

LatAm Fintech: Macro, Markets & Landscape

A high-level primer to support operating + investing expansion

Fall 2023 (prepared as discussion material)

Agenda & discussion goals

What we will cover (and why it matters)

- Why LatAm, why now — key macro and digital adoption context
- How the tech & venture ecosystem is evolving after the 2021 peak
- How to think about the LatAm fintech investable universe (verticals, themes, risks)
- Discussion prompts: operating entity + investing entity setup, synergy pathways, and market prioritization

I. Latin America Macro Overview

Sizing, tailwinds/headwinds, and operating context

GDP (current US\$)

~\$7.1T

GDP growth

~2%

GDP per capita

~\$10.7k

Mobile economy

~8% of GDP (2023)

Fintech platforms

2,482 (end-2021)

VC cycle

Post-2021 reset

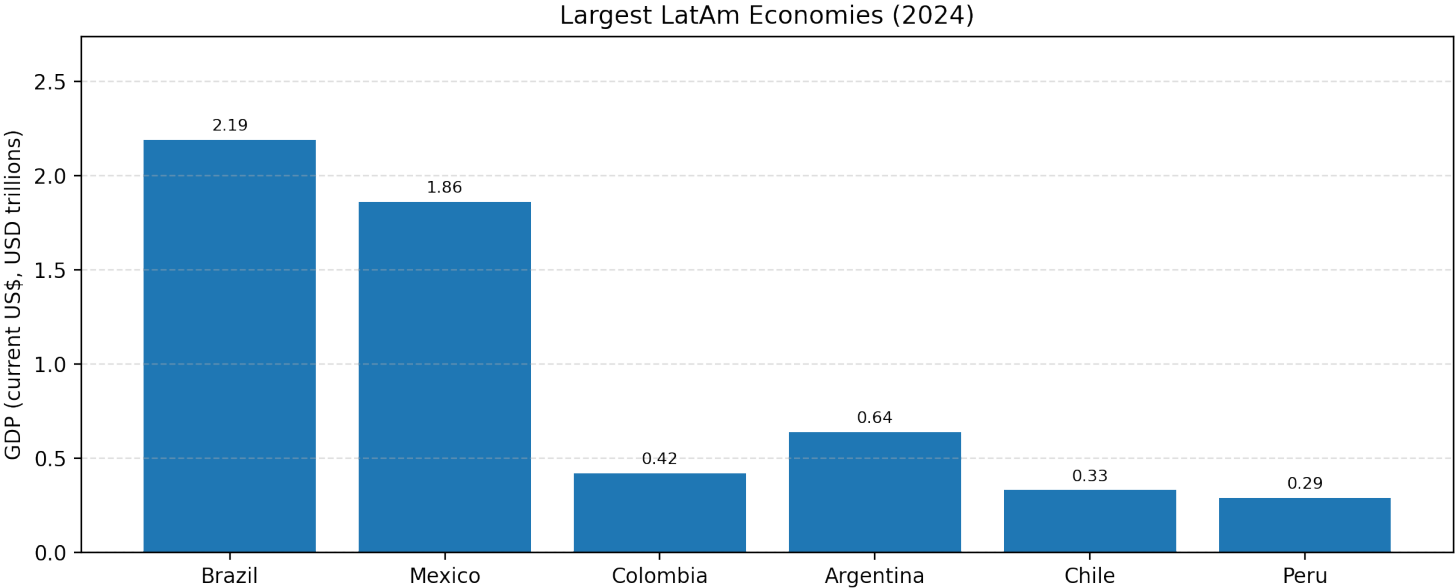
Why it matters (for a consumer internet platform)

Fintech is the monetization and retention layer for digital commerce.

Payments, identity, and fraud localization are the gating items for regional scale.



Map: Milenioscuro (CC BY-SA 3.0), Wikimedia Commons



Implications

- Scale and investor attention are heavily concentrated in Brazil + Mexico.
- Second-tier hubs (e.g., Colombia, Chile) can be attractive for talent + regulation progress.
- Operational rollouts often require separate playbooks per market (payments + risk + compliance).

