



Dadao Capital

Overview of Venture Capital in Latin America: Unicorns and Soonicorns

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LATAM AT A GLANCE

Introduction to Latam: Demographic Background

Latam stands for Latin America, extending from the U.S.-Mexico border to the southernmost tip of South America. Thus, it includes Mexico, Central America, the Caribbean, and South America where there are in total 33 countries. As of 2021, the population of Latin America is about 665M, which represents 8% of the world's population.

Among all the Latam countries, Brazil and Mexico account for more than a half of Latam's total population, with the percentage of 32% and 20% respectively.



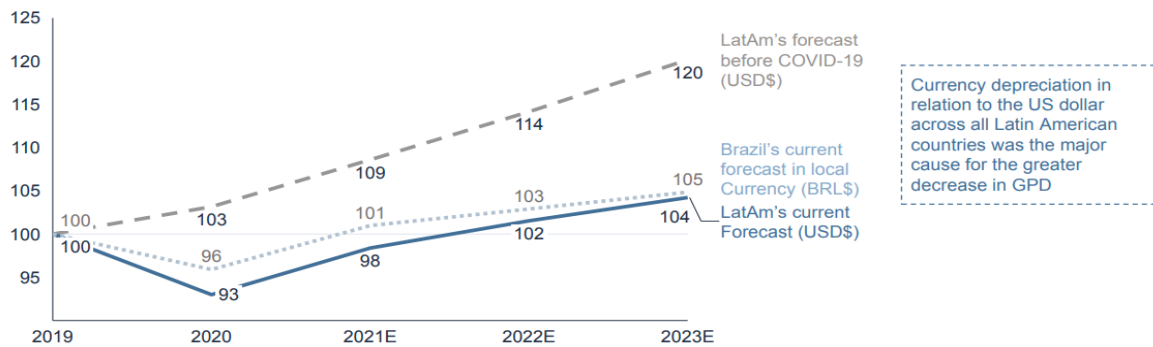
Economic contribution

In terms of economy, Latam's GDP reached USD 4.3 trillion in 2020, which accounts for 5% of the global economy. The economic contribution of Brazil and Mexico makes up approximately 50% of Latam's GDP.

Although Latam suffered a dramatic economic decrease, nearly -7% in 2020 due to the Covid-19 breakout, which made it one of the most affected regions worldwide, international institutions like, IMF World Economic Outlook, still hold a positive attitude towards Latam.

Latin America and Brazil Economic Activity Growth Forecast

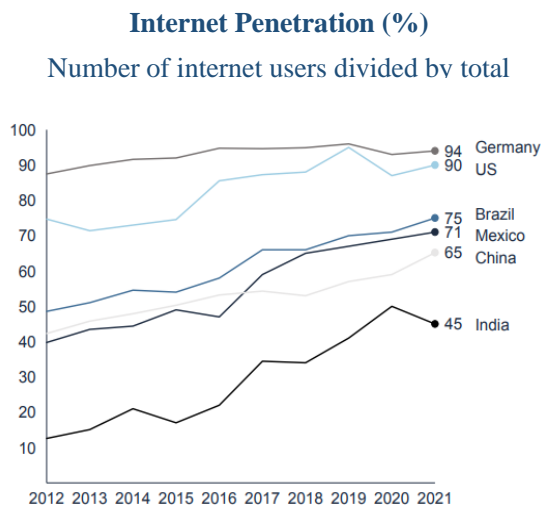
Total GDP in 2019 as baseline (=100), current USD\$ for Latin America and current BRL\$ for Brazil



Source: ALLVP

Digital transformation

Latin America's digital landscape has been growing exponentially over the past few years. In the region, digital transformation is the crucial ingredient for poverty reduction and welfare systems—as well as other social indicators.



Source: ALLVP

The Covid-19 slowed down the global economic growth, but it turned out to have accelerated the digital transformation in Latin America as most companies in the region resorted to working from home. Countries across the region are rapidly expanding their technology in various sectors to transition to the new normal.

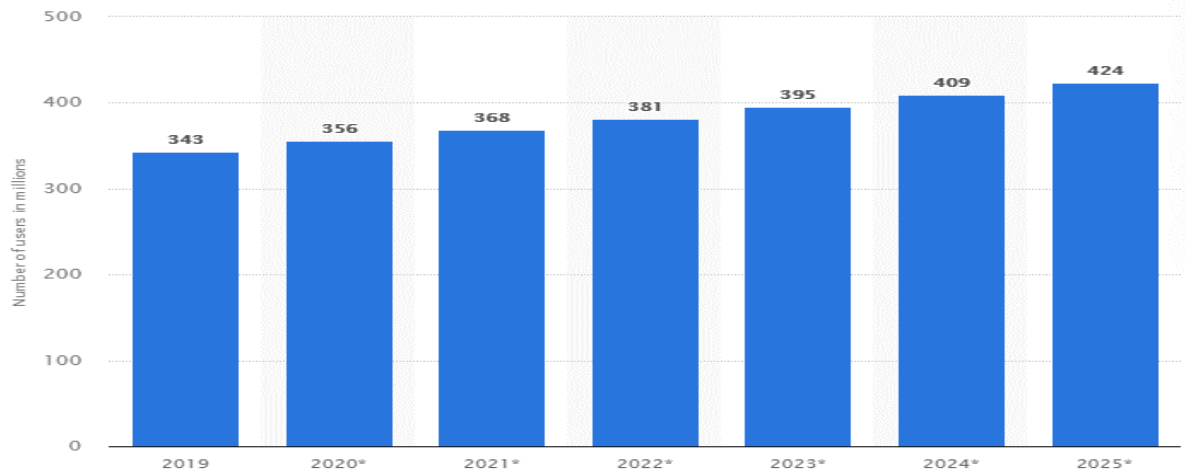
Latin America has seen a huge shift to digitally driven services and online commerce. In less than two years, e-commerce in the region has

increased by 36.7% compared to its pre-pandemic level. According to Statista, around 13 million people across Latin America used online transactions for the first time in 2020. Latam inhabitants' daily life came into a digital era.

As countries and communities continue to recover from COVID-19, Latin America's digital transformation offers promising opportunities to create a more prosperous, inclusive and diverse economy. It creates some areas to be the ripest for leapfrogging, particularly Fintech, E-Commerce, E-Education, and E-Health.

OVERVIEW OF VENTURE CAPITAL IN LATIN AMERICA

Number of mobile internet users in Latin America from 2019 to 2025 (in millions)



