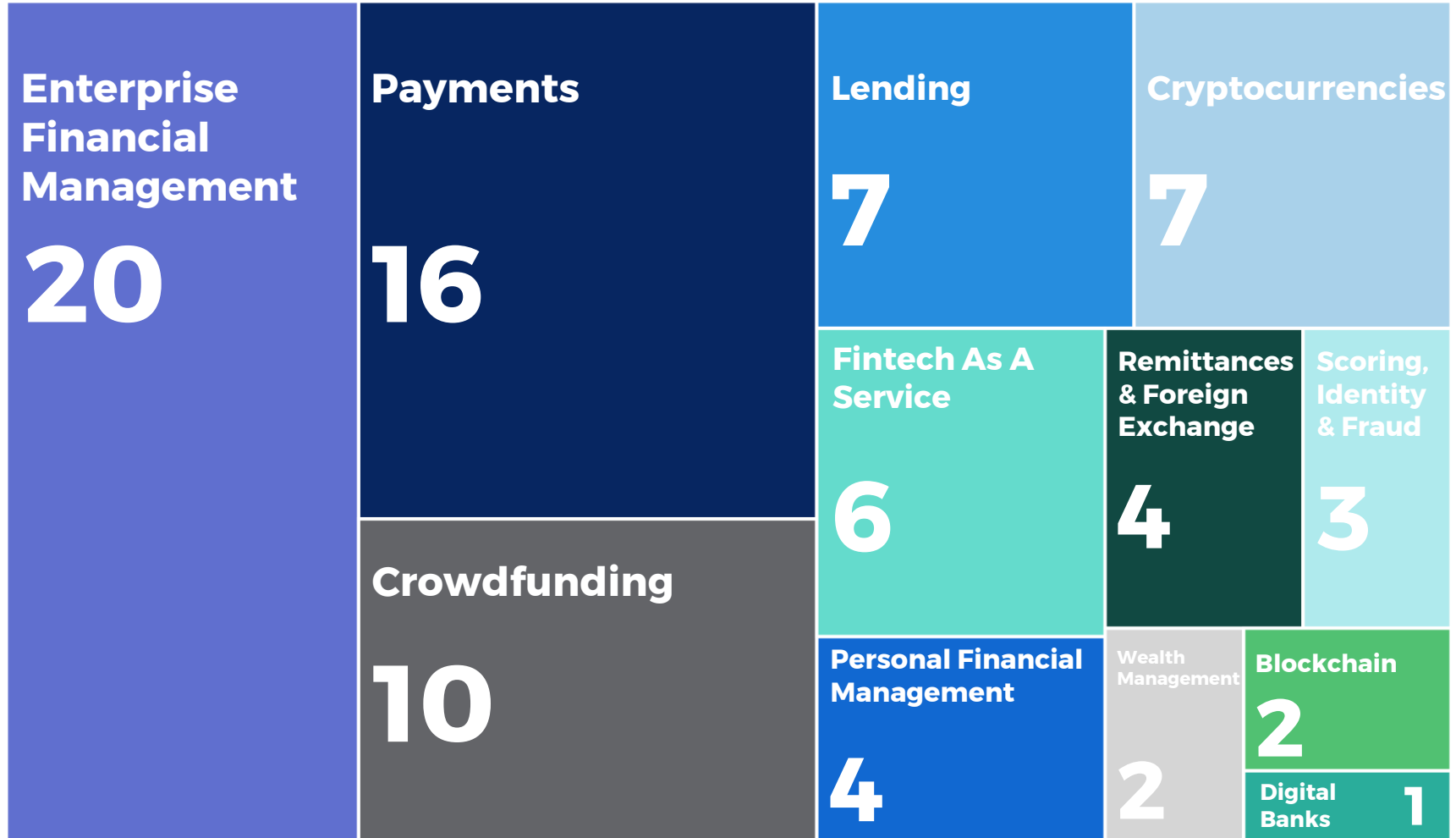
- Enterprise Financial Management
- Payments

Honorable Mention:

- Crowdfunding
- Lending

Pressure To Change:

- Cryptocurrencies



Source: KoreFusion Analysis, Crunchbase, Fintech Reports, Fintech National Associations

SUBCATEGORY

Another Word About Ranking Subcategories

Daniel Ben Aron
Managing Director



Dear Reader,

Thank you for accompanying us into the second chapter of this report.

The purpose of this section is to provide an improved overview at the subcategory level. The fintech industry is expanding rapidly and the subcategory definitions many of us are accustomed to are no longer sufficient to accurately reflect the diversity of the ecosystem. As investors eye the region more keenly, we heard a desire for cleaner borders around subcategories. Similarly, we had multiple fintechs express that the subcategories they were classified into were too confined and limited how peers and investors regarded them at first glance. In particular, we observed that B2B services and fintechs positioning themselves along the procure-to-pay value chain were overlooked.

We listened to feedback and herein present what we hope is an improved cartography that facilitates understanding of this rich field. We also tried to not go too far down the river and create a tool with so many streams that it becomes uncomfortable to use. Striking the right balance was admittedly a challenge because the richness and complexity of the fintech industry shows at the subcategory level, and players by intentional design are nimble and adapt quickly to shifting currents.

Many subcategories share similarities that challenge a tidy classification, but this also highlights the adaptability and symbiosis of fintech services. To follow one evolutionary branch as an example:

- Prepaid Card fintechs are transforming their core product and shifting toward E-Wallets.
- E-Wallets are used by Payroll fintechs to make loan disbursements.
- Payroll fintechs are teaming-up with Consumer Lending fintechs.
- Consumer Lending fintechs are pivoting toward Scoring.

To solve this entanglement, and particularly in cases where a fintech is exploring new terrain, we assigned companies to the subcategory that best fits their main product. We noticed two patterns in the region and present them as examples to illustrate how we made subcategory classifications:

Adjacent diversification: An AR Solution fintech entering Receivables Financing remains under its first classification until the moment their second line of business becomes the primary source of revenue.

Tangential diversification: A Debt Negotiation fintech investing in a Prepaid Card fintech to make disbursements retains the classification of the business making the investment although the brand of the second company is better known.

As with the Category chapter, we also thought it useful to provide an opinion regarding how different subcategories compare to each other. To do justice to the diversity of players, their specialization or adaptability, and how they interact amongst themselves, we thought it best to express this in terms of the space each subcategory has available for growth and its capacity to sustain diversity. This should not be regarded as a 'ranking' of subcategories, but instead as a description of the space they occupy.

The three categorizations we settled on are: 1. Growth Potential, 2. Complementarity, and 3. Saturation.

A large part of what motivates us to think this way is our desire to reflect the ever-advancing march toward collaborative platforms, open banking, and APIs. We believe this best expresses the platform and ecosystem business models that fintechs use to challenge the vertical push-based business models of incumbents.

Cheers,

Daniel

SUBCATEGORY

Headers You Will Find In This Section

For the 45 Subcategories

Growth Potential

- Subcategories where demand is not fully addressed and existing players have ample room to grow, but new players will be challenged.
- Subcategories that still have plenty of room for new players.

Complementary

- Subcategories that highly complement other fintech subcategories and have multiple growth paths. They may also pivot toward, absorb, or be tucked into the categories they serve.

Saturated

- Subcategories where demand is unlikely to sustain a large number of contenders.
- Subcategories with endogenous characteristics that do not allow many players to coexist regardless of demand, or subcategories with limited room for new players.

SUBCATEGORY

LATAM

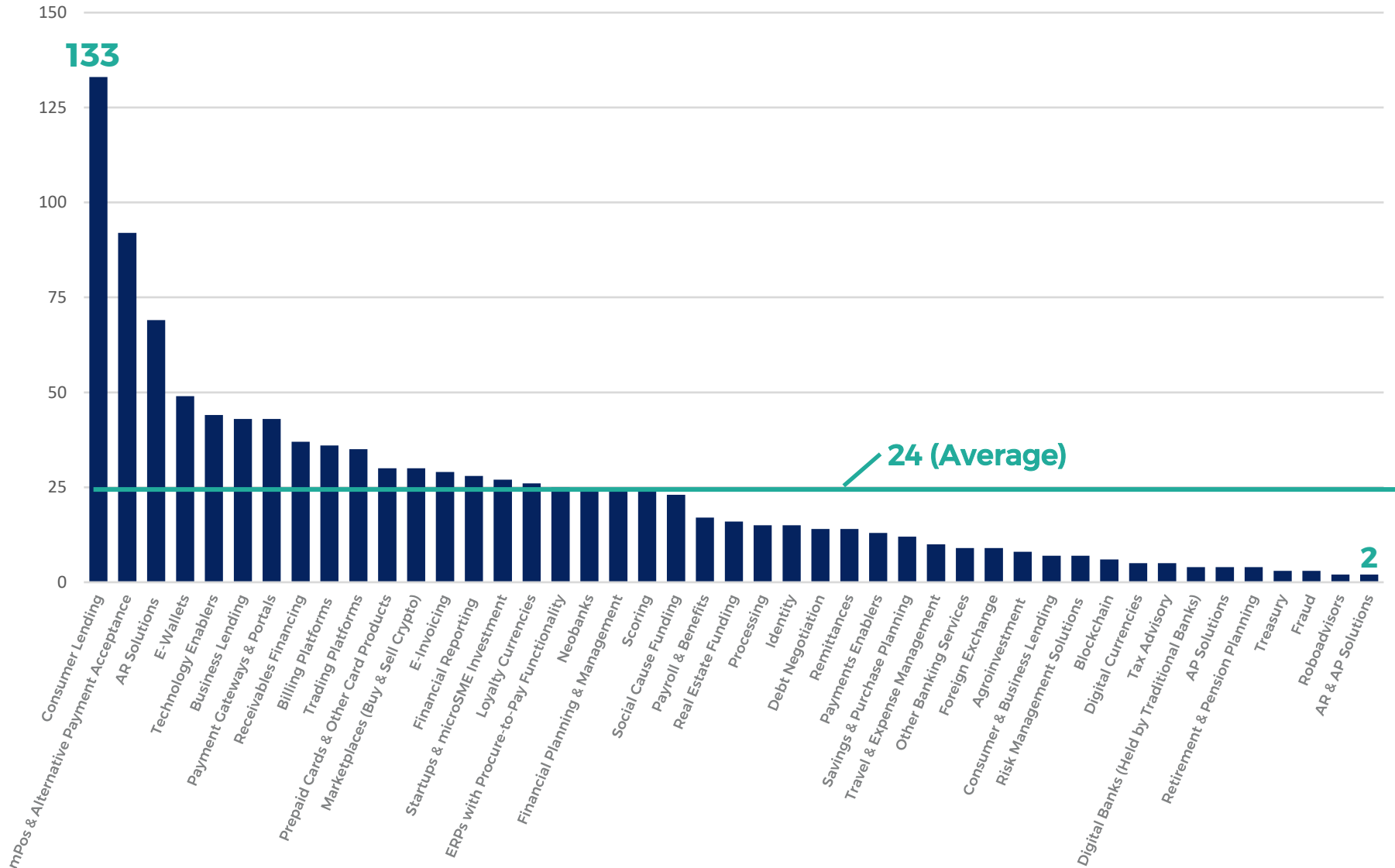
Fintech Distribution By Subcategory

Five of the top ten subcategories with the greatest number of fintechs are in the **Payments** category.

Three of the top ten subcategories with the greatest number of fintechs are in the **Lending** category.

Subcategories belonging to **Fintech As A Service** and **Enterprise Financial Management** are in the minority and demonstrate growing relevance.

Distribution Of 1,075 Fintechs Across 45 Subcategories



Source: KoreFusion Analysis, Crunchbase, Fintech Reports, Fintech National Associations

SUBCATEGORY



Fintech Distribution By Category

Growth Potential:

- Technology Enablers
- Receivables Financing
- Payments Enablers

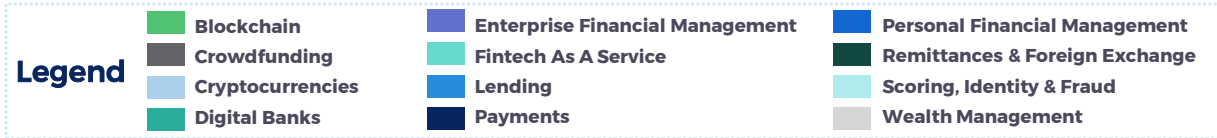
Complementary:

- E-Invoicing
- Neobanks

Saturated:

- mPos & Alternative Payment Acceptance
- Consumer Lending
- E-Wallets

Distribution Of 498 Fintechs Across 42 Subcategories



Source: KoreFusion Analysis, Crunchbase, Fintech Reports, Fintech National Associations

SUBCATEGORY



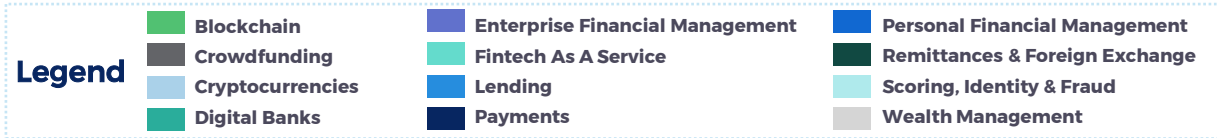
Fintech Distribution By Category (Continued)

Zoom-In Of Other Subcategories

For Brazil, Other is comprised of subcategories that have six or less companies.

| | | | | | | |
|---------------------------------------|--------------------------------|----------------------------|----------------------------------|--|-------------------------------------|----------------------|
| mPos & Alternative Payment Acceptance | AR Solutions | Technology Enablers | Financial Planning & Management | Marketplaces (Buy & Sell Crypto) | Prepaid Cards & Other Card Products | Neobanks |
| 51 | 40 | 19 | 18 | 17 | 17 | 16 |
| Consumer Lending | Investment & Trading Platforms | Financial Reporting | Billing Platforms | ERPs With Procure-To-Pay Functionality | Scoring | Social Cause Funding |
| 41 | 22 | 18 | 15 | 14 | 13 | 13 |
| E-Wallets | Loyalty Currencies | Payment Gateways & Portals | Startups & Micro-SBIE Investment | Debt Negotiation | Payroll & Benefits | Payments Enablers |
| 20 | 18 | 14 | 10 | 9 | 8 | 7 |
| Receivables Financing | Business Lending | Processing | Other | | | |
| 18 | 14 | 9 | 48 | | | |
| E-Invoicing | | | | | | |
| 9 | | | | | | |

Distribution Of 48 Fintechs By Subcategory Marked As 'Other'



Source: KoreFusion Analysis, Crunchbase, Fintech Reports, Fintech National Associations

SUBCATEGORY



Fintech Distribution By Category

Growth Potential:

- Remittances
- AR Solutions
- Receivables Financing

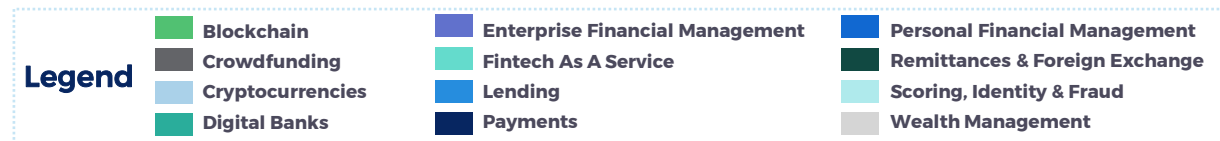
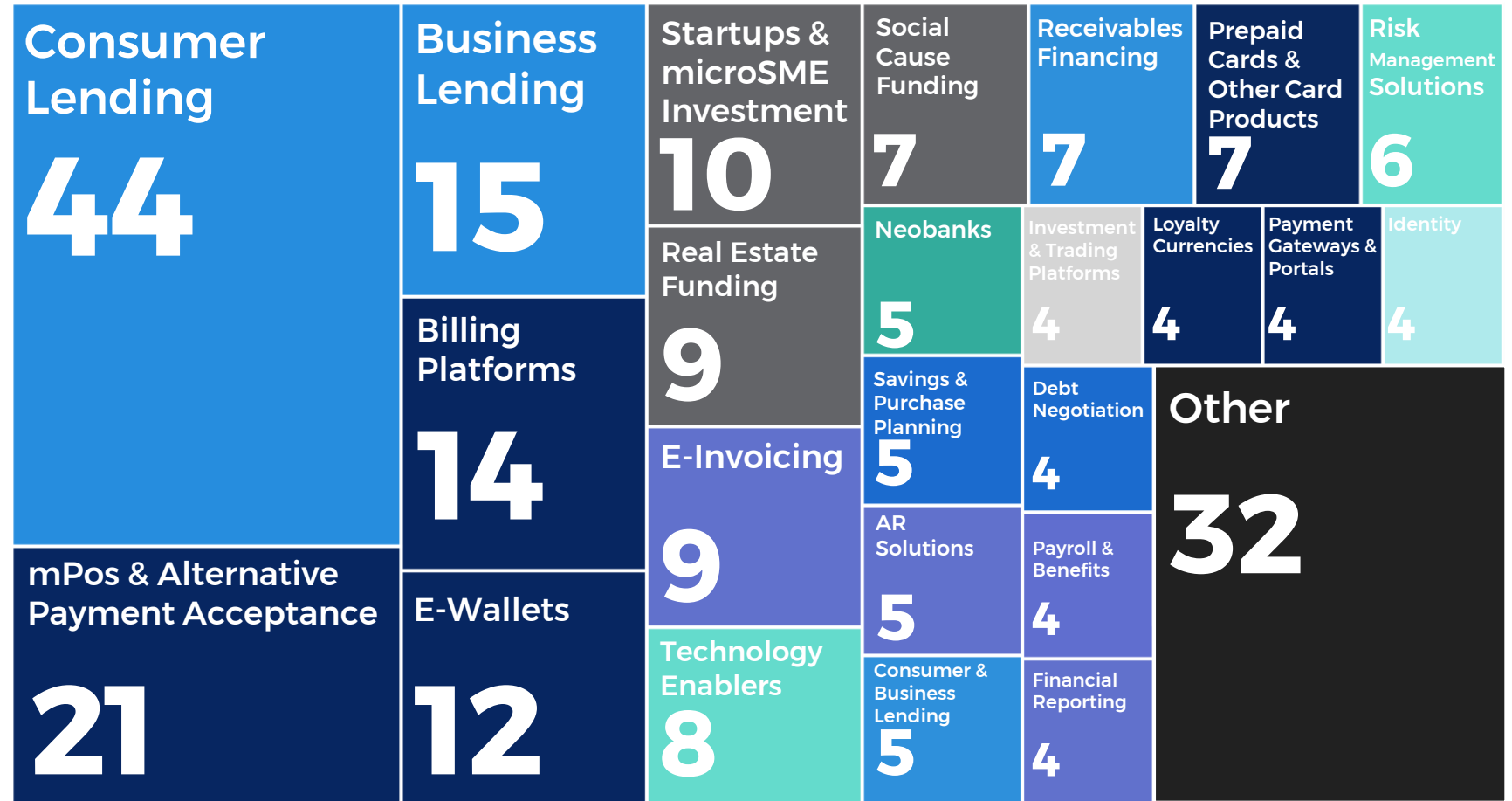
Complementary:

- E-Invoicing
- Technology Enablers

Saturated:

- Consumer Lending
- mPos & Alternative Payment Acceptance
- E-Wallets

Distribution Of 249 Fintechs Across 42 Subcategories



Source: KoreFusion Analysis, Crunchbase, Fintech Reports, Fintech National Associations

SUBCATEGORY



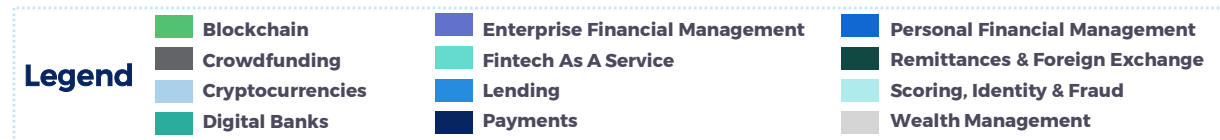
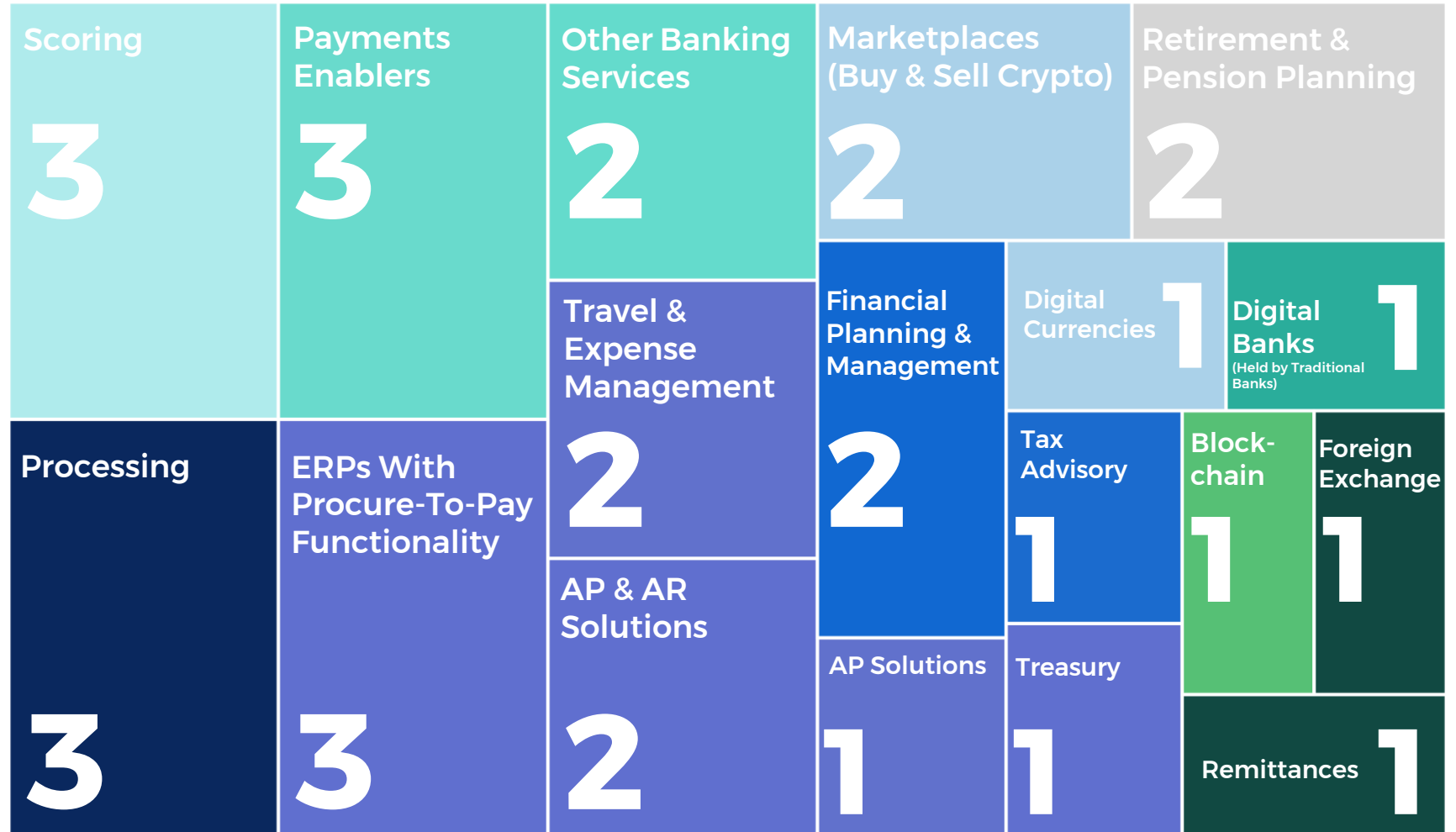
Fintech Distribution By Category (Continued)

Zoom-In Of Other Subcategories

For Mexico, Other is comprised of subcategories that have three or less companies.



