



KOREFUSION

FinTech Diaspora Americas Forum



The State of Fintech in Latin America
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18 July 2017

WHAT WE DO

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

STRATEGY CONSULTING SERVICES

- Core Business and Adjacency Growth
- Market Sizing and Expansion
- Competitive Benchmarking
- Build-Buy-Partner
- Best Practices

M&A ADVISORY SERVICES

- Fairness Opinion & Valuations
- Strategic Due Diligence
- Target Identification
- Capital Raising
- IPO Advisory

SECTOR EXPERTISE

- Credit, Debit, Prepaid & Commercial Cards
- Merchant Acquiring & Payment Processing
- P2P & B2B Payments
- Consumer & Commercial Lending

- Financial Inclusion & Government Disbursements
- Mobile & Faster Payments
- POS & Omnichannel Solutions
- Remittances & Alternative Payment Tools

EXPERIENCE IN 67 COUNTRIES

 <p>Florida Capital Bank</p> <p>EQUITY RAISE \$20,000,000</p>	 <p>Caja Madrid Euro</p> <p>TRANSACTION VALUE €800,000,000</p>	 <p>Athlon</p> <p>CREDIT DEFAULT SWAP \$1,900,000,000</p>	 <p>Transact Payments</p> <p>A SUBSIDIARY OF The Bancorp</p> <p>ACQUIRED BY Neptune International Ltd.</p> <p>KoreFusion served as advisor to: The Bancorp</p>	 <p>Woodland Bank</p> <p>SALE DISTRESSED CORPORATE LOANS \$300,000,000</p>	 <p>Guaranty Bank & Trust</p> <p>LIQUIDATION TRUST</p>
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60% OF FINTECHS ARE LESS THAN THREE YEARS OLD, AND ARE A MIX OF BOTH INNOVATIVE AND PIGGY-BACK MODELS

There are over 700 unique fintech companies in the region, concentrated in five countries



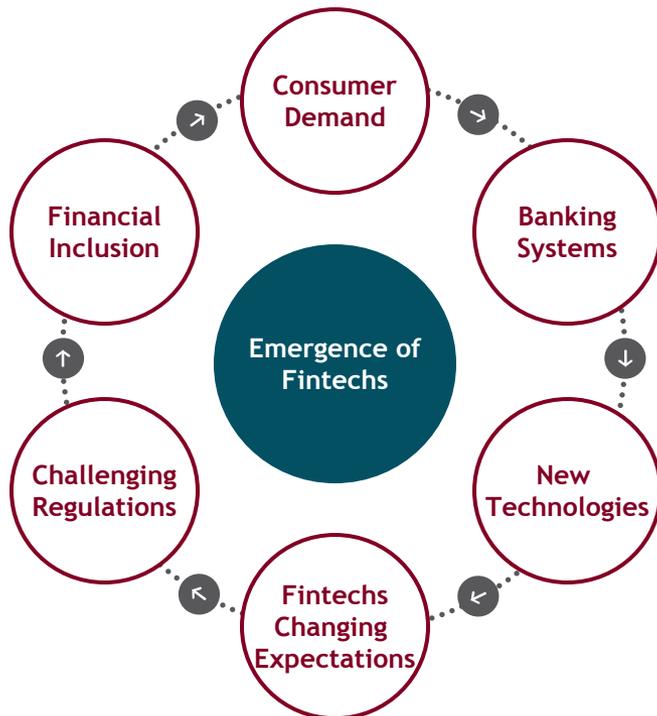
Country	Est. # Fintechs
Arg.	80+
Bra.	250+
Chi.	70+
Col.	90+
Ecu.	25+
Mex.	190+
Per.	25+

Fintech Focus	%*
Payments	24%
Lending	28%
Crowdfunding	18%
Enterprise Fin. Mngmt	11%
Personal Finances/Wealth	11%
Insurance	3%
Core Banking	2%

Not comprehensive. Illustrative

FINTECH GROWTH IS BUOYED BY SIX DRIVERS

New technologies, new regulations, new consumers, new expectations, but with uphill challenges