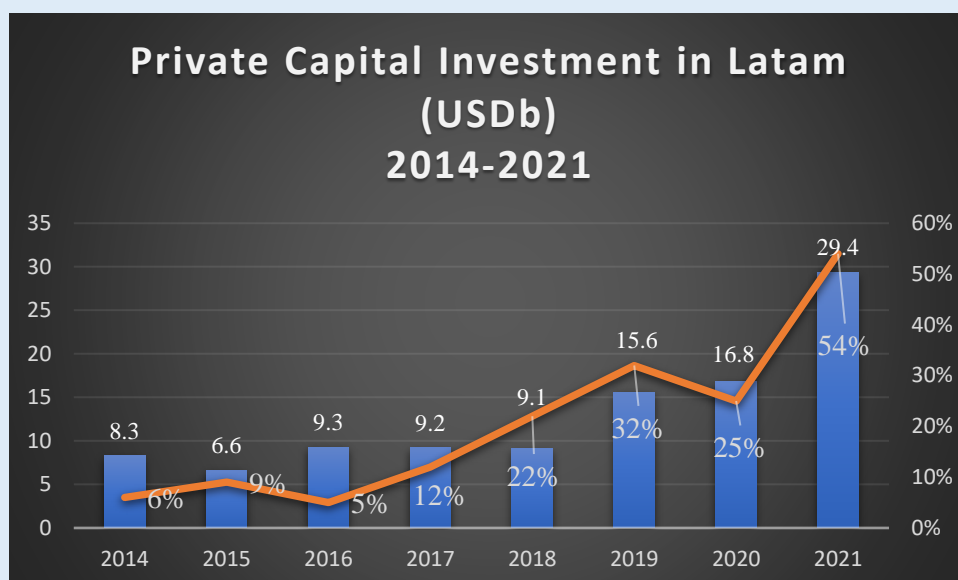
Source: ALLVP



OVERVIEW OF VENTURE CAPITAL IN LATAM

Thriving growth trend in Startups

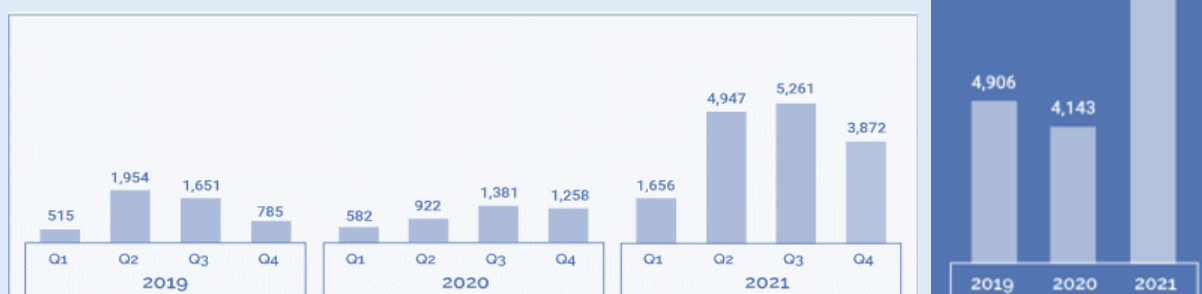
The digital trend in Latin America attracted a large group of investors in 2021, with private capital investment more than doubling in size compared to the previous year.



Source: LAVAC

Around \$29.4 billion were deployed in Latin-American tech startups during 2021, up from a previous record of \$16.8 billion during the last year. According to the Latin American Private Capital Association report, the sum of funds in 2021 was greater than the bulk of all the previous years combined and more than tripled a previous record of \$4.8 billion in 2019.

At the same time, Venture Capital contributed to 54% of all private capital investments, with \$15.7 billion inflows to Latam startups reported last year.



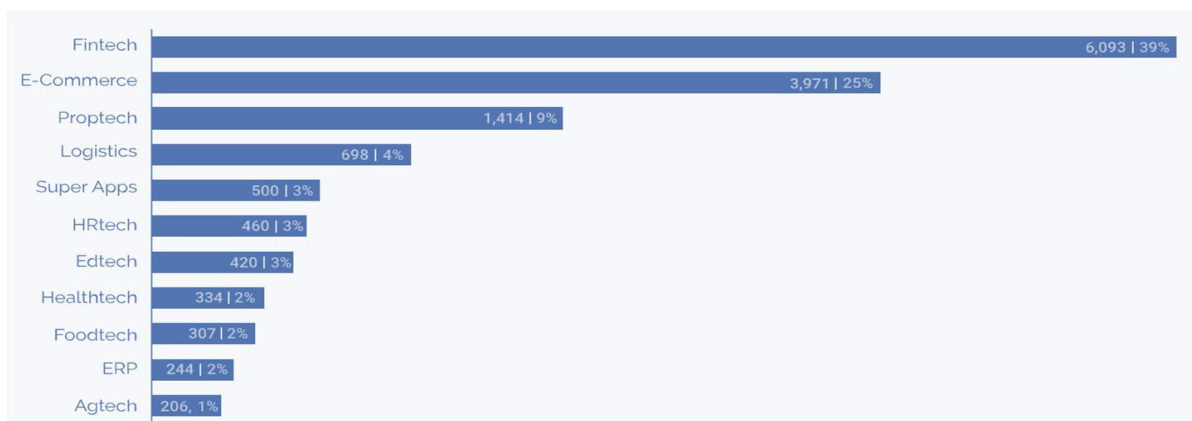
OVERVIEW OF VENTURE CAPITAL IN LATIN AMERICA

The large increase in financing reflects the growing interest in the regional industry and is a sign of the maturity of the various companies disrupting traditional sectors such as in Finance sector.

Key Industries with high growth

The top 3 industries that have received more investments in Latam are: Fintech (USD 6,093 M representing 39%), E-commerce (USD 2,971 M representing 25%) and PropTech (USD 1,414 M representing 9%).

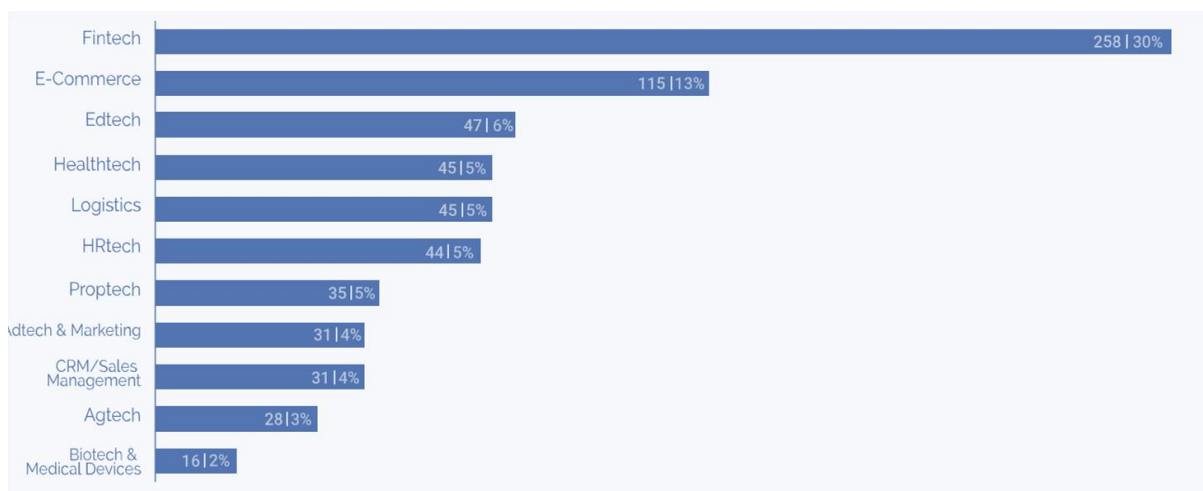
Total Capital Invested: USDm/ % of total



source: LAVAC

On other hand, in terms of the number of transactions in Latam, Fintech ranks 1st with 258 representing 30%, followed by E-commerce with 115 representing 13%.

Number of Transactions: No. of Deals/ % of total



source: LAVAC

Markets in Spotlight

The pandemic has been one of the motivating factors to the rise of Fintech innovation and demand, which also has propelled Latin America to undergo a digital transformation. Technology penetration (as a % of the GDP) has been growing rapidly (65% yoy) in the region. Many of Latin America's population began transacting digitally for the first time in their lives. More than 40 million people in this continent have joined in the banking ecosystem in just five months during 2020, according to a study made by Americas Market Intelligence in Partnership with Mastercard. The market opportunity in fintech is just so big," said Chloé Novène, an investment associate at ALLVP Venture Capital firm. "There is a lot of space to offer products to people that were not included in the financial system before."

Here we have founded a list of the most popular Business Models (BM)s of 2021 that gives us an idea about the prevailing trends in the startup ecosystem. The final list has been sorted by the total funding and funding rounds these BMs attracted in 2021, and also lists the top companies, along with the total funding raised by them till date.