Distribution Of 32 Fintechs By Subcategory Marked As 'Other'



Source: KoreFusion Analysis, Crunchbase, Fintech Reports, Fintech National Associations

SUBCATEGORY



Fintech Distribution By Category

Growth Potential:

- Business Lending
- Receivables Financing
- AR Solutions

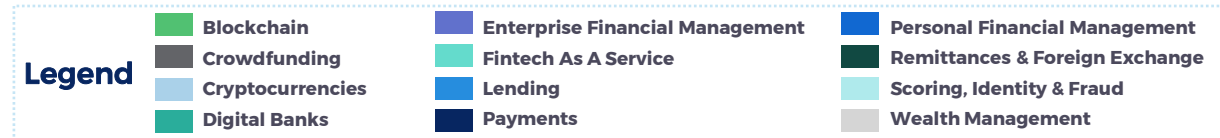
Complementary:

- Payments Enablers
- E-Invoicing

Saturated:

- Consumer Lending
- mPos & Alternative Payment Acceptance
- E-Wallets

Distribution Of 128 Fintechs Across 34 Subcategories



Source: KoreFusion Analysis, Crunchbase, Fintech Reports, Fintech National Associations

SUBCATEGORY



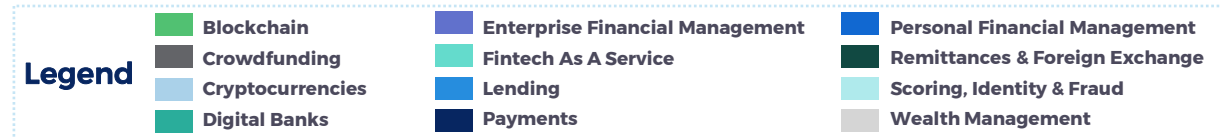
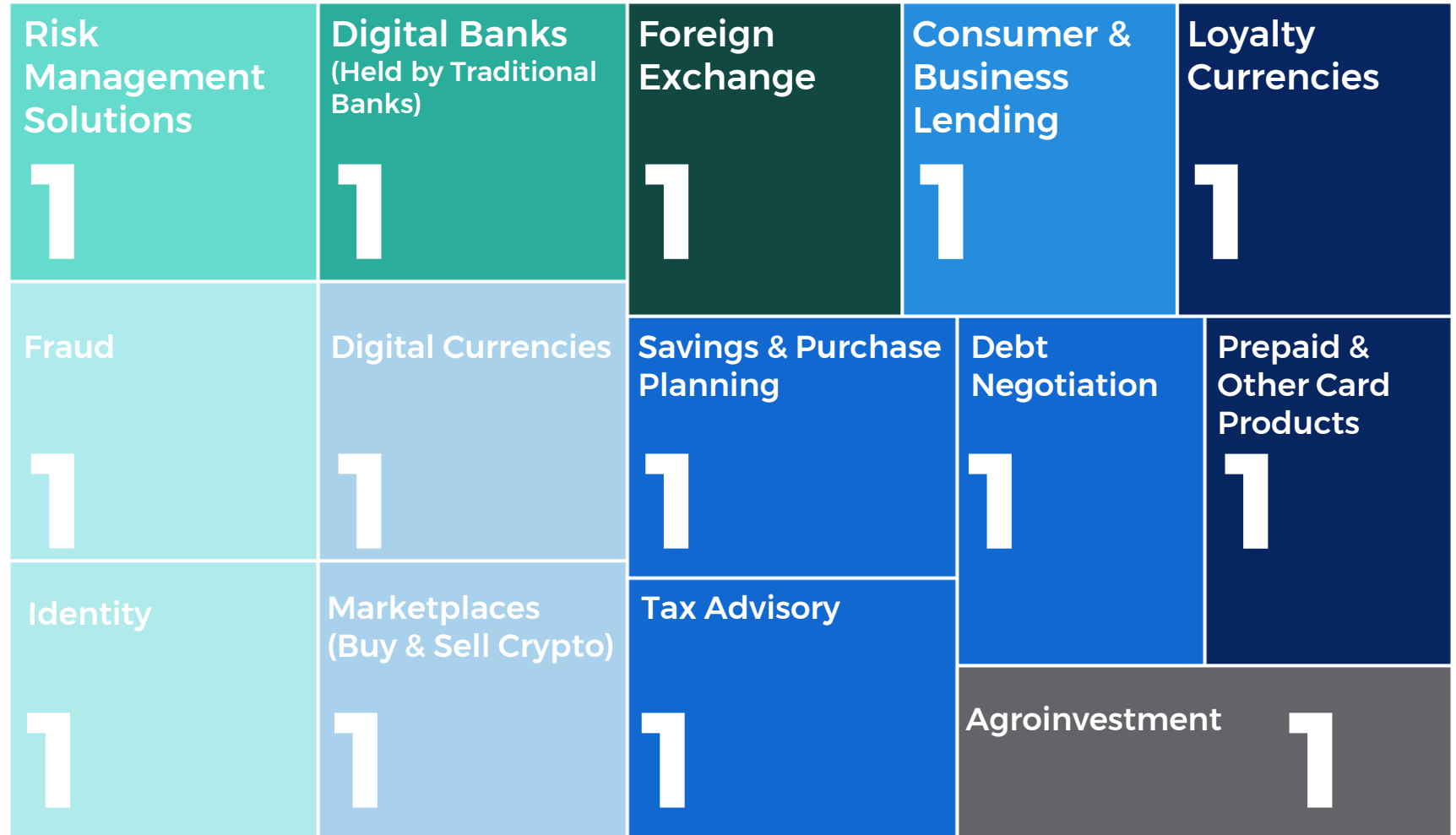
Fintech Distribution By Category (Continued)

Zoom-In Of Other Subcategories

For Colombia, Other is comprised of subcategories that have one company.



Distribution of 14 Fintechs By Subcategory Marked As 'Other'



Source: KoreFusion Analysis, Crunchbase, Fintech Reports, Fintech National Associations

SUBCATEGORY



Fintech Distribution By Category

Growth Potential:

- Foreign Exchange
- Receivables Financing

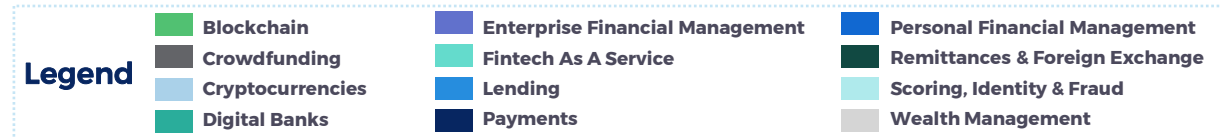
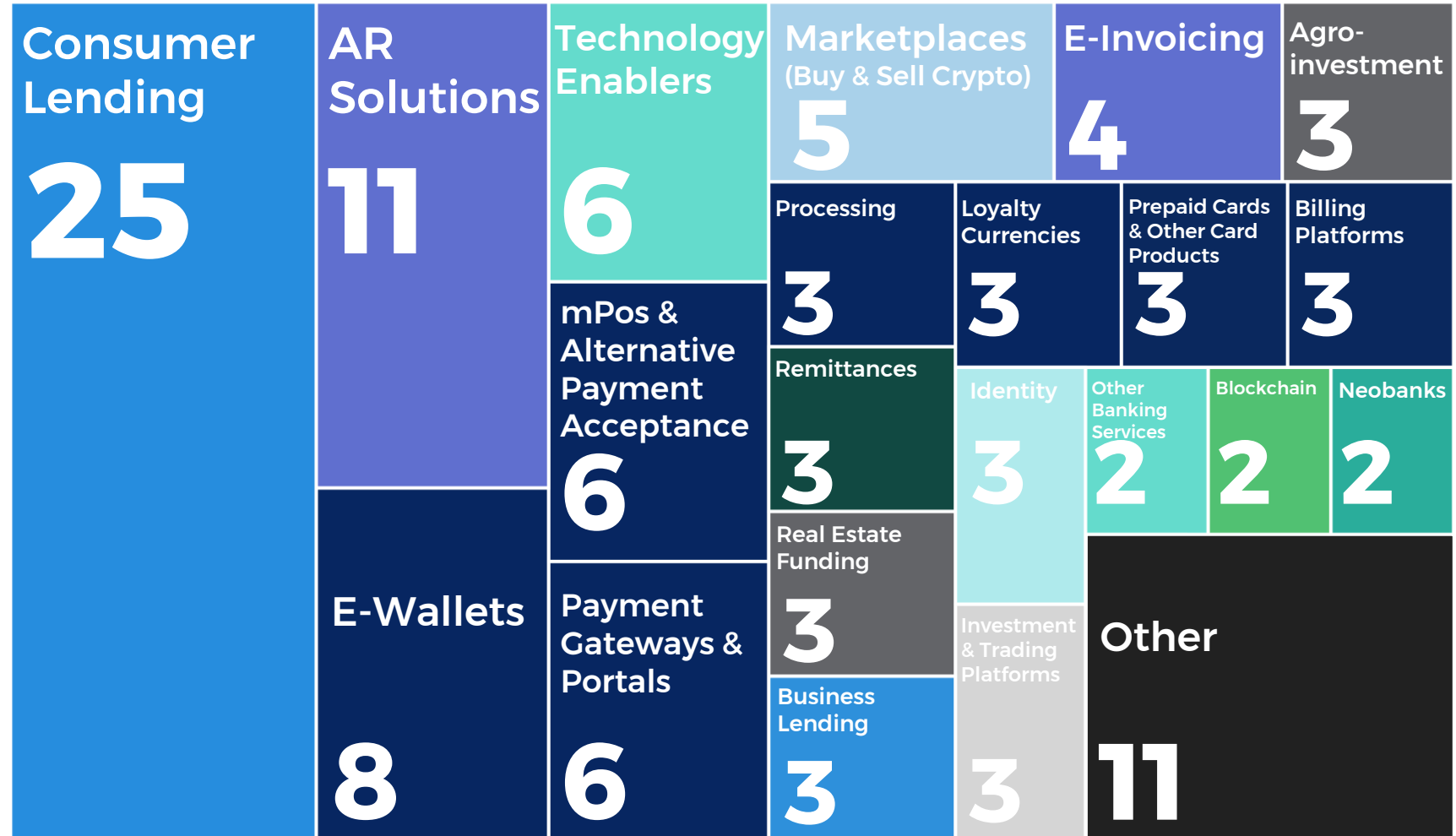
Complementary:

- Digital Banks
- AR Solutions

Saturated:

- Consumer Lending
- E-Wallets

Distribution of 118 Fintechs Across 31 Subcategories



Source: KoreFusion Analysis, Crunchbase, Fintech Reports, Fintech National Association

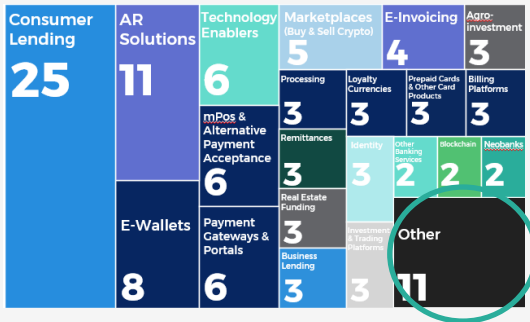
SUBCATEGORY



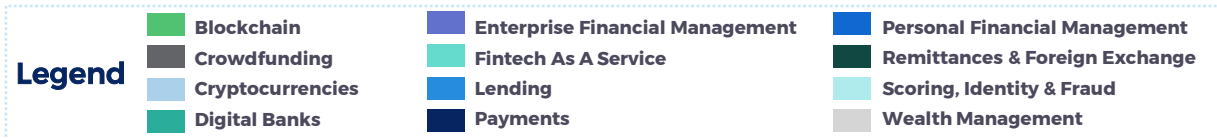
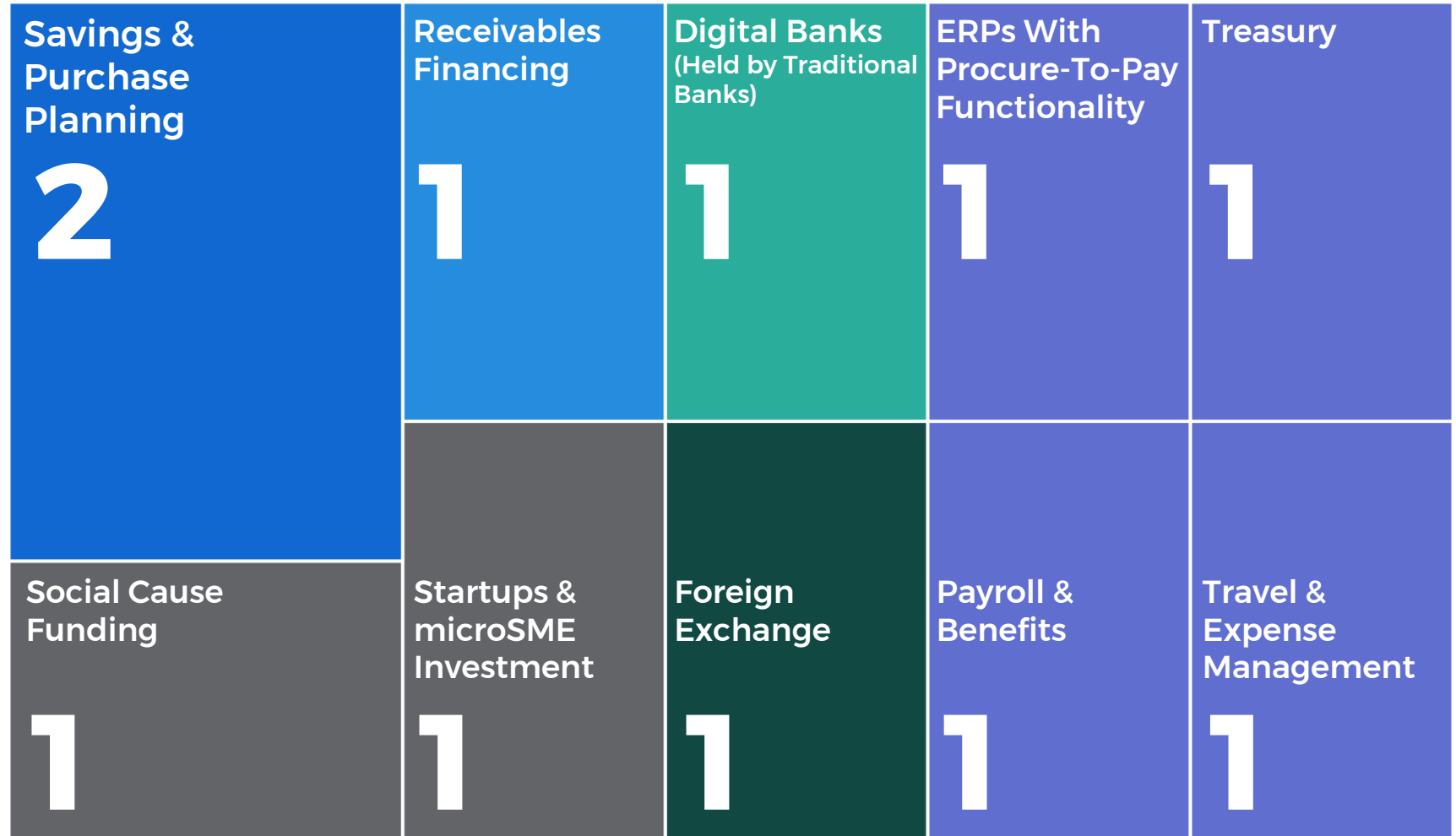
Fintech Distribution By Category (Continued)

Zoom-In Of Other Subcategories

For Argentina, Other is comprised of subcategories that have two or less companies.



Distribution of 11 Fintechs By Subcategory Marked As 'Other'



Source: KoreFusion Analysis, Crunchbase, Fintech Reports, Fintech National Associations

SUBCATEGORY



Fintech Distribution By Category

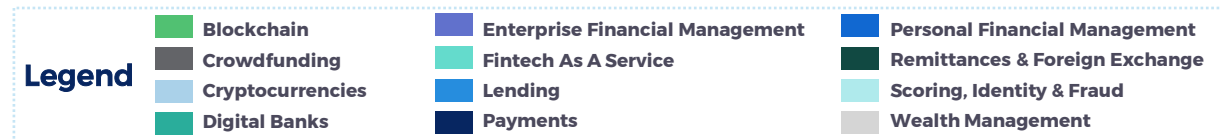
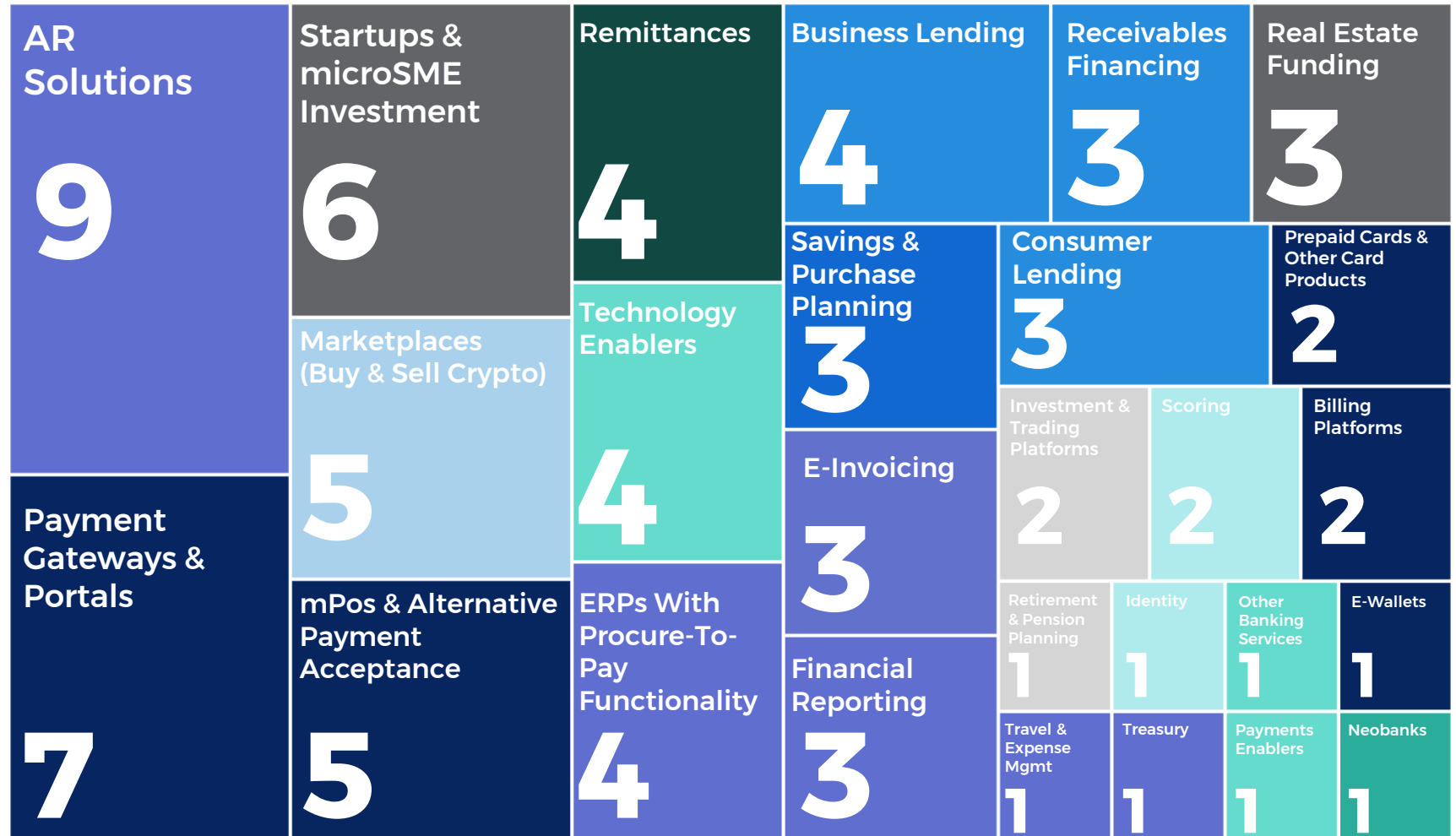
Growth Potential:

- Business Lending
- E-Wallets
- Consumer Lending

Complementary:

- Prepaid Cards & Other Card Products
- Receivables Financing

Distribution Of 82 Fintechs Across 27 Categories



Source: KoreFusion Analysis, Crunchbase, Fintech Reports, Fintech National Associations
 Note: National fintech industry is still very dynamic and shows no subcategory with risk of saturation

Funding

- Admitting the Challenge
- LATAM Funding Distribution
- Country Funding by Category
- Top Funded Fintechs

FUNDING

Admitting The Challenge

Alejandro Gonzalez
Fintech Subject Matter Lead



Dear Reader,

We admit that of all the sections in this report, this was the most difficult to build. It is a consultant's nightmare to compile and present because it is always easy to poke a hole in the data or torture the numbers to say something else.

The fintech funding landscape is an ever-shifting terrain with many blank spaces on the map. Media releases contradict themselves. Debt financing is often referenced but rarely reported. Conditioned precedents trigger clawbacks or modify the value or the release of funding. Are funds destined for lending, regulatory requirements, opex, or capex? The list of pitfalls and sharp edges for a consultant is limitless and is why a consultant and not a partner is writing the introduction to this section.

Not all is gloom, however. There are pockets of good sources, although they are usually focused on one category or a particular player. Some of the best lists are outside of the region, but they rely largely on voluntary reporting and can be challenging or expensive for entrepreneurs and early stage fintechs to access or use. VC and PE investors may have proprietary databases but are either reluctant or conflicted to share them with the market.

