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Miranda's Guide to Mex FinTech

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Miranda Global Research

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This guide takes a look at FinTechs in Mexico from the local Mexican players (PagaTodo, Baz, Clip, Hey Banco, Kueski, Flink, Bitso, Credijusto, Konfio, and many more) to the regional LatAm players (Ya Ganaste, Nubank, Mercado Pago, Ualá, Kushki), the global players (PayPal), and Big Tech (Meta, Amazon, Alphabet, Apple).

The Mexican FinTech sector has expanded stratospherically over the past five years. By some measures there are over 500 neo/challenger banks, wallets, lenders, payment facilitators, InvestTechs and InsurTechs among many more vying to handle Mexico's business and consumers' financial needs.

In this survey of the Mexican FinTech space, we look at the Mexican FinTech market, including the challenges and opportunities ahead; the regulatory framework governing the sector; and the main FinTech players, divided into seven broad sectors. This is by no means a comprehensive report, nor are we aiming to identify winners and losers, but to give a brief overview for those not especially focused on the sector.

FinTech is itself an ambiguous term, meaning different things to different people. In this report, we use it loosely to refer to financial companies that predominantly deploy and leverage technology and data to offer their customers superior digital financial services and products. Traditional banks and financial entities, by contrast, depend more on employees, branches, non-digital products (cash), and deploy technology mainly to support, not replace, such activity. That said, there is a clear convergence occurring in the physical and digital world, and no full distinction can be made between FinTech and traditional financials.

In general, the players in FinTech are focused on one or more of the seven key verticals for potential customers in the financial sector.

- Storing Money, Saving (Digital Accounts, etc.)
- Lending (Credit, consumer and business loans, credit cards)
- Payments (Offline and online payments)
- Investing (InvestTech, crypto, neobrokers, financial wellbeing)
- Insuring (InsurTech)
- Other services (Open Banking)
- Big Tech / Super Apps

These distinctions are not especially firm. Increasingly FinTechs (i.e. Challenger/Neo banks) are seeking to offer products across the spectrum, becoming super financial apps, thus spreading technology, data and customer acquisition costs across multiple products. When a FinTech is in more than one vertical, classification becomes somewhat arbitrary. Most banking profits are in credit or payments, with digital bank accounts generally low margin, and thus mainly used as a means of acquiring customers cheaply, without needing to put capital aside and create reserves. FinTechs (albeit not Nubank) thus often start with digital deposit accounts in order to then focus on credit or payments, but some in Mexico have only just begun this journey.

It's also important to distinguish between traditional banks expanding into FinTech (PagaTodo, GBM+, Hey Banco (Banregio), Baz (Azteca), Uniclick (Unifin) and pure startup FinTechs (Nubank, Clip, Kueski, Flink etc.). We address both in this report, but clearly their DNAs are quite different. It's also important to distinguish between predominantly B2C (Albo, Rappi Card, Flink) B2B (Clara, Credijusto, Mendel), and those that do both (Mercado Pago, Ya Ganaste).

Furthermore, and perhaps most importantly, some Mexican FinTechs are doing extremely well, others are struggling, and for others it's simply too early to say. Just as it would be a mistake to tar the world class BBVA with the problems of, say, Banco Famsa, it makes no sense to generalize the whole sector or even subsector according to the successes or failures of any particular FinTech. While many FinTechs may fail, others (eg, Nubank) have already created enough value to more than offset all current and future failures.

Given that there are over 500 Mexican FinTechs, it's near impossible to consider and cover them all in one report. The table below contains available data on the FinTechs (mostly from Crunchbase) that we are most familiar with, due to their high user impact in the country. One word of warning on the reported market valuations: often, these are based on the valuation of the preferred shares in the last round, and such preferred shares often include non dilution and liquidation rights, which reduce the value of other previously issued shares. Thus the total value is likely lower than the implied value of the last round. For a good discussion on this, please see this paper on the Squaring Venture Capital Valuations with Reality.

Mexican-born FinTechs and Funds Raised, Valuations

FinTech	Latest raise	Total Valuation	Type	Link
Bitso	$250M Series C, May 2021	$2.2B	Crypto exchange	With backers like Tiger Global, LatAm crypto exchange Bitso raises $250M at a $2.2B valuation
Clip	$250M Series D, June 2021	$2B	Payments, mPOS devices	Mexican fintech Clip raises a $250 million Series D round led by SoftBank; hits unicorn status
Credijusto	$42M Series B 2019: $100M Debt 2020 (CS): $100M debt Goldman, 2019	NA	SME Asset-backed Lending, leases, working capital loans	Lender Credijusto Raises $42M Series B In Goldman Sachs PSI, Point72's 'First Foray Into Mexico' Credijusto Receives USD $100M Credit Facility
Kueski	$102M Series C Equity, $100M debt, December 2021	NA	BNPL (credit), micro loans	Mexican BNPL player Kueski secures $202M in debt & equity as it nears $100M+ in ARR
Stori	$125M Series C Equity, $75M debt, November 2021	NA	Credit Cards	Stori, una de las mejores financieras tecnológicas de México, consigue 200 millones de dólares de inversión
Konfio	$110M Series E (Sept., 2021) &	$1.3B	Unsecured SME Lending, Cards	SoftBank-Backed Lender Becomes Mexico Unicorn Worth $1.3 Billion

	$80M Debt. (Nov., 2021)			
Clara	$70M Series B, December 2021	$1B	SME Credit, SME Expenses	Clara, el nuevo unicornio mexicano tras levantamiento de 70 mdd Clara: El quinto unicornio
Klar	$70M Series B, July 2021, $85M in total reported funding	NA	Digital accounts & credit	Klar Raises Series B Led by General Atlantic to Support Growth of Its Digital Financial Services Platform in Mexico
Flink	$57M Series B, August 2021	NA	Neobroker, Investing	With investors like Lightspeed and The Chainsmokers, Mexican neobroker Flink raises $57M to boost financial inclusion in LatAm
Albo	$45M Series B, December 2020	NA	Digital accounts, debit card	Mexican challenger bank albo raises $45 million to expand
Fondeadora	$28M Series A, March 2021	NA	Digital accounts, debit card	Mexican challenger bank Fondeadora adds $14 million to its Series A
Kubo Financiero	$27.5M Series B, June 2021	NA	Lending & Deposits	kubo.financiero recibe inyección de capital de 27.5 MDD
Nelo	$20M Series A, October 2021	NA	BNPL, Credit	Nelo joins the BNPL rush, with $20M in new funding and the Mexican market in its sights

Regional FinTechs and Funds Raised, Valuations

FinTech	Latest raise	Total Valuation	Type	Link
Nubank	$2.6B IPO, December 2021, $1.15B Series G, June 2021	$45B	Credit Cards, Payments	Nubank closes a second extension to its Series G round raising it to US$1.15B
Rappi	$500M Series F, July 2021	$5.25B	Lending, Payments	La alianza Rappi-Banorte debuta en el mercado con la tarjeta de crédito RappiCard Visa, ofreciendo beneficios únicos sin cobrar anualidad
Ualá	$350M, August 2021	$2.5B	Digital Accounts, debit cards	Argentine fintech Ualá lands $350M at a $2.45B valuation in SoftBank, Tencent-led round
Ya Ganaste	NA	NA	Payment Facilitator	La ‘fintech’ latinoamericana Ya Ganaste traslada su sede de Ciudad de México a Bilbao
Addi	$80M Equity, $120M debt, December 2021	$700M	BNPL	Addi capta US$200 millones y llevará su ‘compra ahora, paga después’ a México
Kushki	$86M Series B, June 2021	$600 M	B2B Payments	La startup Kushki logra valuación de 600 mdd y está cerca de ser unicornio

Belvo	$43M Series A, December 2021	NA	Open Banking	Belvo raises $43 million to accelerate the expansion of its Open Finance platform across Latin America
Fintual	$39M Series B, November 2021	NA	Investing	Fintual cerró ronda serie B de US$39 millones para crecer en Chile y México
Mercado Pago	NA	NA	Payments, mPOS, wallet etc.	NA

Mature companies with leading or promising FinTechs

FinTech	Latest raise	Total Valuation	Type	Link
GBM+	$150M, June 2021	Over $1B	Investing	SoftBank pours up to $150M into GBM, a Mexico City-based investment platform
PagaTodo	*NA*	*NA*	Digital Bank	Santander y Pagatodo, con presencia en las tres localidades de prueba piloto del CoDi
Spin by OXXO	NA	NA	Payments	OXXO se estrena como fintech: lanza app para enviar y recibir dinero
Baz / Azteca	NA	NA	Super App	NA
Santander / SD	NA	NA	Digital bank	NA
Uniclick / Unifin	Part of listed Unifin	NA	SME Lending	Uniclick, brazo digital de Unifin, busca atender con financiamiento a empresas de menor tamaño

App download numbers can give us a better idea of the relevance of Mexican FinTechs; we looked at iOS and Google data from AppAnnie. As the table below shows, for much of 2021 there were several FinTechs in the top 15 Mexican financial apps including Mercado Pago, Azteca (Baz), Nubank, Stori, and Spin, while the large traditional banks (BBVA, Banorte) are also prominent.(These lists can change a lot, depending on dates chosen, and definition of financial apps).

Top Financial Apps in México

FinTech

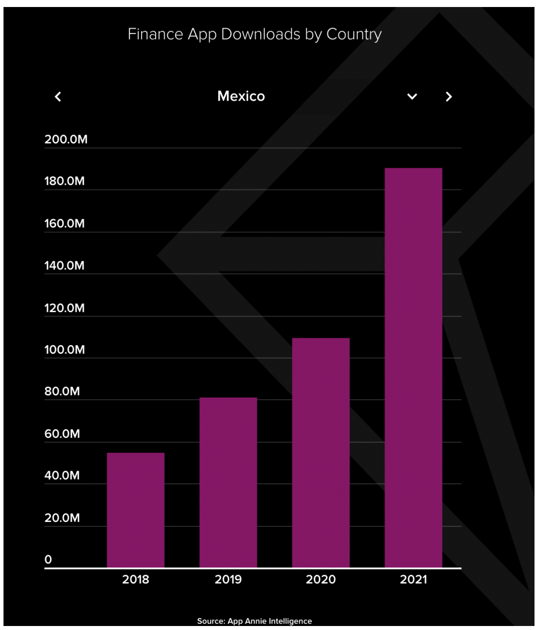
Traditional

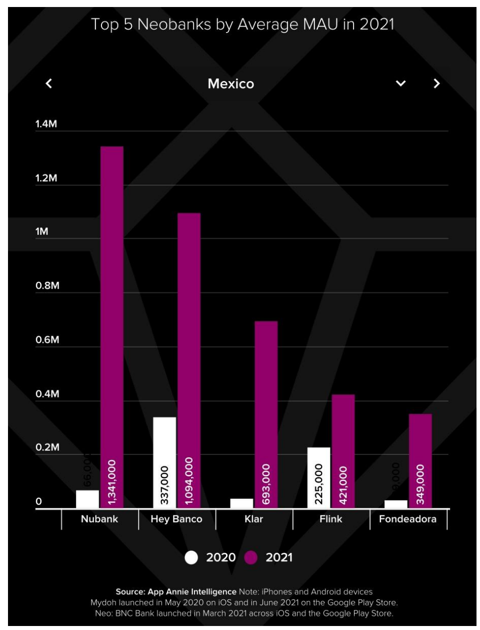
FinTech/Traditional	App Google	FinTech/Traditional	App iOS
	BBVA México		BBVA México
	Banco Azteca		Mercado Pago
	Mercado Pago		Banco Azteca
	Spin by OXXO		Santander SúperMovil
	Nubank		CitiBanamex Móvil
	iFectivo - Préstamos de crédito		PayPal
	Obtén Mas		Banorte Móvil

	CitiBanamex Móvil		BanCoppel Express
	NanoPay		Nubank
	BanCoppel Express		Stori
	Stori		HSBC Mexico
	PayPal		Super Wallet
	OKrédito		Spin by OXXO
	Klar		Up Si Vale
	Santander SúperMovil		Klar

Source App Annie

In the graph below, extracted from App Annie's excellent 2021 annual report, we can see how downloads in Mexico of Financial Apps have exploded, from 50M in 2018 to 180M in 2021. Throughout 2021, monthly average usage was highest at Nubank, Hey Banco, Klar, Flink and Fondeadora, according to this report.





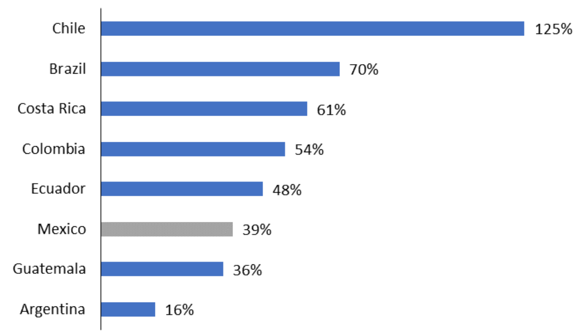
Source: App Annie

Opportunities and Challenges

Mexico is an underbanked country, not only compared to other developed countries, but compared to the rest of Latin America. In 2018, 63% of Mexicans over the age of 15 were unbanked, according to a recent World Bank report, where regionally the rate is about 45% and in the USA just 5%. In addition, many of the 37% that do have bank accounts use them infrequently, and are considered heavily underbanked. Loans to GDP is low, at 39% of GDP, compared to 216% in the USA. Cash is used in Mexico for about 86% of all transactions - more than double the rate of most developed countries, and amongst the highest in the world.

Data on financial inclusion in Mexico is often inconsistent, and/or uses different definitions. For those wanting to go into more detail, we recommend reading this [CNBV report](), based on the CNBV and INEGI three year survey of financial inclusion (ENIF). Some useful data points from this key CNBV report: about 57% of the adult Mexican population were accessing credit in 2018, with 39% of the adult population accessing informal credit (family or friends, pawn shops, etc), just 31% accessing formal credit, and 14% both. The huge informal credit market is where one clear opportunity lies for FinTechs, which, with lower operating costs, should be better than traditional banks at onboarding lower income Mexicans. Interestingly, 43% of Mexicans between 18 and 29 access informal credit, the highest percentage for an age group, suggesting the greatest opportunity. With respect to formal credit, 24% of adult Mexicans obtain credit through credit cards, 7% through mortgages, and just 3% with a personal credit, and 2% with payroll loans. Only 22% of adults Mexicans under 30 have access to formal credit, and 48% of credit cards are used by those making 4X the minimum wage or more.

Domestic Credit to private sector as a % of GDP (2020)



Source: World Bank

In addition, partially due to Mexico's oligopolistic banking structure and cumbersome regulatory framework that increases the cost-to-serve, many of the existing incumbent Mexican banks are expensive, inefficient, and poor at customer service. Many of them have been slow to offer proper digital products, with unfriendly UX experiences, and legacy IT systems that made innovation expensive. Arguably, it was not until Silicon Valley started funding Mexican FinTech startups, with hundreds of millions of dollars from 2019-2021 in new equity, that the incumbents started to wake up. As David Velez, Founder and CEO of Nubank, wrote on LinkedIn *"First they ignore you, then they laugh at you, then they fight you, then you win."*

In short, the financial sector in Mexico, even more than elsewhere in the world, was and indeed remains ripe for disruption. As soon as smartphone usage, cloud computing, and widespread 3G internet usage took off (the necessary ingredients for FinTech success), FinTechs started arriving. Add to that a new FinTech law; a young and dynamic local entrepreneurial business community; the surge in online shopping following the COVID-19 pandemic; and finally, and crucially, funding from strong new local VCs (ALLVP, Ignia, Dila Cap, Cometa, Nazca) and massive funding from Silicon Valley VCs and Softbank, and you have the explanation for the current avalanche of FinTech startups competing to offer Mexicans new and innovative financial services and products.

FinTechs around the world take advantage of four main opportunities

1. Lower Cost To Serve: Well managed FinTechs can provide similar financial services at a lower cost to incumbents, as they do not have traditional branches and employees, and can easily scale new and cheap technology (e.g. cloud computing, AI, APIs) due to not having legacy systems. This means they can offer accounts, credit cards, payments, or investment products to traditional bank customers at a lower cost, and alternatively offer products to new low income customers who are simply not profitable to legacy institutions. Nubank estimates that its costs to serve are 85% lower than incumbent banks' average.

2. Better data and technology: FinTechs can (in theory) process data in a more efficient manner than legacy banks, and thus arguably make better lending decisions - the key and most profitable product for most well run banks. FinTechs do this several ways, but generally the method includes leveraging artificial intelligence and machine learning algorithms to improve credit underwriting and product offerings with both conventional and unconventional data. Last year, Nubank's 90 day NPL was just 3.3% - about a third lower than the industry average in Brazil, and a testament to the power of its data analysis. Furthermore, FinTechs can use data and technology to efficiently target the right products and services to the right customers.

3. Regulatory arbitrage: Many FinTechs do not (for now) have the same regulatory burden as traditional banks do, and thus can carry lower capital, as well as lower compliance and reporting costs.