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As is shown in the table, Banking Tech and Payments are now the leading verticals of investment within fintech

Top Markets	Number of Companies	Funding Raised in 2021
1. Banking Tech Top Companies:Nubank[USD 2.27B], Neon[USD 417M],Cora [USD 153M]	304 (+15)	\$1.6 Bn 14899%
2. Payments Top Companies:Uala[USD 544M], EBANX[USD 430M],Clip[USD 396M]	672 (+10)	\$1.3 Bn 5628%
3. Residential Real Estate Tech Top Companies:Loft[USD 798M], QuintoAndar[USD 755M], VivaReal[USD 74M]	137 (+3)	\$0.8 Bn 360%
4. Disease Self Management Top Companies:Wecancer[USD 520M], Abartys Health[USD 4M], ViBe[USD 3M]	235 (+15)	\$0.5 Bn 20780%
5. Auto E-Commerce & Content Top Companies:Kavak[USD 1.41B], VAI[USD 85M],InstaCarro [USD 56M]	299 (+7)	\$0.5 Bn 433%
6. Alternative Lending Top Companies:Creditas[USD 570M], Konfío[USD 378M],Stori [USD 168M]	478 (+26)	\$0.4 Bn 117%

% change over 2020

Source: Latam Tech – Factsheet 2021

The most popular Business Models (BM) in Latam

Top Markets	Number of Companies	Funding Raised in 2021	
7. E-Commerce Enablers Top Companies:Nuvemshop[USD 632M], Tiendanube[USD 627M],Merama[USD 285M]	314 (+7)	\$0.4 Bn	0%
8. Cryptocurrencies Top Companies:Bitso[USD 331M], Mercado Bitcoin[USD 238M], Index Coop[USD 8M]	612 (+11)	\$0.3 Bn	0%
9. HRTech Top Companies:Konfío[USD 378M], Betterfly[USD 80M],Buk [USD 50M]	667 (+21)	\$0.3 Bn	-
10. Logistics Tech Top Companies:Rappi[USD 2.27B], iFood[USD 587M],Loggi[USD 486M]	1145 (+40)	\$0.3 Bn	190%
11. Home Improvements Top Companies:MadeiraMadeira[USD 300M], GAIA[USD 68M], Mobly[USD 20M]	123 (+2)	\$0.2 Bn	0%
12. Employer Insurance Top Companies:Konfío[USD 378M], Bamba[0K],Koala Benefits[0K]	3 (+0)	\$0.2 Bn	0%
13. Online Grocery Top Companies:Frubana[USD 194M], Jüsto[USD 140M],Merqueo [USD 85M]	319 (+10)	\$0.1 Bn	286%
14. Online Travel Top Companies:Kovi[USD 145M], Buser[USD 138M],Hurb[USD 135M]	562 (+12)	\$0.1 Bn	1495%
15. Road Transport Tech Top Companies:99[USD 380M], Kovi[USD 145M],Buser[USD 138M]	905 (+52)	\$0.1 Bn	2%

% change over 2020

Source: Latam Tech – Factsheet 2021

LATAM UNICORNS

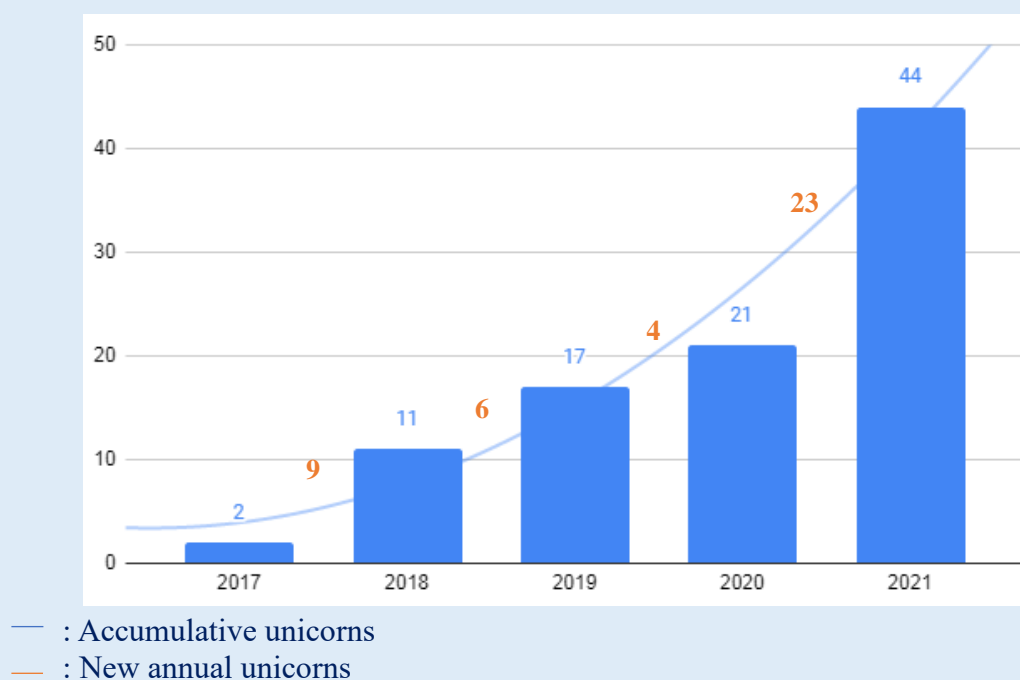
Definition of Unicorn

Unicorn is originally a mythical animal typically represented as a horse with a single straight horn projecting from its forehead. Later this word had been through a symbolic meaning transformation, coined by a venture capitalist in 2013 to refer to the unlisted startups that are less than 10 years and valued at more than \$1 billion.

Classification of unicorns in Latin America

By Time

Unicorns in Latam by year



Source: Dadao Capital elaboration with information from Crunchbase and Atlantico

As it is presented in the chart, there are in total 44 unicorn companies, starting by 2 in 2017 to 44 as of December 2021, which means that, approximately each year 10.5 companies entered the unicorn club. The average annual growth rate between 2017 and December 2021 is 116.7%.

By Geography

Unicorns in Latam by Geography



Source: Dadao Capital elaboration with information from Crunch Base as of December 2021,
no exclude exited unicorns

As we can see, Brazil is the top 1 incubator of unicorns 24 in total, followed by Argentina with 8, Mexico with 7, Colombia and Chile with 2, and Uruguay with 1. “Brazil is one of the largest economies in the world and has significant market potential,” says the Inter-American Bank expert. “Historically, the country has presented the highest degree of development of its technological ecosystem compared to other markets in the area,” highlights Ramos de la Vega, from LAVCA.

By Industry

By gathering and analyzing all the information of these unicorn companies, we figure out that 17 out of 44 are focused on Fintech industry, representing the 38.6% of the total amount. The complexity of citizens to access the traditional financial system has been one of the incentives that has given life to these companies. “It is one of the great challenges facing a large percentage of the population in Latin America,” says Andrés Rodríguez Ledermann, director of Wealth Management in Ualá, one of the last Argentine unicorns that offers an electronic wallet with various associated services.

“The digital economy in Latin America is one of the largest globally, and the population of the region has one of the highest rates worldwide in terms of Internet use and participation in social networks. However, according to the World Bank, more than 50% of adults never had access to an account”, he emphasizes.