We see the lack of a curated central source of information as a serious shortcoming in the market. We also acknowledge there are holes in the publicly available data. We hope this first attempt at providing an imperfect regional compilation of funding data will stimulate more fintechs to share information. Our hope is that this section will set a base from which to improve future iterations.

Still, we recognize that detailed funding information is limited and appreciate your patience and understanding. Obviously, if you have any funding information you can share or update so that we can improve this chapter, we appreciate hearing from you!

And for those who are interested in knowing, transactions through to May 15th 2020 are included in this report.

Thank you,

Alejandro

FUNDING

Obstacles And Challenges In The Data

Limited Data

- 90% of fintechs do not report funding or investment figures; only 183 companies make their numbers publicly available.

Some Fintechs Are “Beyond” Reported Funding

- Some fintechs are subsidiaries of larger financial institutions or technology companies; funding information is not always available. Rappi and RappiPay are a good example: in 2019, Rappi received US\$ 1 B from SoftBank, but no specific information is available on how much of this investment was allocated to RappiPay.

Reported Transactions In Foreign Currency

- Some fintechs reported their funding transactions in local currencies and the lag between exchange rate and actual deployment could be significant. We used a currency converter to approximate the US\$ value on the transaction date.

Friends & Family Funding

- It is a common practice in LATAM for entrepreneurs to raise seed capital from friends and family. Friends and family are also common sources used to bridge funding rounds, and therefore bleed into or taint the amounts reported in Series A or Series B rounds.

Pareto’s Law

- Despite the above-mentioned limitations, we are confident in the results. Although only 10% of fintechs actually report funding, they also happen to be the leaders in their categories and account for the highest proportion of investor activity by a large margin. Most fintechs in the region are still in their infancy and the numbers disclosed by their more mature counterparts provide good directional guidance.

FUNDING

187 Fintechs Reported Funding For US\$8.13 B

LATAM

Regional Highlights

Fintech investment in LATAM is uneven and not proportional to GDP.

- Brazilian fintechs captured nearly twice the weight of the country's weight in GDP and benefit from reconfirmation bias.
- Despite its size and a much-touted Fintech Law, funding in Mexico is lower than what the market should sustain.
- Chile, Colombia, and Argentina are hampered by being smaller markets with less space for competition and scale.
- Of note are the performance of Cryptocurrencies in Argentina, the disproportionate weight of Lending in Colombia, and the small but even distribution of funding in Chile.

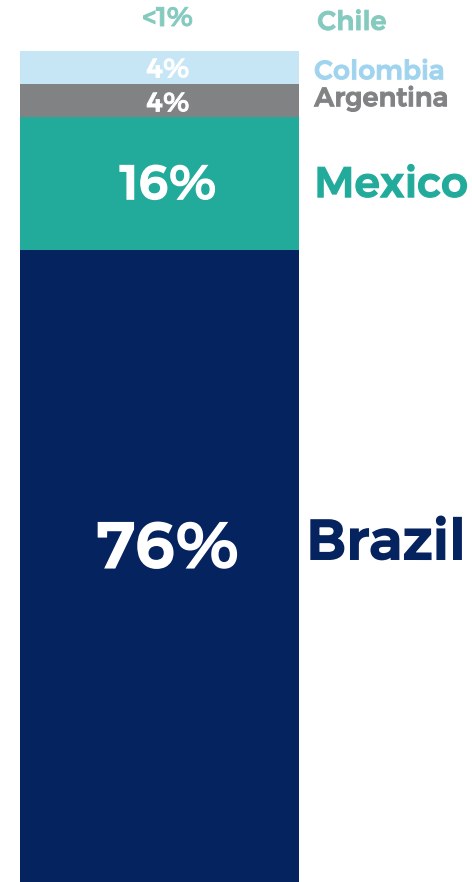
Mexico

1. Highest presence of foreign fintechs increases competition and dissuades investor interest in local competitors.
2. Domestic funds are conservative and prefer foreign non-fintech ventures.
3. Dominance of International Tier 1 banks favors their overseas innovation efforts.

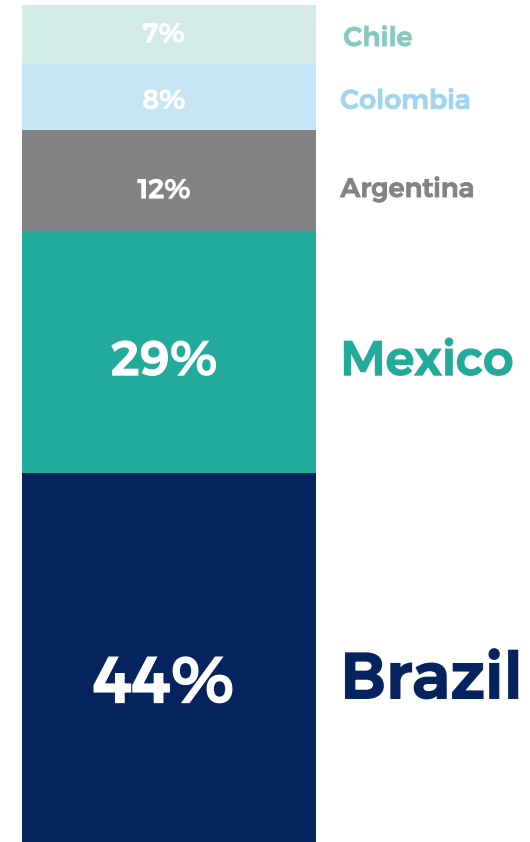
Brazil

1. Space for fintechs to scale and reach profitability in one market.
2. Domestic funds seek to invest locally and seek fintech ventures.
3. Tier 1 banks are national and promote a fintech ecosystem for their innovation.
4. Early investments reached maturity earlier on, reinforcing attraction.

Funding Distribution By Country vs...



Regional GDP¹ Distribution By Country



FUNDING

LATAM

Funding Distribution

Funding is disproportionately concentrated in three sectors.

Payments leads funding and the overwhelming level of interest is attributed to:

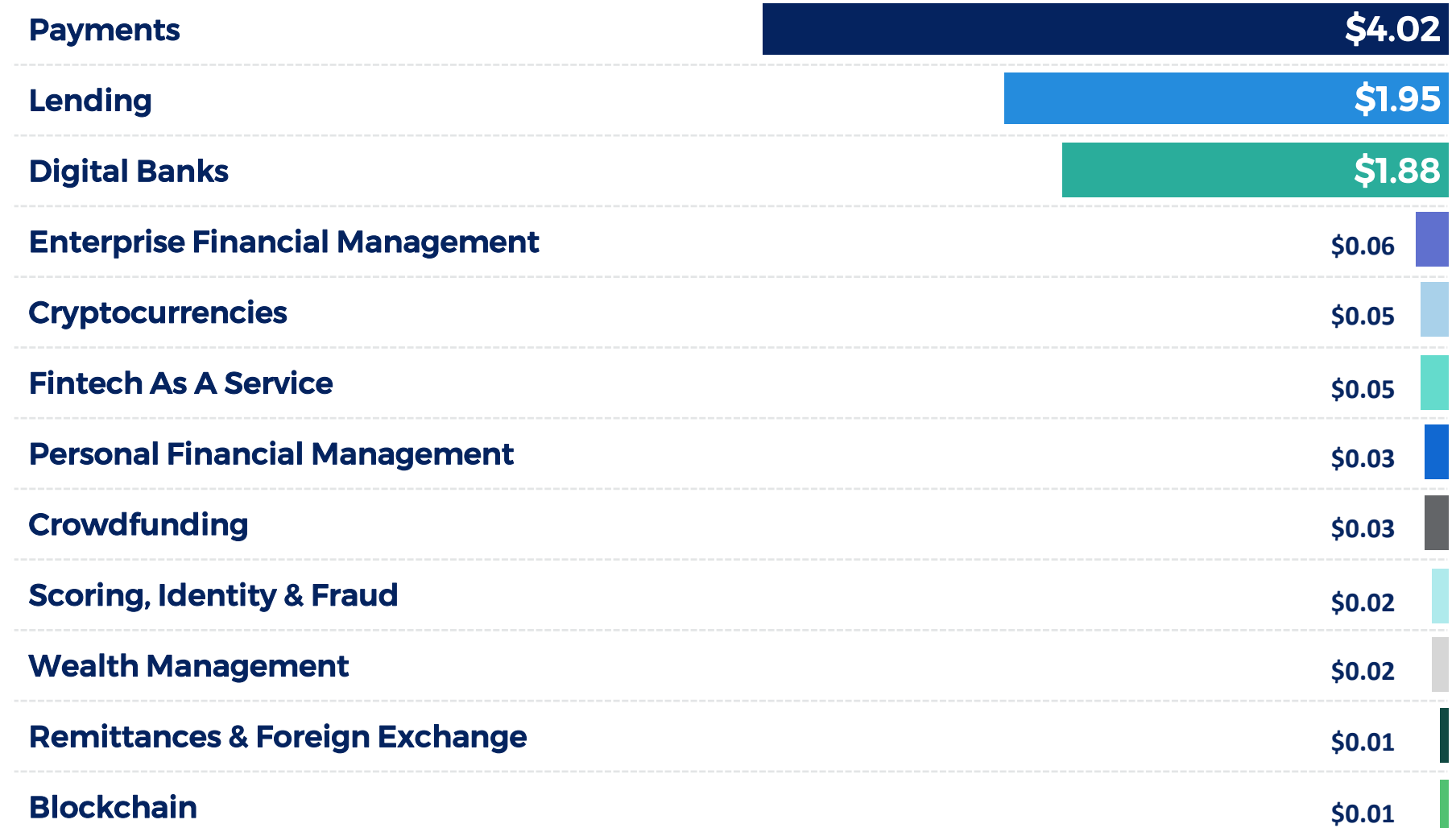
- Cash accounts for 83% of retail payments.
- Most countries have an oligopoly in merchant acquiring and payment processing that protects margins to the detriment of merchants.
- E-commerce is growing at 27% per annum but online payment solutions are lacking.

Interest in **Lending** is attributed to:

- 60% of the region is unbanked.
- Thin credit files inhibit interest from incumbents, leaving opportunity for challengers.
- High interest rates provide room for challengers to work in.

The high funding requirements of **Digital Banks** contribute to the category's high rank but are not reflective of an outsized interest in the sector. A small amount of players account for most of the funding.

Reported Funding By Category, US\$ Billions



TOTAL LATAM
Reported Funding

US\$ 8.13 B

FUNDING



Brazil

Funding By Category

Four fintechs account for ~80% of all reported funding.

Call-outs on distribution of funding at the category level:

- Payments: two fintechs account for ~80% of reported funding
- Digital Banks: two fintechs account for ~80% of reported funding
- Lending: three fintechs account for ~80% of reported funding

Reported Funding By Category¹, US\$ Millions

| | |
|---------------------------------|------------|
| Payments | \$3,607.17 |
| Digital Banks | \$1,769.95 |
| Lending | \$705.03 |
| Fintech As A Service | \$45.58 |
| Enterprise Financial Management | \$38.52 |
| Crowdfunding | \$20.82 |
| Wealth Management | \$15.07 |
| Scoring, Identity & Fraud | \$14.50 |
| Cryptocurrencies | \$0.21 |
| Personal Financial Management | \$0.11 |
| Remittances & Foreign Exchange | \$0.04 |

Reported Funding
Brazil

US\$ 6,217 M

FUNDING



Mexico

Funding By Category

Six fintechs account for ~80% of all reported funding.

Call-outs on distribution of funding at the category level:

- Lending: three fintechs account for ~80% of reported funding
- Payments: one fintech accounts for ~80% of reported funding
- Digital Banks: two fintechs account for ~80% of reported funding

Reported Funding By Category¹, US\$ Millions

| | |
|---------------------------------|----------|
| Lending | \$941.94 |
| Payments | \$206.85 |
| Digital Banks | \$98.40 |
| Personal Financial Management | \$25.08 |
| Remittances & Foreign Exchange | \$9.80 |
| Enterprise Financial Management | \$6.30 |
| Cryptocurrencies | \$4.35 |
| Crowdfunding | \$4.06 |
| Fintech As A Service | \$1.52 |
| Scoring, Identity & Fraud | \$1.10 |

Reported Funding
Mexico

US\$ 1,299 M

FUNDING



Colombia

Funding By Category

Three fintechs account for ~80% of reported funding.

Call-outs on distribution of funding at the category level:

- Lending: two fintechs account for ~80% of reported funding
- Enterprise Financial Management: one fintech accounts for ~80% of reported funding
- Payments: one fintech accounts for ~80% of reported funding

Reported Funding By Category¹, US\$ Millions

| | |
|---------------------------------|----------|
| Lending | \$269.21 |
| Enterprise Financial Management | \$6.01 |
| Payments | \$5.00 |
| Blockchain | \$3.50 |
| Personal Financial Management | \$0.46 |
| Wealth Management | \$0.26 |
| Fintech As A Service | \$0.04 |

Reported Funding
Colombia

US\$ 284.5 M

FUNDING



Argentina

Funding By Category

Two fintechs account for ~80% of reported funding.

Call-outs on distribution of funding at the category level:

- Payments: one fintech accounts for ~80% of reported funding
- Cryptocurrencies: one fintech accounts for 100% of reported funding
- Lending: one fintech accounts for ~80% of reported funding

Reported Funding By Category¹, US\$ Millions

| | |
|---------------------------------|----------|
| Payments | \$194.15 |
| Cryptocurrencies | \$44.40 |
| Lending | \$31.19 |
| Digital Banks | \$12.08 |
| Blockchain | \$7.29 |
| Enterprise Financial Management | \$4.00 |
| Crowdfunding | \$0.81 |
| Wealth Management | \$0.75 |
| Remittances & Foreign Exchange | \$0.50 |
| Personal Financial Management | \$0.50 |

Reported Funding
Argentina

US\$ 295.7 M

FUNDING



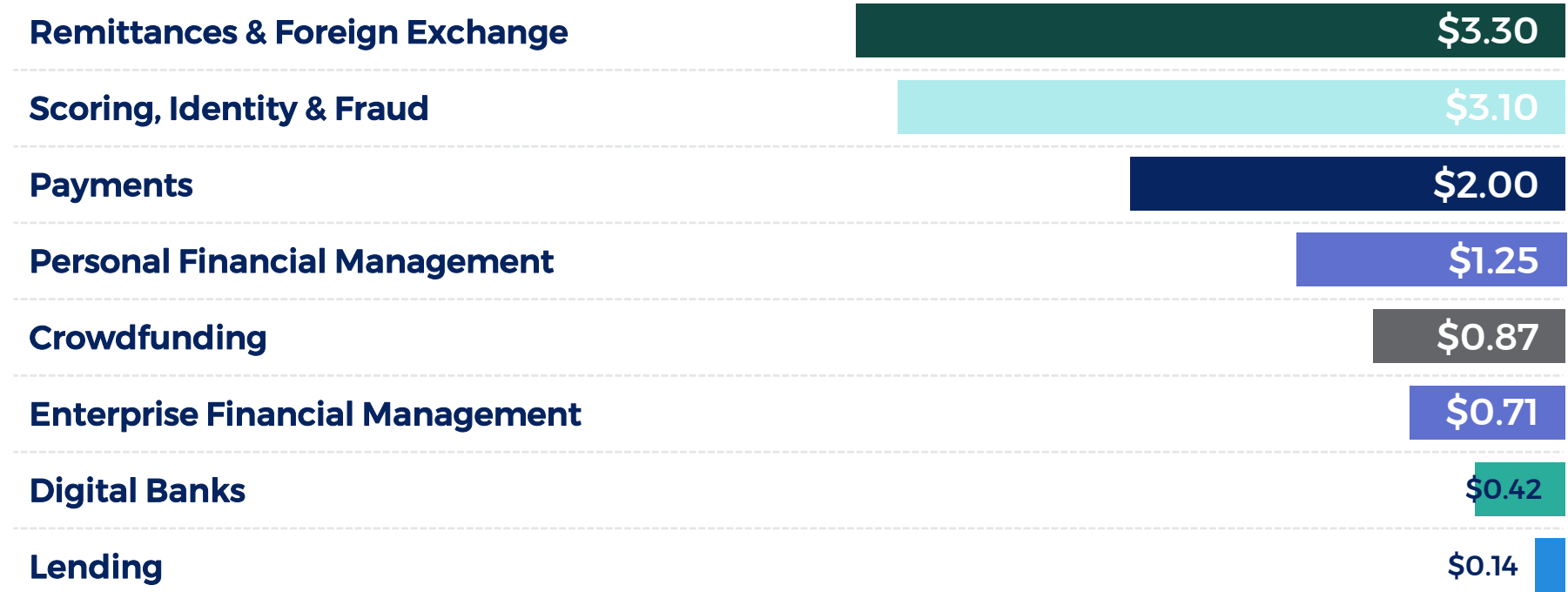
Funding By Category

Five fintechs account for ~80% of reported funding.

Call-outs on distribution of funding at the category level:

- Remittances and Foreign Exchange: one fintech accounts for 100% of reported funding
- Scoring, Identity & Fraud: one fintech accounts for 100% of reported funding
- Payments: one fintech accounts for 100% of reported funding

Reported Funding By Category¹, US\$ Millions



Reported Funding Chile

US\$ 11.8 M

FUNDING














Top Funded Fintechs & Latest Reported Transactions

Distribution Of The Top 25 Funded Fintechs By Country:

- Brazil: 12
- Mexico: 8
- Argentina: 3
- Colombia: 2

Distribution Of The Top 25 Funded Fintechs By Category:

- Lending: 10
- Payments: 7
- Digital Banks: 5
- Cryptocurrencies: 1
- Personal Financial Management: 1
- Banking as a Service: 1

| Company | Country | Sector | Total Funding Amount | Latest Reported Transaction | | |
|--|-----------|---------------|----------------------|-----------------------------|----------|--|
| | | | | Round | Date | Lead Investors |
|  PagSeguro | Brazil | Payments | US\$ 2.3 B | IPO US\$ 2.3 B | Jan 2018 | |
|  Nubank | Brazil | Digital Banks | US\$ 1.1 B | Series F US\$ 400 M | Jul 2019 | Sequoia Capital, Tencent Holdings, TCV, Thrive Capital, DST Global, Ribbit Capital, Dragoneer Investment Group |
|  Stone | Brazil | Payments | US\$ 1.1 B | IPO US\$ 1.1 B | Oct 2018 | |
|  Konfio | Mexico | Lending | US\$ 450.9 M | Series D US\$ 100 M | Dec 2019 | SoftBank, QED Investors, Kaszek Ventures, Vostok Emerging Finance |
|  Banco Inter | Brazil | Digital Banks | US\$ 549.5 M | Post IPO Equity US\$ 330 M | Jul 2019 | SoftBank |
|  Creditas | Brazil | Lending | US\$ 314 M | Series D US\$ 231 M | Jul 2019 | SoftBank, SoftBank Vision Fund, Amadeus Capital Partners, Santander InnoVentures, Vostok Emerging Finance |
|  Credijusto.com | Mexico | Lending | US\$ 253 M | Debt Financing US\$ 100 M | Mar 2020 | Credit Suisse |
|  OmniLatam | Colombia | Lending | US\$ 201.6 M | Debt Financing US\$ 200 M | Sep 2018 | BTG Pactual |
|  Uala | Argentina | Payments | US\$ 194 M | Series C US\$ 150 M | Nov 2019 | SoftBank, Tencent Holdings |
|  Geru | Brazil | Lending | US\$ 187.4 M | Convertible Notes US\$ 3 M | Mar 2018 | ChromoInvest |
|  Alpha Credit | Mexico | Lending | US\$ 125 M | Series B US\$ 125 M | Jan 2020 | SoftBank, SoftBank Latin America Ventures |
|  Neon | Brazil | Digital Banks | US\$ 120.3 M | Series B US\$ 86.4 M | Nov 2019 | Banco Votorantim, General Atlantic, Omidyar Network, Monashees, Quona Capital, Propel Venture Partners |
|  Clip | Mexico | Payments | US\$ 147.4 M | Series C US\$ 100 M | May 2019 | General Atlantic, SoftBank |

Source: KoreFusion Analysis, Crunchbase, LAVCA, Fintech Reports. * Likely higher given 2016 round was reported to be raised from \$25 M to \$100M.

FUNDING

Top Funded Fintechs & Latest Reported Transactions (Continued)

The 25 top funded fintechs account for ~93% of reported funding.

Brazil Is The Only Country With Fintech Unicorns:

1. PagSeguro
2. Nubank
3. Stone
4. EBANX

| Company | Country | Sector | Total Funding Amount | Latest Reported Transaction | | |
|--|-----------|-------------------------|----------------------|-------------------------------------|----------|--|
| | | | | Round | Date | Lead Investors |
|  RecargaPay | Brazil | Payments | US\$ 81.3 M | Debt Financing US\$ 2.5 M | Feb 2020 | |
|  Weel | Brazil | Lending | US\$ 63.1 M | Venture US\$ 18.4 M | Feb 2020 | Banco Votorantim |
|  Rebel | Brazil | Lending | US\$ 62.1 M | Series B US\$10 M | Dec 2019 | Monashees, FinTech Collective, XP Inc |
|  Klar | Mexico | Payments | US\$ 57.5 M | Seed US\$ 7.5 M | Sep 2019 | Quona Capital, Santander InnoVentures, FJ Labs, Western Technology Investment, Aspect Ventures, GE32 Capital |
| | | | | Debt Financing US\$ 50 M | Sep 2019 | Arc Labs |
|  Ripio | Argentina | Crypto-currencies | US\$ 44.4 M | ICO US\$ 37 M | Oct 2017 | FBG Capital, Andreas Schwartz, ICONIZ, Steven Nerayoff, Maple Ventures |
|  Kueski | Mexico | Lending | US\$ 38.8 M* | Series B US\$ N.A. | Sep 2019 | |
|  EBANX | Brazil | Payments | US\$ 30 M | Venture US\$ N.A. | Oct 2019 | FTV Capital |
|  Albo | Mexico | Digital Banks | US\$ 27.1 M | Series A US\$19 M | Dec 2019 | Valar Ventures, Mountain Nazca, Flourish Ventures |
|  Afluenta | Argentina | Lending | US\$ 25.5 M | Series C US\$ 3.5 M | May 2019 | International Finance Corporation, IGNI, Eleva Equity |
|  Resuelve | Mexico | Personal Financial Mgmt | US\$ 24 M | Venture US\$ 24 M | Jan 2020 | Alloy Merchant Finance, DILA Capital |
|  SEMPLI | Colombia | Lending | US\$ 24 M | Series A US\$ 6.5 M | Apr 2019 | Oikocredit International, Inter American Development Bank, BIG Labs, Impulsum Ventures, Generación Exponencial, XPT Fund |
|  Matera | Brazil | Fintech As A Service | US\$ 23.2 M | Private Equity Round US\$ 23.2 M | Feb 2020 | Kinea Investimentos Ltda |

Source: KoreFusion Analysis, Crunchbase, LAVCA, Fintech Reports. * Likely higher given 2016 round was reported to be raised from \$25 M to \$100M.