4. Operating Leverage: FinTech revenues will generally grow much faster than their costs, given the fixed nature of many of their costs and their highly scalable business models. Therefore if they grow, margins should expand rapidly. Hence, investors are generally not that focused on current profitability.

What are the secrets of a successful FinTech?

FinTechs are, in the end, like any other business. They need a high-quality innovative product that customers want, low operating costs, and access to cheap funding as you grow. And since many others are, or are going to be, offering the same services, they need to be more efficient than competitors. A few characteristics that have lead to FinTech success:

- **Lots of Capital.** Most successful FinTechs need access to lots of initial capital, meaning supportive shareholders. Most FinTechs look at the lifetime value of a customer, versus costs of acquiring that customer or LTV/CAC. (For Nubank the LTV/CAC is estimated at 30x). For the most part, a disproportionate part of the costs are upfront, and a disproportionate part of the revenue comes later on, so most FinTechs need lots of cash and equity until they become profitable. Without significant funds at the start, it's hard to make it.

- **High LTV/CAC.** Lifetime Value of a customer is likely to be driven by a credible path for increasing revenue/customer over time (at ever lower cost/customer as scale comes into play). For LTV to grow, it's critical that the activity rate of a customer starts off and remains attractive or a clear path to that is happening. Customer Acquisition Costs need to be competitive, and churn needs to be low. If there is no compelling reason a FinTech can acquire and retain customers cheaply, then it needs a plausible and sustainable high revenue/client story.

- **Strong Asset Quality**. FinTechs that lend need to take good data-driven lending decisions, otherwise their capital will be wiped out as they set aside reserves to cover loan losses..

- **Low OpCo.** And scale aside, cost to serve (OpCo) has to be best in class, likely because of intelligent use of technology, not just against incumbents but against other competing FinTechs.

What are the challenges?

FinTech penetration and profitability will not be plain sailing. There are plenty of actual and existing obstacles, many of which can be overlooked in the current enthusiasm. (Nubank aside, (and even its stock price is now well below the IPO price), recent falling share FinTech prices in Brazil and the rest of the world suggest reality is beginning to bite, and public investors are becoming much, much more selective.)

Appeal of Cash. The use of cash in Mexico remains pervasive, at about 86% of transactions, amongst the highest in the world. (In Brazil cash usage is 74%, in the USA 28% and in Sweden 9% (2020 McKinsey Global payments Report). Indeed, Mexico is reportedly the country with the highest ATM usage per capita for OECD countries, indicating that money already in the banking system is being taken out at a fast rate. Why? Because 1) many Mexicans do not have bank accounts, thus cash is needed for payments made to them, and 2) because most small Mexican shops still do not have POS devices, or even bank accounts.

But why do they not have bank accounts? Perhaps most importantly, cash gives anonymity and thus can allow users not to declare income for tax purposes. In addition, there is widespread and legitimate fear that digital money can be easily robbed via fraud. (Digital financial fraud is prevalent in Mexico, and banks generally do not reimburse customers.) Cash is also quite cheap to move around, especially for those who make little money per hour of work and do not mind going to a retail store to make a payment. And finally, while this is changing fast, some Mexicans in poorer areas still have low quality phones and slow data packages that do not lend themselves easily to financial intermediation.

In short, cash in Mexico will not just go away, and the reasons for its widespread usage need to be properly understood. For an interesting take on the obstacles to digital banking in Mexico, and the failure of many digital wallets in Mexico, we recommend reading: Why payment apps that thrive in India struggle to succeed in Mexico.

Regulations. Mexico has a brand new FinTech law, (one that largely applies only to a subset of FinTechs that handle deposits and to Open Banking requirements), which has thus far not been applied very efficiently, and has many limitations and restrictions for those it applies to. Many potential strong players still lack the licenses they need, despite dedicating massive resources to trying to obtain them.

Even when applied, the FinTech law limits and adds costs to what entities can do. A regulated wallet cannot offer interest rates to its customers. Compliance costs are high, and minimal capital can be relevant. FinTech as a Service (FaaS) has in effect been blocked in Mexico, creating problems for FinTechs (e.g. Ualá, Bnext, Oyster) that relied on other

FinTechs (e.g. UnDosTres, Cacao Paycard) for key services. Accendo, the once leading Banking as a Service player (BaaS), was closed down by regulators (even though several FinTechs reportedly offered to buy and recapitalize it), creating temporary problems for the various FinTechs that relied on it to offer some services.

All of this has led various people to argue, without much direct evidence, that many incumbent banks (e.g. Banco Azteca and others) are trying to block new FinTechs through pressure on regulators to make life unnecessarily difficult for startups. According to this line of thought, it is perhaps no coincidence that Accendo was closed down in September 2021, given it was one of the only effective BaaS players for new FinTechs. And these same people note that many of the FinTechs approved are small and not a serious threat to the incumbent banks, while many of those not approved are well funded and a threat. Finally, the regulator has applied steep fines to some of the most successful startups, such as Albo and Fondeadora, for what appears to be fairly minor infractions.

That said, Mexico's FinTech regulatory problems are probably as likely caused in part by regulators being extremely risk averse, and having genuine concern about the general public not putting money into 'poorly' managed, risky wallets or Neobanks. And it is important to note that when FinTechs currently operating in limbo under the 8th transitory provision (an explanation of this is provided in the following section) finally get approved and face stronger regulation as traditional banks, they will likely need to invest more in compliance, and raise their capital levels.

Perhaps what is most difficult to understand is the authorities' seeming unwillingness for now to embrace and aggressively promote BaaS and Open Banking as a solution to some of the regulatory issues FinTechs are facing. This would enable FinTechs (as well as Big Tech, big consumer companies and retailers) to offer and market their specific products and services quickly, and use fully regulated bank entities as their backbones to safeguard the interests of consumers. These are the means by which much of the developed world has advanced, and it seems to work. But in Mexico, BaaS has not yet advanced much, and some FinTechs (Ualá) are now simply buying their own banks, which is most likely not very efficient.

Costs, talent war and profitability. FinTechs face significant (digital) customer acquisition, technology and employee costs that need to be amortized over the lifetime revenues of a customer. There is an increasing war for technological, credit and marketing talent in the Mexican financial sector, and while FinTechs seem to be winning, this is presumably coming at the cost of high salaries (ie, OpEx) and share options that dilute existing shareholders. Many of the current FinTechs are simply too small, focused on low margin products (e.g., wallets) to generate enough revenues to offset regulation, CACs, expensive talent and technology, and are being kept alive by cheap money from Silicon Valley.

Rising Interest Rates and Funding. Most FinTechs do not have large deposit bases, and thus are dependent on equity or wholesale markets for funding for loans. With rates rising, FinTechs that rely on wholesale funding will see margins squeeze.

Asset quality. In Brazil, some FinTechs have not been able to manage lending especially well. Stone, which started in payments, has had major loan delinquency problems as it migrated into lending. It's all very well talking about using Big Data, AI, and Machine Learning in allocating credit, but it remains to be seen how many FinTechs are, in fact, good at lending, based on data analysis.

Brand. Like most people, Mexicans are very careful with whom they safeguard their money, and in a country where laws and regulations are often loosely applied, a trustworthy brand is key for those depositing money. While FinTech has removed a bricks and mortar barrier to entry, it has not done away with barriers to entry altogether. For credit this is largely not an issue.

Reaction of banking incumbents. The traditional players are finally moving in on FinTech territory, woken up by the high valuations Silicon Valley has put on the newcomers. All are aggressively digitizing their existing offerings; some are launching their own separate digital banks. BanRegio has launched its own FinTech - Hey Banco. PagaTodo appears as the only 100% digital bank, with a strategy and DNA much more like a FinTech, but with leverage of a banking license. BBVA has a very sophisticated digital product, and is perhaps the only bank that can currently easily open N4 accounts remotely, and without deposit limits or in-person meetings.

Reaction of Big Tech / Super Apps. For now, Big Tech have for the most part sought to partner with FinTechs or banks, and become their Tech vendors and cross sell customers. But as Big Tech seeks to consolidate their dominance for billions of customers, with payments at the centre of shopping, and given their huge client base and technological advantages, that may change. When required, we expect they will work with regulated banks and avoid becoming regulated financial players themselves. (Please see Section 7 on Big Tech and Super Apps).

Mexico FinTech Regulatory Environment

The FinTech Law

The Mexican government published the "Law to Regulate Financial Technology Institutions" or "FinTech Law" on March 9th, 2018, which was reformed on May 20th, 2021. A detailed summary can be found at Legal Paradox in Spanish and Ritch in English. The FinTech Law mainly establishes the regulatory framework for Mexican digital financial companies that handle deposits, crowdfunding, and for Open Banking protocols. FinTechs that are not handling deposits for customers can, for the most part, operate under previously existing regulations, and given the constraints of the FinTech law and their market focus, most prefer to do this.

The 8th Transitory Provision

Companies that were operating as FinTechs (as narrowly defined by the new FinTech law) when the Law was issued, had to obtain a FinTech license from the CNBV. However, the Law allowed these entities to continue operating until the CNBV granted such authorization and as long as they did not receive a refusal from this body (8th transitory provision). In March 2021, as many as 70 FinTechs were operating under the 8th transitory provision.

Recently, the CNBV closed down some FinTechs that continued to operate under the 8th transitory, including Propeller, Cumplo, and Inverspot (crowdfunding), and most relevantly Cacao Paycard (issuing processor and FaaS) and UnDosTres (digital wallet and FaaS). Others remain operating under the 8th transitory, but with limitations on taking on new clients.

Cacao's closure affected other FinTechs (NBNEXT, Jefa, lana, Meta, Oyster, Tauros) since it had been operating as FaaS and, in effect, had become the infrastructure and regulatory backbone of some of these names. In December, Brazil's DOCK announced that it would buy Cacao Paycard, and presumably aims to get the approvals and provide services again. UnDosTres's closure impacted Ualá, as it provided the infrastructure for the Argentine Neobank, and since then it has not been able to seek new customers. Maybe as a result Ualá announced the purchase of ABC Bank in October, and is processing via ABC going forward, even if its costs will go up as a result.

The regulatory cost of FinTechs operating under the 8th transitory has often been low, since in effect they have been able to avoid large investments in compliance areas while operating in limbo. If they obtain the FinTech authorization, they are likely to face a higher regulatory cost, which could reduce their competitiveness.

The large traditional banks, coordinated by the Association of Mexican Banks (ABM), have been pressuring authorities to enforce a so-called level playing field, obliging all financial entities to play by the same rules. The FinTechs, by contrast, have argued that obliging them to follow the same onerous regulations designed for large systemically important institutions would lead to excessive costs, and in effect kill off the industry, and that the incumbent banks are using regulations to affect competitors.

According to the "FinTech Law", there are two types of Financial Technology Institutions ("FTI's"), Crowdfunding Institutions ("IFC" for their acronym in Spanish) and Electronic Payment Fund Institutions ("IFPE"), mainly used for wallets. Crowdfunding institutions gather funds from various individual investors and invest those funds in projects previously selected by the crowdfunding company itself, but developed by independent entrepreneurs. Electronic Payment Fund Institutions provide issuance, administration, redemption and transmission of electronic payment funds, through computer applications, interfaces, internet pages, or any other means of electronic or digital communication. They are not allowed to pay interest, limiting their appeal to financially savvy customers, and requiring them to offer cash back and other incentives to appeal to customers.

What FinTechs have been authorized in Mexico?

So far, the CNBV has granted at least 24 authorizations under the "FinTech Law", with another perhaps 29 companies awaiting approvals, (ie, 53 requests), although not all information is yet public. In the crowdfunding business, there are at least 10 companies including Fundary, Likideo MX, BXL FinTech, Doopla, Prestadero, M2Crowd, Cien Ladrillos, Play Business, Crowd Up Mex, and CrowdLink. In electronic payments or IFPEs, there are at least 16 licensed companies, including NVIO Pagos (Bitso's), Trafalgar Digital, BRX Payments, Inguz Digital, BKBN, Tu Dinero Digital, Sistema de Transferencias y Pagos STP, ColtoMoney, Cuenca Tecnología Financiera, Mexpago, Lana, SDMX SUPERDIGITAL and PRM

PRIME. In December Spin by OXXO and Lana Pay were also approved as IFPEs, according to lawyers consulted.

In the graphic below, taken from Addem Capital, (and not updated to account for various recent changes, such as the demise of Alpha Credit), one can see how different FinTechs are positioned from a regulatory point of view. The lenders (Konfio, Credijusto) are for the most part lightly regulated SOFOMES, and since they are not handling deposits, they do not need to be regulated in any new way. The Crowdfunders are IFCs. The wallets (NVIO, Superdigital) are regulated as IFPEs. Nu, Kubo, have gone down the Sociedad Financiera Popular (SOFIPO) route, which allows them to hold deposits and pay interest on them. Others have used BaaS. For example Bankaya is working via a related regulated bank (Consubanco), and therefore can offer interest rates on its deposits.

In the table below, we show a very approximate schematic diagram of how regulation intensifies from ordinary non regulated companies (S.A.) often providing FinTech services in association with a bank or FinTech, to lightly regulated SOFOMs, more regulated Investment Advisors / Fund distributors, to Payment Aggregators, to official FinTechs (IFPEs, IFCs), to popular banks (SOFIPOs), to brokerages, and finally to licensed banks (many of whom have related FinTechs). Naturally real world regulation will deviate from this, as regulation will also depend on the size and complexity of a financial company, what it does, how many customers it has, and not just on its licence.

Regulation

Corporations	Financial Entities	FinTechs	SOFIPOs/ SOCAPs	Brokers	Banks
Walmex Baz OXXO Chedraui Coca-Cola Meta/Facebook/Whatsapp Apple Amazon Google Mercado Libre	**SOFOMES** Konfio Kueski Credijusto Stori Card **Investment Advisors/ Fund Distributors (SDFI)/ Mutual Funds (SOFi)** Flink Fintual DINN/Bursanet/ Actinver GBM+ **PayFac/Credit Cards** Stori Clip Sr. Pago Ya Ganaste	**IFPE** Superdigital Broxel Spin by OXXO NVIO **IFC** Prestadero Fundary Cien Ladrillos	Nubank Kubo.financiero	GBM+ Kuspit DINN/Bursanet	PagaTodo Santander (Superdigital) ABC Bank (Ualá) Consupago (Bankaya) Finterra (Credijusto) Banregio (Hey) Azteca (Baz)

While FinTechs gain a lot of media and regulatory attention, they are still small in aggregate terms in Mexico from a credit and capital perspective. In Banxico's invaluable report on 2021 financial stability, total non regulated and regulated SOFOM assets (of which only a small part is credit from FinTechs) were only about 3% of GDP, with bank assets at around 43% of GDP. According to the same report, total capital of the 53 official ITFs or Fintechs (that have received or applied for licenses) in Mexico is only about 0.55% of the capital of the regulated banks. The ITFs do not include FinTechs operating under other regulatory schemes (SOFOMES, SOFIPOS) for which there is no clear data, though this is still going to be very small.