List of Unicorns in Latam

Country	Name	Logo	Industry	Founded year	Total capital raised	Investors
Mexico	Konfío		FinTech	2013	\$696M	Quona Capital, VEF, Lightrock, QED Investors...
	Kavak		E-Commerce	2016	\$1.3B	Mountain Nazca Kaszek, General Atlantic, DST, SoftBank...
	Clip		FinTech	2013	\$403.7M	General Atlantic SoftBank...
	Bitso		FinTech	2014	\$378.4M	Digital Currency Group, Kaszek, QED investors...
	Clara		FinTech	2020	\$158.5M	Coatue, DST, Kaszek, JAM fund, General Catalyst...
	Merama		E-Commerce	2020	\$447.3M	SoftBank, Advent International...
	Incode		AI	2015	\$257.1M	DILA Capital, DN Capital, 3L Capital, SoftBank, General Atlantic
Brazil	Ifood		E-Commerce	2011	\$591.9M	Warehouse Investimentos, Movile, Just Eat.

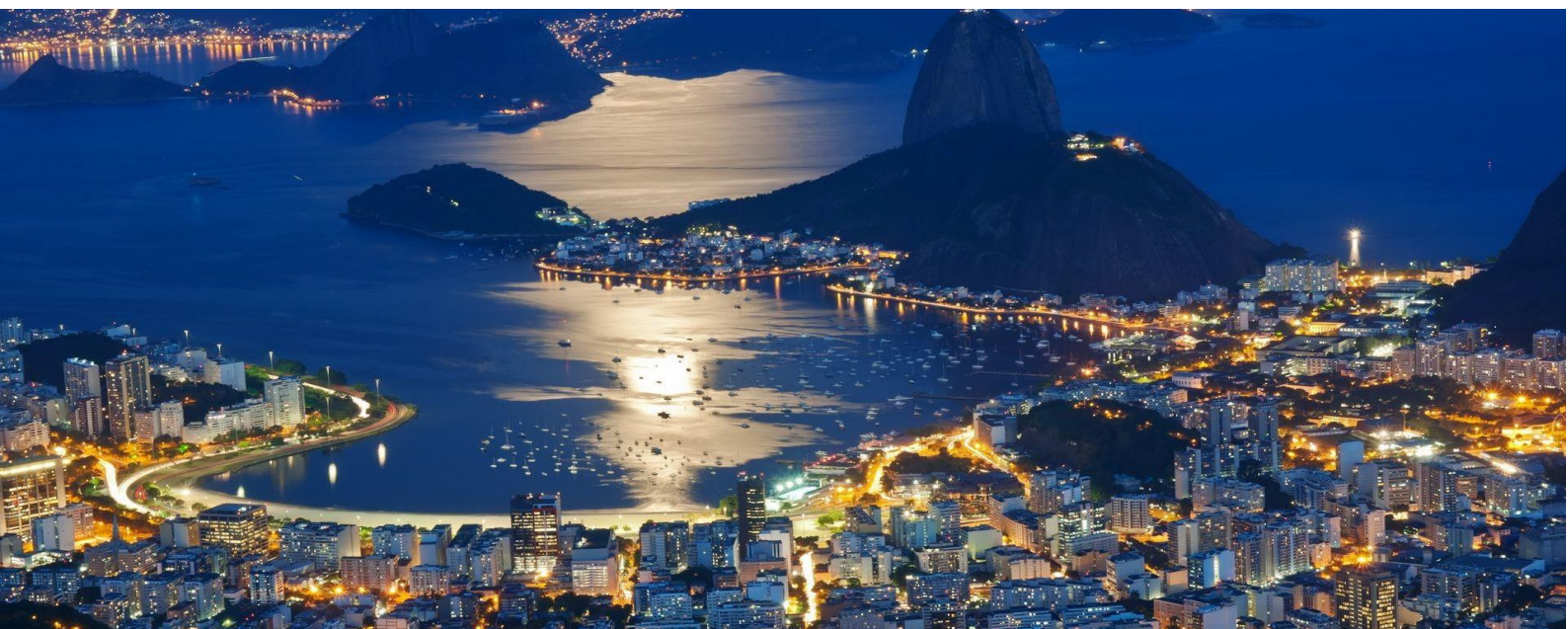
OVERVIEW OF VENTURE CAPITAL IN LATIN AMERICA

99		Transport	2012	\$241.3M	Tiger Global, SoftBank, Monashees...
PagSeguro		FinTech	2006	\$2.3B (IPO)	-
Nubank		FinTech	2013	\$3.3B (\$1B through IPO)	DST, Sequoia, Kaszek, Tiger Global, Redpoint...
Arco Educação		Edutech	2004	\$220M (IPO)	-
Ascenty		Datatech	2010	\$243.3M	Great Hill...
Stone Pagamento		FinTech	2012	\$1.1B (IPO)	-
Gympass		Fitness	2012	\$520M	Redpoint, Valor Capital Group, Kaszek, Atómico, General Atlantic
Loggi		E-Commerce	2013	\$507M	IFC, Microsoft, Monashees...
Quinto Andar		Proptech	2012	\$755.3M	Kaszec, Acacia Capital, General Atlantic, Ribbit..
Ebanx		FinTech	2012	\$460M	FTV, Endeavor,
Frete.com		Logtech	2021	\$210M	SoftBank, Tencent...
Wildlife Studios		Gaming	2011	\$180M	Vulcan Capital, Benchmark...
Loft		Proptech	2018	\$788M	QED, Citi, Andreessen...
VTEX		E-Commerce	2000	\$365M	Buscapé, Naspers, SoftBank...
C6 Bank		FinTech	2018	\$2.3B	JPMorgan
Madeira Madeira		E-Commerce	2013	\$338.8M	Monashees, Kaszek...
Creditas		FinTech	2012	\$854M	Redpoint, QED, Kaszek, Quona...
Hotmart		Digital marketing	2011	\$127.5M	GIC, General Atlantic, TCV, Endeavor...
Mercado Bitcoin		FinTech	2013	\$200M	SoftBank, GP
Olist		E-Commerce	2015	\$322.5M	Redpoint, Endeavor, Valor Capital, FJ Labs.
CloudWalk		FinTech	2013	\$345.1M	Coatue, DST...

OVERVIEW OF VENTURE CAPITAL IN LATIN AMERICA

	Nuvemshop		E-Commerce	2010	\$628.4M	Kaszek, Tiger Global, FJ Labs.
Argentina	Mercado Libre		E-Commerce	1999	\$3.5B (IPO)	Morgan Chase, HM Capital...
	Despegar		Travel	1999	\$552.5M (\$200M through IPO)	HM Capital...
	Prisma Medios de Pago		FinTech	2014	\$700M	-
	Mural		Enterprise Software	2011	\$192.3M	Endeavor, Tiger Global, Insight Partners
	Ualá		FinTech	2017	\$544M	Soros Fund, Goldman Sachs, SofBank...
	Auth0		Cybersecurity	2013	\$332.3M	K9, Bessemer...
	OLX		E-Commerce	2006	-	-
Colombia	Rappi		E-Commerce	2015	\$2.2B	DST, Sequoia, SoftBank...
	JOKR		E-Commerce	2021	\$430M	GGV, Tiger Global, Kaszek..
Chile	Cornershop		E-Commerce	2015	\$31.7M	ALLVP, Accel...
	NotCo		FoodTech	2015	\$360M	SOSV, Kaszek, Maya Capital
Uruguay	dLocal		FinTech	2016	\$357M	Endeavor, Alkeon Capital..

Source: Dadao Capital elaboration with information from Crunchbase



LATAM SOONICORNS

Definition of Soonicorns

Soonicorn is derived from the term, unicorn, “soon to be unicorn”, which is defined as companies valued at more than \$100 million that are fast growing, relatively rare and have the potential to become unicorns in a relatively short period of time (less than 3 years).

Classification of soonicorns in Latin America

By Time

Soonicorns in Latam by launch year



Source: ALLVP as of April 2022

As it is showed in this timeline chart, there are in total 126 soonicorn companies, starting from 9 in 2012 to 126 by the end of 2021, which means that, approximately each year 11.7 companies entered the soonicorn club. The average annual growth rate between 2012 and November 2021 is 34%.