Maturity

- Market Dynamics & Considerations
- LATAM Maturity Snapshots
- Maturity Analysis by Country

MATURITY

Market Dynamics & Considerations

Marine Huang
Senior Consultant



Dear Reader,

The ashes of the Global Financial Crisis marked the rise of Fintech 3.0 – our current era. This fintech era was clearly all about startups disputing the hegemony of incumbent financial institutions. It has been a golden era for sure, full of adventure and spoils. Upstart fintechs acting like barbarians at the gates of banks. Liberal funding, like pillaged gold pouring into coffers. Tales of Unicorns and investors drunk on incredible valuations. But much like the Antonine plague that helped reshape the Roman empire, we are dealing with our own plague and a new crisis stalks financial services. Beware the ides of March.

The prolific inventor, Leonardo da Vinci is attributed as saying wisdom is the daughter of experience. We are at the threshold of the COVID-19 crisis, but it is not too soon to draw some wisdom from the Global Financial Crisis experience. What we learned is that consumers of financial services require change, and the actors populating the financial landscape will no longer be the same. Ten years of experience qualifies many fintechs as veterans in their own right. It also made banks wiser. The old new guard is now the new old guard.

Even before this crisis was hoisted upon us, many of us in the industry appreciated the need to understand fintechs in terms of their maturity and endurance, and not just in the context of market opportunity. Maturity will now play an even stronger role in shaping the landscape of recovery.

There are already early signs of distress for younger fintechs in this crisis. Funding is uncertain, contracts are being renegotiated or canceled with investors and commercial partners. Vulture funds, banks, and larger fintechs are taking advantage of lower valuations to make acquisitions or poaching talent. Veteran fintechs can more easily explore emerging categories and have the revenue flows to help them. In a pinch, larger fintechs can draw on well established networks of investors outside the possibilities of their younger competitors. At first glance it seems younger fintechs will suffer the most.

But there are also advantages that favor youth over age. In terms of evolution and change, every fintech year is like a dog year and a decade is a long, long, time for a fintech. The first challengers are getting rather old by fintech standards. Technology cycles that evolved every two to three years are accelerating their pace such that mature fintechs now face upgrades to their “legacy” solutions. They need to learn new tricks to keep their lead and remain relevant amongst the change brought by open banking and real-time payments. To the young fintechs, the ten-year-old veterans were already beginning to look like they needed a challenge, and now may be the moment to strike.

The crisis will also be a powerful level-setter for all players regardless of their age, including banks. Payment habits, merchant solutions, and lending capabilities (to name but three) will be upended by COVID-19, and older fintechs with business models anchored on pre-crises axioms may find themselves outdated or slow to adapt. Banks will need more partnerships with fintechs of all ages.

It is in this context that we see value in scoring the importance of maturity across different categories. To this end, in addition to segmenting fintechs according to age, we also ranked categories according to the importance we feel maturity plays in each category. We hope this stimulates further thoughts about how to measure opportunity and risk.

Sincerely,

Marine

MATURITY

Market Segmentations & Considerations

The Importance Of Maturity

High

- Categories favoring mature fintechs maintaining dominance and acquiring smaller or younger fintechs.

Augmented

- Categories that favor fintechs that can gain scale and reach maturity, or else face pressure to consolidate or be acquired.

Diminished

- Categories that are under pressure to change, leaving incumbents exposed.
- Categories that are diverse enough or sufficiently complex to benefit from varied solutions, and where younger fintechs still have solid growth potential.

Low

- ▶ Categories struggling to gain traction regardless of the maturity level of the fintechs targeting the category.

MATURITY

LATAM Maturity Snapshot¹

Distribution By Fintechs' Age

Age data publicly available for 824 of the 1,075 fintechs was used for this report.

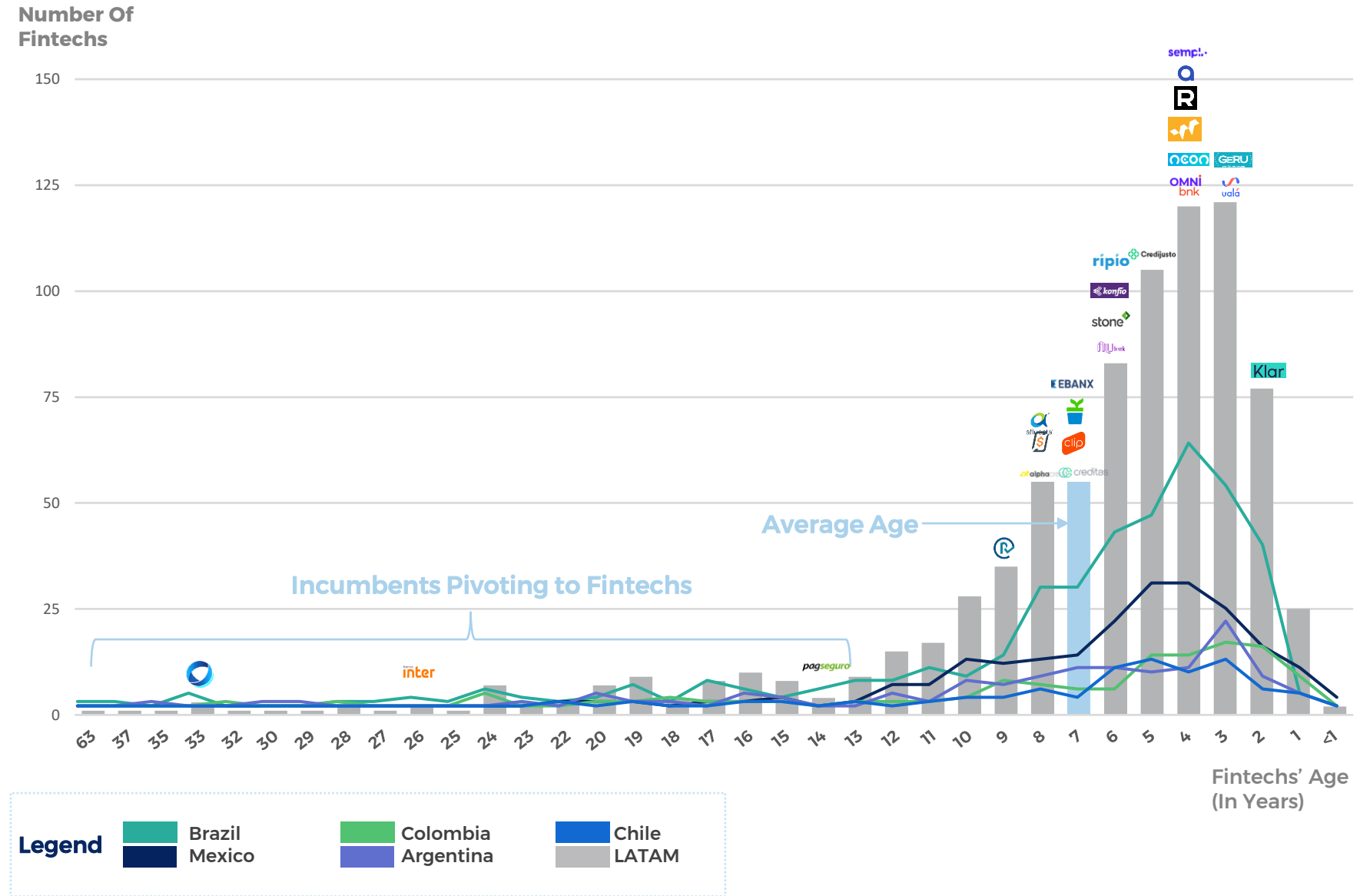
The average age of a fintech in LATAM is seven years.

The number of new fintechs is diminishing across the region since 2017.

The lower number of new players entering the market reflects a combination of economic difficulties, reduced funding, and tougher competition for new entrants.

A small but interesting portion of fintechs are composed of incumbent players with long histories that are embracing fintech business models.

Distribution Of 824 Fintechs By Age EOY 2019



Source: KoreFusion Analysis, Crunchbase, Fintech Reports, Fintech National Associations
¹Founding date information for 824 fintechs available

MATURITY

LATAM Maturity Snapshot¹

Distribution By Country

The maturity of fintechs by countries reveals patterns of investment and interest in each country's fintech ecosystem across time.

Brazil: First country to attract investment, now showing a softening of investment funds reflective of softening economics and saturation in some categories.

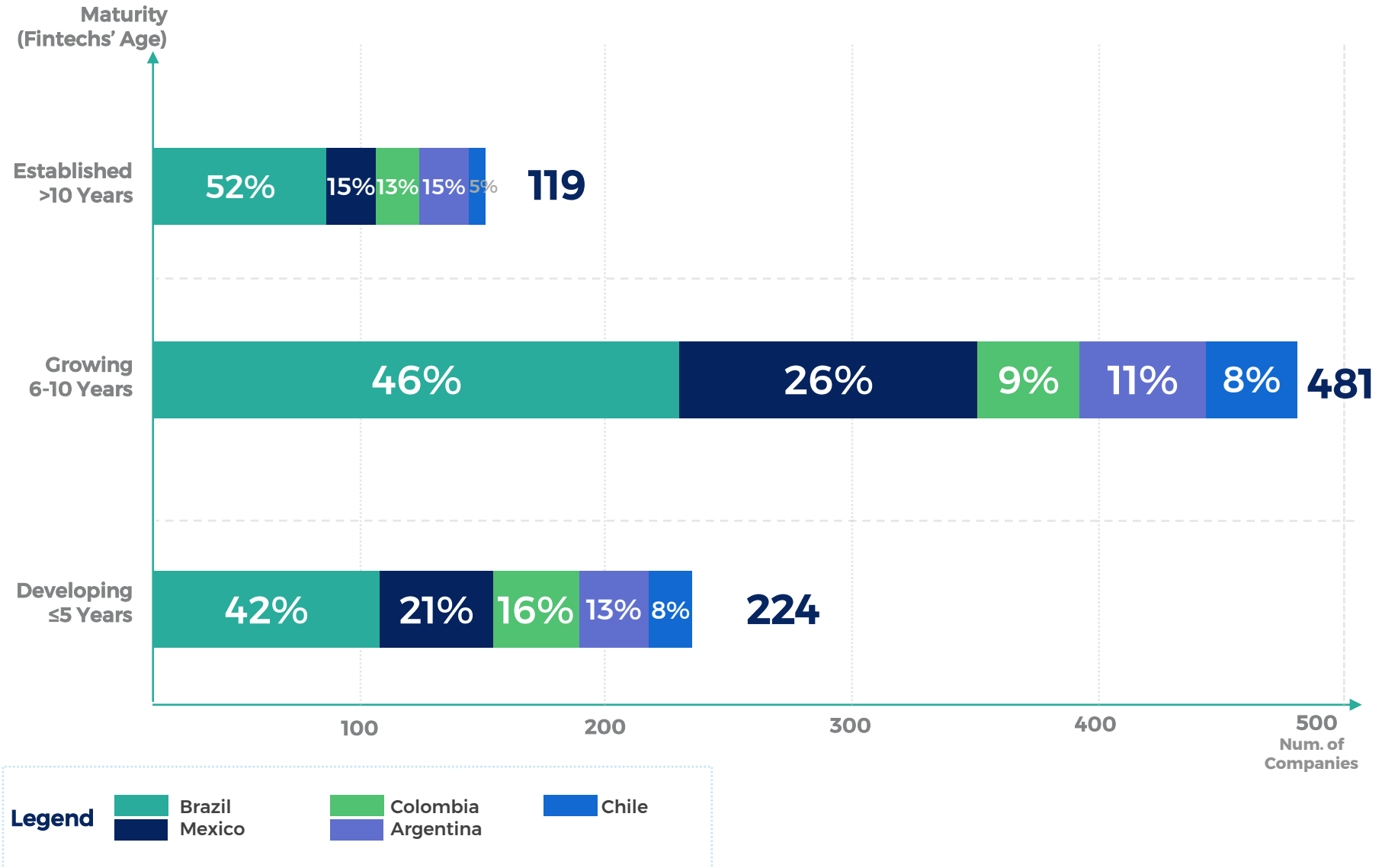
Mexico: Soft investment as compared to its economic size, with inconsistent investment flows, now expressing a downside trend.

Colombia: Solid initial wave of investment now demonstrating renewed growth in select categories.

Argentina: Consistent investment flows to select categories despite economic turmoil.

Chile: Slow initial invest with a sustained pick-up proportional to economic size.

Distribution Of 824 Fintechs By Country & Maturity



Source: KoreFusion Analysis, Crunchbase, Company Websites, LinkedIn
¹Founding date information for 824 fintechs available

MATURITY

LATAM Maturity Snapshot¹

Distribution By Category

High:

- Payments

Augmented:

- Enterprise Financial Services
- Fintech As A Service
- Remittances

Diminished:

- Lending
- Crowdfunding

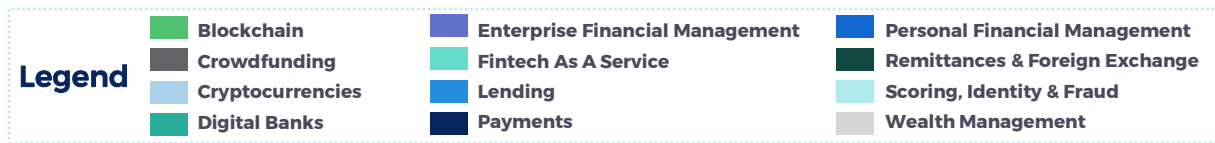
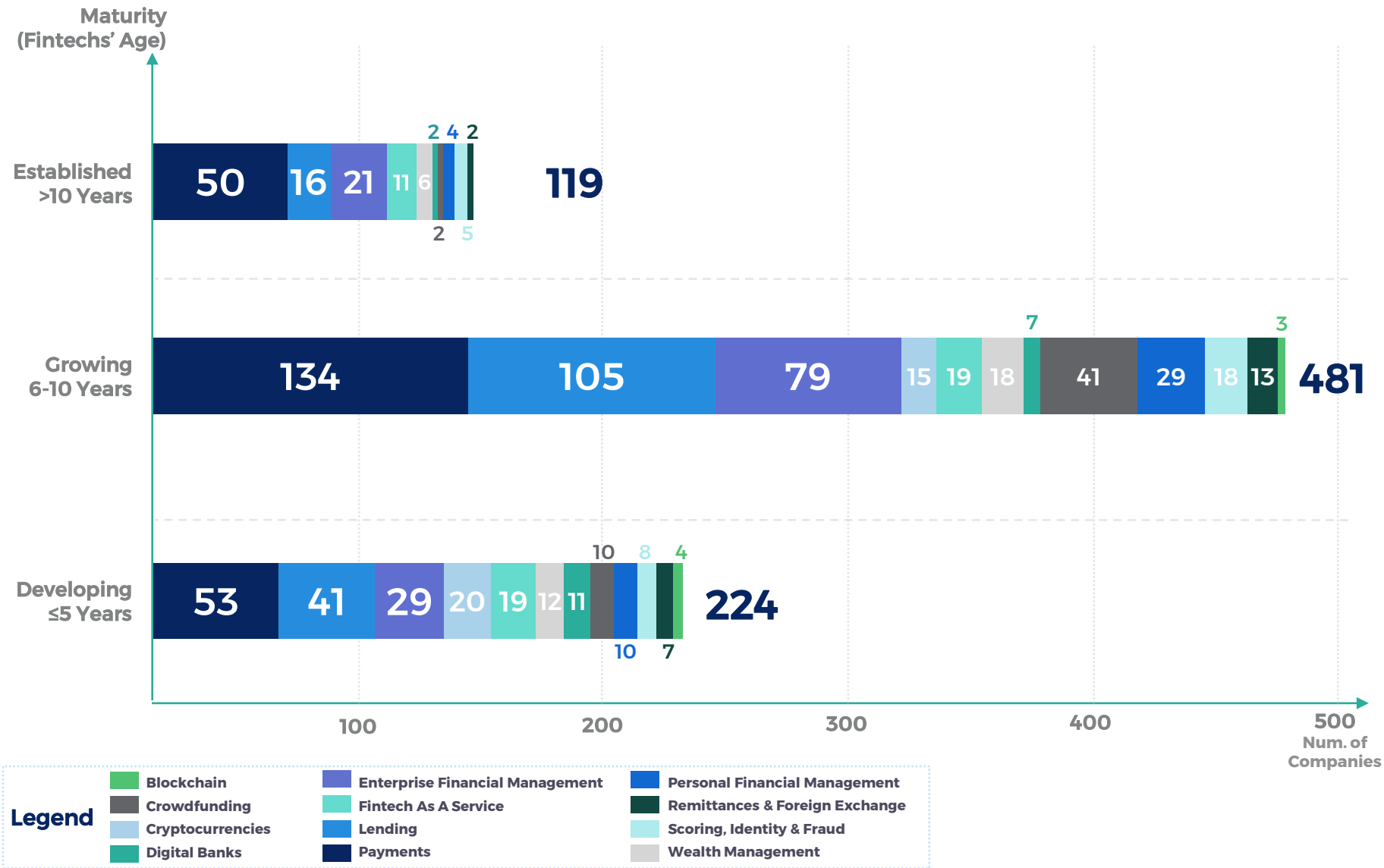
Low:

- Blockchain
- Cryptocurrencies

Call-Outs:

- Cryptocurrencies: High Maturity Importance in Argentina
- Crowdfunding: High Maturity Importance in Chile
- Digital Banks: High Maturity Importance in Brazil

Distribution Of 824 Fintechs By Category & Maturity



Source: KoreFusion Analysis, Crunchbase, Company Websites, LinkedIn
¹Founding date information for 824 fintechs available

MATURITY



Maturity By Category¹

Call-Outs For Categories In The Developing Fintechs Cohort:

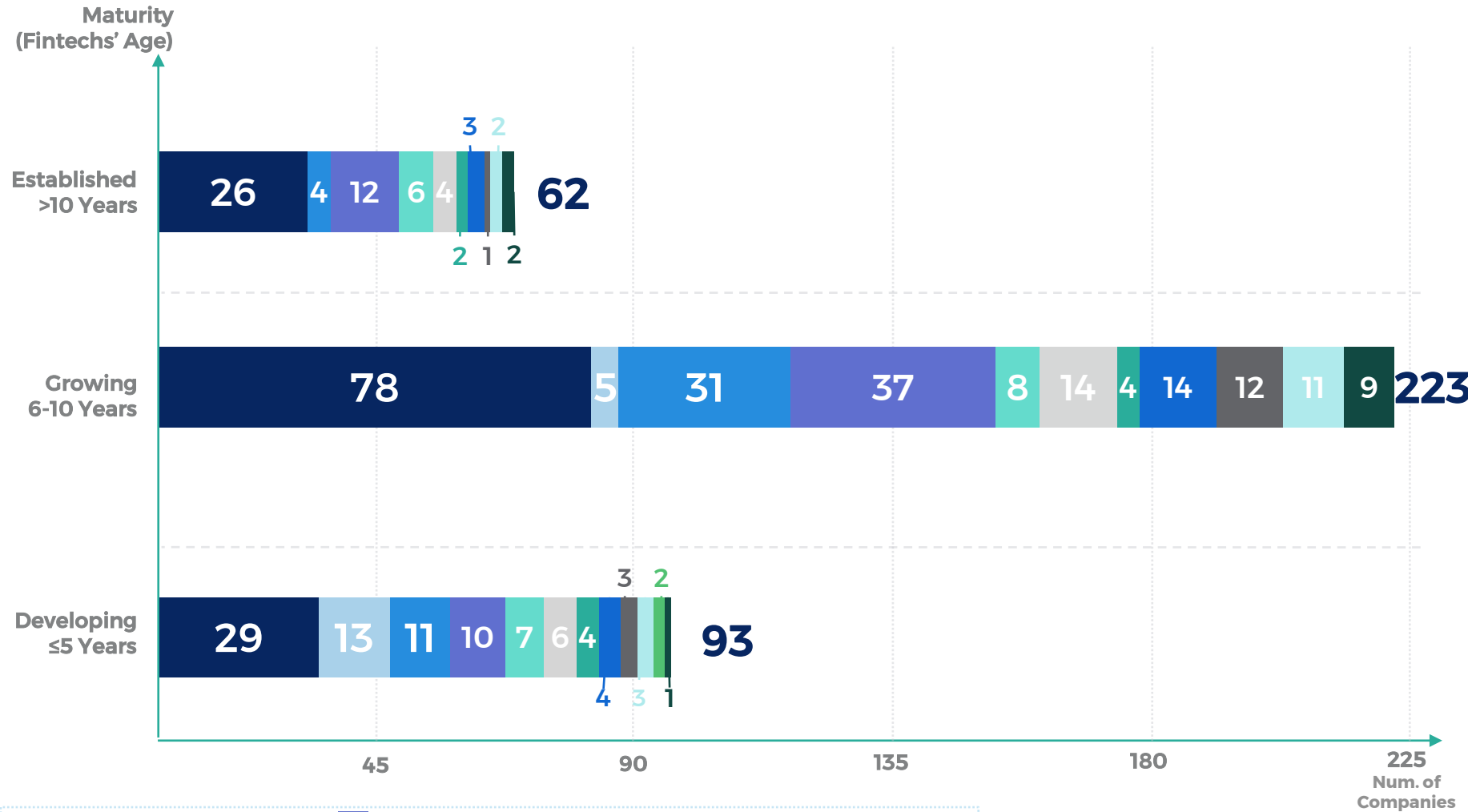
Receptive To New Players:

- Scoring, Identity & Fraud

Not Receptive To New Players:

- Payments
- Lending

Distribution Of 378 Brazilian Fintechs By Maturity



Source: KoreFusion Analysis, Crunchbase, Company Websites, LinkedIn
¹Founding date information for 298 fintechs available

MATURITY



Maturity By Category¹

Call-Outs For Categories In The Developing Fintechs Cohort:

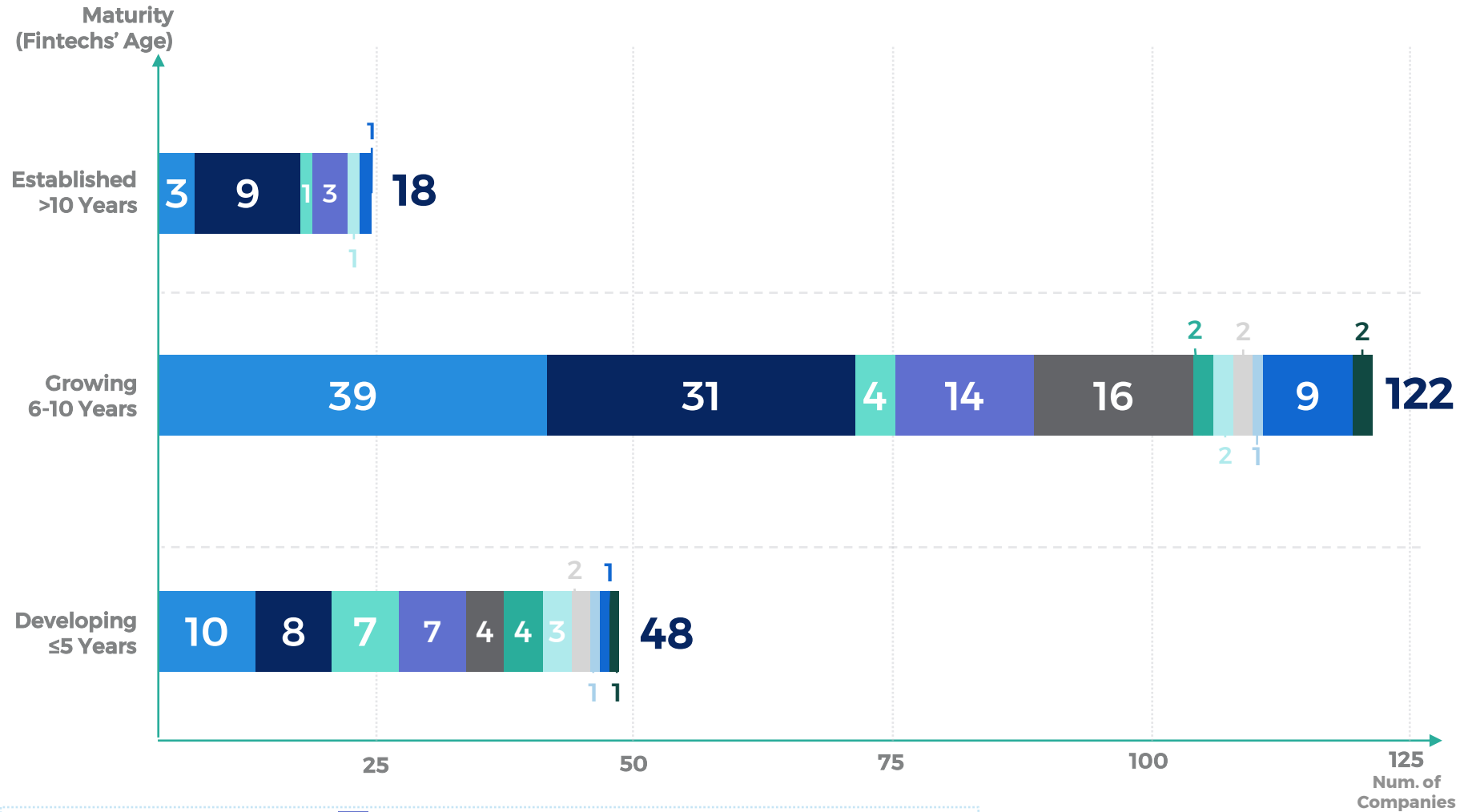
Receptive To New Players:

- Scoring, Identity & Fraud
- Remittances & Foreign Exchange

Not Receptive To New Players:

- Payments
- Lending

Distribution Of 188 Mexican Fintechs By Maturity



Source: KoreFusion Analysis, Crunchbase, Company Websites, LinkedIn
¹Founding date information for 188 fintechs available

MATURITY



Maturity by Category¹

Call-Outs For Categories In The Developing Fintechs Cohort:

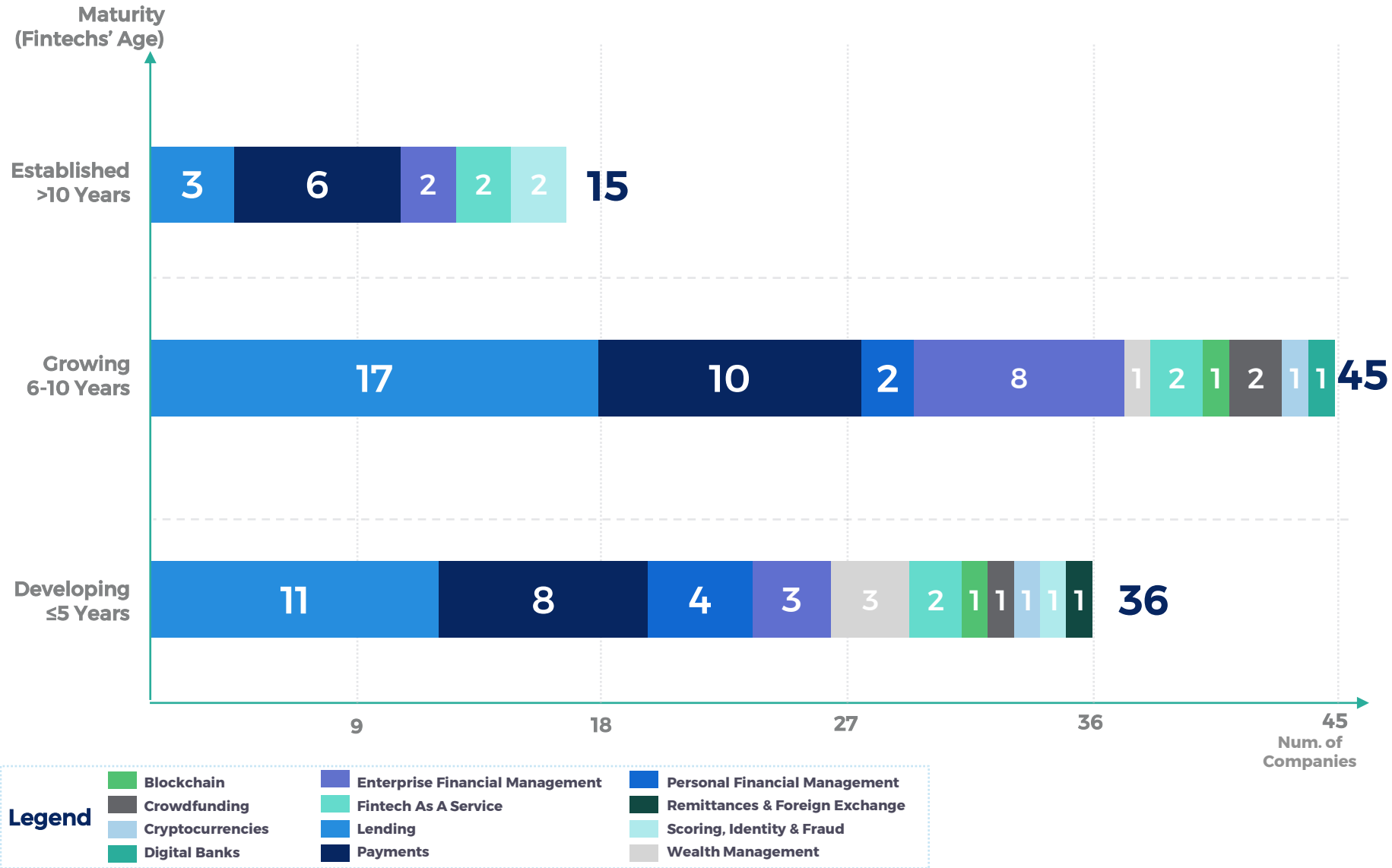
Receptive To New Players:

- Scoring, Identity & Fraud
- Remittances & Foreign Exchange

Not Receptive To New Players:

- Payments
- Lending

Distribution Of 96 Colombian Fintechs By Maturity



Source: KoreFusion Analysis, Crunchbase, Company Websites, LinkedIn
¹Founding date information for 96 fintechs available

MATURITY



Maturity by Category¹

Call-Outs For Categories In The Developing Fintechs Cohort:

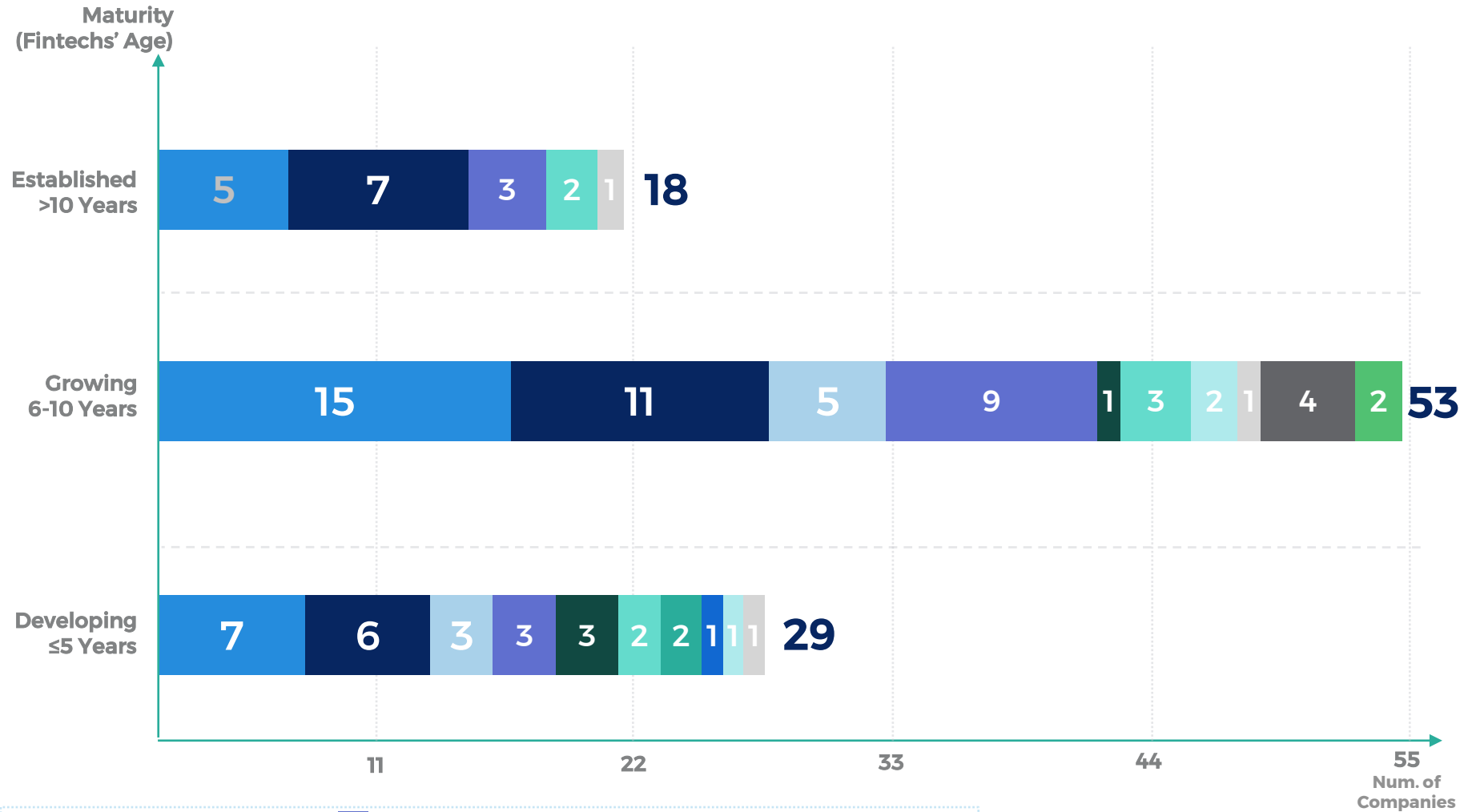
Receptive To New Players:

- Scoring, Identity & Fraud
- Blockchain

Not Receptive To New Players:

- Payments
- Lending

Distribution Of 100 Argentinian Fintechs By Maturity



Source: KoreFusion Analysis, Crunchbase, Company Websites, LinkedIn
¹Founding date information for 100 fintechs available

MATURITY



Maturity by Category¹

Call-Outs For Categories In The Developing Fintechs Cohort:

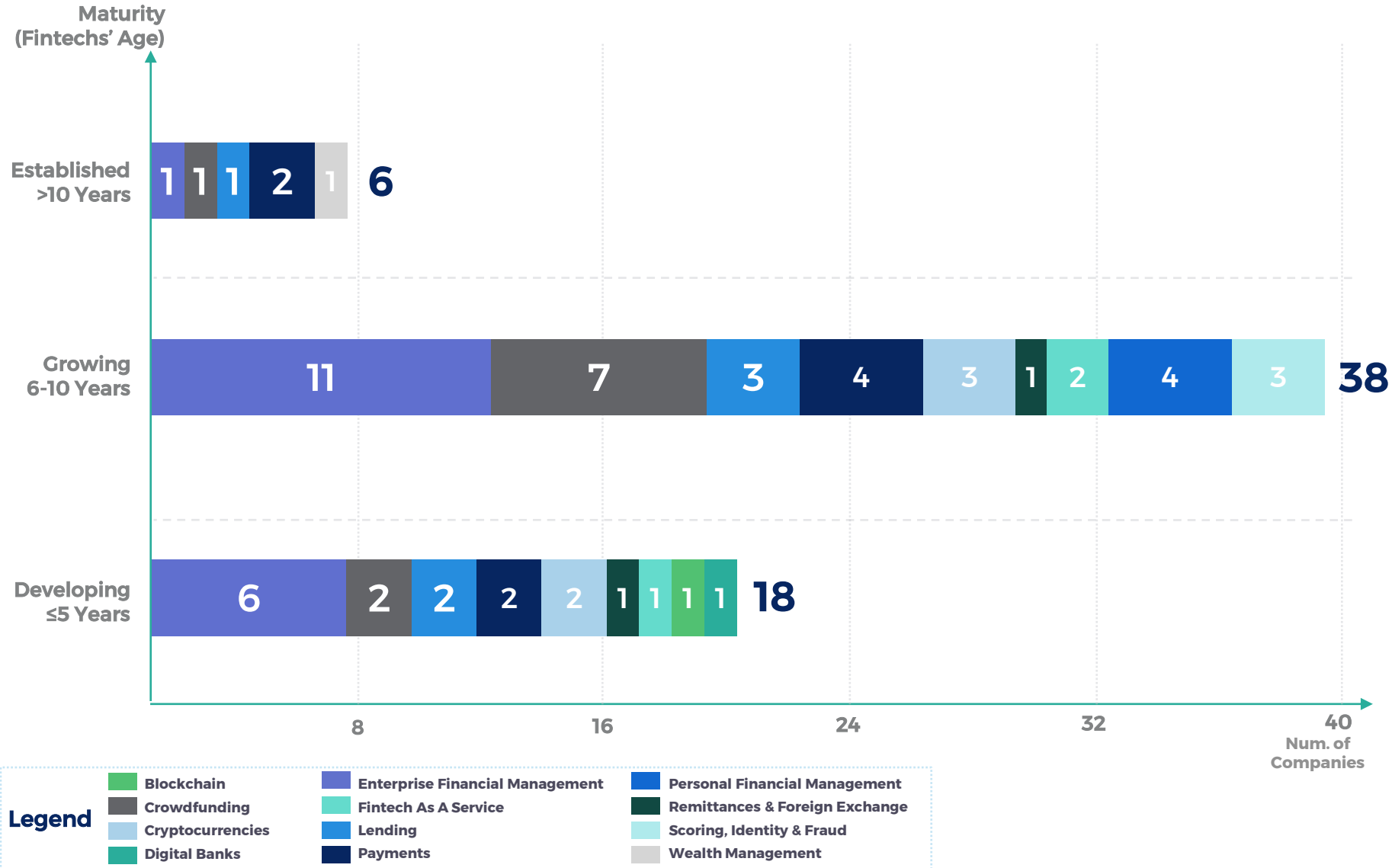
Receptive To New Players:

- Scoring, Identity & Fraud
- Fintech As A Service

Not Receptive To New Players:

- Crowdfunding
- Enterprise Financial Management

Distribution Of 62 Chilean Fintechs By Maturity



Source: KoreFusion Analysis, Crunchbase, Company Websites, LinkedIn
¹Founding date information for 62 fintechs available

ADDENDUM

Foreign Fintechs Operating In LATAM

- Foreign Fintech Country Snapshot
- Origin Of Foreign Fintechs
- Funding Distribution By Category & Subcategory
- LATAM & Foreign Fintechs' Maturity Snapshot
- Foreign Fintechs' Global Reported Funding & Estimated LATAM Direct Investment
- LATAM & Foreign Fintechs' Average Profiles

ABOUT THIS ADDENDUM

Thank You, Again

Jaime Edelshein Consultant



Dear Reader,

Late last year we launched our first KoreFusion LATAM Fintech Report. Our intent was to illustrate Latin American fintechs by themselves and in their own context—without repetition and separated from their foreign counterparts operating in the region. We thought this would allow us to understand industry trends more accurately and better understand where opportunities and challenges for investors and entrepreneurs exist—at least in the five largest markets in the region. In addition to being an enormous undertaking, we suspected the report would also create controversy at our expense. The most anxious part of the effort was not knowing if the market shared our desire to start filtering the landscape more rigorously. We reported fewer fintechs than reported before, and we excluded some companies and sub-categories all together because—in our opinion—they did not yet pass the litmus test.

Nine months later, and with the support of literally thousands of downloads and positive e-mails, we are glad our efforts proved worthy of your interest and feedback. We will therefore follow-up with a 2021 report that covers more countries and offers further analysis. This is not that report.

First, we want to make good on the promise we made to our readers last year and provide an addendum that presents foreign fintechs operating in Latin America in their own light. This is that report. We added this Addendum to create a more exhaustive and complete analysis of the fintech ecosystem in LATAM.

But just like with our inaugural report, this addendum comes with a few caveats. The most important point we want to make is that in order to facilitate an “apples to apples” comparison between Latin American and Foreign fintechs, this addendum covers the exact same period, the same definition, the same categories, the same sub-categories, and the same five countries, as those presented in our inaugural report. Therefore, although it is being published in 2021, it is really a 2020 report that covers up to May of last year. This means that some of the latest foreign investment in the region is not included in this addendum and is being held back for our upcoming 2021 Latam Fintech Report. We believe this is the responsible thing to do because going forward data will be updated without discrepancies in timelines. As with our inaugural report we provide sector insights and analysis but refrain from spotlighting individual fintechs because we want to maintain impartiality.

Another point we want to communicate is what we are measuring and why we are measuring it in a particular manner. We are measuring fintechs with headquarters outside of Latin America that made Direct Horizontal Investment and Direct Vertical Investment in the region. We are not covering Indirect Investment (equity investments) at this time. Again, the focus is on Direct Investment; not on Funding. The reason we focused on investment deployed in the region is because it is the most accurate way to illustrate the impact of foreign fintechs on the ecosystem and then compare the development of Latin American fintechs and their respective funding. We are very excited about this because, as far as we know there is no other report that attempts to size the amount of Foreign Direct Investment in Latin America, and this should have groundbreaking implications for assessing fintech performance, measuring competitive landscapes, and drafting regulation.

Last, but not least, we thank the handful of associations and companies that shared with us lists and maps of foreign fintechs in the region. They made our efforts at measuring Direct Investment easier.

Without further delay we present to you the aggregate data of **117 foreign fintechs** with direct investments in five Latin American countries up to May 2020. We look forward to your continued feedback and are always at your service to help improve your strategy and investment efforts.

Thank you,

Jaime

COUNTRY PODIUM

117 Foreign Fintechs Have Operations In One Or More LATAM Countries: Hosting The Most Fintechs Is Not Everything

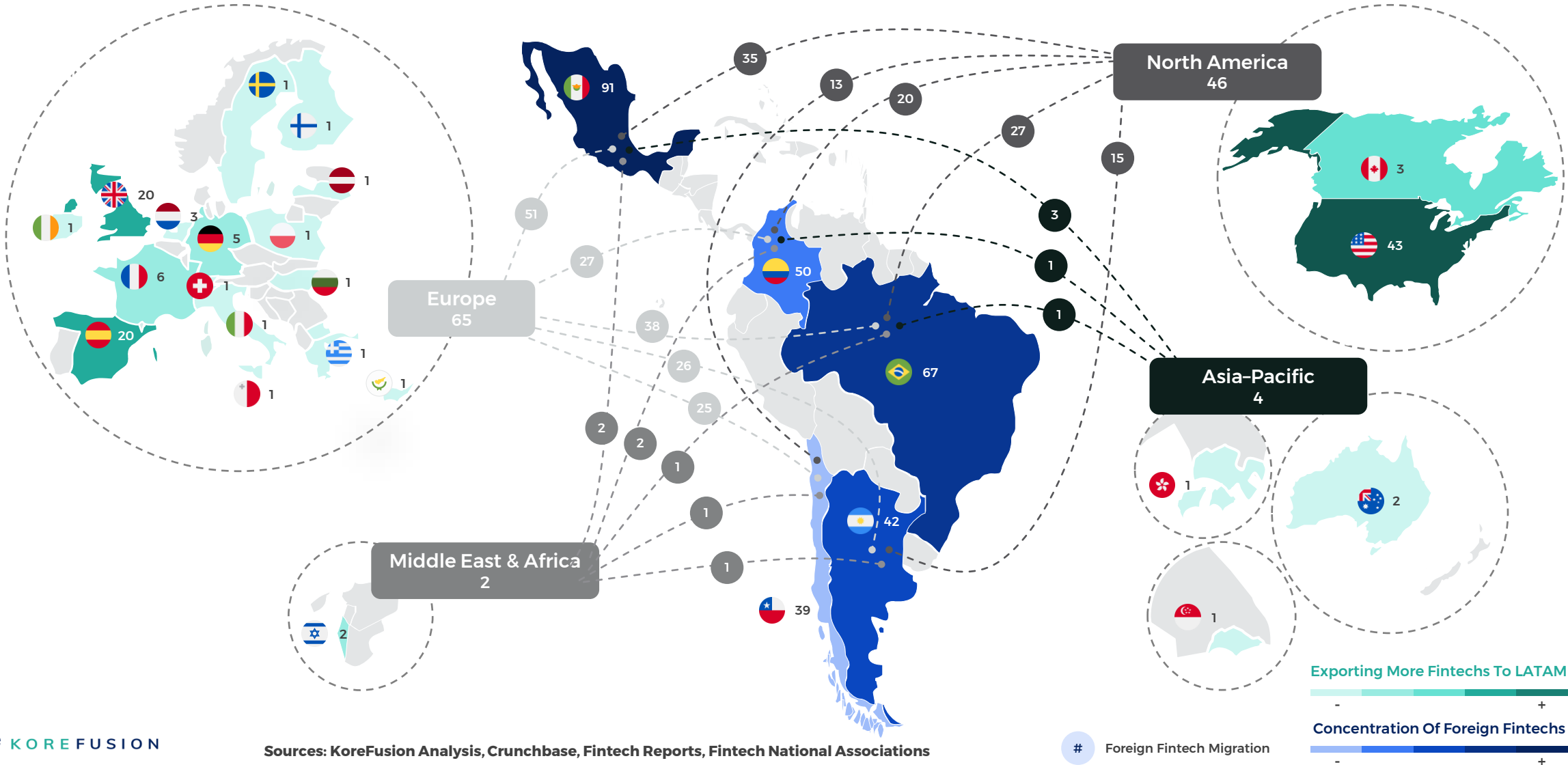
Foreign Fintech & Investment Winners' Podium

| | | Number Of Active Foreign Fintechs | Active Categories ¹ | Active Subcategories ¹ | Foreign Direct Investment By Fintechs (2010- 2020, USD) ² | Top 3 Nationalities | % Of Foreign Fintechs Hosted | % Of Fintech Direct Investment (2010 - 2020) | Digital Readiness (Lower = Better) | Total FDI As % Of GDP (2010 - 2020) | Financial Dev. Index (Higher=Better) | Ease Of Doing Business Score |
|--|-----------|-----------------------------------|--------------------------------|-----------------------------------|--|---------------------|------------------------------|--|------------------------------------|-------------------------------------|--------------------------------------|------------------------------|
| | Mexico | 91 | 12 | 28 | 270.6M | 1. 2. 3. | 78% | 40% | 54 | 2.7% | 0.40 | 60 |
| | Colombia | 50 | 11 | 20 | 32.6M | 1. 2. 3. | 43% | 5% | 61 | 4.0% | 0.38 | 67 |
| | Brazil | 67 | 11 | 26 | 327.0M | 1. 2. 3. | 57% | 48% | 51 | 3.7% | 0.50 | 124 |
| | Chile | 39 | 11 | 20 | 26.0M | 1. 2. 3. | 32% | 4% | 41 | 6.9% | 0.59 | 59 |
| | Argentina | 42 | 11 | 19 | 20.9M | 1. 2. 3. | 36% | 3% | 59 | 1.8% | 0.34 | 126 |