Consumers want a better UX



- 24/7 Last Minute Convenience
- Pay with Anything
- Transparency & Lower Costs
- Cross Border & e-Commerce

New and better technologies



- Mobile phones/New spectrums
- Internet connectivity
- Overlay Services
- Sandbox standards

Poverty Reduction



- Increase Access
- Protection
- Interoperability
- Formalization of the economy

FinTechs changing expectations



- Improve UX & Payment Systems
- Promote Interoperability
- Regional solutions
- Customer Centric

Regulation favours incumbents



- Protectionism
- Lack of Clarity
- Poor Consumer Protection
- Legacy systems

Concentrated bank market share



- Poor Options
- Lack of innovation
- Anti-risk habits
- Focus on elite consumer

TECHNOLOGY IS OFTEN IN THE FOREFRONT BUT REGULATION IS HAPHAZARD

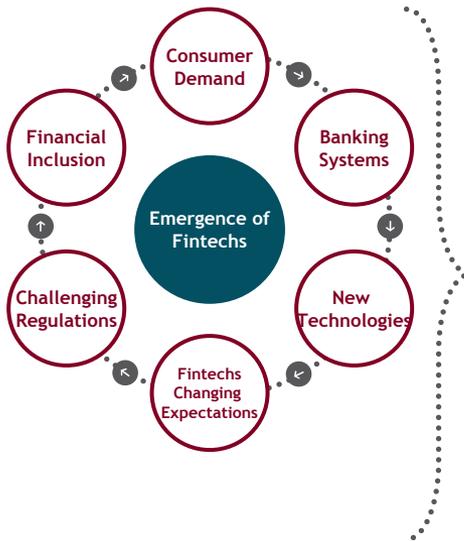


of Fintechs focused on consumer solutions feel regulation is too lax



of Fintechs focused on commercial solutions feel regulation is adequate

Primary Drivers



Convergence of Tech & Regulation

- Faster Payments
- E-invoicing
- Cash-In & Cash-to-Digital
- Mobile Payments

Effect on Fintech

Fintech Focus	Outlook
Payments	→
G2P & P2G	↗
P2P & P2M	↗
Lending	↘
Crowdfunding	↘
Enterprise Fin. Mngmt	↗
Personal Finances/Wealth	→
Insurance	→
Core Banking	↗



of Fintechs are focused on financial inclusion opportunities



Overlooked Potential

- Cross-border Commerce
- Commercial Payments
- Supply Chain Financing



FOREIGN PLAYERS OFTEN UNDERESTIMATE THE HOME COURT ADVANTAGE

Leading Latin American fintechs are mostly homegrown and resourceful

Market Constraints

40% non-banked

30% informal economy

Regulatory gaps and hurdles

Infrastructure gaps

Monopolistic incumbents

Less than **\$1.2 billion in financing**

1. Very Scruppy

- **27%** bootstrapped; only **42%** looking for investors
- **40%** reached Launch Phase with less than \$150,000 in funding
- **60%** are in two or more countries
- Raised and average of **\$3 million**

2. Experts at Navigating Shortcomings

- Local Regulations
- Acceptance for local payment tools
- Consumer purchasing behavior
- Logistics shortcomings
- Thin credit files
- Limited financing

Incumbents are stronger and have more sway over regulators.

DESPITE A HOME COURT ADVANTAGE FOR LATIN AMERICA, FOREIGN FINTECHS HAVE NUMEROUS OPPORTUNITIES

In Latin America greater focus on core financial service problems

Compared to Latam the US market is characterized by:



VS.



- Better access to investment and financing
- More availability of data
- More Co-opetition with banks and other stakeholders
- More sophisticated customers (consumers / merchants & Banks and Non-bank FIs)
- More friendly regulatory environment
- Higher consumer participation/expectations
- Lower competitive barriers

Market Opportunities

1. Investments & Acquisitions
2. Partnerships with Incumbents
3. Scale with Product Adaptation
4. Cross-border Solutions
5. Commercial Customers



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