By geography

Soonicorns in Latam by Geography



Source: ALLVP as of April 2022

According to ALLVP research reports, as of April 2022, 31 Mexican startups had been counted among the soonicorns. From September 2021 to April 2022, they went from 86 to 126 soonicorns in Latin America, of which almost 25% are Mexican.

Another country that stands out for its number of soonicorns is Brazil, with 57 companies in total close to becoming unicorns registered until April 2022, accounting for 45% of the total amount. Colombia has managed to position 18 (14%) of its startups in the club of Hispanic American soonicorns. It is followed by Chile, which so far has 10 companies of this type. Argentina registers 5 soonicorns, followed by Peru and Ecuador with 2 soonicorns, Venezuela with 1.

By Industry

Regarding the sectors to which they belong, 38% of soonicorns are Fintech, 13% belong to smart enterprise, 8% to electronic commerce and logistics, 7% to proptech, 6% to healthtech, 6% to the foodtech. The rest of the Hispanic American soonicorns are dedicated to the education, online contracting, insurtech and smart cities sectors.

EXIT STRATEGIES

Normally, there are two development directions for these startups. One is to go for an IPO (Initial Public Offerings) and another is to look for an acquisition by other company. Besides, once a unicorn is listed or acquired, it means successful exit of the investment capital.

Cases of exits through IPO (2015-2021)

Company	Year of IPO	Listing Exchange	Country	Industry
Nubank	2021	NYSE: NU	Brazil	Fintech
VTEX	2021	NYSE: VTEX	Brazil	E-Commerce
dLocal	2021	NASDAQ: DLO	Uruguay	Fintech
XP Inc.	2020	NASDAQ: XP	Brazil	Fintech
Arco Educação	2019	NASDAQ: ARCE	Brazil	Edtech
Stone Pagamentos	2018	NASDAQ: STNE	Brazil	Fintech
PagSeguro	2018	NASDAQ: NDAQ	Brazil	Fintech
Despegar	2017	NYSE: DESP	Argentina	Travel

Source: Dadao Capital elaboration with information from LAVAC and ALLVP

From 2015 to Dec. 21, 2021, there are 8 unicorns that chose to go public after their growth stage. 6 of them come from Brazil, 1 from Argentina, 1 from Uruguay. As it is presented in the chart above, in 2021 we saw an IPO boom in Latin America, with 3 unicorns listed in stock market this year.

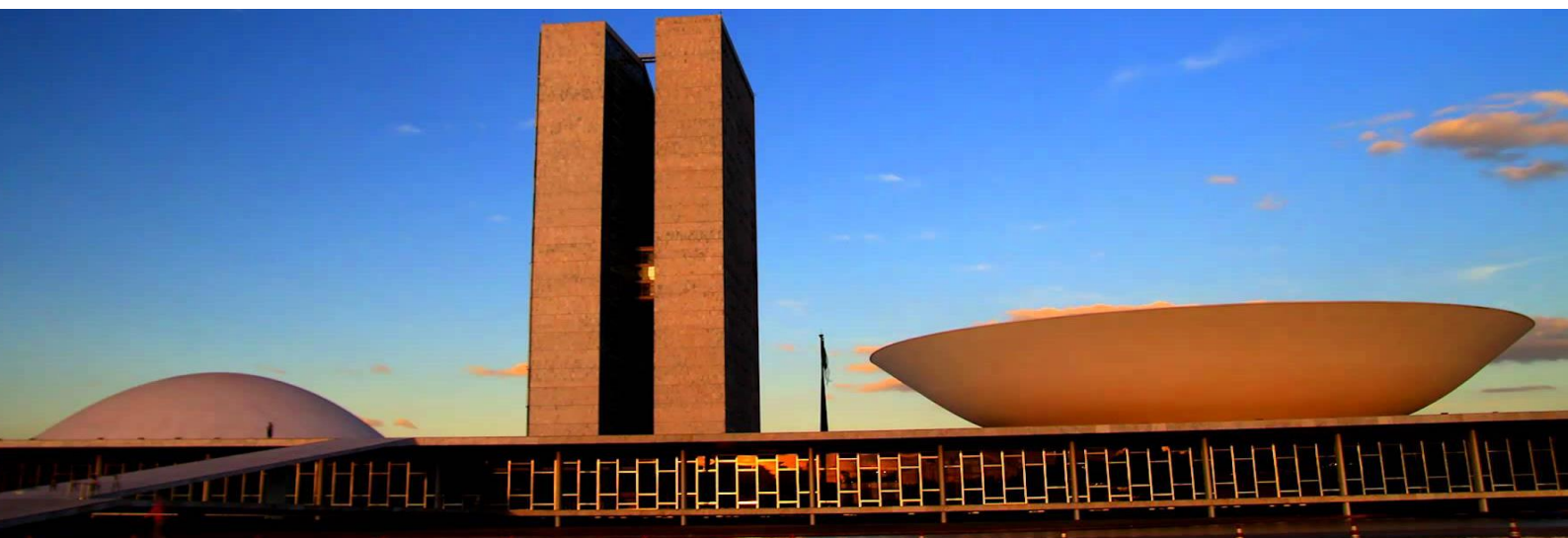
Within these 8 public companies, 6 are FinTech, 1 is an E-Commerce platform and 1 is a travel agency.

Cases of exits through acquisitions (2014-H22021, partly showed)

Company	Year of Acquisition/ Merger	Acquirer	Country
RD Station	2021	TOTVS	Brazil
Auth0	2021	Okta	Argentina
VivaReal/Grupo ZAP	2020	OLX Brazil	Brazil
Antecipa	2020	XP	Brazil
Cornershop	2019	Uber	Mexico
Flinto	2019	Grow Mobility (merger)	Mexico
99	2018	DiDi	Brazil
Petsy	2018	Maskota	Mexico

Source: Dadao Capital elaboration with information from LAVAC and ALLVP

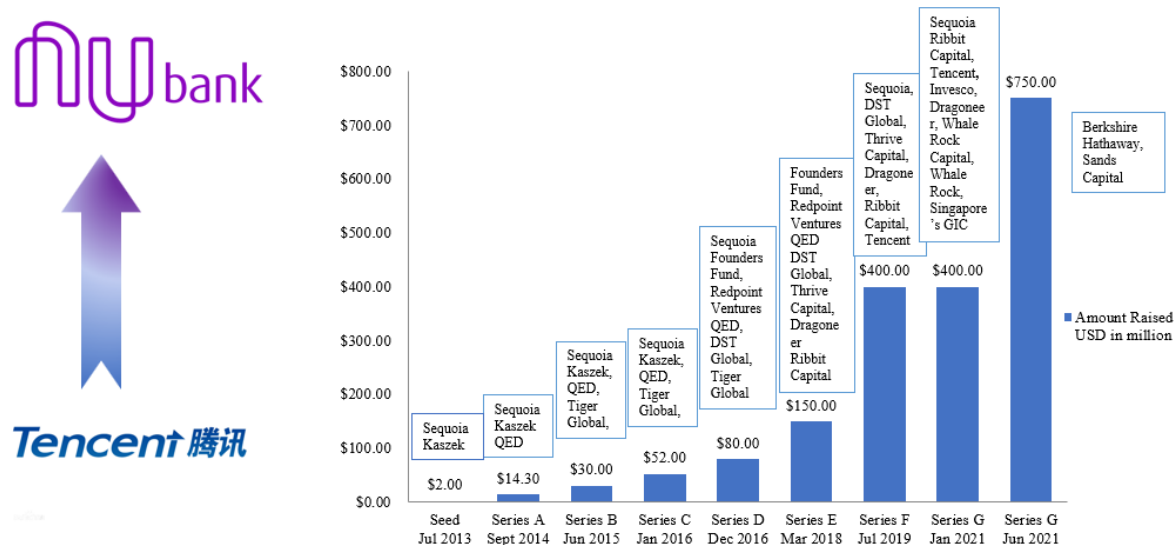
From 2014 to H22021, the total number of acquired startups in Latin America was 30, with 20 Brazilian startups, accounting for two thirds of the total amount. Mexico ranks the second position with 6 acquired startups, followed by Argentina, Colombia, Peru and Uruguay, each of them with 1 acquired startup.