ORIGIN OF FOREIGN FINTECHS IN LATAM

Tally Of 117 Foreign Fintechs In LATAM By Country Of Origin

Fintechs From United States, United Kingdom, And Spain Prevail



CATEGORY

Foreign Fintechs Operating In LATAM

Distribution Per Category & Regional Impact

Shaping The Ecosystem:

- Fintech As A Service
- Remittances & Foreign Exchange

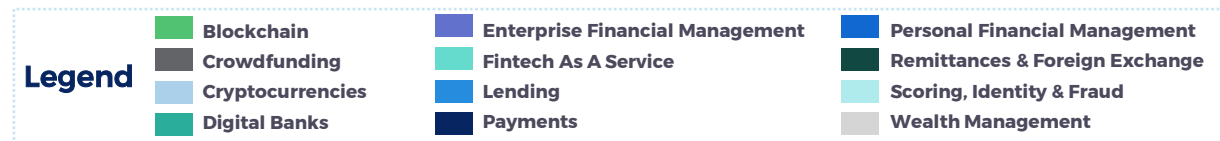
Impact To Be Determined:

- Digital Banks
- Cryptocurrencies
- Enterprise Financial Management

Under Pressure From Locals:

- Payments
- Lending

Distribution Of 117 Foreign Fintechs Across 12 Categories



Source: KoreFusion Analysis, Crunchbase, Fintech Reports, Fintech National Associations

CATEGORY

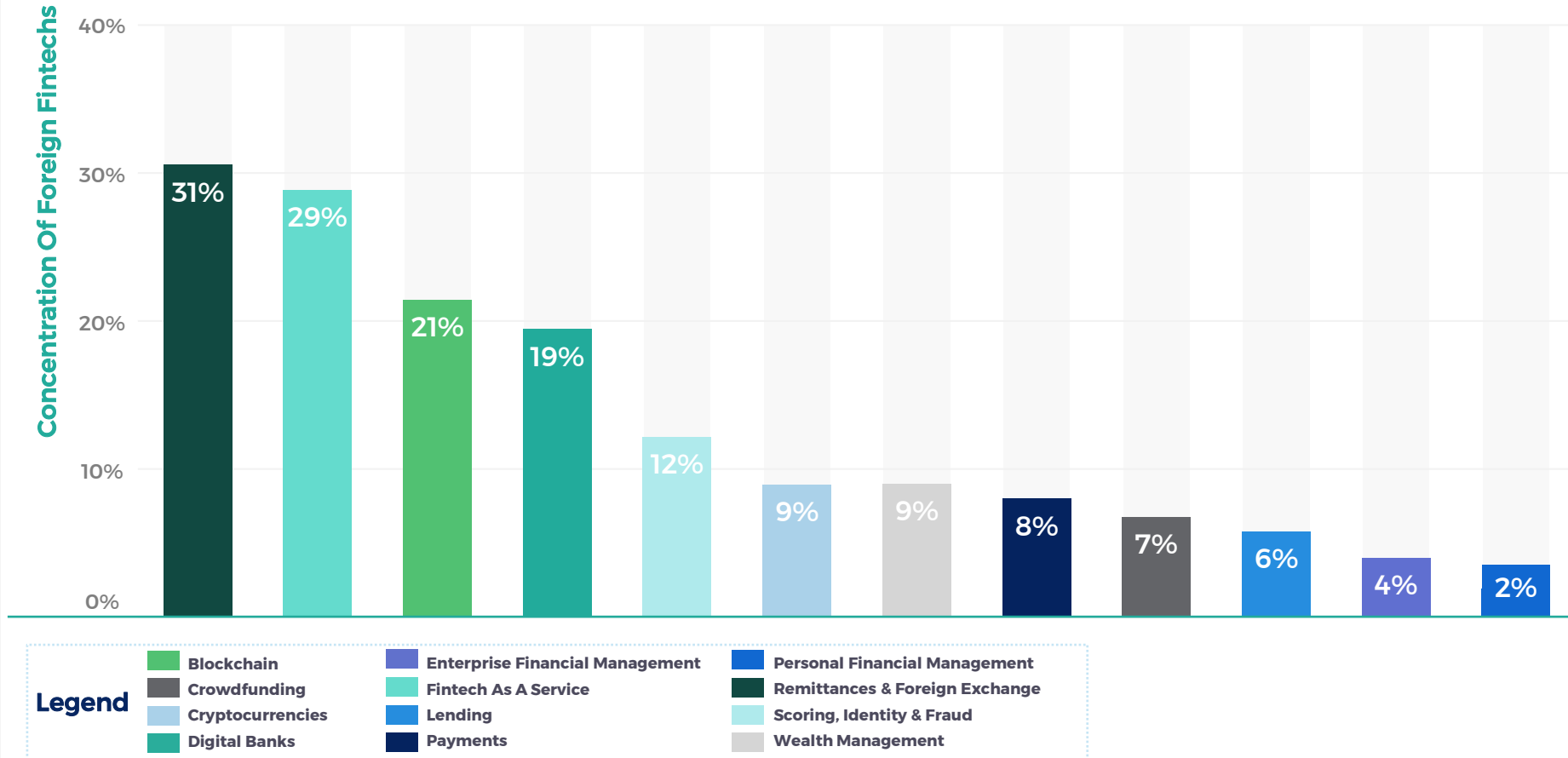
10% of Companies in LATAM's Fintech Ecosystem Are Foreign

Concentration Of Foreign Fintechs Per Category

- **Remittances & Foreign Exchange** holds the highest concentration of foreign players, who in turn operate in multiple regions and are global leaders.
- Limitations in local infrastructure and services creates strong demand for **Fintech As A Service** companies who bring experience and expertise from more developed markets.
- **Lending & Payments** has low concentration given the high level of adaptation required to comply with local regulation and customer behavior.

Concentration Of 117 Foreign Fintechs & 1,075 Local Fintechs in LATAM

| Total Fintechs In LATAM By Category | 36 | 97 | 17 | 36 | 41 | 56 | 47 | 323 | 74 | 242 | 175 | 52 |
|-------------------------------------|----|----|----|----|----|----|----|-----|----|-----|-----|----|
| Foreign Fintechs | 11 | 28 | 3 | 7 | 5 | 5 | 4 | 27 | 5 | 14 | 7 | 1 |
| LATAM Fintechs | 25 | 69 | 14 | 29 | 36 | 51 | 43 | 296 | 69 | 228 | 168 | 51 |



Source: KoreFusion Analysis, Crunchbase, Fintech Reports, Fintech National Associations
 Notes: Muted bars are the concentration of regional fintechs and reach up to 100%

SUBCATEGORY

Subcategories With Foreign Fintech Presence

Fintech Distribution By Subcategory

Ecosystem Propellers:

- Payments Enablers¹
- Remittances

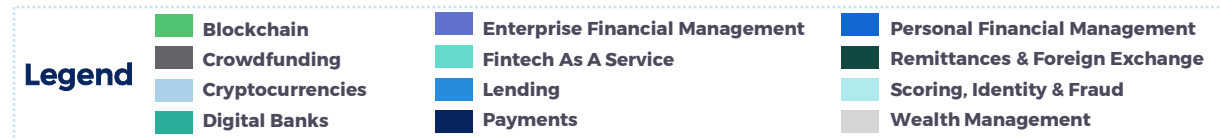
Disrupting Local Standards:

- Neobanks & Digital Banks² (Held By Traditional Banks)
- Investment & Trading Platforms

Challenging Market Dynamics:

- Consumer & Business Lending
- mPos & Alternative Payment Acceptance

Distribution Of 117 Foreign Fintechs Across 28 Subcategories



Sources: KoreFusion Analysis, Crunchbase, Fintech Reports, Fintech National Associations
¹Payments Enablers subcategory contains 16 players categorized as Fintech As A Service, 5 in Payments and 11 in Blockchain
²Digital Banks in "Others"

SUBCATEGORY

Subcategories With Foreign Fintech Presence

Fintech Distribution By Subcategory (Continued)

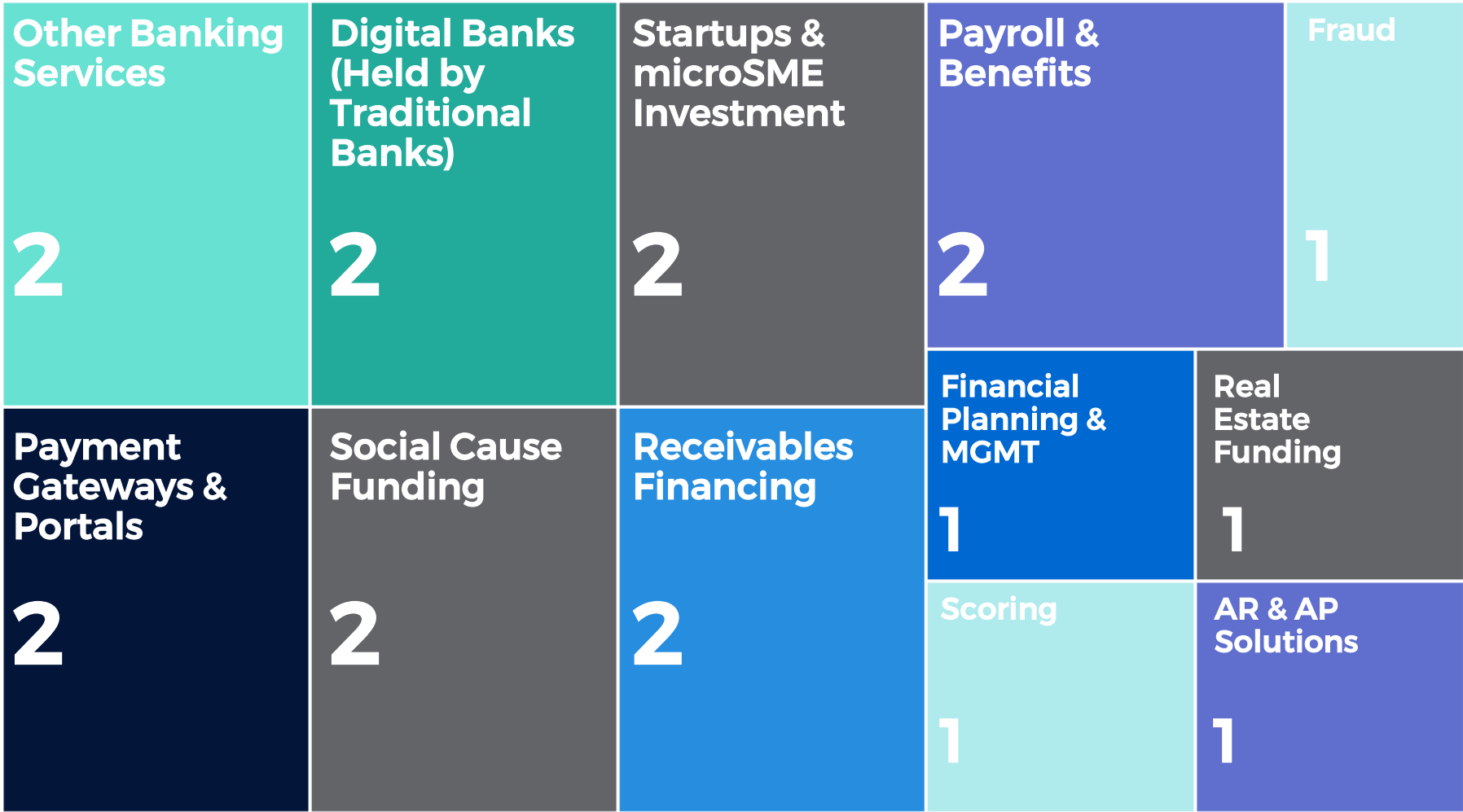
Zoom-In Of Other Subcategories

Other is comprised of subcategories with 2 or less Foreign Fintechs.

Low concentration is not necessarily indicative of performance at this time.



Distribution Of 19 Foreign Fintechs By Subcategory Marked As 'Other'



Source: KoreFusion Analysis, Crunchbase, Fintech Reports, Fintech National Associations

SUBCATEGORY

Concentration Of 117 Foreign Fintechs Across 28 Subcategories

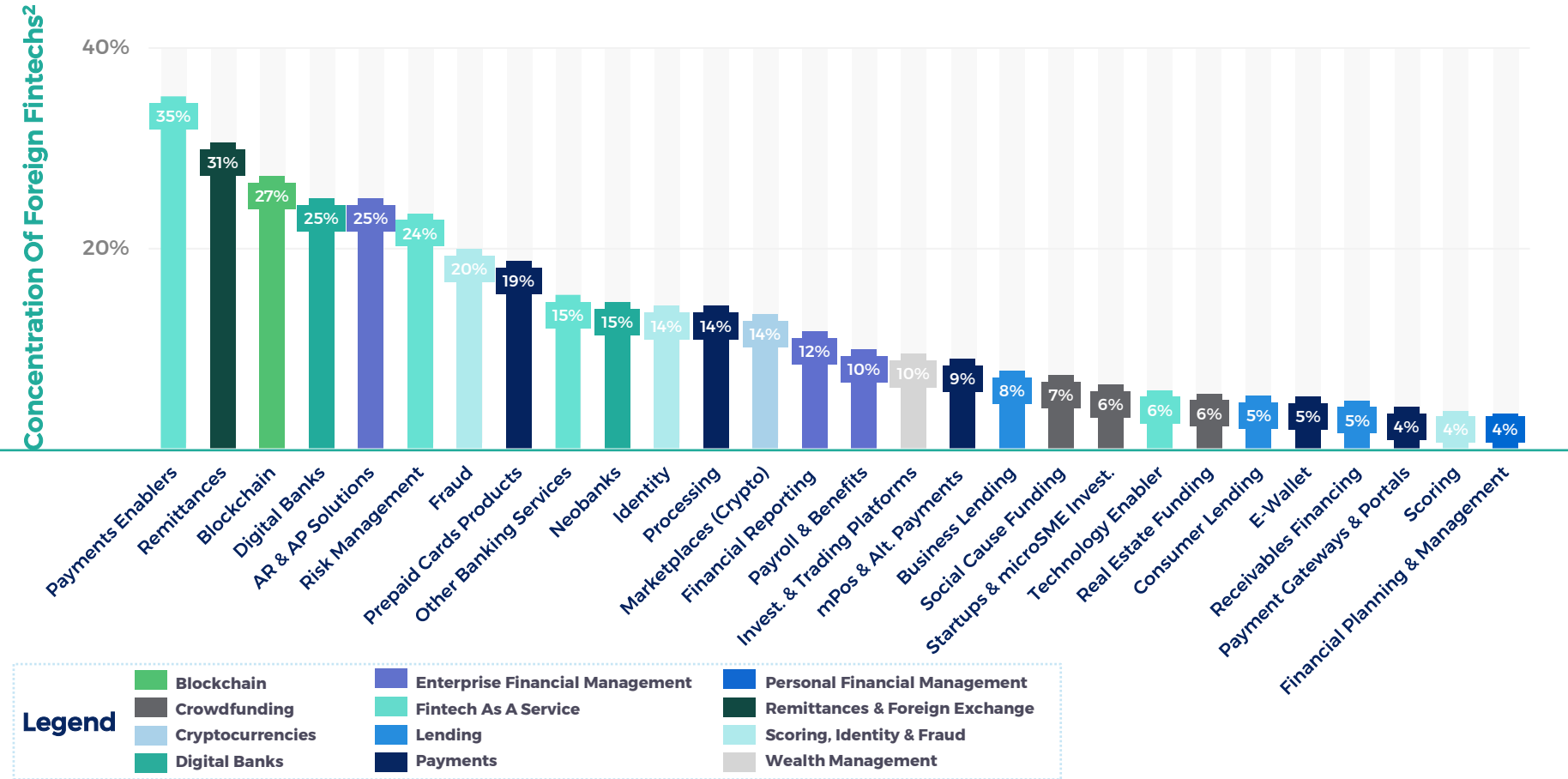
Concentration Varies Widely Across Subcategories

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---------------------------------|----|----|----|---|---|----|---|----|----|----|----|----|----|----|----|----|-----|----|----|----|----|----|-----|----|----|----|----|----|
| Fintechs In Region ¹ | 54 | 36 | 11 | 8 | 4 | 17 | 5 | 48 | 13 | 34 | 21 | 21 | 37 | 34 | 20 | 42 | 111 | 51 | 27 | 31 | 51 | 18 | 149 | 57 | 41 | 47 | 26 | 28 |
| Foreign Fintechs | 19 | 11 | 3 | 2 | 1 | 4 | 1 | 9 | 2 | 5 | 3 | 3 | 5 | 4 | 2 | 4 | 10 | 4 | 2 | 2 | 3 | 1 | 8 | 3 | 2 | 2 | 1 | 1 |
| Regional Fintechs | 35 | 25 | 8 | 6 | 3 | 13 | 4 | 39 | 11 | 29 | 18 | 18 | 32 | 30 | 18 | 38 | 101 | 47 | 25 | 29 | 48 | 17 | 141 | 54 | 39 | 45 | 25 | 27 |

Drivers And Challenges

- **Payments Enablers:** strong opportunity to service local fintech and retail ecosystems and leverage international experience while most local players are focused on building baseline capacity.
- **Risk Management Solutions:** demand outstrips local supply and capabilities providing international expertise.
- **Remittances:** strong focus on P2P transactions between LATAM and well-established corridors and growing focus on secondary ones. Standalone Foreign Exchange fintechs not yet active.
- **Digital Banks & Neobanks:** local fintechs growing strongly and becoming global leaders, foreign fintechs see market opportunity but face stiff local competition.

N.B.: AP & AR Solutions: outlier concentration due to low number of fintechs in this subcategory. It is uncommon for companies to offer AR & AP Solutions combined in a single offering due to the high level of market customization that is required.



Source: KoreFusion Analysis, Crunchbase, Fintech Reports, Fintech National Associations

¹Total Fintechs in Region (Foreign Fintechs + Regional Fintechs)

²Concentration of Foreign Fintechs = Foreign / Total

SUBCATEGORY

Subcategories Without Foreign Fintechs

17 Subcategories Have No Foreign Activity

Entry Opportunities:

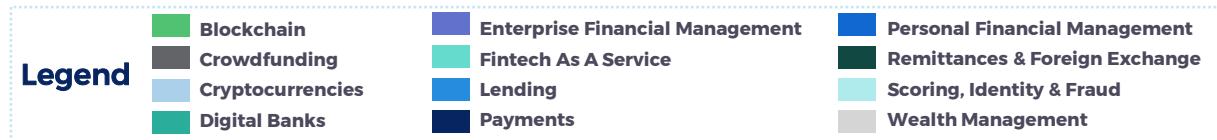
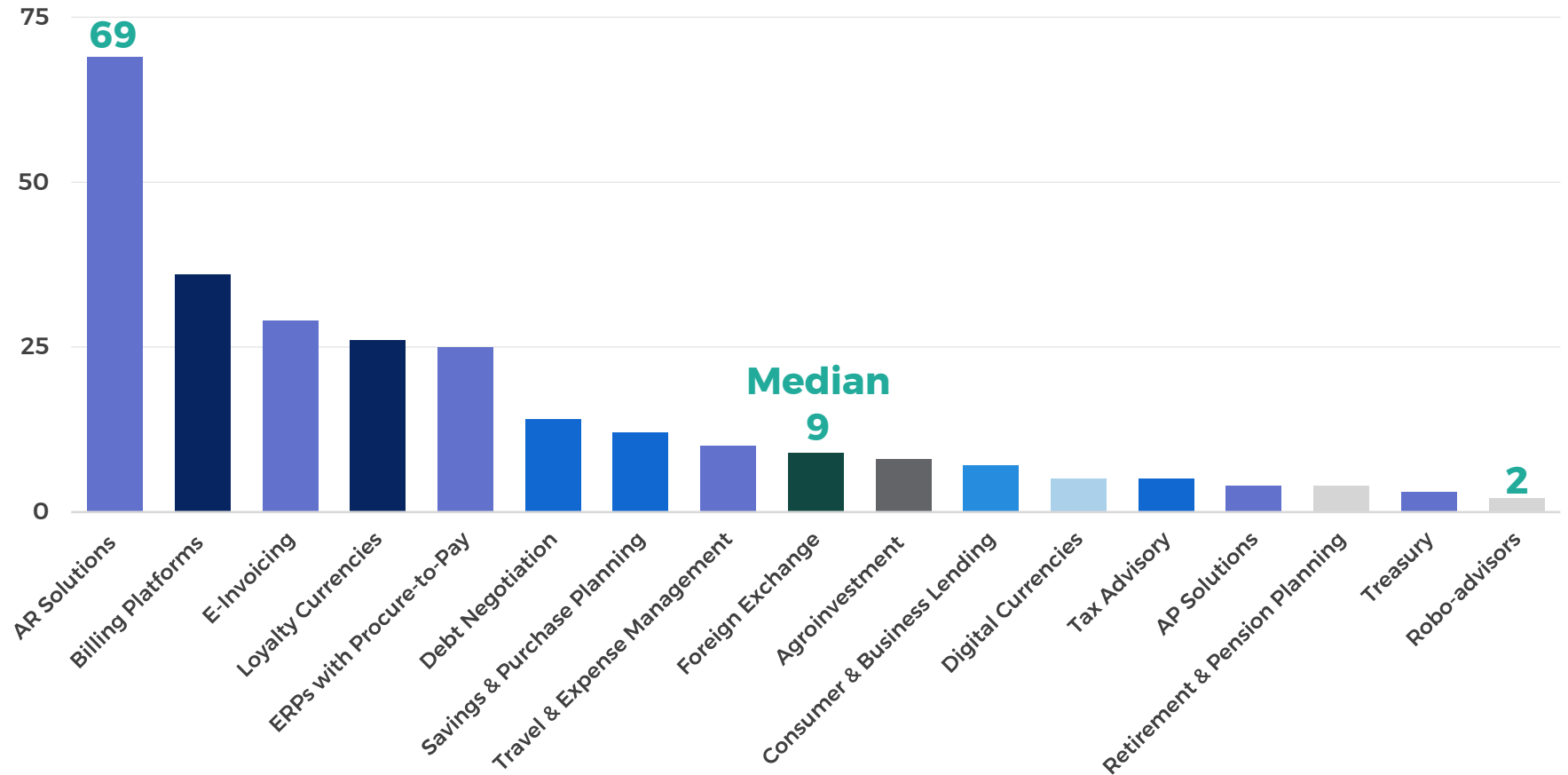
- Billing Platforms
- AP Solutions (Standalone)*
- AR Solutions (Standalone)*
- Treasury

Favors Locals:

- E-Invoicing
- Debt Negotiation
- Tax Advisory

N.B.: It is uncommon for companies to offer AR & AP Solutions combined in a single offering due to the high level of market customization that is required.