Second phase of the Open Finance model

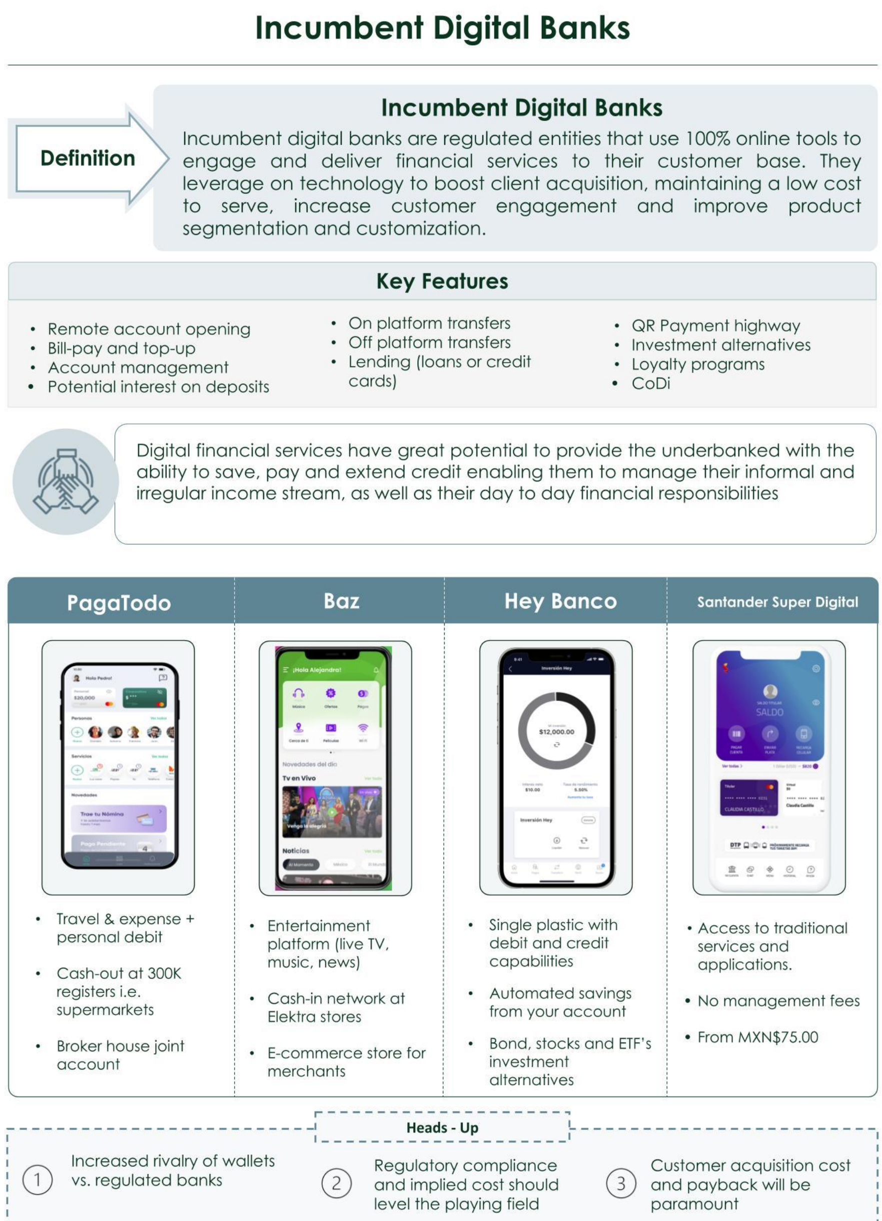
The CNBV distributed a draft of the second phase of the Open Finance model under the "FinTech Law". This model includes the exchange of information between financial institutions through application programming interfaces or APIs. There are three types of information: open data (public information from financial institutions), aggregated data (statistics from these institutions), and transactional customer data. The draft apparently contemplates having an access fee to obtain such information, which could represent both a barrier to entry or a source of additional revenues for all financial institutions. The main danger here is that the regulator (in this case Banxico) gets so involved in day to day operations of Open Banking, that it stifles innovation and alliances between different players. Banxico's failure (so far) to achieve wide acceptance for CoDi, versus the stunning success of Brazil's PIX, may highlight its lack of commercial intelligence and pragmatism.

FinTech by Sector

As we discussed earlier, the FinTech space has become so large that it can be hard to keep track of. Therefore, we think it makes more sense to talk about individual segments around the six verticals of a typical customer: Savings and Store of Value (digital deposit accounts, basic banking services), Credit Providers (loans, credit cards), Payments (PayTech), Investing (InvestTech, Crypto), Insurance (InsurTech), and Open Banking/FinTech Services. We then add a seventh group for the Big Tech/Super Apps seeking to muscle in on FinTech, often in alliances. As noted, many of the successful FinTechs are in more than one vertical, or plan to be, and some of the distinctions between verticals can be somewhat arbitrary.

1. DIGITAL ACCOUNTS, BASIC BANKING SERVICES

These are services offered by regulated banks, or companies related to regulated banks.



PagaTodo (www.pagatodo.com) without doubt, an early mover in this space. Today, it is the only 100% digital regulated bank with a keen focus and a thorough understanding of payments. Being self-funded, it has operated below the radar of VCs and PEs, but this regulated entity has the DNA of a Silicon Valley FinTech and offers instant issuing and enrollment (remotely) of a fully fledged payments App. PagaTodo applied for and received its banking license well before the "FinTech Law'' was debated and published. Over the years, PagaTodo worked its way to develop a modern API technology as well as integrating a vast network of key retailers across the country, in order to offer cash in and cash out functionality to its customers. It is currently one of the few regulated banks ready to serve other players (FinTechs or BigTechs) with the backbone and regulatory compliance for debit accounts, SPEI-out services, bill pay portfolio and cash in cash out infrastructure.

Banco Azteca / Baz Super App (www.baz.app) has been very active in growing its digital offering, partly through the launch of Baz Super App, combined with its own digital offering. Baz (which we understand is not a regulated entity, but contracts services of Banco Azteca via BaaS) offers various services like bank transactions, online store, QR collection and payments, bill payments, mobile recharges, food, transportation, social network, entertainment, music, live television (TV Azteca only), films, and video games. Baz was the most downloaded financial APP at the end of the year, helped by a huge publicity blitz at TV Azteca, its sister TV company.

Hey Banco (www.heybanco.com) is a subsidiary of BanRegio, which is run entirely separately but using the same license. The account, launched in 2017, provides a wide range of banking services such as accounts, credit cards, savings, investments, insurance, funds, car loans, and personal loans. The digital product was originally targeted at millennials and the unbanked, but has now acquired broad appeal. Hey Banco had an impressive 853K accounts opened with more than 290K active subscribers at the end of 3Q21. Since the account is categorized as level 2, customers who open digitally are limited to deposits of approximately MXN $20,000 per month. Unlike the wallets, it offers an attractive interest rate on its deposits, (currently at 4%), which has driven client acquisition, albeit at a cost. This compares to 0% rate on wallets, and 2% at most traditional banks. Clients can receive a commission-free VISA credit card issued by BanRegio. Clients can use the App to purchase investment funds.

SUPERDIGITAL by Santander (www.santander.com) is a digital bank (IFPE) account offered by the Santander group, aimed at the underbanked. It offers digital applications like SuperMóvil, SuperNet and Super Wallet. Customers can save money, make transfers through the Santander TAP messaging services, and pay bills. It can be opened with a MXN $75.0 deposit and has no management fees, but there are limits on monthly deposits. The goal is to have 5M clients in LatAm by 2023. OpenBank by Santander, still not approved, will be purely digital and aimed more at upper income customers.

Other major banks. All Mexican banks now provide clients with a complete digital banking offering. By many accounts, **BBVA** has the most customer-friendly and efficient digital offering and is, for now, perhaps the only major bank that can quickly offer Level Four bank deposits (no deposit limits) remotely, through video interviews and by processing biometric data (fingerprints checked across the INE database).

Start Up Neobanks

These are new financial entities, which either do, or aim to offer broad financial services to their customers. Some are mainly operating (for now) as IFPEs (Spin by OXXO), others under the 8th transitory (MercadoPago, Albo, Klar), and Ualá via ABC Bank (with the purchase awaiting approval). As the CNBV has not released recent information on approvals, some may have been made, but are not publicly available.

Mercado Pago (www.mercadopago.com.mx) was originally launched as an internal payment facilitator for Mercado Libre's users, the region's dominant e-commerce company and for much of 2021 the largest LatAm listed company by market capitalization. However, Mercado Pago has diversified with both on and off-platform payment services, including mPOS devices, debit accounts, debit cards and credit. It now has 32M accounts in the LatAm region, USD $2.3B in revenues, a loan book of USD $1.1B, making it a top Latam FinTech player by any measure, and leader in digital accounts, payments and credit.

From a regulatory point of view, some of Mercado Pago activities in Mexico are currently operating regulated by the CNBV / Banxico as a payments aggregator, with others operating under the 8th transitory provision, awaiting to be approved as an IFPE (according to its website). In Mexico, the Mercado Pago accounts offer a Mastercard debit card, and transfers to other Mercado Pago users and to other commercial bank users. Mercado Pago also has digital wallet services, remote payment (through terminals, social networks, QR code, payment link and internet sites), prepaid cards, and payment in installments and factoring to Mercado Libre users. Through Mercado Crédito, businesses can obtain a Fixed Installment Loan for up to MXN $4M with a 24 month period, and Dinero Plus, which are short-term loans of up to MXN $750,000. Mercado Libre also provides fixed income investment funds in Mexico through Mercado Fondo.

Albo (www.albo.mx) provides digital financial services, mainly to underbanked customers, both individuals and SMEs. Most of its customers are young, between 28 and 40. By some reports it currently has 1.2M customers and is thus perhaps the largest new Mexican startup FinTech by number of deposit accounts (see article from El Economista for more information). Reportedly, over 120,000 people used the app on a daily basis mid last year. The company has tied in with at least 30,000 retail establishments to allow customers to deposit cash in their account, a key advantage over FinTechs that can only receive deposits via electronic transfer. Over time the company is expected to offer credit and improve its profitability, utilizing the large amount of data it has generated.

The company was founded in 2016 by Angel Sahagun. It offers a free checking account, Mastercard debit card, monitoring of spending, and transfers, payments, and withdrawals, through the mobile app. The company has raised a total of $72M in debt and equity, according to Crunchbase. Its last equity raise was in December 2020, when it raised $45M, including from Mountain Nazca, and Greyhound Capital.

The main challenge is to monetize its customer base, given low margin transactions and lack of high margin products. Its current revenue base is mainly from Interchange fees (1% to 1.5%) from use of its debit card, and on reinvesting the float on deposits (that do not and cannot offer customers' interest rates under the FinTech law). The company has received two fines from the CNBV, for allowing crypto currency transfers, and calling itself a Neo or Challenger bank, without such approvals. According to the Albo website, it continues to operate under the 8th transitory provision.

Spin / OXXO. (www.spinbyoxxo.com.mx). Without a doubt, a wallet or IFPE with huge potential is SPIN (Compropago, with SPIN as the brand, and OXXO as the owner), finally approved according to industry sources in December, 2021, by the CNBV, and already with hundreds of thousands of customers. Being part of OXXO gives it a huge advantage in terms of lower customer acquisition costs, and reduced commissions in terms of cash-in and cash-out, and purchases in OXXO. With its FinTech in place, it's easy to imagine SPIN becoming a highly relevant player in payments and remittances, and a financial solution for small merchants that need easy access to cash and digital payments from an OXXO store. In short, as the dominant use of cash is unlikely to go away in Mexico any time soon, OXXO's massive physical presence and customer base gives it many advantages in a hybrid FinTech / Real world.

OXXO is the country's largest agent banking provider and the largest facilitator of physical payments, with 19,719 OXXO stores and 1,394 pharmacies at the end of 3Q21. OXXO's store network is in fact double the country's total number of bank branches (11,809 as of November 2021). OXXO offers customers more than hundreds of different financial services, including deposits, credit card payments (BBVA, Santander, Inbursa, Scotiabank, HSBC), cash withdrawals and international transfers through Western Union. In addition, it receives bill payments for thousands of independent companies, such as Telcel, Telmex, CFE, Amazon, Dish, Netflix, Volaris, among many others. Overall commissions from Financial Services represent around 4-5% of OXXO revenue, compared to 2-3% five years ago, and a far higher share of gross profits. The company conducts third-party operations of more than $9B per year, according to some industry estimates.

In March 2020, OXXO launched Spin in San Luis Potosi, a debit card and financial payments app, which was finally approved for national use in December 2021. OXXO also introduced Premia, a loyalty program. All Spin users have access to Premia. If FinTech takes off, OXXO could lose an important source of revenue in the event its FinTech does not itself become dominant. This of course is another reason for OXXO to double down on FinTech. Better to cannibalize itself then be cannibalized by others.

Ualá (www.uala.com.mx) is for now mainly a digital wallet in Mexico, (albeit suspended from taking new accounts directly), and said it had 300,000 cards in circulation as of September, after just one year of operations. It recently announced an agreed purchase of ABC Bank and is offering jointly branded accounts through the ABC Bank website. In its favor it has deep pockets - raising $350M in its latest round - and is backed by Softbank, Tencent, among others, as well as has over 3.7M users in the region (mainly in Argentina) where it is expanding rapidly into payments and other financial services. However, some industry observers worry about the purchase of ABC Bank and its capital shortfalls, as well as the business path to profitability in Mexico.

Klar (www.klar.mx), co-founded in 2019 by David Autrique, has raised an impressive total of $85M in five rounds, of which the latest was in March 2021, led by General Atlantic for what is thought be $70M. It is a FinTech challenger that serves Mexican customers with broad deposit and credit services. According to its website, it is operating under the 8th transitory via sister entity Catering Merca SAPI. Since its founding, the company has undergone rapid and significant growth in its efforts to provide the underbanked population in Mexico access to consumer credit through its free, mobile-first platform. It has opened more than 700,000 accounts to date, with transactions on the platform having increased by 60% each month in 2021. Today, 100% of Klar's users have access to its fee-free overdraft line and more than a third of its users utilize its lending product. According to its website, the CAT of its credit is 134%.

Bankaya (www.bankaya.com.mx) is associated with Consubanco, (owned by the same family in part), a regulated bank, and seems to be doing well based on this insightful Techcrunch story. It reportedly had 450,000 customers at year end 2021, at a very low CAC of $5 or so. As Consubanco is offering Bankaya its BaaS, it can offer interest on accounts, and other services that simple wallets cannot offer. It also has the backing of one of Mexico's most savvy and successful families.

Kubo Financiero (www.kubofinanciero.com) is written up in the credit section, given its origins in credit, but it can equally be considered a neo bank, since it offers attractive deposit accounts, cards, and unlike wallets, interest rate (as regulated as a SOFIPO).

Fondeadora (www.fondeadora.com) started off as a crowdfunding platform in 2011, and has aimed since 2018 to be a leading wallet and card provider. Fondeadora's website says it has more than 100,000 clients. The company was founded by Rene Serrano and Norman

Muller. It is currently awaiting a SOFIPO license. Way under the radar in the media, it has one of the most downloaded financial apps in Mexico, strong backers, and excellent management. It raised $28M in a Series A in March 2021, bringing total fundraising to $32.2M, from leading players such as Ignia, Google's AI fund, and Y Combinator. It is said to be about to close another large round shortly. Like many others it has had minor regulatory issues, and was fined by the CNBV for opening up online accounts with its partner SOFIPOs without the right permissions.

Cuenca (www.cuenca.com) reportedly targets the lower income unbanked segment, offering a digital card to give users access to the financial system and its benefits. It has raised about $9.6M in total, including from Stripe and Andreessen Horowitz, with its last round a long time ago in December 2019. Its IFPE FinTech license was approved by the CNBV in March 2021.

Broxel (www.broxel.com**)** is a regulated IFPE in Mexico. According to a recent newspaper article it has issued a hard to imagine 12M cards in Mexico, supported by celebrity branding and marketing (e.g. Canelo, Mario Bautista). It has also focused on Mexicans in the USA, with a credit card branded after the Miami Dolphins. The same article claims it is pursuing an IPO in the USA.

Mozper (www.mozper.com) is a debit card and app that helps children and parents manage their savings and expenditures.

Revolut (www.revolut.com) is Europe's largest FinTech, and recently hired ex RappiPay's CEO Juan Manuel Guerra as a first step towards entering the Mexican market. It is already offering remittance services US/Mexico and no doubt has significant ambitions in the large Mexican market.

Walmart's Cashi (www.cashi.com.mx) is another one to look out for, given it is Mexico's largest retailer. It is consistently one of Mexico's most downloaded and used apps, and enjoys a huge client base. Clients can use Cashi to pay online phone, electricity, etc. bills, and cash-in and cash-out in WalMart Mexico. Cashi offers a 2% refund for purchases within Walmart stores, a significant advantage. This suggests a cross subsidy agreement with its retail brother, somewhat inconsistent with its EDLP strategy. Walmart sold its financial services business to Inbursa some years back, suggesting that it is unlikely to be very focused on expanding beyond the wallet.

2. CREDIT PROVIDERS

Credit has a wide range of players, from FinTechs occupying the credit card space (for consumers and SMEs), SME lending, consumer lending, merchant lending, and asset lending (cars, mortgages), making it one of the richest, most complex landscapes with the highest growth potential in the country. Some of the companies within this ecosystem were established prior to the FinTech revolution, while others were created more recently, but have managed to achieve accelerated growth in the past few years.

Credit card penetration remains low, albeit growing. According to the [CNBV report](#) 24% of adult Mexicans in 2018 had a credit card, a figure roughly unchanged since 2012. However, the adult population has grown of course, and usage of credit cards has changed greatly. In 2012 60% of the adult population with cards actually used them, whereas in 2018 83% used them. Only 5% of Mexicans with a credit card used them more than 5x a month, with usage highly correlated with income.

Nubank (www.nu.com.mx) is Latin America's and perhaps the world's largest and most successful neo or challenger bank with 48 million accounts in the region. It has received funding from several major institutional investors including Berkshire Hathaway, Tencent, Tiger Global Management, Sequoia, Founders Fund, QED Investors, and Kaszek Ventures before it recently made an IPO, then valuing the company at about $45B. In Mexico, the company currently only offers credit cards, which is why for now we are classifying it in credit, although for sure that will change as it grows here, and most likely becomes a fully fledged bank with a Superapp or something similar.

In Brazil, the company started off in credit cards as well, but is now a financial Superapp, and offers free digital checking accounts, instant payments, BNPL, personal loans, life insurance with CHUBB, mortgages, brokerage through Nuvest, and marketplaces. The company has best in class technology, low operating costs per client served, low customer acquisition costs, and great data management.

In Mexico, Nubank currently only offers the Mastercard credit card in its trademark purple color, although it is likely only a question of time before it expands into other products. Given that most Nubank credit card clients pay off (and are encouraged to do so) their balance at month end, the company can be considered as much a payments company as a credit card company in Mexico for now. (Nubank's CAT is reported at an average of about 57%).