CASES OF STUDY

Nubank: Exit through IPO

A successful exit example that is worth being mentioned is the case of Nubank, where Tencent first invested in 2018 via Secondary Market and later participated in Series F and Series G founding rounds.



Source: Dadao Capital with information from Crunchbase

Nubank, founded in 2013, with headquarter in San Paolo, Brazil, is the largest Latin-American Fintech company. Nubank went public in December 2021, raising \$2.6 billion in Latin America's largest IPO to date, making its market cap reach \$41.5 billion. This means that Nubank has become the largest financial institution, listed bank in Latam by market cap and the largest independent digital bank in the world, overtaking Itau Unibanco Holding S.A., Brazil's largest bank and the largest bank in Latin America and the Southern Hemisphere, which holds a market cap of US\$38 billion. Nubank now has issued more debit cards than Itau.

Furthermore, the Buffett-backed Nubank is also showing significant signs of growth intent as the company continues to ramp up its marketing efforts to attract fresh customers. In November, Nubank became an 'Official Regional Supporter' of the FIFA 2022 World Cup in Qatar – a move that's set to deliver significant levels of exposure across Latin America throughout the tournament, which will begin later next year. David Velez, Nubank's founder and CEO, said in January, "Nubank was born out of the conviction that people deserved better, more transparent

and human financial services that would allow them to be in control of their money and their future.”

Cornershop: Exit through acquisitions

Cornershop, founded in 2015, is among the largest home delivery platform in Mexico and Chile, has since expanded into seven new markets, including the US and Canada.

The company raised \$31.7 million over four rounds of funding from investors that include Accel and Jackson Square Ventures.

Uber first took a majority stake in Cornershop in 2019 in a bid to extend its geographic reach and bolster profits by bundling food delivery with rides.



In January 2021, Uber has reached a deal with Cornershop, which made Cornershop a wholly owned subsidiary of Uber. The deal is a logical next-step in the Uber-Cornershop relationship, a source familiar with the matter told TechCrunch.

With Cornershop as wholly owned subsidiary, Uber can beef up its grocery delivery options, a service made popular during the pandemic. The company started offering grocery delivery in select cities across Latin America, Canada and the U.S. last summer after it acquired Postmates in a deal valued at \$2.65 billion. Uber CEO Dara Khosrowshahi said in a statement that the company’s grocery and new verticals business has exceeded a \$3 billion annual bookings run rate for this year.

LAVCA reported that the exit is valued at around US\$3 billion and the coming capital distribution will validate the regional VC model and provide unprecedented returns to Mexican pension funds, development finance institutions and entrepreneurs.

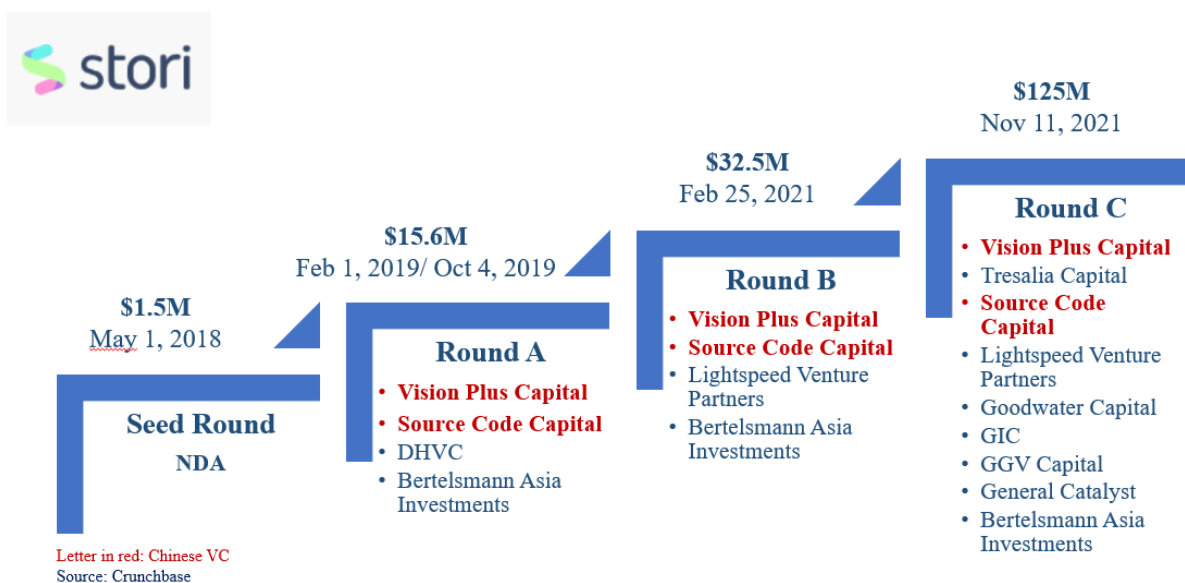
CHINESE CAPITAL IN LATAM

When we look at China, we found that very few Chinese technology companies and investors are looking at the Latam tech sector as a growth opportunity, trying to participate actively in the Latam digital transformation.



Source: ALLVP

Stori is a good example of Chinese capital in early-stage investment. Vision Plus Capital and Source Code Capital invested in the Round A, B and C, from 2019 to 2021.



Source: Dadao Capital elaboration with information from Crunchbase

Jeeves, backed by Tencent, is another example of Chinese capital in Latam. Founded in 2019, Jeeves, an expense management and corporate card platform for global companies, becomes a \$2.1B Unicorn after a \$180M Tencent-Led Series C Round this March. Its mission is to empower business globally by providing a modern approach to financial services. The company says it has a customer base of over 3,000 companies and has grown revenues by 900% since its Series B funding in September of 2021.

Back then, when it closed its CRV-led Series B, the company had 40 employees. The company now has 150 employees and hopes to have 400 by the end of this year. According to Dileep Thazhmon, company's CEO and founder, the idea is to have at least 50 people in the four regions in which it operates. Region one is Spanish-speaking



Latin America, including Mexico, Colombia, Chile, and Peru. Region two is the U.S and Canada, region three is UK/Europe, and region four is Brazil, where the last one they will launch their service by the end of the second quarter of this year. Also, Thazhmon, emphasize that it is time to look at expanding in Southeast Asia, Middle East and North Africa – that's a part of the reason why it received funding from Singapore's GIC and Tencent. Jeeves aims to operate in over 40 countries over the next three years.

Even though the company started its operations with a focus on startups, today Jeeves' customers include fast-growing companies, be they startup, SMEs, and even large enterprises, including Bitso, Kavak, Belvo, Runa, Moons, Platzi.

However, we haven't seen many capitals from China. Those companies that have gained their presence in the Latam Venture Capital market are basically giants ones as showed above, such as Tencent, Didi, Xiaomi and Bytedance. There still lacks presence of medium sized institutions.

What's more, in Latam, Per Capita Funding remains at a low level with respect to its population, which means that, with the maturing technology and financing system, Latam could witness a potential boom in Venture Capital.