Distribution Of 268 Regional Fintechs Across 17 Subcategories



Source: KoreFusion Analysis, Crunchbase, Fintech Reports, Fintech National Associations

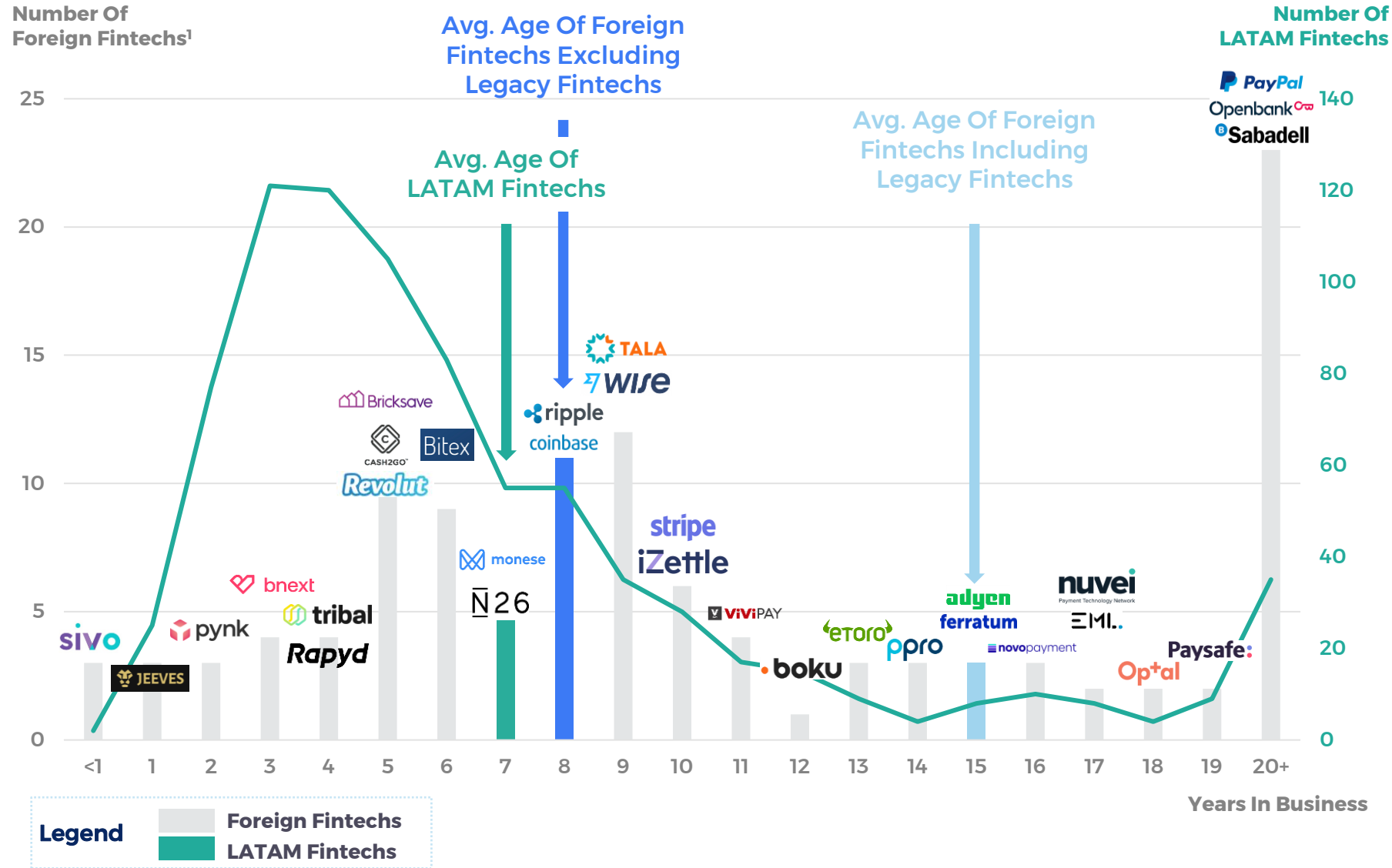
MATURITY

Strong Presence Of Mature & Legacy Foreign Fintechs

Four Maturity Cohorts Reveal LATAM Entering Growth Plans At An Earlier Age

- Nascent Fintechs (23%):** Five years old or less, with an average of two years in LATAM. Characterized by deep funding rounds and/or quick launch to multiple international markets that is a core part of revenue diversification and first mover advantage.
- Growing Fintechs (38%):** Six to ten years old, ranging from two to ten years in LATAM. Characterized by strong presence in home markets and deep funding prior to a phase of international expansion.
- Mature Fintechs (12%):** Eleven to fifteen years old, ranging from six to ten years in LATAM. Characterized by strong presence in home markets and profitability prior to a phase of international expansion.
- Legacy Fintechs (27%):** Sixteen or more years of experience with an estimated twelve years in LATAM. Characterized by Fintech 1.0 companies and incumbent financial institutions that are leveraging Embedded Fintechs to develop new services and solutions.

Comparison Of LATAM VS Foreign Fintech Years In Business



Source: KoreFusion Analysis, Crunchbase, Fintech Reports, Fintech National Associations
¹Founding date available for all 117 foreign fintechs in LATAM, and 825 of 1,075 LATAM fintechs

FUNDING

Global Funding Available To Foreign Fintechs In LATAM

Funding Distribution By Category

68 of 117 foreign fintechs reported capital raised since 2010.

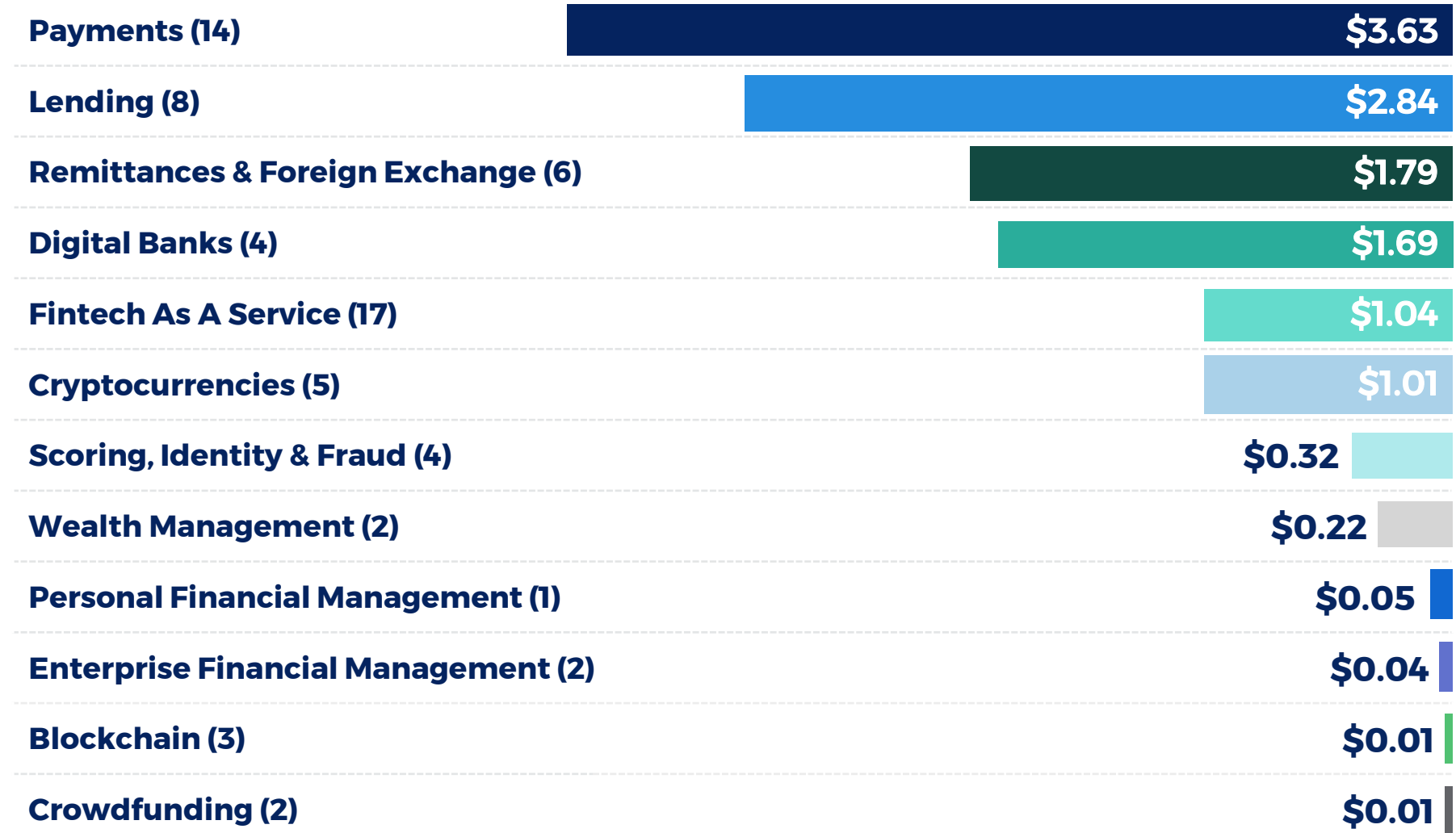
- **Older Investments:** investment rounds prior to 2010 were not considered for the purposes of this addendum.

95% of reported capital raised is concentrated in six categories.

Types of fintechs and investments not considered in these figures include:

- **Embedded Finance:** Internal investments and acquisitions made by non-financial institutions in fintech companies.
- **Embedded Fintech:** Investments and acquisitions made by incumbent financial institutions in fintech companies.
- **Standalone fintechs** that received investments but have not disclosed any data.

Total Reported Global Funding Of 68 Foreign Fintechs In LATAM By Category, US\$ Billions¹



(#) Number Of Foreign Fintechs

TOTAL Foreign Reported Funding

US\$ 12.65 B

TYPES OF INVESTMENT

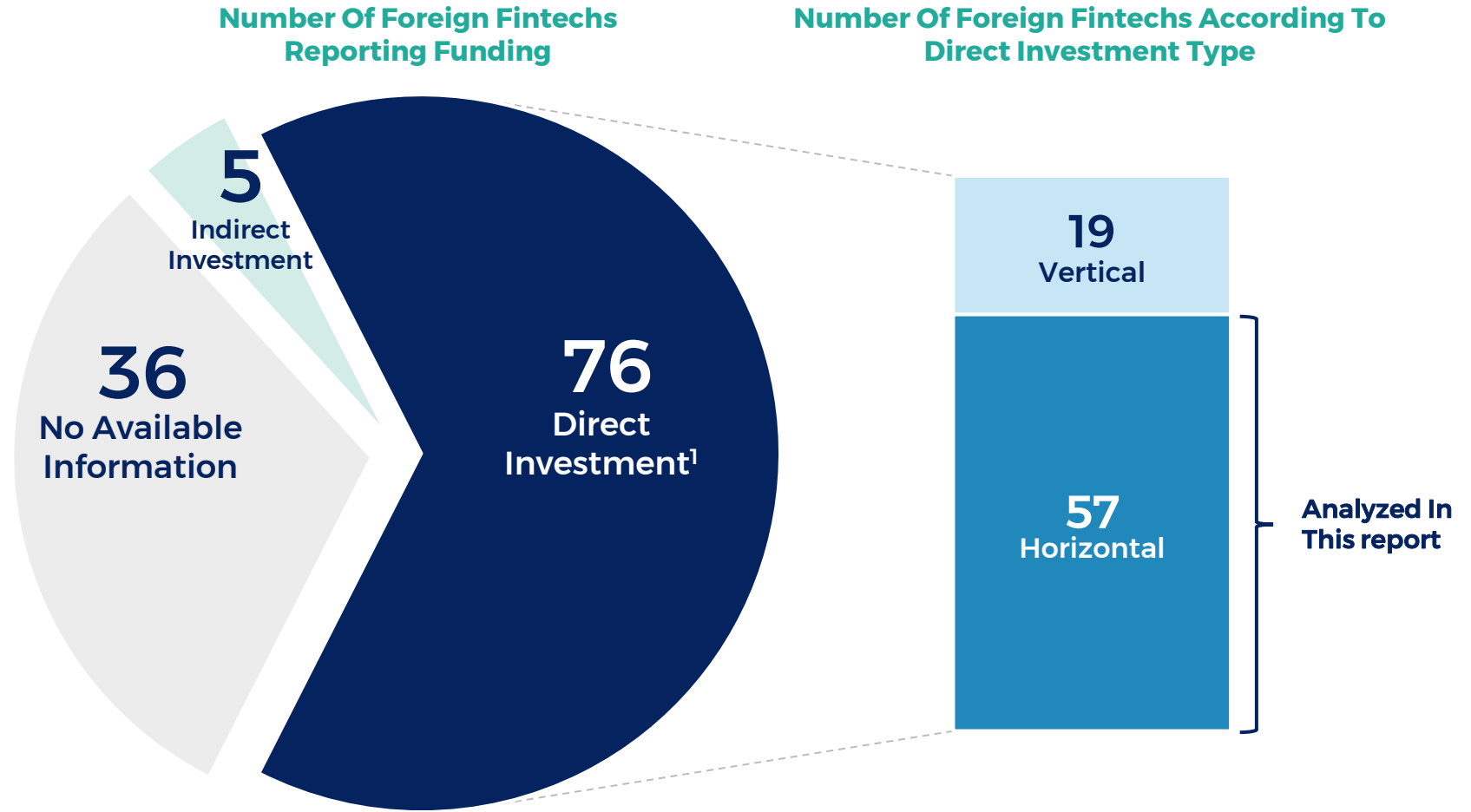
Not All Foreign Fintechs Invest In The Same Way

Investment Definitions

- 1. Direct Investments:** Expansion of business to LATAM:
 - Horizontal:** a fintech expands its domestic operations to LATAM, effectively conducting the same activities in a new market.
 - Vertical:** a fintech expands into LATAM with only a portion of its main business. This is usually done to provide connectivity and servicing between markets, and operations in LATAM are minimal.
- 2. Indirect Investments:** Investment of at least 10% equity in a LATAM fintech.

Estimated LATAM Foreign Fintech Investment By Type Of Investment

117 Total Foreign Fintechs in LATAM

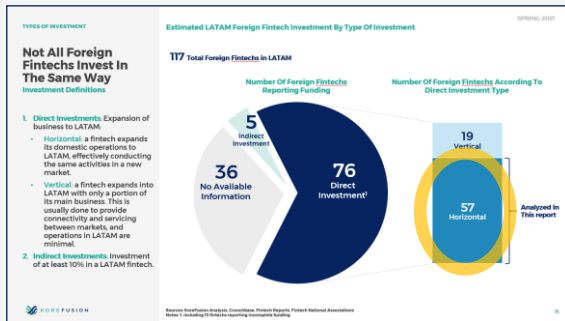


FUNDING

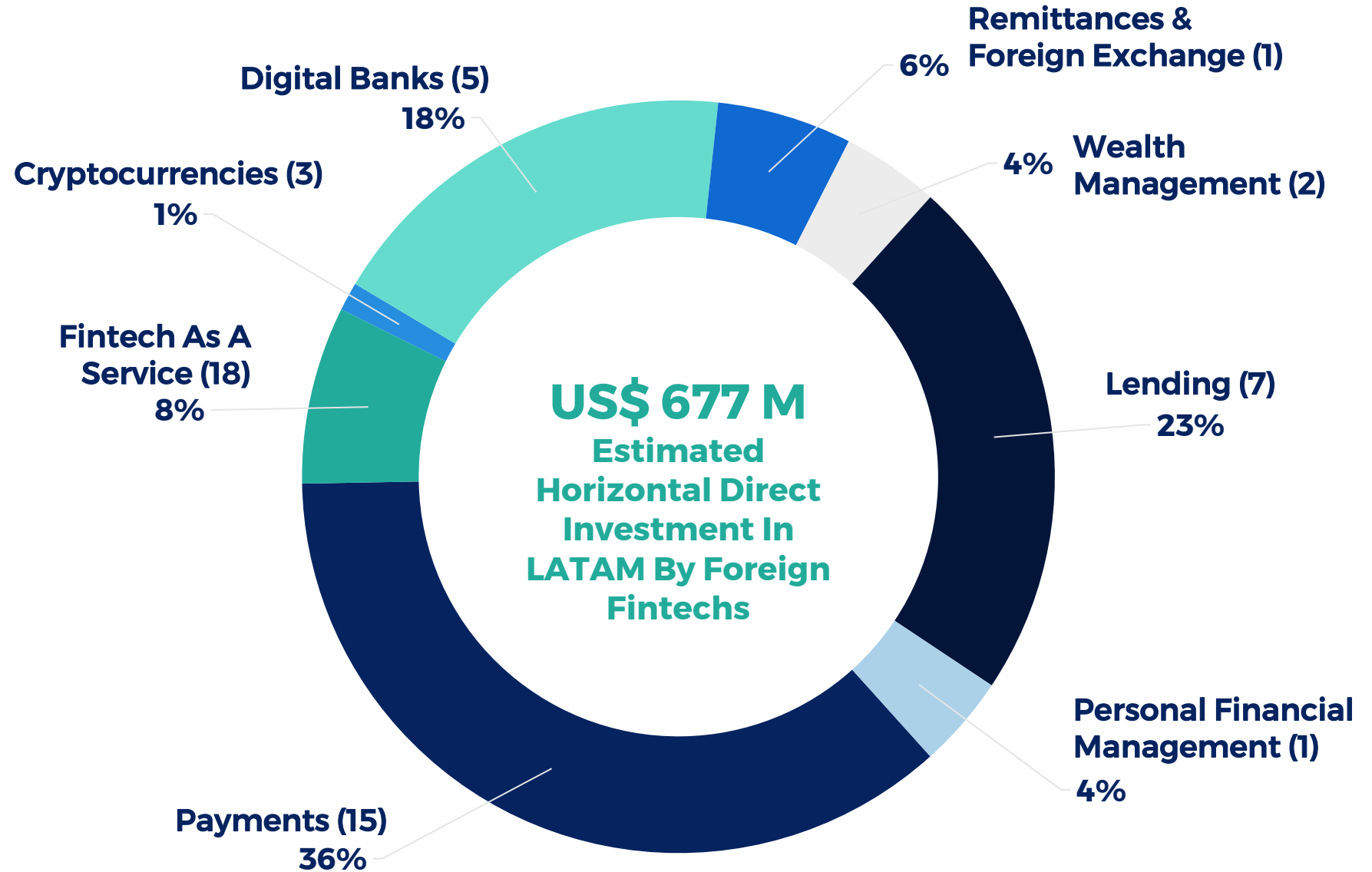
Estimated Horizontal Direct Investment By Foreign Fintechs In LATAM

Direct Investment By Category

Of US \$12.65B¹ in funding received by foreign fintechs since 2010, KoreFusion estimates US\$ 677M (5% of the total) has been invested in LATAM.