Nubank announced a $135M investment in Mexico in early 2021 with which it acquired **Akala**, a small and then dormant Popular Financial Society (SOFIPO). Akala can receive deposits with interest and grant loans, provide leases and operate in foreign currency, all of which will expand Nubank's Mexican operations if taken advantage of.

The credit card's relative value proposition is that it has no commissions (annuity, minimum balances, withdrawal, maintenance, replacement), it grants approval extremely quickly and often based on non-traditional data, and it has great customer service. In addition, the user can easily adjust their credit limit and the payment due date from the app. Purchases of more than MXN $100 can be deferred from 2 to 12 months with a fixed interest rate and the balance can also be deferred through a Fixed Payment Plan from 2 to 12 months with a fixed interest rate. Monthly payments can be advanced in the Fixed Payment Plan.

Nubank is clearly offering a novel product that is gaining wide acceptance in Mexico, especially with the young. Unlike traditional card companies, it is focused on making cards accessible, attractive, cheap, and easy to use and pay for, instead of offering complex loyalty points, and other gimmicks favored by the incumbents. In 3Q21, it issued more than 380,000 new credit cards, with 760,000 issued cards for the year until then, with a market share for the year of nearly 10%, thus becoming the country's largest new credit card issuer in a very short period, even ahead of BBVA and Banamex. Most impressively, it says it obtained 70% of the clients by word of mouth, meaning low CACs, and enjoys a NPS of 94, well above incumbent banks.

That said, credit card businesses aimed at the less well off have been tough to manage well in Mexico in the past, and it remains to be seen how Nubank will navigate the Mexican credit card market in a down cycle and how it expands into different products. In its prospectus, Nubank addresses this concern by stating with regards to Mexico: "On a year-over-year basis, our first payment default rate has dropped to 5.4% in the quarter ended September 30, 2021, from 8.4% in the quarter ended September 30, 2020. The velocity with which we have implemented our proprietary underwriting models in Mexico also are ahead of our experience in Brazil at the same point in the journey."

Stori (www.storicard.com) was co-founded by Bin Chen and Marlene Garayzar in 2018 and is mainly a credit card company that caters to middle and lower-income people who mostly have not had a credit card before. It has two types of credit cards: the traditional Stori Clásica, with a limited credit line and no annual fees, and Stori Construye, with a growing credit line limit. It is similar to Nubank in Mexico, but focused on lower income segments, the previously unbanked. According to its website, the CAT of its cards range from an elevated 91% to 148%. Last November 2021, Stori obtained $125M in Round C equity raising and $75M in debt, for $200M in total, after raising $32.5M in a Series B in February 2021. This was one of Latin America's largest round C financings, and the company is growing very quickly. Overall the company has raised $249.6M in funding.

Rappi Banorte (www.rappicard.mx) has very successfully rolled out its **RappiCard** product in alliance with Rappi, the fast growing delivery company with 9 million clients in Mexico, and Banorte (who agreed to invest $200M in the business). The card offers credit for physical, digital or "contactless" payments and does not charge annual fees, which makes it an attractive option for users (and non-users) of the **Rappi** application. Separately, Rappi offers its own payment product, RappiPay (www.rappipay.mx) and Paga con Rappi, which acquired Payit in 2019, and among other services, offers a debit card, payment of bills via the app, while Paga con Rappi allows any business to easily accept payments on its website via installing its APIs. Rappi clearly aims to become a Superapp. Its CAT is reported at 58.9%, although it offers many rewards and cash backs that can offset this.

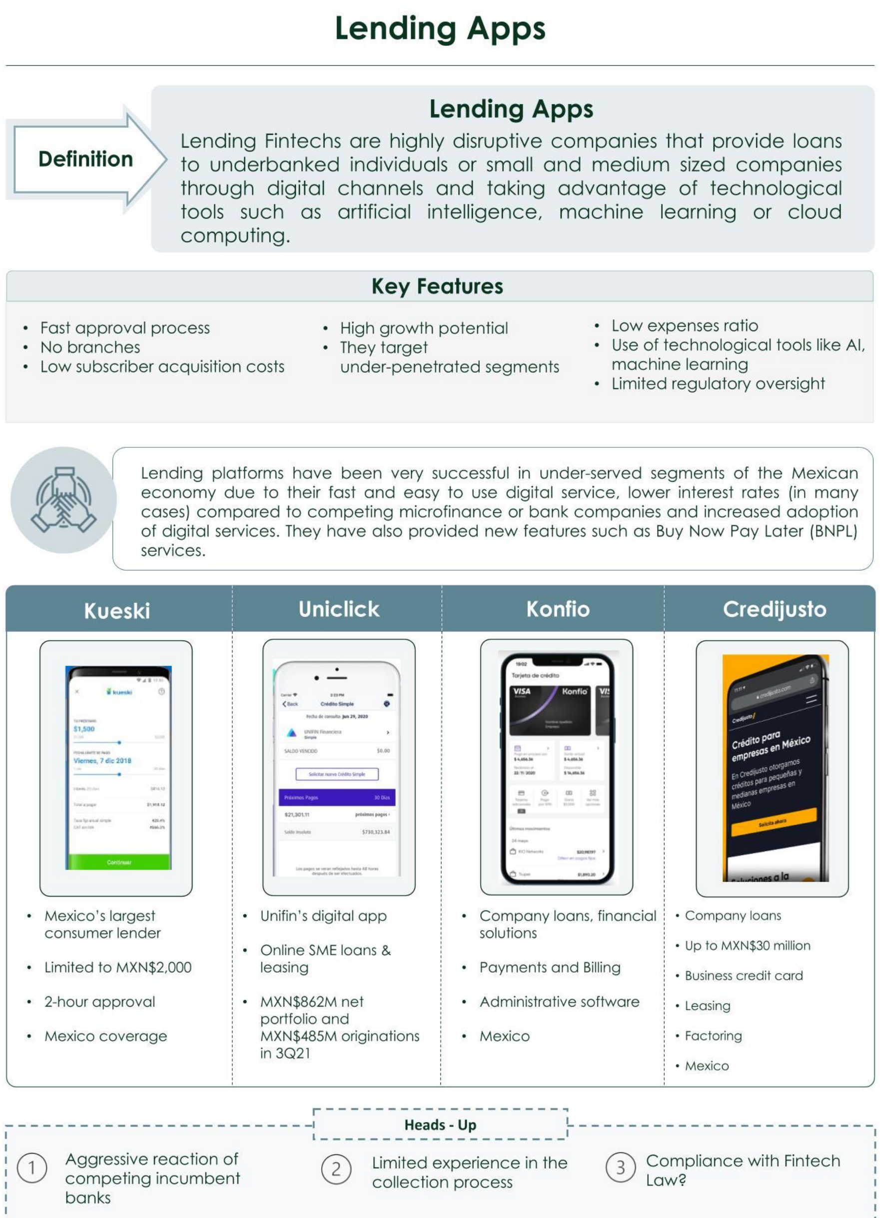
Corporate Spend & Cards

Clara (www.clara.cc) has raised $158M in equity and debt overall, of which $110M has been in equity, and, in December 2021, announced that it had become a Unicorn after a Series B for $70M, led by Coatue. The company is not only a credit company, but offers SME solutions that enable more efficient expense management through a corporate credit card and an expense control system. It recently entered Brazil, and although by 2022 the company plans to expand into several Latin American countries such as Colombia, Argentina and Chile, they are focused on consolidating the Mexican and Brazilian markets for now. According to its website, through its corporate credit card, billpay product, and an expense management system, Clara allows companies in Latin America to grow with agility while maintaining control over their finances. Founded in 2020 by entrepreneurs Diego García and Gerry Giacomán Colyer, the company has become the youngest and fastest unicorn in the region. The CAT of its card is reported at a relatively low 36.5% on its website.

Mendel (www.mendel.com) is similar to Clara in that it offers both corporate credit cards and corporate expense management. In December 2021, it raised $15M in a Series A from Infinity Ventures and ALLVP, and another $20M in debt. Its ambition is to be a One Stop Shop for all B2B spend. The company has more than 150 clients (Mercado Libre, PetCo, Telcel). This Techcrunch article goes into more detail.

SME & Consumer Lending

Direct lending FinTechs to Mexican individuals and SMEs have also grown quickly, led by **Kueski**, **Uniclick, Konfio, Credijusto and Mexarrend's Centeo**.



BNPL, The Hot Credit Sector

Kueski (www.kueskipay.com) is Mexico's leading Buy Now Pay Later (BNPL) company in e-commerce, and in addition offers personal and payroll loans. It was the first lending company in Mexico to be fully digital. The company is known for its highly effective proprietary algorithms for loan approval, using non-traditional data (e.g. phone device information, geolocation, type of email, speed of response to filling in forms, socio-demographic data) that are analyzed by proprietary AI and machine learning to predict payment ability.

The company was co-founded in 2012 Guadalajara by CEO Adalberto Flores. It has raised a total of $300M in debt and equity since inception, according to Crunchbase, including a December 2021 Series C equity round of $102M (combined with debt of $100M). Stepstone Group led the recent equity raise, and Victory Park Capital the debt financing. This makes it one of Mexico's best funded FinTechs.

Kueski currently has three products: Kueski Pay, allowing users to make purchases online without paying for 90 days (BNPL segment), Kueski Cash, which offers easy and simple personal loans, and Kueski Up, which offers salary advances to employees. Even though most Mexicans are unbanked, Kueski is able to offer them credit with its effective data driven approach, giving these customers financial inclusion without them having to join the formal banking system and massively increasing its customer base.

Kueski has processed more than 5 million transactions online since it was founded in 2012. It now counts more than 1,000 merchants in its BNPL ecosystem, including Walmart, Nautica, Motorola and Xiaomi Shop. According to Techcrunch, Kueski Pay had "210x" Gross Merchandise Volume (GMV) growth from November 2020 to November 2021. During that same time frame, its cash product grew by 320%. It has about 500 employees, from 200 a year ago, and will shortly roll out its iOS and Google App, and be available in physical stores.

Given that the attraction of BNPL in a largely unbanked economy, various other players are entering this segment, including regional powerhouse **Addi** (www.addi.com), which has raised $376.3M in total, including $80M of equity in December 2021, **Nelo** (www.nelo.mx), **Aplazo** (www.aplazo.mx) and **Atrato** (www.atratopago.com).

SME Credit, Underpenetrated

Uniclick (www.uniclick.com.mx), a subsidiary of publicly listed Unifin, is a digital platform with internally designed technology through which the company grants credits for working capital, acquisition of other capital goods and liquidity needs. The approval process takes about 7 minutes with resources provided in an average of 9 days, compared with 30 days for commercial banks. Going forward the division expects to offer credit cards, factoring and other other services. The division leverages off Unifin's 28 years of working with SMEs, and uses both conventional (credit bureau, SAT billing data etc.) and non-conventional data (internet data, social networks etc.) to make lending decisions, supported by machine learning of large data sets. While credit is unsecured, it generally requires a guarantee by the majority owner. Uniclick made a strategic and commercial partnership with Google under which they developed digital marketing and artificial intelligence capabilities with the aim of winning more customers and accelerating prudent origination. Subsequently, Uniclick also made an alliance with Microsoft to help continue expanding its SME portfolio.

Konfio (www.konfio.mx) is an online platform that provides mainly unsecured working capital loans, payments, and software tools designed to boost growth and productivity for small and mid-size enterprises. The company has rapidly been expanding its product offering. It offers SME credit cards with VISA, payment solutions with credit for suppliers of its clients, refinancing personal loans for business owners, software management platform to monitor sales and expenses, and some social media, community management products for SMEs.

Last year Konfio bought Sr. Pago, the payments facilitator, giving it huge reach in the merchant acquiring category, and lots more data to work with. Credit cards are among Konfio's newest and fastest growing businesses, with recent new partnerships (WeWork, Sam's Club, Aeromexico, among others.) The company also recently bought Gestionix (ERP company) which brought another important data source and component in the path from lender to full SME ecosystem. With the recent M&A and organic growth, Konfio's main challenge is effectively integrating all verticals into one platform/ecosystem (Cards, WC, Gestionix & Business Tools, and Sr Pago).

The company was founded in 2014 by MIT graduate David Arana and Francisco Padilla, and is very engineering, data and tech focused in its decision-making and culture. In September 2021 Konfio's valuation hit an impressive $1.3B post money, after its series E round of $110M, led by QED and Tarsadia, which followed a previous fund raising of $125M led by Lightrock. Overall it has raised $696M in debt and equity according to Crunchbase.

Typically the working capital loans are for a year or less, and relatively small ($15,000 or so). One main differentiator versus competitors is speed, with loan approval taking about 7 minutes, disbursement 48 hours, and the process is fully digital. Konfio has had a successful partnership with Grupo Modelo, from credit origination to collections, and with PayPal, which is connected to Konfio platform, and with Scotiabank (Scotia takes the credit risk and Konfio charges a commission for servicing).

Credijusto (www.credijusto.com), now a regulated bank with public financials after its purchase of FInterra was approved, is a leading technology-enabled lending platform in Mexico designed to offer easy, reliable, and transparent real estate backed credit (term loans, credit lines, equipment leases, factoring), fast non secured credit for SMEs (Credito Agil) and corporate credit card (COVALTO). The company typically charges 24%-34% interest on its loans, and is very fast at disbursing loans (24 hours after approval, which itself takes a week or two.) The company believes that it has built superior credit risk models through collecting and analyzing huge amounts of both traditional and non traditional data. It is also especially good at valuing real estate collateral.

Credijusto reportedly paid $50M for Banco Finterra, which specializes in financing solutions for small businesses, making Credijusto the first Mexican fintech to announce and close the purchase of a traditional regulated bank. This will raise capital, regulatory and compliance costs, but presumably allow for a lower and more flexible cost of funding, and possibly SME deposit and payment products.

The company has attracted investment from some of the top FinTech investors (Kaszek Ventures, QED Investors, Ignia), and in 2020 and 2019 received non resource lending from Credit Suisse and in 2019 Goldman Sachs. It has raised over $250M in debt and equity since inception, according to Crunchbase, including a Series B round of $42M in 2019 led by Goldamn Sachs.

In August 2021, the FInancial Times reported that former Credit Suisse CEO Tidjane Thiam's blank-check company was in merger talks with Credijusto and Latin American corporate data provider CIAL Dun & Bradstreet. The combined Credijusto-CIAL entity was said to be valued at around $1.5B and was going to be listed in New York. As far as we can tell, there has been no follow up to this story. A more recent story does not mention this merger into a SPAC, but does offer some interesting additional details.

Kubo.financiero (www.kubofinanciero.com**)** Kubo started off as a P2P microlending platform, or credit marketplace, connecting those needing credit with those looking for investment opportunities. More recently it has migrated into a conventional and SOFIPO regulated financial entity, offering small loans and fixed interest-paying deposits to investors.

Interest rates on loans are reported around 45%, loan sizes are from USD $250 to USD $5,000, and generally given out in under 24 hours. The company provides its own credit scores for customers, based on credit bureau and other metrics. The company also offers deposit holders a debit card and unlike most FinTech interest on its deposits. According to its website, in its nine years of operations it has processed 28,000 clients, giving out 51190 loans for MXP1.9B at an average rate of 43.98%. The company has raised about $38.8M in debt and equity since its founding, including a Series B of $27.5B in June 2021 led by the IDB. Its founders include the highly experienced Vicente Fenoll.

Mexarrend (www.mexarrend.mx) is Mexico's leading leasing company after Unifin. It is well known for its disciplined financial management, prudent but significant funding in global markets, and client focus. In alliance with the Colombian digital financial services company, Zinobe, it recently launched a very promising FinTech platform (Centeo - www.centeo.mx) that offers fast credit approvals and disbursement for working capital and supply chain needs via a fully digital process.

Mercado Credito (www.mercadopago.com.mx) offers merchants and customers credit via Mercado Libre / Pago, and is clearly well positioned to become a leading player in credit given its deep pockets, payments data, and dominant position in e-commerce marketplaces.

Creditas (www.creditas.mx), is headquartered in Brazil, but is now also offering loans in Mexico. It offers short-term loans with collateral against real estate, cars and salaries. It raised in a Series E in December 2020 $255M in equity, bringing total equity and debt financing to $594M, and pre money value of $1.5B. In Brazil it has partnered with Nubank.

Creze (www.creze.com) bought out from its original backers in May 2019 by low profile Polygon FInTech, is an online platform that specializes in unsecured lending, loans and factoring for SMEs. The company leverages alternative and traditional data sources to make very fast credit decisions, often in 72 hours, and charges about 2% a month. It has given approximately MXN $1.2B to 3,000 small and medium-size companies. From the perspective of the SMEs, its main competitive edge is the speed of loan disbursement, and is used as a complement to more traditional bank credit.

EPesos (www.epesos.com) is a FinTech company that allows workers to access their paychecks immediately.