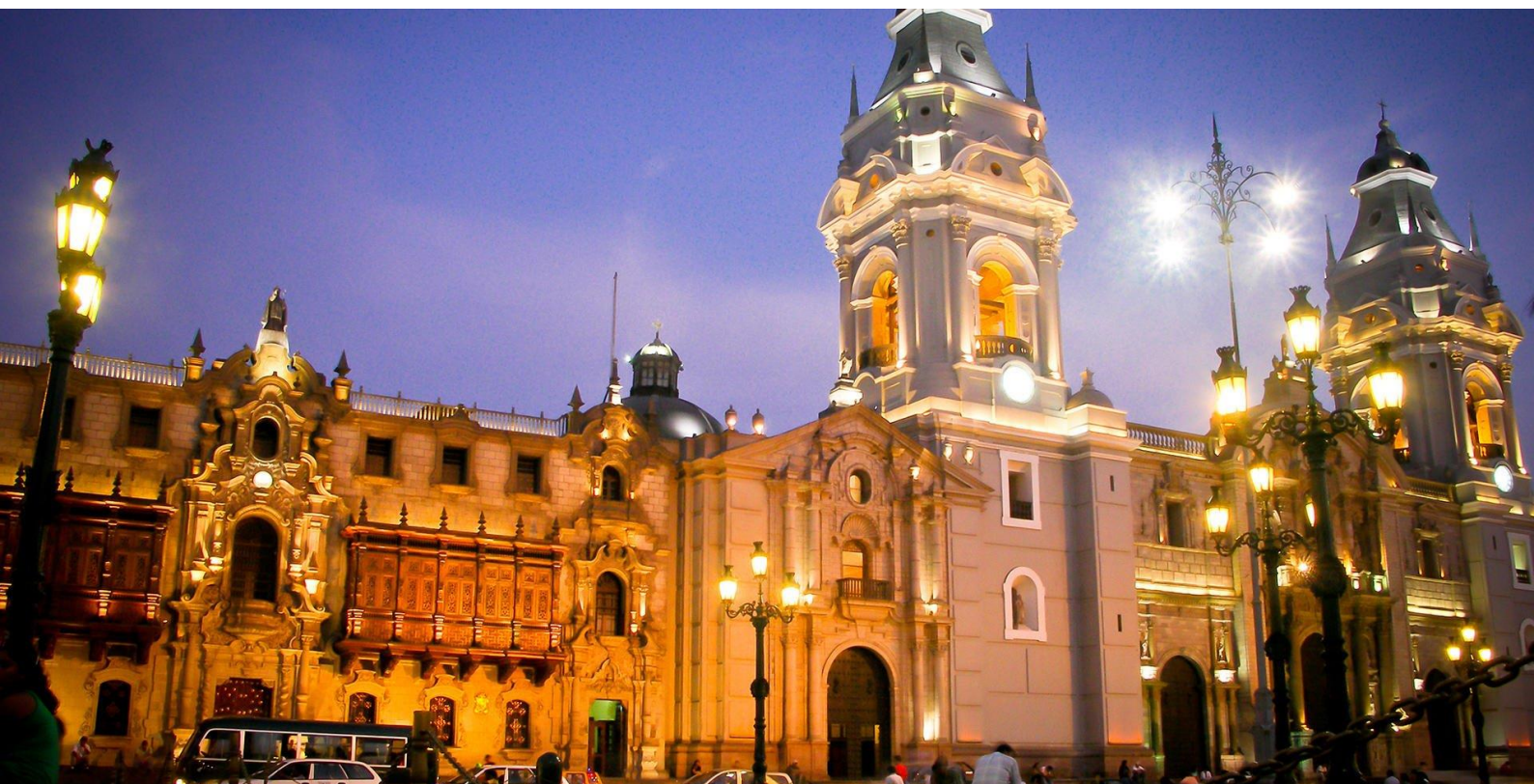
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No.2	Israel
No.3	Estonia
No.4	US
.....
No.20	Brazil
No.21	China
No.22	Mexico
No.23	Colombia



Country	Past Year Funding Total	Population	Per Capita Funding
Singapore	\$8.25B	5.9M	\$1,398
Israel	\$8.44B	8.8M	\$959
Estonia	\$1.19B	1.3M	\$915
US	\$269B	333M	\$808
Sweden	\$7.15B	10.2M	\$700
UK	\$32.1B	68M	\$472
The Netherlands	\$6.15B	17.2M	\$358
Denmark	\$1.97B	5.8M	\$340
Switzerland	\$2.75B	8.7M	\$316
Finland	\$1.7B	5.6M	\$303
Canada	\$10.3B	38M	\$271
Ireland	\$1.12B	5M	\$224
Germany	\$17B	84M	\$202
France	\$11.6B	65M	\$178
Australia	\$3.76B	25.9M	\$145
Austria	\$1.23B	9.1M	\$135
South Korea	\$3.95B	51.3M	\$77
Belgium	\$766M	11.6M	\$66
Spain	\$2.77B	46.7M	\$59
Brazil	\$10.64B	214M	\$50
China	\$60.6B	1,445B	\$42
Mexico	\$3.82B	131M	\$29
Colombia	\$1.2B	51M	\$24
India	\$28.2B	1.4B	\$20

Source: Crunchbase

Hence, from all these above, it is predicted that, with the thriving VC ecosystem in Tech sector in Latin America, there is still space for investment overseas, especially for Chinese investors both in Early Stage and Growth Stage.



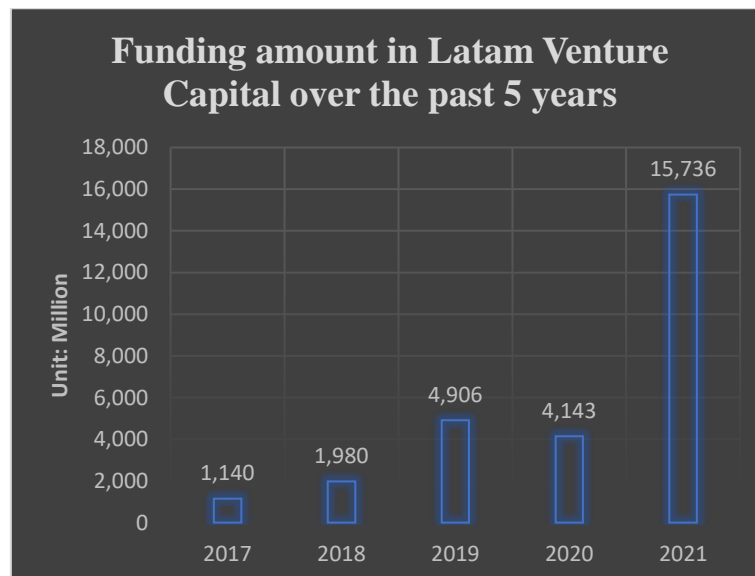
SOFTBANK INFLUENCE IN LATAM

Softbank, founded in 1981, is an integrated Venture Capital firm, with a focus on the IT industry, including networks and telecommunications.

For 40 years, the SoftBank Group has helped fund companies and founders that benefit everyday life across the globe, which is also one of the first major mixed funds to declare Latin America as a priority market for investment. In 2019, they created the US\$5 billion SoftBank Latin America Fund to partner with the entrepreneurs defining the future of the region.

“Latin America has twice the economic output of India, but only a fraction of its venture capital,” said Softbank founder Masayoshi Son as he launched his first \$5 billion Latin America Fund in 2019. “Such a large market, historically underserved with capital and ambition, presents many opportunities for us.”

Basically, with this invisionary fund by Softbank in 2019, the dynamics of latam’s tech industry has been activated. Having overcome the pandemic period, the whole ecosystem in latam has broken the record and reached a climax with the participation of other global VCs.