Estimated Horizontal Direct Investment Of 57 Foreign Fintechs In LATAM By Category²




(#) Number Of Foreign Fintechs


FUNDING


Distribution Of Direct Horizontal Investments By Fintechs

Key Drivers And Challenges

 **Drivers:** Size and sophistication of market
Challenges: First-movers' advantage

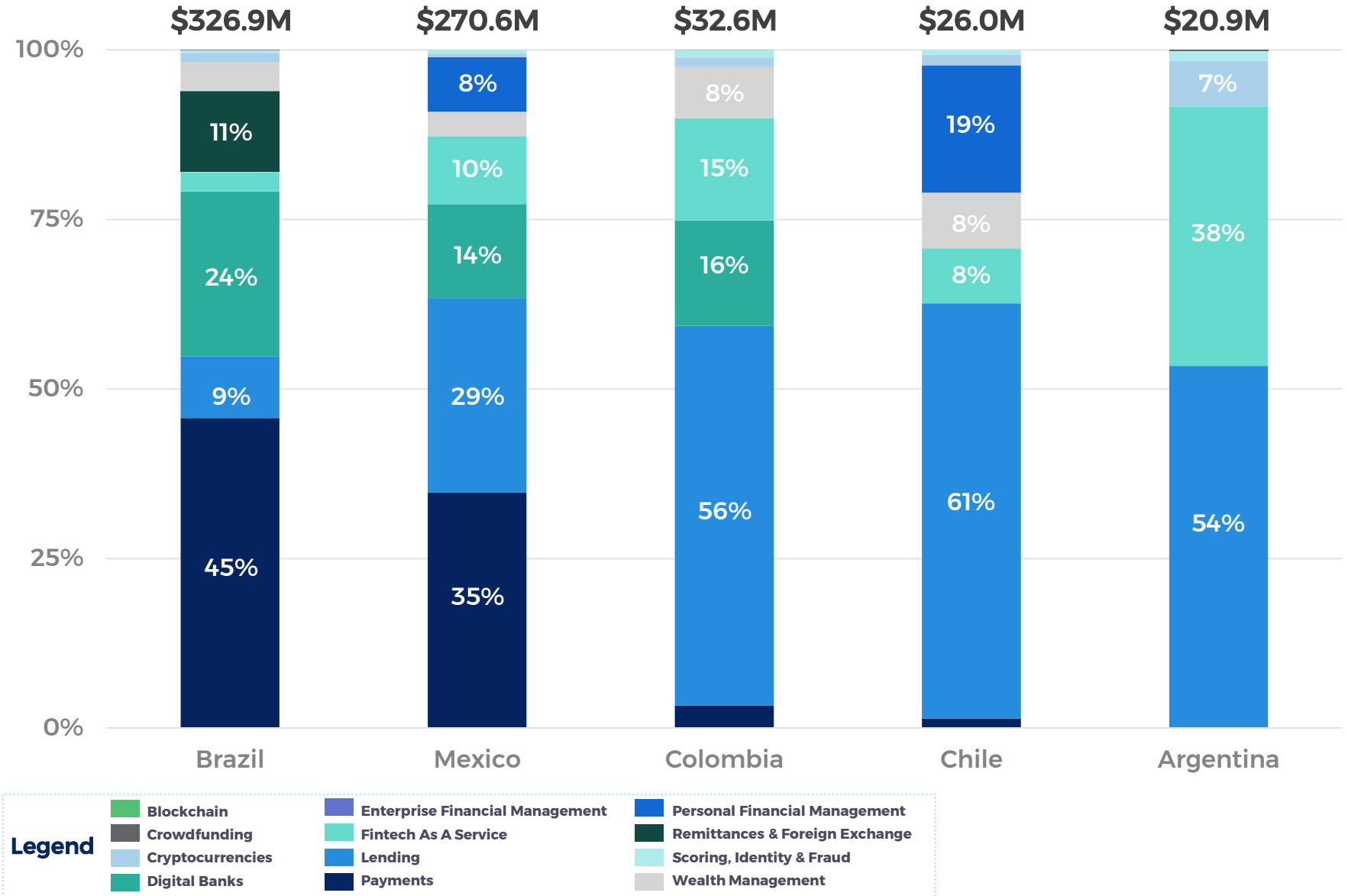
 **Drivers:** Proximity to USA and size of market
Challenges: Regulation

 **Drivers:** Fast adoption phase
Challenges: Oligarchic incumbents

 **Drivers:** Customer sophistication
Challenges: Size and Scalability

 **Drivers:** Lack of infrastructure and services
Challenges: Market instability

Estimated Concentration Of 57 Direct Horizontal Investments Deployed By Category And By Country (USD 2010 - 2020)



Source: KoreFusion Analysis, Crunchbase, Fintech Reports, Fintech National Associations
 Notes: Percentages of categories with less than 5% of estimated deployed capital are not labelled

FUNDING

Comparison Of Local Reported Funding & Estimated Foreign Horizontal Direct Investment In LATAM By Category & Average Per Fintech, 2010 - 2020







| Local Reported Funding (US\$ B) | Average Funding Per Local Fintech (US\$ M) | Category | Average Horizontal Direct Investment Per Foreign Fintech (US\$ M) | Foreign Horizontal Direct Investment (US\$ B) |
|---------------------------------|--|---------------------------------|---|---|
| \$4.02 | \$13.6 | Payments | \$17.9 | \$0.23 |
| \$1.95 | \$8.6 | Lending | \$30.4 | \$0.15 |
| \$1.88 | \$64.8 | Digital Banks | \$33.4 | \$0.13 |
| \$0.06 | \$0.4 | Enterprise Financial Management | \$0.1 | <\$0.01 |
| \$0.05 | \$1.0 | Cryptocurrencies | \$2.8 | <\$0.01 |
| \$0.05 | \$0.7 | Fintech As A Service | \$3.6 | \$0.05 |
| \$0.03 | \$0.6 | Personal Financial Management | \$26.8 | \$0.03 |
| \$0.03 | \$0.4 | Crowdfunding | \$0.04 | <\$0.01 |
| \$0.02 | \$0.6 | Scoring, Identity & Fraud | \$1.7 | \$0.03 |
| \$0.02 | \$0.5 | Wealth Management | \$14.2 | \$0.03 |
| \$0.01 | \$0.4 | Remittances & Foreign Exchange | \$39.0 | \$0.04 |
| \$0.01 | \$0.9 | Blockchain | \$0.02 | <\$0.01 |

TOTAL US\$ 8.13 B¹

TOTAL US\$ 0.68 B¹

PROFILING

Profile Snapshot¹: Foreign Fintechs Versus Latin American Fintechs

| | Average LATAM Fintech's Profile ² | Average Foreign Fintech's Profile ³ | Average LATAM Fintech's Profile Operating In More Than One Country ⁴ |
|--|--|--|---|
|  Age | 7 Years Old | 8 Years Old | 7 Years Old |
|  Average Capital Raised | US\$ 2.1 M (Avg. Capital Raised) | US\$ 13.5 M (Avg. Horizontal Direct Investment) | US\$ 58.2 M (Avg. Capital Raised) ⁵ |
|  Funding Maturity | Seed Round | Series C | Series B |
|  Presence Of Unicorns | 0.5% | 15.2% | 3.8% |
|  Leading Subcategories | <ol style="list-style-type: none"> 1. Consumer Lending 2. mPOS & Alternative Payment Acceptance 3. AR Solutions | <ol style="list-style-type: none"> 1. Payments Enablers 2. Remittances 3. Consumer Lending | <ol style="list-style-type: none"> 1. Consumer Lending 2. Marketplaces (Buy & Sell Crypto) 3. Technology Enablers |
|  Regional Presence | <ul style="list-style-type: none"> • 99% operate in only one country in LATAM | <ul style="list-style-type: none"> • 33% Operate in only one country in LATAM • 25% Operate in four or more countries in LATAM | <ul style="list-style-type: none"> • 75% Operate in only two countries in LATAM • 25% Operate in three or more countries in LATAM |

Source: KoreFusion analysis.

¹Does not include Legacy Fintechs

²n=790

³n=94

⁴n=80

⁵Considering Fintechs which have received funding from Series A to Series C

OPINION

Opinion: What Foreign Fintechs See As Straight Opportunity Drivers Are Instead Obstacle Courses

Henrick Farías
Consultant



Everything touted as an opportunity for a foreign fintech – high use of cash, and inefficient and expensive banking – are equally true for local players. So are all the challenges, which in turn require a deep understanding of local consumer and business needs, and efficient navigating of infrastructure and regulation that vary deeply by country. Ergo, success favors proximity to the opportunity and a deep understanding of local consumer and business needs, and in this scenario most foreign fintechs are at a disadvantage.

Foreign propositions and solutions may hold value, but top leadership lives elsewhere and usually lacks the philosophical DNA to understand market drivers that are very different to their home-market. Furthermore, if core-markets are the main breadwinners, shareholders will likely discourage local leadership to make innovative adaptations to the core technology and products. Following this line of reasoning, the size of the challenges alone will dissuade many fintechs from entering the region. For those that take the plunge, the contrast between core and new market realities may be disruptive to the point that unlocking growth and scale become vulnerabilities. This scenario has played itself out before in retail, telco, and banking; fintech may reach the same end.

Macro-Issues Challenging Fintechs in LATAM: Comparative Scores and Comments

| | | Latin America | North America | Europe | Asia Pacific | |
|----------------------------------|--|--|--------------------------------|--------|--------------|------|
| Low Digitalization | LATAM’s digitization index (except for Chile) has been slipping since 2015. The region is lagging in digital literacy, infrastructure, and regulation. | World Bank Index (Representative of Fintech Nationality) | 54 | 6 | 26 | 8 |
| | Low Financial Inclusion | LATAM has made great strides to bring its middle-and lower-income segments into the financial fold but inactivity remains. Over 85% of new fintech bank accounts in LATAM are of already banked clients. | Population With A Bank Account | 54% | 94% | 95% |
| % Accounts 12 Months Inactive | | | 17% | 3% | 5% | 15% |
| High Informal Employment | Tax avoidance and high social taxes conspire for many jobs to be kept off the books, while sluggish economic performance keeps millions unemployed and working fully or partially in the informal economy. | Population w/One Or More Informal Jobs | 43% | 8% | 3% | 34% |
| | | Average GDP Growth ¹ 2010 -2019 | 2.1% | 2.3% | 1.6% | 4.6% |
| High Use Of Cash | In LATAM cash reigns supreme due to the prevalence of informal employment, lack of bank infrastructure, and low financial inclusion. Internet purchases with Cash on Delivery average 25% across the region. LATAM has a high rural population, greater geographic area for infrastructure to cover, and high numbers of natural disasters; all factors favor use of cash. | Paid Salary Fully In Cash | 38% | 6% | 3% | 32% |
| | | Paid Utilities Fully In Cash | 72% | 11% | 11% | 56% |
| | | Shopped Online Last 12 Months | 16% | 78% | 69% | 41% |
| Uneven Fintech Regulation | Regulation differs widely across the region requiring multiple ad-hoc solutions. Mexico’s “Fintech Law” is incomplete and obtuse, Brazil is promoting a “Fintech Innovation Law” and easing licenses, Chile drafted a first draft 2021, Colombia and Argentina are in discussion. In all cases LATAM is the least progressive region. | Ranking | 4th | 2nd | 1st | 3rd |

¹World Bank data

OPINION

Opinion: Foreign Fintech Will Dominate A Juicy Part Of The LATAM Ecosystem

Javier Guerrero
Managing Director



What are we talking about? Today, Fintech-As-A-Service (FaaS) is barely attracting US \$100 M in investment and funding, but it will have a cascade effect on the global economy. It will transform fintech, banking, and retail over the next decade because it is the engine that enables Open Banking, BaaS, BaaP, and Embedded Finance. This is because the business models behind these fintechs are platform models that promote the benefits of an ecosystem and the network effect. They share the business DNA of digital giant's business models. We estimate the FaaS opportunity to unlock US \$500 B in value from LATAM by 2030 and it is precisely where foreign fintechs are off to an early start in the region.

But what about were all the money is being invested? The Payments, Lending, and Digital Bank categories are overcrowded and for the most part, are simply about using more efficient processes and delivering an improved customer experience to win market-share in a volume-driven business. Size and efficiency are the key to success, and this favors oligarchic incumbents and only a handful of fintech challengers. The data reinforces this thinking: from 2010 to 2015, incumbent banks raised financial inclusion in LATAM from 39% to 52%. In 2015, their priority shifted to investing in Embedded Fintech investments, and since then financial inclusion barely budged to 54%. This shift in focus coincided with the arrival of a handful of digital banks who very successfully lured ~60 million banked customers. Now that behemoth banks are completing upgrades to their core and can offer a new digital banking, they will circle back to protecting market share and exploring new customer segments. Already just three of these neobank transformations resulted in five million migrated or new customers since 2018. This story is about transferring volume and arbitrage, it is not always delivering an enhanced value proposition to the end-user.

What makes us think foreign fintechs have the advantage in FaaS? Foreign FaaS in LATAM have a strong network of partners at home, and as they replicate their model in LATAM, they also become a gateway between international fintech and developer communities. This network effect is a gradual process that suddenly accelerates. Therefore early, strong, and stable positioning is key prior to the torrent of demand. Foreign fintechs are positioned early; today they constitute 30% of the ecosystem, albeit early operations. They are strongly positioned; they are deploying five times as much capital as their local counterparts' funding and this allows them to attract top talent, invest in stronger marketing, and most importantly, engage regulators with their success stories abroad. They are also comparatively stable because they have deep funding to draw from, if required, and have the acumen and flexibility granted by a diversified geographic revenue source and success at home.

What factors are hindering local FaaS fintechs? Few local FaaS exist in comparison to the high need for them. There were 69 local FaaS in 2020 but most are nascent and working toward a Series A or B. Only a few are active and copy foreign models without the benefit of an international network or many value added services. They are referred to by other local fintechs as a "necessary evil". BIN sponsors illustrate this well. There is usually, at most, one per market, and they are a lifeline to many fintechs around them who do not have the resources for guarantees or acquiring a bank license. But high demand and zero competition contribute to poor SLA fulfilment. This increases regulatory scrutiny, precisely in a space that regulators do not understand and are therefore more inclined to say "no" when granting operating licenses. If funding were better, local players could hire veteran teams that exceed SLAs, invest in platform upgrades, and build in-house legal teams to engage regulators. Exactly the opposite position of foreign FaaS.

What trends do we see? Latent and future demand in LATAM is too strong to ignore. High overseas valuations and IPOs require organic and inorganic growth. Horizontal Direct Investment means foreign players will bring international clients with them or poach them back from local FaaS, and they have the gravitas to convert key-stone local clients. Local FaaS need funding and make prime candidates for Indirect Investment and Acquisition. Either flavor of investment favors international players moving to the top. 77

Closing Thoughts

- Thank You To Our Predecessors
- Category Evaluation
- About KoreFusion
- How We Can Help You
- Sources

Thank You To Our Predecessors

Dear Reader,

Thank you for reading this report. In each chapter we tried to put ourselves in the shoes of investors and entrepreneurs and endeavored to first present data that was accurate and then use it to offer insights we thought useful and stimulating. We hope the report serves as a solid point of departure and we are glad to help you drill down further into the data and our opinion.

Often we are asked to provide generic opinions on specific companies in the fintech sector. This is demanding and requires a solid understanding of not only the sector, but also the industry at the country and regional level. A category may be saturated and under pressure but specific fintechs will always shine and be good candidates for growth. Inversely, a category may be ripe with opportunity but the track record of the fintechs operating in it is disappointing.

We also sit on the boards of multiple fintechs in the region and help others with their strategy and advisory services. For these reasons, we decided not to publicly shine light on individual fintechs or create lists of top performers. However, some of the sources we used to build this report provide exactly that type of company list and profile, and we encourage you to look through the list of sources we provide at the end of the report.

Of course we have opinions about specific companies and can help you run a due diligence or build a commercial strategy. We simply prefer to do that privately. If you have a question about a particular company, we are glad to schedule a call and see how we can be of further assistance. If you are a fintech, we are very interested in learning about you and sharing our insights – we coach and mentor multiple companies in Latin America and Asia, and think it is an excellent way to exchange knowledge and keep fresh.

In equal measure, we are also frequently asked to quickly surmise what category is hot and should be courted or avoided. We prefer to boil our water for tea on a stove and not in a microwave, but in a pinch we can provide a quick opinion. We therefore close this report with a tight comparison of the 12 fintech categories across five factors that we think have the most relevance in affecting their performance.

We hope this snippet of content is useful but we also recognize it leaves room for debate. We encourage that and look forward to your opinions.

As a closing thought, we wish to once again thank all the organizations and individuals that took steps before us and allowed us to swell their progress.

Thank you,

KoreFusion Team

Category Comparisons

Factors We Considered

Funding Opportunity

- We inferred the need fintechs in each category have for funding at all levels of maturity. Most categories show a need for further funding, with a few that are overfunded.

Growth Potential

- We compared latent demand and market size to intrinsic factors offered by fintechs in the category. This included the ability of fintechs to leverage technology to scale and develop reach as well as their value proposition. The better the match, the higher the score.

Saturation

- We measured the number of fintechs and the trajectory of leaders vis-à-vis with the size of the opportunity. Some categories are over-subscribed while others still offer plenty of room to grow and maneuver.

Encroachment Threat

- We measured the impact that key players could have on the category. A category can be disproportionately affected by leaders, large new players, or first-movers, in which case it is more vulnerable to encroachment.

Regulatory Impact

- We measured the impact of regulation on each category. In some cases, regulation is imposing burdens or not providing clarity that hinders operations, stifles investment, or favors incumbents.

LATAM Fintech

Category Evaluation

We reviewed 2,800 companies from multiple sources and only listed companies that are active and compliant with the definition of fintech.

We grouped fintechs into 12 categories and expanded the subcategories to 45.

We analyzed fintechs at the country, category, and subcategory level. We also applied a level of insight based on funding and maturity to each category.

Finally, we applied our knowledge of market size, regulatory trends, and business models affecting each category across five factors.

KoreFusion's LATAM Fintech Category Evaluation

| Category | Funding Required | Growth Potential | Saturation | Encroachment Threat | Regulatory Impact |
|---------------------------------|------------------|------------------|--------------|---------------------|-------------------|
| Crowdfunding | Light Green | Orange | Yellow | Red | Red |
| Cryptocurrencies | Dark Green | Orange | Dark Green | Light Orange | Red |
| Digital Banking | Light Green | Yellow | Yellow | Red | Red |
| Payments | Light Green | Light Green | Light Orange | Light Orange | Red |
| Lending | Light Green | Dark Green | Light Orange | Light Orange | Red |
| Remittances & Foreign Exchange | Dark Green | Light Green | Dark Green | Light Orange | Red |
| Wealth Management | Dark Green | Light Green | Dark Green | Light Green | Light Orange |
| Personal Financial Management | Dark Green | Light Green | Dark Green | Light Green | Light Green |
| Blockchain | Dark Green | Light Green | Dark Green | Dark Green | Light Green |
| Fintech As A Service | Dark Green | Dark Green | Dark Green | Dark Green | Dark Green |
| Scoring, Identity & Fraud | Dark Green | Dark Green | Dark Green | Dark Green | Dark Green |
| Enterprise Financial Management | Dark Green | Dark Green | Dark Green | Dark Green | Dark Green |

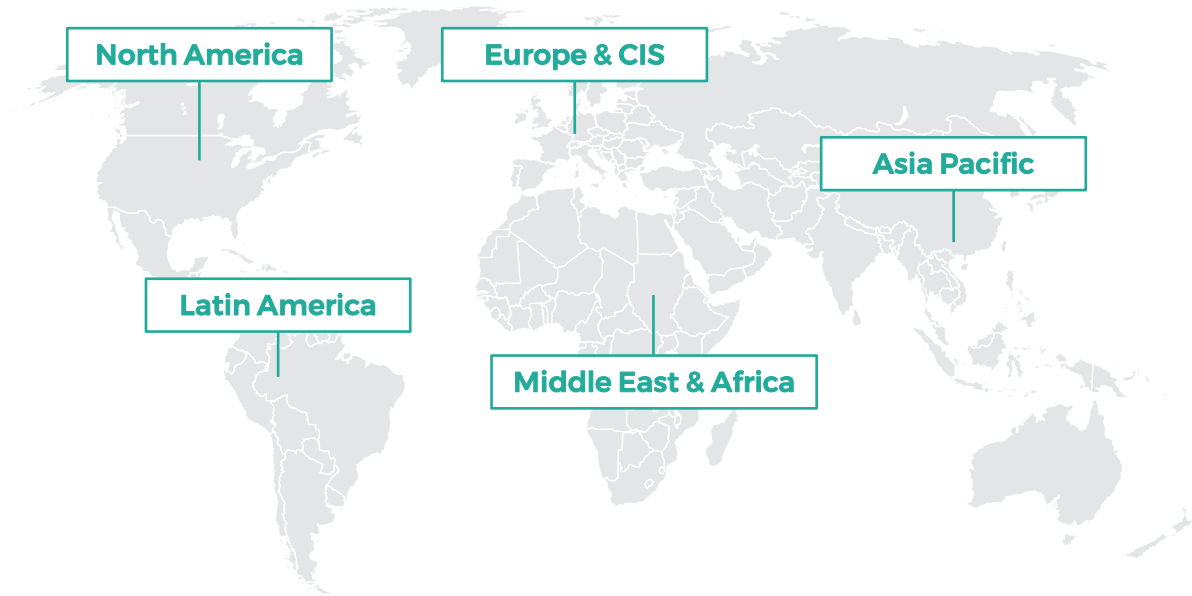


Different From The Norm.

At Your Service.

We saw a natural intersection between strategy consulting and M&A advisory services.

We fuse global and local perspectives, combining international insights with on-the-ground experience.



KoreFusion By The Numbers

450

Projects Completed

96

Deals Closed

70

Countries We Have Worked In

6

Global Locations

25

Years Of Industry Experience

1

Industry Focus

We Know The Industry Is Complex. We Can Help You Address Your Business Needs.

How We Can Help You

Are You A Fintech ...

- Needing to understand what your competitors are doing?
- Ready to raise your next funding series?
- Considering an IPO?
- Thinking about acquiring another company?

Are You A Financial Institution ...

- Looking to acquire or partner with a fintech?
- Developing strategies to engage with fintechs?
- Transforming your business model to compete better against fintechs?

Are You An Investor ...

- Exploring investment opportunities in the fintech ecosystem?
- Needing to better understand a specific category or subcategory?

Are You A Retailer Or Marketplace ...

- Engaging frequently with financial institutions and fintechs and need a better understanding?
- Developing a digital strategy with important financial elements?
- Exploring diversification opportunities?

Are You A Platform Or Digital Giant ...

- Looking to grow and expand your ecosystem?
- Needing to identify the right fintech partners?

This Piece Of Work Was Possible Because Of The Previous Work Of Several Organizations Related To The Fintech Industry

Sources

- Associação Brasileira de Fintechs
- Cámara Argentina de Fintech
- Cntxto
- Colombia Fintech
- Crunchbase
- Distrito
- Finnovating
- Finnovista
- FinteChile
- FintechLab Brasil
- Fintech México
- Fisher Reports
- International Monetary Fund
- LAVCA - The Association for Private Capital Investment in Latin America
- Media Clippings and Company Reports
- World Bank Group

Authors

- **Jan Smith**, Founding Partner
- **Javier Guerrero**, Managing Director
- **Daniel Ben-Aron**, Managing Director
- **Alejandro Gonzalez**, Fintech Subject Matter Lead
- **Henrick Farías**, Consultant
- **Jaime Edelshein**, Consultant
- **Marine Huang**, Senior Consultant
- **Marisa Richetta**, Chief of Staff

For More Information On KoreFusion's Payments And Fintech Research, Please Contact:

 **Marisa Richetta** at m.richetta@korefusion.com

Follow KoreFusion on LinkedIn for additional insights and content:

 <https://www.linkedin.com/company/korefusion>

This material was prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice in any jurisdiction worldwide. Please refer to your advisors for specific advice. The opinions of third parties set out in this publication are not necessarily the opinions of the global KoreFusion organization or its member firms. Moreover, this material should be viewed in the context of the time they were expressed.

Spring 2020 © 2020 KoreFusion LLC. © 2020 KoreFusion Pte. Ltd. All Rights Reserved

San Francisco • New York • Mexico City • São Paulo • Singapore • Mumbai



Our Experience

25 Years As Strategy Partners And M&A Advisors To The International Fintech, Payments, And Financial Services Industries.

We Advise Companies Across The Industry Spectrum; From Fintechs and Established Payments Companies, To Clearinghouses, Regulators, and Investors.

Our Expertise

- **Faster / Real-Time Payments**
- **Push & Account-to-Account Payments**
- **B2B & Commercial Payments**
- **P2P & P2M Payments**
- **Consumer & Commercial Card Products**
- **Merchant Acquiring & Payment Processing**
- **Money Transfer & Remittances**
- **Supply Chain Digitization & Finance**
- **Digital Banking, Infrastructure & Emerging Models**
- **Digital Currencies & Super Platforms**