Kredi (www.kredi.mx) is a mortgage tech. For the time being, mortgages are a very manual process in Mexico, and thus not especially amenable to FinTech, but that may change.

Minu (www.minu.mx) transforms the financial health of Mexican workers by allowing them to access money they've already earned whenever they need it.

Non FInTechs offering credit

Kavak (www.kavak.com) is perhaps Mexico's most successful startup, with a latest valuation of a whopping $8.7B. Though the company is primarily a used car marketplace, it offers credit to buyers, and indeed this is likely to be a major source of its profits.

3. PAYTECH

The paymentech space was one of the first to take off in Mexico, perhaps because it does not need much capital, it lends itself very well to advances in new technology, and the incumbent players had done a particularly poor job at incorporating small merchants and offering them payment services at a reasonable price. Regulation is light, mainly through the PSP license.

The explosion in e-commerce, which accelerated as the COVID-19 pandemic hit, has given another impetus to the segment. Even though a huge number of Mexicans still prefer to pay for e-commerce through cash deposits (mainly in big box retail cash registers and OXXO), the convenience of using a card or payment facilitator is hard to beat.

Payment itself is not especially profitable unless scale is achieved, as the facilitators need to share the total commission paid by the merchant with the card issuer, the card network, the regulated Merchant Acquirer, and do not control the total commission nor the composition. So some of the payment facilitators are moving into merchant financial services, or have been selling out (Sr. Pago, Zettle) to credit issuers (Konfio) or to major gateways (Paypal), who can use their data to grow their customer base.

In the online world, many customers are wary about using their debit or credit card (if they have them) due to fraud, and marketplaces (e.g. Mercado Libre) have successfully offered their own payment facilitators, backed by credit in some cases. Thanks to the network effect of its huge customer base and first mover advantage, as well as for being a trusted brand, PayPal likely remains the top online payment method in Mexico benefiting from its effectiveness at building a trusty barrier between the end card and the marketplace. At the same time anti-fraud security has improved immeasurably in the payments space, thanks to secure PINs, passwords, tokens, OTPs, reducing costs and improving profitability for operators. With further security enhancements being made (3D Secure 2.0 etc) this will likely improve going forward, boosting the economics for payment facilitators.

How do Payment Facilitator commissions work?

There are generally two major commissions: **i)** the Merchant Discount Rate (MDR), which is what the payment facilitator charges merchants; currently averaging around 3.60% of the sales amount; and **ii)** the Interchange Fee (ICX), paid out of the MDR, which is what the issuing entity charges for the transaction; closer to an average of 1.75%. The facilitators earn the difference, less what they pay the Merchant Acquirer or sponsor bank, and fraud charges.

MDR	3.60%
Cost/ Assessment	0.75%
ICX	1.75%
Mastercard/ Visa	0.10%

CoDi so far disappoints

In Mexico, the Central Bank has promoted CoDi as its instant payment platform since September 2019. CoDi works with QR and NFC technologies and the existing SPEI network to allow for instant payment with no commission to persons nor businesses via smartphones, and every bank in Mexico is obliged to offer it on their mobile apps. In theory CoDi could be a threat to payments facilitators (though possibly offset by greater financial inclusion), but so far has not taken off.

When launching in September 2019, Banxico estimated 20M users by September 2020. The results have so far been underwhelming, underlying the challenges of moving Mexicans away from cash. According to El Economista, CoDi has been used by about 1.2M people, or less than 1% of the population - far less than projected. In Brazil PIX (only in operation for a year) has been used by 100M people, with over 109M accounts, or nearly half the population. CoDi has driven about $120M of operations, versus $526B of operations by PiX in Brazil.

There are various explanations for the failure so far of CoDi and huge success of PIX, of which perhaps that most important is the general lack of financial inclusion in Mexico. But incentives have also played a role. CoDi is commission free Person-To-Person (P2P) and Person-To-Business (P2B), in Brazil the PIX is commission free P2P, but not P2B, (averaging at about 1%), giving banks incentives to promote it for business purposes. Indeed P2B PIX represented 58% of the value of transactions in December 2021, and about 25% of the number. That said, the success of PIX and the possibility that Mexico's Central Bank relaunches CoDi (by for example offering P2B commissions) does represent some risk to payment operators. In Brazil, card companies have recently lost significant share to PIX, offset by the benefits of greater financial inclusion in some cases. (PIX is even gaining fast ground in e-commerce, accepted by 56% of outlets in Brazil).

Paytech

Definition

Payment Facilitators

Paytech emerged as an enabler for small merchants to accept payments for providing subsidized operability and offering a simple, yet convenient user experience. The increase number of players has developed a sophisticated market where the differentiators among competitors are paramount: e-commerce functionality, cash-in/cash-out, top-up, bill pay, loyalty, POS inventory, management, etc.

Key Features

- Quick and easy enrollment
- Low set-up cost (device)
- Simple fee structure
- Next day reimbursement
- Soft regulation
- Differentiators

The Paytech model has contributed enormously to the financial inclusion in the country, as hundreds of thousands of small merchants have started to accept digital payments. However, the business model has still heavy questioning as how to justify its long-term sustainability due to the heavy burden of CAC subsidy vs. a yet to prove profitable stream that can take players out of the red

Clip

- Payment link vis SMS
- Lending: 5 minutes online application
- Mexico only

Sr Pago

- Visa debit card
- Payment gateway
- Mexico only

Zettle

- Catalogue, inventory, invoicing, reporting
- 0% MDR for new customer (first month)
- Latam: 2 countries

Ya Ganaste

- Loyalty program from small merchants embedded in the same platform
- Control multiple devices and users in a single merchant account
- Latam: 7 countries

Heads - Up

1. Path to profitability
2. ATM usage has not dropped
3. Upcoming big banks strategy
4. IPO & M&A activities
5. Cross selling promises should prove real

Clip (www.clip.mx) is by far Mexico's largest payment facilitator by number of merchants, providing mPOS devices and related services, with a focus on SMEs. The company has raised $403.7M in debt and equity including a Series D equity raise of $250M in June 2021, valuing the company at $2B, and becoming Mexico's first FinTech unicorn. Lead investors were Viking and Softbank, with Banorte, General Atlantic, Dalus Capital, Amex Ventures, Visa, Goldman Sachs, Ribbit Capital among others.

Clip accepts all main credit and debit card payments for retailers and businesses through a mPOS, smartphone or tablet, as well as offering general financial services to retailers. Clip allows merchants to offer monthly installments, a key value added for its customers. Clip generally charges 3.6% on every transaction, to cover the interchange fee to card issuers, subsidy on the sale of mPOS devices, fraud charges and operating expenses. Banorte is a minority shareholder in Clip and provides some of its banking services, as the acquiring bank. For a deeper understanding of Clip's remarkably successful growth and history in offering merchants innovative payment solutions, and driving financial inclusion, we recommend this Podcast with Adolfo Babatz, its inspirational Founder and CEO.

Sr. Pago (www.senorpago.com) bought by Konfio in 2021, also provides payment solutions for merchants and businesses through mPOS, tablets or smartphones, without requiring a minimum fee, annual fee or monthly rent. With Konfio's purchase it is logical to expect its data to be used to extend credits, and for it to expand its service offering for merchants and businesses in the country, creating a robust ecosystem with tools for financing, credit cards, B2B payments, invoicing and business management. Sr. Pago is especially focused on the unbanked market, and offers merchants the option of payments through a bank account, an unbanked prepaid debit card which merchants can use to make purchases or withdraw cash at an ATM. The company also offers an online payments solution, where merchants can sell products by adding APIs to its website.

Zettle (www.zettle.com) is Paypal's POS and payments facilitator, formerly known as iZettle and now as Zettle by PayPal (which bought the company in 2018). Zettle operates across Europe and the Americas. It claims to allow businesses to manage all their payments, in person and online, all from one account. Perhaps because of its broad geographical reach and lack of focus and deep understanding of the Mexican market, it has not been as successful as Clip in Mexico.

Ya Ganaste (www.yaganaste.com) with joint headquarters in Bilbao and Mexico City, deployed an interesting and highly successful strategy to enter this segment. They ran an acquisition spree of 18+ companies in seven countries. They targeted stable, cash flow positive cash network companies that were market leaders in the bill pay category. The underlying attraction of all these acquisitions was their strong commercial on the ground teams, their attractive bill pay and top up portfolio and the expertise to manage large numbers of small merchants. With 500,000 small merchants transacting every month and operating offices in Mexico City, Bogotá, Lima, Quito, Santiago and Buenos Aires, Ya Ganaste has certified with Visa and Mastercard and AMEX in all countries; integrated local schemes like PROSA, Eglobal, Niubiz, Transbanic, Ceca and Redeben, Data Express, among others. Today it is the only sub-acquirer in the region with presence in seven countries, growing handsomely and remaining cash flow positive. Its unique selling proposition lies in a custom made loyalty program that is truly embedded within the payment platform. Also, the suite includes a shopper app with a n2 bank account that closes the circle to provide merchants with a virtuous ecosystem with its client base.

Mercado Pago (www.mercadopago.com.mx) is also a leading POS, online payment processor in Mexico. We address the company in the section on Neobanks.

Payments outside POS

PayPal (www.paypal.com) facilitates P2P and B2B payments with a card on file (COF) and is a leader in online payments in Mexico, thanks to the network effect of being the largest, and because it is rightly perceived to limit fraud by blocking retailers' access to the final debit or credit card. The company canceled its wallet in Mexico as it did not want to be regulated as an IFPE, meaning it is in effect an intermediary between bank accounts / cards and the e-commerce retailer or third party. In Latin America, PayPal has over 15 million active customers with about 5 million in Mexico. Most Mexican e-commerce marketplaces accept PayPal, except Amazon. In 2018, the company bought Zettle, a competitor to Sr. Pago and Clip, giving it greater presence in the brick and mortar world. PayPal said that it acquired 1.5 million new customers in Mexico during the pandemic, underlying its strong recent growth. PayPal has a successful alliance with Mercadopago, with both accepting the others' form of payment.

Conekta (www.conekta.com) creates an online payment gateway that aids banks and financial institutions in Mexico in securing and streamlining their operations by providing APIs for online payments with credit cards and cash payments at convenience stores (especially OXXO, with whom it is closely allied).

Regional and global B2B Payment operators

Kushki (www.kushki.com) specializes in enabling B2B digital payments across Latin America. It has been highly successful, and reached a valuation of over $600M in 2021. One of its objectives is to serve as a bridge between fintechs and traditional banks.

Unlimint (www.unlimint.com) is a global fintech company with 12+ years of experience, 16 offices worldwide and more than 400 employees, that offers a large portfolio of financial services - from acquiring to banking and banking as a service. The company has had a local presence in Mexico since 2019 and holds a local acquiring license. It also offers its customers a vast variety of alternative payment methods (including Oxxo, SPEI and full coverage of local cash payments), installments, recurring payments and payment link functionality, alongside customized solutions for each particular business industry.

Rapyd (www.rapyd.net) Some 8% outfits sales are based in Mexico and, like Kushki, focused on B2B payments. The company recently became a unicorn, underlying its strong commercial success.

Stripe (www.stripe.com/mx) is a global digital infrastructure platform for businesses to run operations more efficiently, mainly within the payments vertical for e-commerce by standardizing online payment processes. It opened its office in Mexico in 2019, and recently hired the high profile Maria Teresa Arnal, ex CEO of Google Mexico, as regional CEO. By some measures it is the most valuable private FinTech in the world.

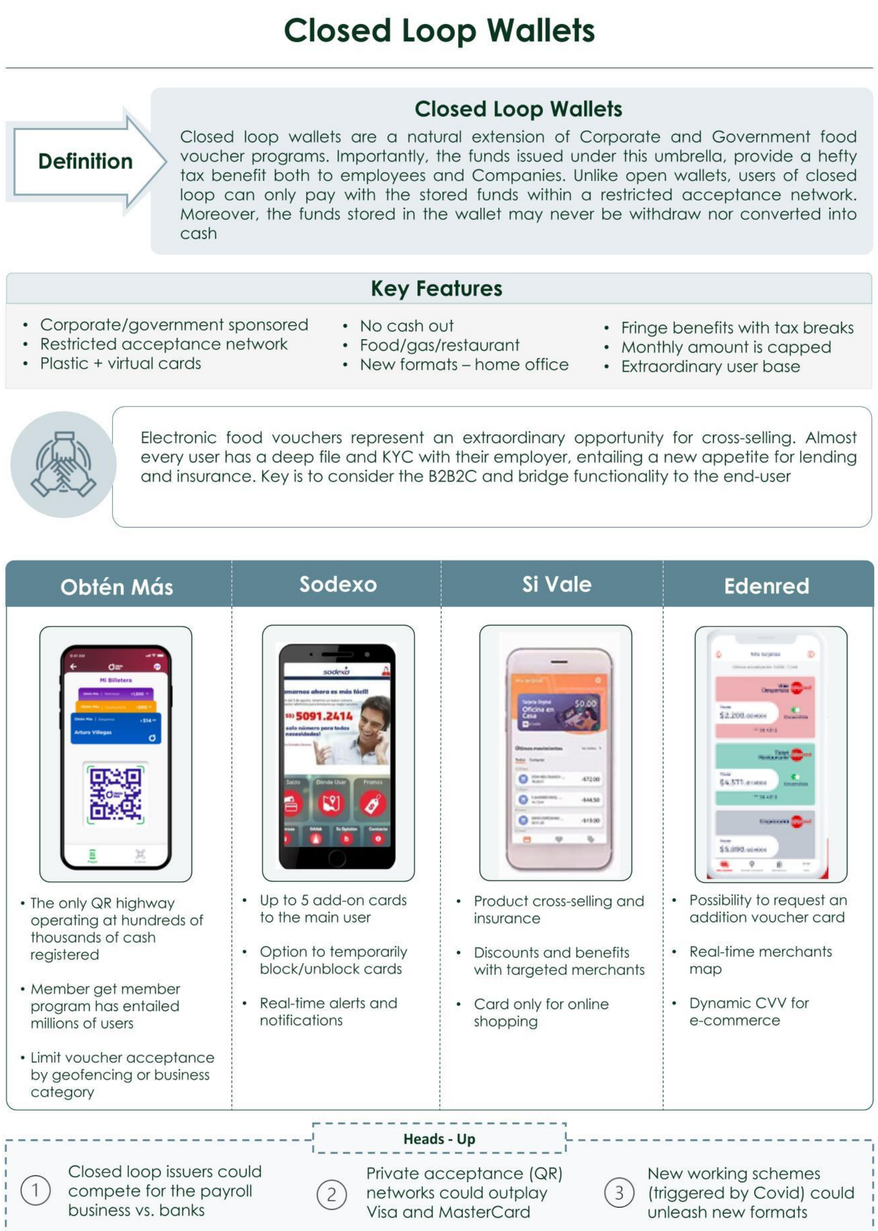
dLocal (www.dlocal.com) is an important payments' player in the region, including Mexico, especially focused on international merchants, offering them a one stop solution. It raised a total of $357M in private fund raising, IPOed in June 2021, where it raised another $617M, for a valuation of $6B. As the website states, dLocal powers local payments in emerging markets, connecting global enterprise merchants with billions of emerging market consumers across APAC, the Middle East, Latin America and Africa. Through the "One dLocal" concept (one direct API, one platform, and one contract), global companies can accept payments, send pay-outs and settle funds globally without the need to manage separate pay-in and payout processors, set up numerous local entities, and integrate multiple acquirers and payment methods in each market.

Cybersource by VISA (www.cybersource.com) has been making significant strides in Latin America thanks to its ability to offer one stop solutions around the world at low prices, and strong anti-fraud protocols.

Ayden (www.adyen.com) is another global and Mexican leader in online payments.

Closed Loop Wallets and Loyalty

Closed Loops Wallets sell digital food, gas, restaurant and uniform vouchers that can only be spent within the network. Such vouchers are tax deductible for companies providing them to their employees, meaning they are widely accepted. The main providers of "Closed Loop Wallet" services are Obtén Más, and French companies Sodexo, Up Si Vale, and Edenred. Given their strong relationships with HR departments, we expect some of these companies to diversify into payroll management and payroll loans in the future.



Obtén Más (www.obtenmas.com) offers food, general, gasoline and many other vouchers with a tax efficient component. During the pandemic Obtén Más created the only massively used QR superhighway in the country, being able to issue plastic-less vouchers that reside in customers' mobile wallet at the same time than affiliating and integrating to a large number of merchants and Big Box retailers to accept the payment in a terminal-less environment. (The QR is displayed at the cashier's monitor).

Si Vale (www.sivale.mx) has various types of products and services such as supermarket, restaurant, food, and gasoline vouchers, digital debit card, personnel incentives, payroll advances, personal and SME loans, a loyalty program, and social programs.

Sodexo (www.sodexo.com) provides grocery, food, gasoline, uniforms and personnel incentive vouchers. It also has on-site services like corporate dining rooms, cleaning and maintenance; it provides personal concierge and child and adult care.