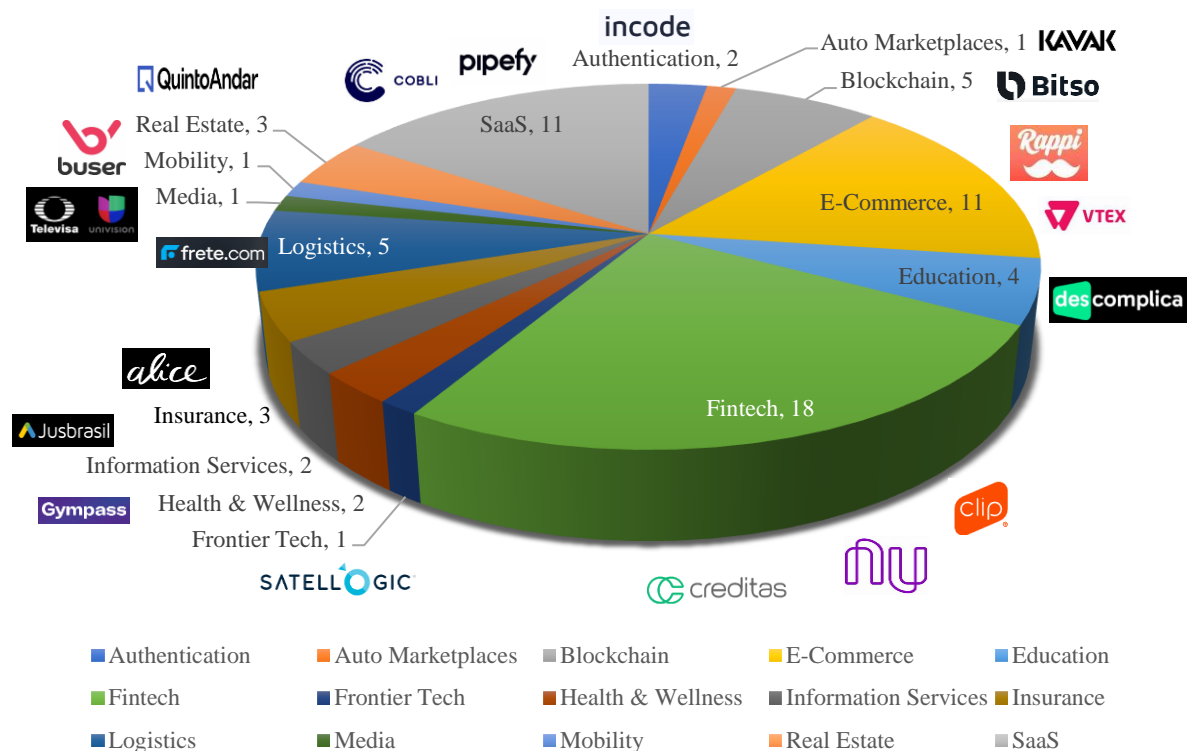
Source: Dadao Capital elaboration with information from LAVAC

There is definitely a dramatic jump from \$1,140M in 2017 to \$15,736M and just a few months ago, Softbank increased the capital of the Latin America Fund to \$8 billion while launching an additional investment fund for early-stage financing rounds. The reason: “There are a lot of problems to be solved by startups in Latin America, but they are not being addressed because of the lack of qualified Series A funds,” says Rodrigo Baer, partner at Softbank Latin America Fund. “There are now more and experienced startup entrepreneurs who could grow faster but

need more capital to do so”, he said. Since the creation of the Latam Fund I in 2019, Softbank has invested in 70 companies across different industries, including fintech, e-commerce, and blockchain. Of those companies, 17 are now unicorns, including MadeiraMadeira, Gympass, Kavak, and Bitso.

SoftBank bet for Latam catches eyes from other global VCs and Hedge Funds that started to look at Latam as growth region for allocating investments, which did not happen so actively before.

SoftBank's Portfolio in Latam



Source: Dadao Capital elaboration with information from Softbank

ACCELERATOR'S ROLE IN TECH STARTUPS

Accelerators always play an important role, offering entrepreneurs tools, capital, mentors and perks that sometimes are difficult to get in some places. Accelerators also increase the chances to reach VCs for funding the accelerated startup.

The first notable startup accelerator you've probably heard of is Y Combinator, which was launched by Paul Graham in 2005, and is also a very selective program. Y Combinator typically accepts about 2% of the applications it receives. However, once selected, there will be a soar in the possibility that these tech startups go places in the future thanks to the mentorship and network provided by Y Combinator. At least 21 unicorns (companies worth over \$1 billion) grew out of companies that passed this program. This is 3.88% of all firms with such a capitalization in the world. Alumni include Airbnb, Stripe, Reddit, Twitch, Instacart, and others.

Y Combinator ranked 9 Latin American startups in its recently published 2022 Top Companies list, which are private, public, and exited companies valued at \$150M or more that have graduated from a Y Combinator program they are:

Company	Country	Overview
Rappi	Colombia	The on-demand food delivery service and super-app
Frubana Inc	Mexico	Online grocery and stockists store for restaurants in Latin America
Kovi	Brazil	A car marketplace and ownership startup for 'on-demand' drivers
Nowports	Mexico	Logitech reinventing the international supply-chain for stockists in Latin America
Platzi	Colombia	An online learning platform for marketing, programming, business, design and technology professionals
Fondeadora	Mexico	A digital bank serving Mexico's underbanked population
Fintual	Chile	An assets management platform
Houm	Chile	All-in-one real estate marketplace for Latin America
Belvo	Mexico	Open finance API platform for Latin America

Source: Dadao Capital elaboration with information from Y Combinator and Latamlist

Companies graduated from Y Combinator used to increase their possibilities of funding. Being Y Combinator alumni is seen as positive, but certainly not mandatory, by several VCs.

CONCLUSIONS AND PREDICTIONS

- VCs investments in Latam reached a record of USD 15.7B in 2021, that is more than 3 times what was invested in 2019 and 2020 respectively.
- Latam has around 44 unicorns, from which more than half (23) were born in 2021.
- Latam has more than 100 soonicorns. From September 2021 to April 2022, latam soonicorns increased from 86 to around 126.
- Given the trend, we reasonably predict that in 2022 Latam will see the birth of at least another 20 new unicorns and at least 40 soonicorns.
- The hottest verticals in latam in terms of invested capital are Fintech, E-commerce and PropTech.
- Before 2019, relatively very few international VCs used to invest in Latam, until the deployment of USD 5B by SoftBank Latin America Fund, later followed by another USD 3B. We consider that Softbank input accelerated positively the ecosystem, attracting eyes from other global VCs and Hedge Funds that started to invest actively across the region. SoftBank has backed around 20 latam unicorns so far.
- Successful investors exits through IPO (i.e. Nubank, VTEX, dLocal) and M&A (i.e. RD Station, AuthO, Viva Real) have happened as growing trend, particularly over the last 2 years, as the ecosystem continue growing and maturing we reasonably predict an increase in successful investors exits over the following 5 years.
- Chinese VC investments in Latam is still very small and have big room of growth. China is the largest trading partner of Latam as a region and the top source of FDI in different Latam countries. Besides close economic ties, several Latam countries have very close political ties with China. We predict that in the following 5 years many more Chinese VCs will be investing in Latam ecosystem.
- Last, we also predict that in the following 5 years, Latam unicorns and soonicorns will start opening R+D offices in China, set partnerships with Chinese counterparts and expand operations in specific verticals where they might have competitive advantages and chance to growth in Chinese market.

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About

Dadao Capital



DADAO CAPITAL is a boutique investment and consulting firm focused on cross-border investment and trade opportunities between China and Latin America.

DADAO's services includes: cross border transactions, M&A, capital raising and strategic advisory.

Our team includes hands on experienced professionals graduated from top universities. We speak fluent Spanish, Chinese and English.

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