Edenred (www.edenred.mx) is a French company that provides employee benefits (grocery, work from home, gifts, clothes, and restaurant vouchers), fleet and maintenance solutions (gasoline, maintenance and CO2 vouchers) and corporate payment solutions.

On the Loyalty side, we think a company to watch is **Moneo**, (www.moneo.mx)**.** Moneo is a cashback rewards and purchase data collection platform that operates at the intersection of fintech and retail. The service rewards users for submitting photos of their receipts and provides a broad array of offers from multiple brands and retailers. Its technology allows brand partners to link mobile rewards to in-store sales in a 100% measurable way, and to collect product-level purchase data, a key competitive advantage. In addition, unlike traditional rewards services that are limited primarily to credit card customers, Moneo is accessible to everyone, including consumers who pay in cash. The company is currently part of an IBM datatech accelerator.

4. INVESTECH OR WEALTHTECH

Mexico's investment market has long been dominated by the big banks, characterized in many cases by high commissions, conflicts of interest (selling products to benefit the bank and not the customer), and a very local, Mexican bias. The sector has not been helped by a declining stock market, as more and more companies have opted to stay private. Mexico's VC market has raised far more money than Mexico's stock market over the past five years. This is now changing, spearheaded by Flink, GBM+, Actinver/DINN/Bursanet and Kuspit.

InvesTech

Definition

Investech

InvesTech companies provide digital trading services in various types of financial instruments like equities (Mexican or international), ETF's, funds, money market and FX. Their have low or no trading commissions, in some cases they allow trading in fragmented stocks. Some of them have free market education and financial research.

Key Features

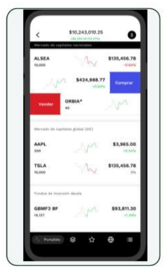
- Digital trading platforms
- Low initial deposit
- Low or no commissions
- Trading in fragmented stocks in some cases
- Low subscriber acquisition cost
- Intense competition
- Heavily regulated

Digital trading platforms gained acceptance within the Mexican population during the pandemic as they have reduced the initial deposit and commissions in a significant way and in some cases enable users to trade globally. Flink and GBM+ provide trading in fragmented stocks, which reduces the amounts needed to operate in some of the most popular US technology stocks like Amazon, Google, Berkshire Hathaway and QQQ.

Flink

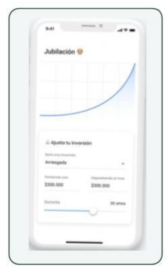
- Mexico's newest digital trading platform
- More than 1 million clients
- Fragmented stocks
- P$30 initial deposit, no commissions, online registration

GBM+



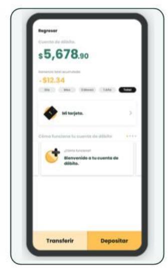
- Over 1.5 million users
- Global markets, Trading Pro
- Investment by Softbank
- 0.25% trading commission, online registration

Fintual



- No initial deposit + no commissions in equities
- Global markets
- Education
- Mexico, Chile

Dinn / Actinver



- MXN$1,000 initial deposit, 0.25% trading commissions in equities, online registration
- Access to financial research, trading ideas, Infosel
- Global markets, funds, ETF's, money market, FX

Heads - Up

1. No key differentiator
2. Intense competition, both domestically and internationally
3. Trading commissions have nearly disappeared

In Mexico the local leaders are:

Flink (www.miflink.com) has moved from being a digital FinTech aimed at Gen-Zs and millennials to an independent Mexican investment mobile platform mainly offering easy trading service in USA fragmented stocks, which reduces the investment required by investors, in addition to not charging commissions. Flink is registered as an investment advisor under the "Securities Market Law", not the “FinTech Law”. Additionally, with its fresh, modern, disruptive image, the company has been able to attract young investors, who had been locked out of Mexico’s expensive and bureaucratic brokerage and investing network. It currently has over an estimated 1.6M customers of which 80% are first time investors and 48% are women, giving it more accounts than any incumbent broker bar GBM.

Flink was co-founded by Sergio Jimenez in 2017. The company has raised $70M in equity overall, including a $57M equity round in August 2021, led by Lightspeed Venture Partners.

ALLVP has been one of its early backers in its Series A $12M round. The company is known for its focus on financial education to help customers understand the attractions of global investing in a responsible way.

GBM+ (www.plus.gbm.com) is a clear example of how some traditional institutions have successfully adapted to new technological innovations, with the aim of being more accessible to the general public. It raised $150M from Softbank to grow its digital offering, and through its Investment app GBM+, has become by far the largest regulated broker in Mexico, with about 1.8M accounts of about 85% of accounts in the system, (albeit small accounts). For an excellent article on the growth of retail investing we recommend Tukan's blog.

Fintual (www.fintual.mx) is an independent mutual fund platform with no minimum deposit. It offers both active and passive investment strategies. It also provides education services through "El Fintualist". Fintual has coverage in Mexico and Chile. The company recently raised $39M in a Series A in November 2021, in which Sequoia participated, with ALLVP, Y Combinator, Kaszek also investors. This great article by Sequoia's team captures the investment case well.

DINN/Bursanet (www.dinn.com.mx, www.bursanet.mx). DINN is the technological brokerage platform of Actinver, a well-known Mexican financial group with over 25 years of experience, which provides investment services, a bank account and a debit card. It is also growing very fast. Bursanet is Grupo Financiero Actinver's online trading platform. With Bursanet you can receive investment ideas, technical and market analysis, real-time trading opportunities and relevant information directly to your phone.

Kuspit (www.kuspit.com) is a digital-only brokerage that has done very well in picking up new accounts, and has been operating since 2011, run by the highly regarded Rodrigo Ocejo. By number of accounts, it's the third largest Mexican broker dealer after GBM and Actinver, with about 61,000 accounts as of August 2021 in total, but the average account size is small.

USA brokerages. Meanwhile hundreds of thousands of Mexicans trade through US accounts (**Robin Hood**, **ETORO**, **Interactive Brokers**, **UBS**, etc). Given limited investment opportunities in Mexico, these are often the preferred brokers for Mexicans. And the multi vertical FinTechs are also eyeing this space. Nubank bought Easynvest in Brazil, with 2.87M customers and presumably would like to roll out services to Mexico soon enough.

Cryptocurrencies

Cryptos are both a form of savings and a form of payment, through blockchain technology. The question remains whether they will be integrated into the banking system or managed separately. For now, Mexico's central bank has been reluctant to approve use of crypto and banned banks from taking crypto deposits.

Bitso (www.bitso.com) is a licensed (in Gibraltar) cryptocurrency trading platform operating in Mexico and much of LatAm, through which investors can trade Bitcoin, Ethereum and other cryptocurrencies. It is similar to Coinbase in the US, and has expanded to multiple countries in Latin America. According to the website, Bitso has an impressive 3 million users, and processed 27,835,600 transactions, 9,123,180 payments in local currency and 7,010,222 payments in crypto.

Mexico’s Central Bank has recently taken steps to stop banks and regulated financial entities making or taking crypto payments, well explained in this article in Expansión. In effect, banks and regulated entities are not allowed to offer customers crypto products, and limits their alliances with crypto exchanges, such as Bitso, and Binance. It has also announced plans to launch its own approved stable Mexican peso product. This new restrictive regulation may in fact help Bitso, by far the dominant exchange for Mexicans, by making it difficult for new entrants to gain scale.

Bitso is regulated outside Mexico, but open to all Mexicans to use. Bitso works with its locally owned IFPE (NVIO) through which its customers can send MXN pesos to the exchange. As such, Bitso can offer payments, remittance (Bitso Shift) and P2P payment services, working with NVIO. For remittances, according to its website, Bitso charges $12 to send USD/MXN pesos, versus $35 at PayPal, and no commission to receive, versus $35 at PayPal. Costumes can also fund their accounts with cash via OXXO, and cash accounts for more than 10% of deposits.

The company was founded in 2014 by Daniel Vogel, Ben Peters, and Pablo Gonzales. The company has raised $378.4M overall, with its latest Series C in May 2021 for $250M, valuing the company at $2.2B, and coming just after four months after a $62M Series B round. Leading investors include Tiger Global, QED, Kaszek Ventures, and Coatue, and locally Cometa was an early investor.

Bitso's main global competitor is **Coinbase**, (www.coinbase.com) and **Binance**, (www.binance.com). Also, Mexico’s Ignia has made a highly successful investment in **Abra**, (www.abra.com) a platform to buy and trade crypto, and with Mexico a key market. Abra has raised more than US$85m since 2014, including US$55m in 2021. All these are regulated outside Mexico.

Crowdfunding

Crowdfunding has not really lived up to its expectations but was one of the earlier pioneers in Mexican FinTech. It’s a platform for small businesses to raise money from communities of small investors and thus access equity debt or capital, and spread the risk of SME or real estate investing among a larger group of people. Crowdfunding (IFC) is regulated under the new FinTech law.

Crowdfunding

Definition

Crowdfunding

Crowdfunding companies gather funds from various individual investors and invest in or lend those funds to projects developed by independent entrepreneurs. Individual investors place as small amount of money and can obtain high returns. Entrepreneurs can raise significant amounts of money.

Key Features

- Crowdfunding companies charge a commission for the money they raise
- The project risk is diversified among various retail investors
- Good and cheap way for entrepreneurs to raise money for their projects
- Regulated by the Mexican FinTech law

In Mexico there are 10 authorized crowdfunding companies under the Fintech law, of which 7 (Fundary, Likideo, BXL Fintech, Doopla, Prestadero, Play Business, Crowdlink) are aimed at all business segments and the remainder 3 (M2Crowd, Cien Ladrillos, Crowd Up Mex) focus on real estate. They became popular since before the beginning of the pandemic as they are a fast and cheap way to raise money for entrepreneurs.

Fundary	Prestadero	M2Crowd	Cien Ladrillos
			100Ladrillos
• Investing and lending • Investments in companies from MXN$250 • Lending of up to MXN$10 million; interest rate from 12.18%	• Lending only • Loans from MXN$10,000 to MXN$300,000 • Interest rates from 8.9%; Total annual cost (CAT) of 25.4% on average	• Real estate crowdfunding from MXN$5,000 • Equity investments and loans • Mexico only	• Real estate crowdfunding from • Investments in new projects for rental from MXN$10,000 • Secondary market options • Mexico only

Heads - Up

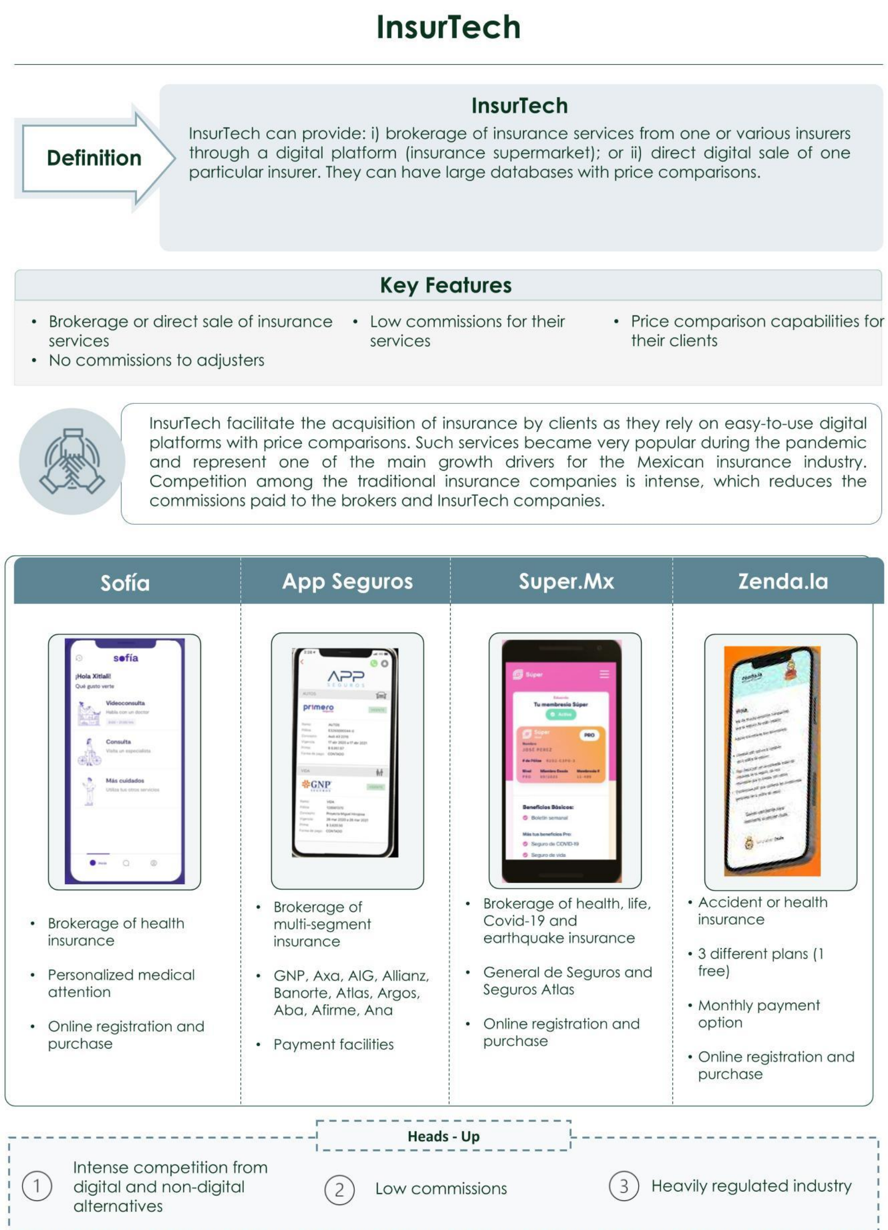
1. Significant competition between crowdfunding companies could affect commissions
2. Crowdfunding lenders compete against FinTech lenders and traditional banks
3. Vulnerable to regulatory changes

Prestadero (www.prestadero.com), which offers personal loans, was the first online lending marketplace in Mexico. It generally charges borrowers a 3%/5% fee, and lenders a flat fee of 3%. Interest rates are around 20%. Loans are typically around $500 to $12,000. To be approved, borrowers need 2 years of credit history and a bank account. According to Crunchbase, it has raised about $1M (from ALLVP).

Doopla.mx (www.www.doopla.mx), Doopla is a technology financing platform that offers direct loans and investments between individuals. It is the first Fintech of its kind to have received authorization from the National Banking and Securities Commission (CNBV) to organize and operate as a Crowdfunding Institution. Doopla, which connects investors with credit applicants, began operations in 2015. The platform has been operating for 6 years and has managed to fund close to 250M pesos in loans; it currently has more than 700,000 registered users, with an annual growth of 121%. Doopla offers applicants of the platform interest rates starting at 12% per year, while the average rate of return for investors is 17% per year.

5. INSURTECH

Insurtechs are companies that sell insurance through a digital platform, offering auto insurance, home insurance, life insurance, and health insurance ,among other products. In Mexico, there are few of these like **Super.mx**, **Zenda.la, Súper Seguros** and **Sofia Salud**. In addition, several of the existing insurers already have their own digital platforms.



6. OPEN BANKING / Other Services.

Banking as a Service ("BaaS") allows non-regulated companies to provide financial services by connecting their platforms to regulated infrastructure through an Application Programming Interface (API). Through BaaS, unregulated companies can provide basic banking services through a digital platform, which is known as "Open Banking".

There are two types of Open Banking stages/formulas, the Account Information Service Provider ("AISP"), which is authorized to collect information from banks or financial institutions, and the Payment Initiation Service Provider ("PISP"), which is authorized to initiate payments to and from the user's account. In both cases they have the users' permission to access the Open Banking data. The PISP chapter was not included in the Mexican FinTech Law, although it does exist in other regions, such as Europe.

Mexico's experience with Open Banking has been troublesome, partly because some non regulated and unqualified entities initially offered their services. Further, the main regulated bank that did legally offer the service (Accendo) to unrelated entities ran into trouble, and was closed down. Although the scenario is not quite clear for banks to perform this service, there are some indications that regulators are working on a suitable model, as most people realize that herein lays one of the largest opportunities to attack financial inclusion. Noteworthy, the US example on this matter shows that the right combination of a regulated entity (sponsor bank) paired with a non-regulated company (program manager), could reach millions of new customers in many different verticals; car hailing, ecommerce, food delivery, loyalty etc. All these new customers are somewhat underserved by financial institutions.

Belvo (www.belvo.com) is currently offering a form of open finance throughout Latin America. Belvo works with more than 50 financial institutions and 125 clients in Mexico, Brazil and Colombia through its API platform. The financial institutions use Belvo's technology to build secure connections with end users financial data and build better financial products. VISA participated in Belvo's Series A fundraising round. Belvo has been likened to a Latin America Plaid.

FT Partners recently published an interesting interview with another leading Mexican open finance entity, **Finerio Connect** (www.finerioconnect.com), and how it has migrated from being a personal financial management app to a service provider for other FinTechs.

7. BIG TECH & SUPER APPS

Big Tech

Beyond the six verticals we have identified, we need to also look at the role of Big Tech and Super Apps. The five dominant BigTech companies (Meta, Apple, Alphabet, Amazon, Microsoft) are by far the world's largest and most successful companies, with combined market value of $9T, commanding leading market positions in all the key technological businesses on a global scale. In 2021 the Big Five spent $149B in R&D, about 25% of total US R&D across the public and private sector, exceeding even the Pentagon's.

Any FinTech would be envious of BigTech's innate strengths – low cost and immediate access to billions of customers, unsurpassed quantities of consumer data, top technology and best-in-class artificial intelligence, and huge cash flow generation. The number of promising technology companies that have been defeated by BigTech is too long to list here.

That all said, it seems unlikely the Big Five will want to be regulated financial entities, given the costs and attention involved, and banks and FinTechs are of course important clients of theirs. In a January 21st article in The Economist, "What America's largest technology firms are investing in", the answer was metaverse, cars and health care. FinTech came well behind. According to the same article, less than 3% of employees at each of the companies mentions FinTech in their LinkedIn profiles, with Meta the highest (at about 2.5%). Still, a small share of $149B is a lot of money on R&D.

<u>Meta, through Facebook, Instagram and above all WhatsApp</u>, is probably the biggest threat to Mexican FinTechs, given Facebook's dominance in social media, WhatsApp's in messaging, Instagram's in products and brand building. Almost all adults in Mexico now use one or more of these Meta platforms.

Meta recently launched a digital wallet in the USA and Guatemala (with a waitlist) called Novi, and is reportedly going to be unifying payment services under the Novi brand. Users of Novi will eventually be able to send commission-free digital USD (for now Pax Dollar, eventually Diem) cross border, transfer funds to a bank account, and pick up cash at a convenience store. This is not yet available in Mexico but no doubt will be before long. For now, in Mexico and elsewhere, users can deploy Facebook Pay to send money or shop, by linking their debit or credit card or PayPal to their Facebook account.

WhatsApp has already launched money transfers in Brazil, via having customers leaving credit or debit card data on file, in alliance with multiple financial institutions (Cielo, Nubank etc) that process these payments. Commissions are along market terms for use of the cards. WhatsApp is not acting as a sub-acquirer in these transactions and mainly benefits from access to the data related to the transactions. WhatsApp is expected to incorporate PIX within WhatsApp before long, which could expand its reach and reduce costs to users significantly. Despite all the noise around WhatsApp payments in Brazil, its impact so far has been underwhelming. Only 7% of Brazilians have registered their cards on WhatsApp, whereas 100M Brazilians are using PIX.

Alphabet (Google) through Android enjoys dominant market share in the operating system for Mexico's smartphones (80% market share), with near 100% market share in lower income segments, as well of course near monopoly in Search, and the huge reach of YouTube, Google Maps and much else. However, it seems to be dialling down its FinTech ambitions. In late 2021, Google axed its much anticipated GooglePlex project that, in partnership with banks, would have offered customer bank accounts and debit cards, payments and much else. Instead, Google announced that it was "delivering digital enablement for banks and other financial services, rather than providing those services." So it would seem that Google will focus on being a vendor for banks, and not a competitor.

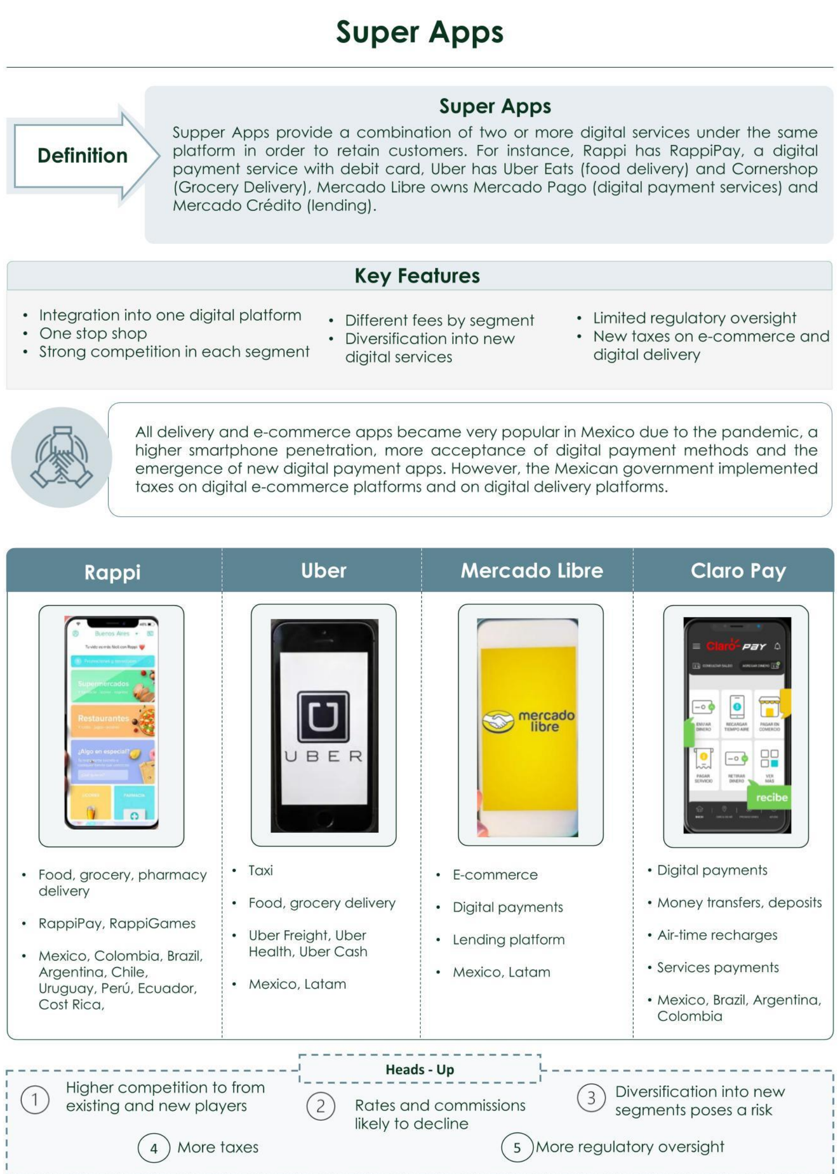
Google still has Google Pay, which in 2021 had over 150M users in 30 countries. Like Apple Pay and PayPal, customers can link Google Pay to their debit or credit cards, and to their phone account (postpaid). It does not, however, receive wire transfers, nor bank transfers. Also, in mid 2021, Google Pay entered the remittance market in partnership with Wise and Western Union, starting off with transfers to Singapore and India, and soon to be offered in Mexico.

Apple (iOS) has about 20% market share of smartphones in Mexico, versus 80% for Android, though this figure is heavily skewed to the more affluent (and thus banked) part of the population. In Mexico (since 2021) Apple offers Apple Pay, which is similar to PayPal in that it is linked to an existing (VISA) card, and easily facilitates commerce across Apple's ecosystem as well as one tap in-store shopping for participating outlets. However the credit cards of many large banks (ie, BBVA, Banamex, Santander, Scotiabank) in Mexico have not yet accepted Apple Pay and retail acceptance is very limited. Since 2019, Apple has offered individuals in the USA Apple credit cards with Goldman Sachs and Mastercard, and had well above 6.4M card users, as of mid 2021, but there are no signs of such a card in Mexico. Apple recently acquired Mobeewave for $100M to enable IPhones to become mobile payment terminals, and be integrated into Apple Pay without needing other platforms or apps, which may suggest ambitions in the POS area.

Amazon is a lot less aggressive in financial services than Mercado Libre, its regional rival. For the most part Amazon's focus is on building financial services to support shopping on its site, and merchants on Amazon, rather than building a financial service outfit for outside users like Mercado Libre does. Amazon has partnered in the USA with various banks, Marcus, ING, Bank of America, among others, to offer credit, but does not take major credit risk itself, unlike Mercado Libre. In Mexico, Amazon allows customers to pay with cash through OXXO and other convenience stores, and Amazon also offers a commission free Mastercard debit card, (Amazon recargable) and users can deposit money via transfers or cash payments in partner stores. (Amazon offers the card via Banorte).

Super Apps

Super Apps generally offer a combination of multiple services in order to attract new customers and retain existing ones, spread the customer acquisition costs over multiple revenue sources, and be able to mine lots of consumer data efficiently. Their main advantage is their brand, data, customer base and cross selling opportunities. Many (Uber), will likely work in alliance with established FinTechs, others (Mercado Pago) alone. The success of many Super Apps will depend in part on associated BaaS regulation.



Rappi (www.rappi.com.mx, www.rappicard.com.mx), the food delivery application now offers RappiPay, a payment service, and RappiGames. It also offers the RappiCard credit card in association with Banorte, as discussed in the Credit section. It has an enviable list of clients and delivery people, great consumer data, and is technologically savvy.

Uber (www.uber.com/mx), which initially started as a taxi service, diversified itself into grocery and food delivery, Uber Freight, Uber Heath. It has a great client list, superb data, and receives income for its huge force of drivers that could be lent again, to buy cars for example. It has put financial services under the brand Uber Money, which includes Uber Wallet, Uber Debit Card, and Uber Credit Card (revamped). In Mexico, it has an alliance with BBVA. The extent of its financial service ambitions remain unclear.

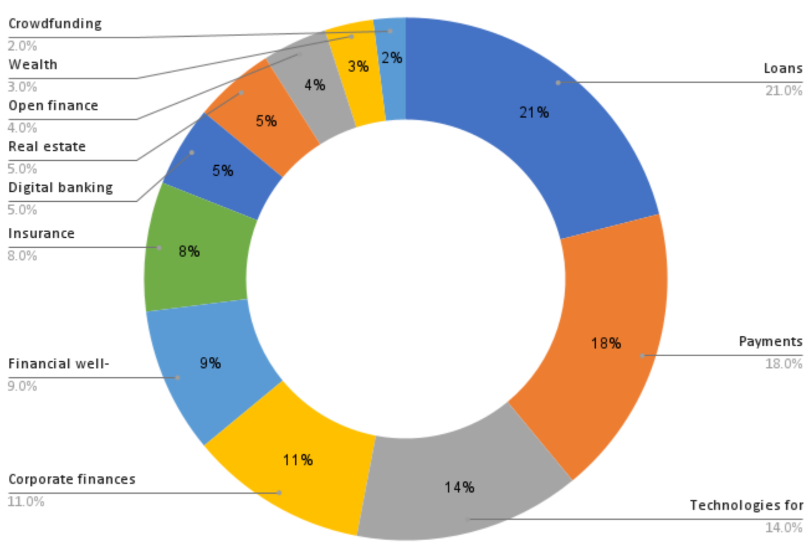
Claro Pay (www.claropay.com) is a digital payments App associated with the Slim group Telcel and Banco Inbursa which allows its users to make payments, transfers, deposits and top-up recharges. It has operations in various Latin American countries such as Mexico, Brazil, Argentina and Colombia. Given Telcel's dominance in phone users, and Inbursa's (admittedly underwhelming) banking technology, it has strong grounds to be successful, but management does not seem very focused on this.

Mercado Libre (www.mercadolibre.com). We have already addressed this in the section on Neobanks and Mercado Pago. As one of the top downloaded and most used apps in Mexico, it perhaps the strongest claim to be a super app.

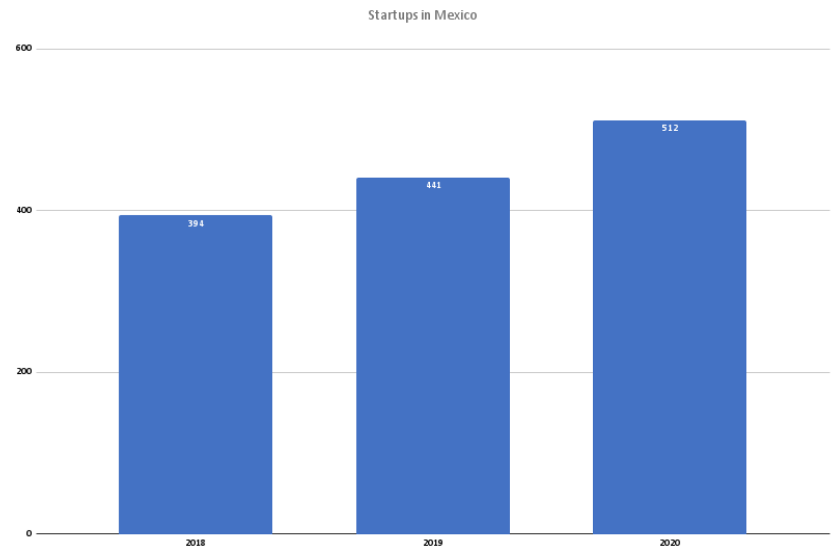
APPENDIX 1

Finnovista's FinTech Radar

According to the recent, and excellent "Finnovista FinTech Radar Mexico", 21% of 512 Mexican FinTech companies are in the lending business, 18% in payments and remittances, 14% provide technology for financial institutions, 11% business finance management, 9% financial wellness, 8% insurance, 5% digital banking, 5% real estate services, 4% open finance, 3% wealth management and 2% crowdfunding.

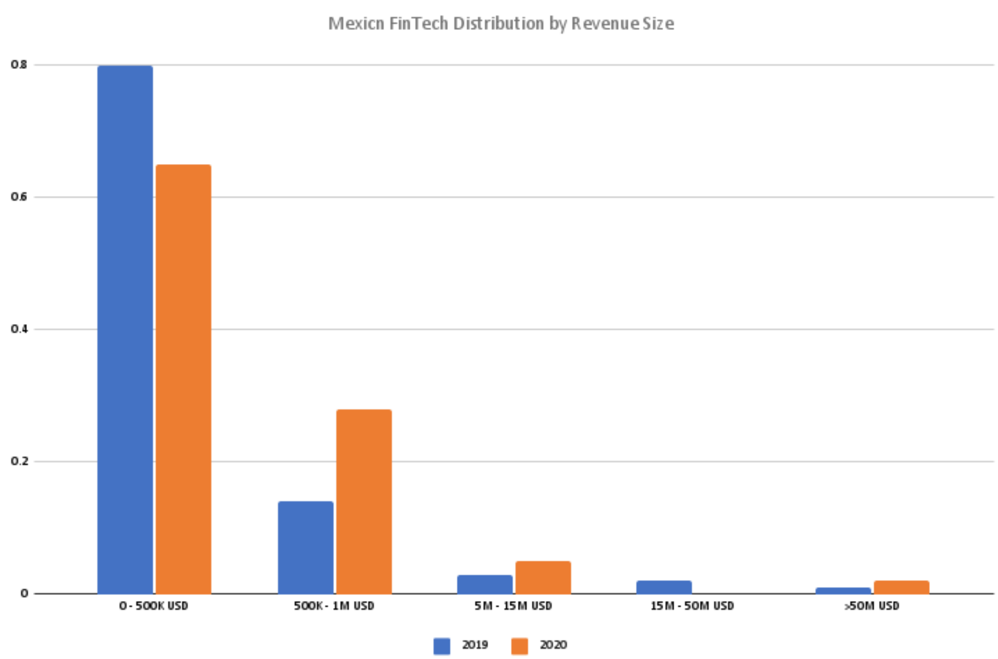


Source: Finnovista FinTech Radar Mexico



Source: Finnovista FinTech Radar Mexico

The Mexican FinTech market is made up of mainly small companies. 65% of Mexican FinTechs generated revenues below USD $500k, 28% between USD $0.5M and USD $5M and the remaining 7% above USD $5M. FinTech financing came largely from angel investors (65%), which until a few years ago did not exist in the country, followed by traditional "friends and family"(45%), private equity funds (35%) and accelerators (25%).



Source: Finnovista FinTech Radar Mexico

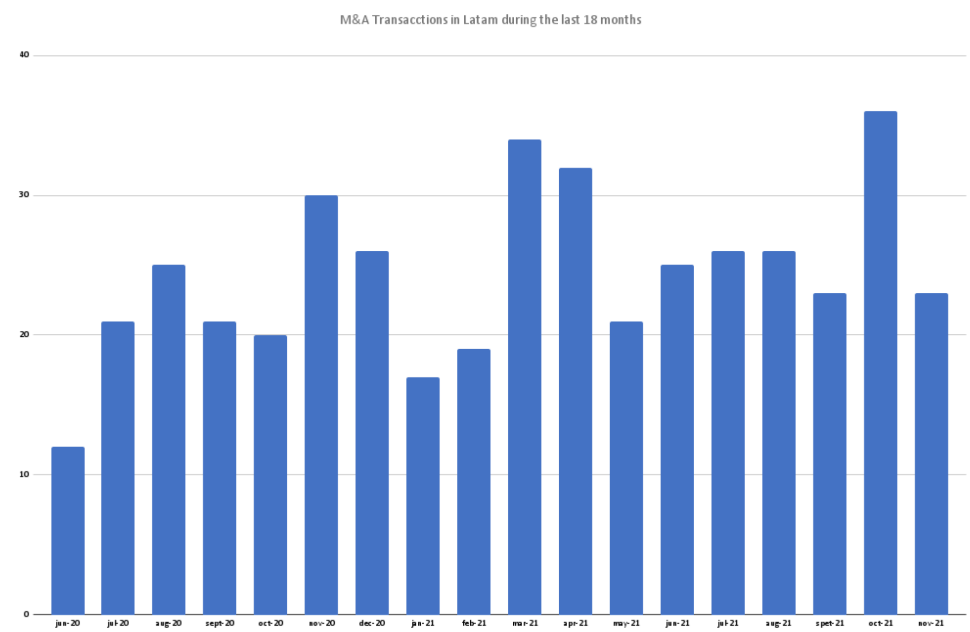
With respect to the target market, most FinTechs (71%) are attacking the country's banked market, through an improvement in banking services and payment systems, while only

25% of them provide services to the unbanked segments of the country, despite the great growth opportunity that exists

APPENDIX 2

M&A activity

There have been 437 M&A transactions in the last 18 months across Latin America, according to www.slinghub.io, of which 394 (90%) were in Brazil, the largest market in the region. 21 acquisitions and 2 mergers took place in November, most of them in Brazil as well.



Source: Sling Hub

The most important transactions that involved Mexican companies or with activities in Mexico included the announced but not completed acquisition of ABC bank by the Argentine company Ualá and Banco Finterra by Credijusto.

We believe that this M&A activity will accelerate in the future given the continued creation of new FinTechs in all market segments, and the pressure to gain scale, offer new products, and be compliant with regulators (it's often easier to buy a license than get approved for one). In the banking sector, we see Brazil's Nubank (following its IPO, a 50B giant, already the largest credit issuer in Mexico) and the UK's Revolut (valued at US $36B) as two of the potential buyers of banking or FinTech companies in Mexico. We do not rule out acquisitions of Mexican brokerage houses by local or foreign FinTechs.

APPENDIX 3

Main investors

These new and successful FinTechs would not exist were it not for the new Mexican entrepreneurial talent, which in many cases is no longer linked to traditional business families, as often happened in the past. As far as financing is concerned, there is in Mexico, as in much of the rest of the world, a wide supply of capital both from foreign and domestic institutions. In 2021, Mexican FinTechs raised $3.38B from foreign private equity funds, more than three times higher than the previous year, according to a study by Endeavor Mexico and Kaszek Ventures.

Large international technology and venture capital funds, many of them from Silicon Valley or New York, have been investing aggressively in Mexico for several years. This includes all the steps of the process, from the seed capital required to found a new company, to the next rounds of financing to accelerate the growth and expansion of those FinTechs with a successful and promising business model. Among the region's main global PE investors have been Accel, Andreessen Horowitz, Dragonner, DST, General Atlantic, GGV, Kaszek, QED, Ribbit Capital, Sequoia Capital, Softbank, Tiger Global, T Rowe Price and Vulcan Capital. In addition, in Mexico there are several local Venture Capital funds, (Ignia, ALLVP, Dila Cap, Cometa, Nazca). Capital is no longer an obstacle to establishing a FinTech, but for sure will be an issue going forward for the loss making ones.

<u>Some of the main investors of Mexican FinTechs are the following:</u> (click for a larger view)

Investor	Country	webpage
Accel Venture Capital	US	www.accel.com
aCrew Capital	US	www.acrewcapital.com
Active Capital	US	www.activecapital.com
Adapt Capital		
AgFunder	US	www.agfunder.com
ALLVP	Mexico	www.allvp.com
Alpha4 Ventures	US	www.alpha4ventures.com
Altos Ventures	US	www.altos.vc
Amaranthine	US	www.amaranthine.com
Amplo	US	www.amplovc.com
Anaton Van Hahn		
Andreessen Horowitz	US	www.a16z.com
Angel Ventures	Mexico	www.angelventures.vc
Anthemis	UK	www.anthemis.com
Anthony Pompliano	US	
Arc Labs	US	www.arclabs.co
Architect Capital	US	www.architectcap.io
Artisan Venture Capital	US	www.artisanmedia.com/capital/
Avid Ventures	US	www.avidventures.com
AV8 Ventures	US	www.av8.vc
A55	Brazil	www.a55.tech
BAI Capital	US	www.baicapital.com
Bamboo Capital Partners	Luxembourg	www.bamboocp.com
Base10 Partners	US	www.base10.vc
Bimbo Ventures	Mexico	www.grupobimbo.com/es/innovacion-en-grupo-bimbo/
Blue Horizon Ventures (Zurich)	US	www.bluehorizonvc.com
Blue Like an Orange Sustainable Capital	US	www.bluelikeanorangecapital.com
BOND	US	
Bowery Capital	US	www.bowerycap.com
Canary	Brazil	www.canary.com.br
Capital Invent	Mexico	www.capitalinvent.com
Cathay Innovation	US	www.cathayinnovation.com
Cavalry Ventures	Germany	www.cavalry.vc
Clare Hughes-Johnson	US	
Class 5 Global	US	www.class5global.com
Claure Group	US	
Clocktower Technology Ventures	US	www.clocktowerventures.com
Clout Capital	US	www.cloutcapital.com
Coinbase Ventures	US	www.ventures.coinbase.com
Cometa	Mexico	www.cometa.vc
Coatue	US	www.coatue.com
Cristina Córdoba	Spain	
Crossbeam Venture Partners	US	www.crossbem.vc
D1 Capital Partners	US	
Dalus Capital	Mexico	www.daluscapital.com
DILA Capital	Mexico	www.dilacapital.com
DST Global	Hong Kong	www.dst-global.com
Dux Capital	Mexico	www.duxcapital.vc
Dynamo Ventures	US	www.dynamo.vc
Elevar Equity	US	www.elevarequity.com
Emles Venture Partners	US	www.emlesventure.com
Femsa Ventures	Mexico	www.femsaventures.com
Federico Ranero (Kavak CEO)	Mexico	
FinTech Collective	US	www.fintech.io
Finnovista	Spain	www.finnovista.com
FJ Labs	US	www.fj labs.com
Flourish Ventures	US	www.flourishventures.com
Fondo de Fondos	Mexico	www.fondodefondos.com.mx
Foundation Capital	US	www.foundationcapital.com

Investor	Country	webpage
Founders Fund (Peter Thiel, Paypal co-founder)	US	www.foundersfund.com
F-Prime Capital	US	www.f-prime.com
Fuse Capital	US	www.fusecapital.com
Future Positive Capital	France	www.futurepositivecapital.com
GAM-SWT	Mexico	www.gamsa.com.mx
GBM Ventures	Mexico	www.gbmventures.com
GC1 Holding	US	www.gc1holding.com
General Atlantic	US	www.generalatlantic.com
General Catalyst	US	www.generalcatalyst.com
GGV Capital	US	www.ggvc.com
GIC	Singapore	www.gic.com.sg
Global Founders Capital	US	www.globalfounderscapital.com
Goodwater Capital	US	www.goodwatercap.com
Gokul Rajaram		
Gradient Ventures (Google)	US	www.gradient.com
Greenoaks	US	www.greenoaks.com
Greyhound Capital	UK	www.greyhoundcapital.com
Grupo Capem	Mexico	www.grupocapem.com
G2 Momentum Capital	Mexico	www.g2momentum.capital
Haystack	US	www.haystack.vc
Harvard Management Co.	US	www.hmc.harvard.edu
Hetz Ventures	Israel	www.hetz.vc
Homebrew	US	www.homebrew.co
IGNIA Partners	Mexico	www.ignia.mx
Incubate Fund	Japan	www.incubatefund.com
IBD Invest	US	www.ibdinvest.org
IFC	US	www.ifc.org
Index Ventures	US	www.indexventures.com
Irongrey	South Korea	www.irongrey.vc
J-Ventures	US	www.j-ventures.com
KASZEK	Brasil	www.kaszec.com
K50 Ventures	US	www.k50ventures.com
Kevin Efrusy (Accel Partner)	US	
Kibo Ventures	Spain	www.kiboventures.com
KuE Capital	Mexico	www.kuecapital.com
LEAP Global Partners	US	www.leapglobalpartners.com
Lightrock	UK	www.lightrock.com
Lightspeed Venture Partners	US	www.lsvp.com
Liquid 2 Ventures	US	www.liquid2.vc
Lotux VC	US	www.lotux.vc
Magma Partners	Chile	www.magmapartners.com
MatterScale Ventures	US	www.matterscale.com
Maya Capital	Brazil	www.maya.capital
Maxamerica Ventures	US	www.maxamericaventures.com
Martin Schrimpff		
Monashees	Brazil	www.monashees.com.br
Mountain Nazca	Chile	www.nazca.vc
Mouro Capital	UK	www.mourocapital.com
Mucker Capital	US	www.muckercapital.com
Naspers	South Africa	www.naspers.com
NFX	US	www.nfx.com
Oak HC / FT	US	www.oakhcft.com
OnePrime Capital	US	www.oneprimecapital.com.mx
One Way Ventures	US	www.onewayvc.com
Operator Partners	US	www.operatorpartners.com
Outbound Ventures	US	www.outboundventures.com
Pantera Capital	US	www.panteracapital.com
Paradigm	US	www.paradigmcorp.com
Picus Capital	Germany	www.picuscap.com

Investor	Country	webpage
Portag3 Ventures	US	www.portagevc.com
Presight Capital	US	www.presight.vc
Prosus Ventures	South Africa	www.prosus.com
QED Investors	US	www.qedinvestors.com
Quiet Capital	US	www.quiet.com
Quona Capital	US	www.quona.com
Raptor Group	US	www.raptorgroup.com
Reach Capital	US	www.reachcapital.com
Redpoint Ventures	China	www.rpvchina.com
Redwood Ventures	Mexico	www.redwood.ventures
Ribbit Capital	US	www.ribbitcap.com
Richmond Global Ventures	US	www.rglobal.com
Ride Ventures	US	
Rise Capital	US	www.risecapital.com
Rogue Capital	US	www.rogue.capital
Salkantay Ventures		www.salkantay.vc
Santander	Spain	www.santander.com
Scott Belsky	US	
Secocha Ventures	US	www.secocha.com
Softbank	Japan	www.group.softbank/es
Soma Capital	US	www.somacap.com
Sound Ventures	US	www.soundventures.com
Source Code Capital	China	www.sourcecodecap.com/en
Spero Ventures	US	www.spero.vc
StepStone Group	US	www.stepsotoneglobal.com
Susa Ventures	US	www.susaventures.com
SV Latam Capital	US	www.svlatamcap.com
Sweet Capital	Sweden	www.sweetcapital.com
S7 Ventures	Russia	www.s7.vc
Tarsadia Capital	US	www.tarsadiacapital.com
The Flexport Fund		
Tiger Global Management	US	www.tigerglobal.com
Tom Gonser	US	
Tuesday Capital	US	www.Tuesday.vc
Tresalia Capital	Mexico	www.tresalia.com.mx
Tribe Capital	US	www.tribecap.com
Trusted Insight	US	www.thetrustedinsight.com
Twenty Two	US	www.twentytwo.vc
Two Sigma Ventures	US	www.twosigmaventures.com
Ulu Ventures	US	www.uluventures.com
Unpopular Ventures	US	www.unpopular.vc
Upper 90	US	www.upper90.io
Valar Ventures	US	www.valarventures.com
Valor Capital Group	US	www.valorcapitalgroup.com
Venture Friends	Greece	www.venturefriends.vc
Victory Park Capital	US	www.victoryparkcapital.com.mx
Viking Global Investors	US	www.vikingglobal.com
Visa	US	www.visa.com
Vision Plus Capital	China	www.vplus.vc
Vostok Emerging Finance		
Wollef Ventures	Mexico	
Wing VC	US	www.wing.vc
Vulcan Capital (Paul G. Allen)	US	www.capital.vulcan.com
XTraordinary Venture Partners	Mexico	www.x-vp.com
YC		
Y Combinator	US	www.ycombinator.com
Zenda Capital		
500 Startups	US	www.500.co

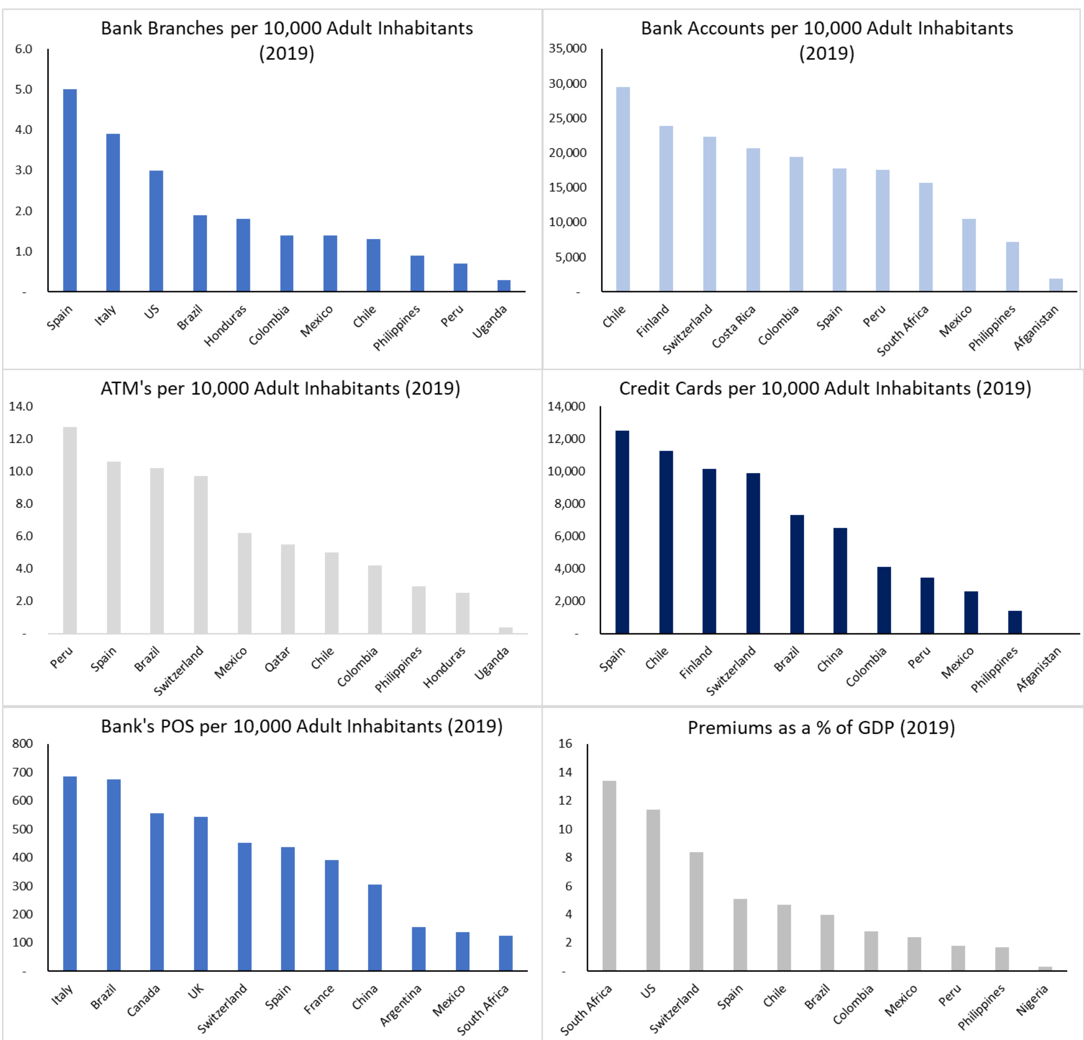
To better understand who has invested in what, we recommend this infographic from ALLVP (not updated for the most recent acquisitions.).

APPENDIX 4

Disruption For Inclusion

Financial inclusion is a key driver for those FinTechs focusing on unattended market niches that historically have been avoided by the large commercial banks. It provides clear and significant social benefits, which is why it is directly linked to at least seven of the United Nation’s Sustainable Development Goals (SDG’s), according to Deloitte’s “Disruption for Inclusion” report. In fact, G20 countries agreed in 2017 to promote it globally.

In Mexico, there is an immediate need for financial inclusion mainly because the low-income population has limited access to financing through some micro-finance companies, pawn shops and department stores, always at stratospheric interest rates. Financial inclusion, which is being addressed by the FinTechs, will likely increase the country’s low credit penetration, help lower the interest rates paid by the more vulnerable segments of the population and reduce the income gap. Mexico’s Government put in place the “2020-2024 National Financial Inclusion Policy” which is aimed at increasing the number of personal bank accounts from 47% of total population at the end of 2020 to 64% in 2024.



APPENDIX 5

Common FinTech Terms

FinTech, like most business sectors, has its own terminology. As a relatively new sector, there is still not full consensus on what each term means, some distinguishing between Challenger and Neobanks, and others using them interchangeably. For a full list, please see, FinTech buzzwords glossary | Deloitte UK

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