Sources: World Bank country data (GDP current US\$, 2024): Brazil <https://data.worldbank.org/?locations=ZJ-BR> | Mexico <https://data.worldbank.org/?locations=MX-ZJ> | Argentina <https://data.worldbank.org/?locations=AR-ZJ> | Peru <https://data.worldbank.org/?locations=PE-ZJ> | Chile <https://data.worldbank.org/country/chile> | Colombia value listed in World Bank indicator table: <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD>
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Market snapshot (rule of thumb segmentation for go-to-market + investing)

Cluster	Markets (illustrative)	Common traits	Fintech angles
Core hubs	Brazil, Mexico	Largest TAMs; deepest capital; strong local incumbents	Payments at scale; neobanks; credit + underwriting; infra
Growth hubs	Colombia, Chile	Strong talent; smaller TAM; relatively modern regulation	B2B fintech; open finance enablers; cross-border plays
Select edge markets	Peru, Central America, Caribbean	Thesis-driven; often partner-led entry	Remittances; merchant tooling; niche infra

Note: clusters are a practical heuristic; individual country dynamics can differ materially.

Sources: World Bank GDP current US\$ (2024) for major markets: <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD>

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Structural demand drivers

Large, urban consumer base with rising digital behaviors (mobile-first commerce and payments)

High friction in financial services (fees, credit access, SME working capital) creates room for fintech

Cross-border flows (trade + remittances) and large informal economies support digitization upside

Sources of volatility / execution risk

FX and inflation volatility can compress unit economics and create balance sheet risks

Regulatory change is meaningful (payments rails, KYC/AML, consumer protection, open finance)

Political cycles and local market structure can slow product expansion or partnerships

Mobile contribution

~8% of GDP (2023)

Mobile internet growth

60%+ growth in subscribers (2014-2023)

Developer/talent

Strong remote talent pools in major hubs

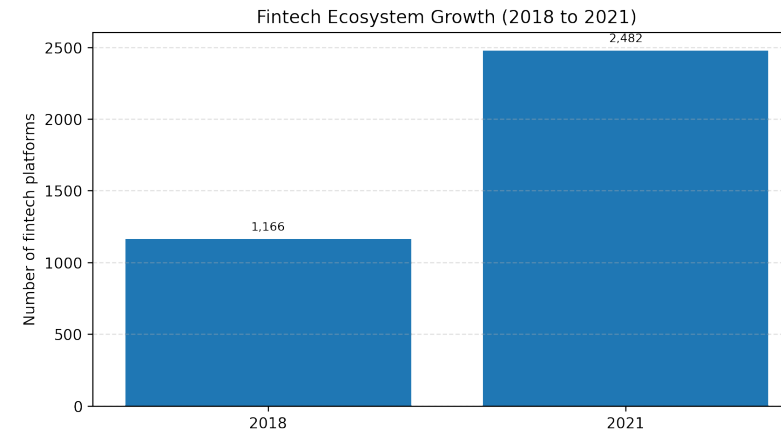
- Mobile and super-app behaviors are well established; fintech distribution often rides on commerce, social, and marketplaces
- Digital identity, fraud, and trust are core constraints (not just product UX)
- Payments rails have modernized quickly in pockets (e.g., real-time payments), enabling new business models

What is changing

A meaningful minority of adults remain unbanked; cash remains dominant in day-to-day transactions

Fintech growth is strongly linked to: (i) digital payments adoption, (ii) alternative data/underwriting, (iii) open finance

Public policy often targets payment digitization, consumer protection, and competition in financial services



Illustrative datapoints

~26% of adults in LAC did not have a bank account in 2021

Fintech platforms grew from 1,166 (2018) to 2,482 (end-2021)

- Market sequencing: lead with 1–2 core markets to build regulatory/partner muscle; expand regionally after playbook is proven
- Operating entity: product localization (payments rails, local methods, fraud), customer support, and local partnerships are decisive
- Investing entity: local sourcing + governance discipline (minority protections, reporting, FX/treasury, related-party rules)
- Compliance baseline: KYC/AML, data privacy, consumer protection, and cross-border data flows should be designed up front

So what

Treat LatAm as multiple distinct markets — harmonize the platform, but localize payments and risk.

Build a repeatable partner + acquisition funnel; do not rely only on HQ-led expansion.

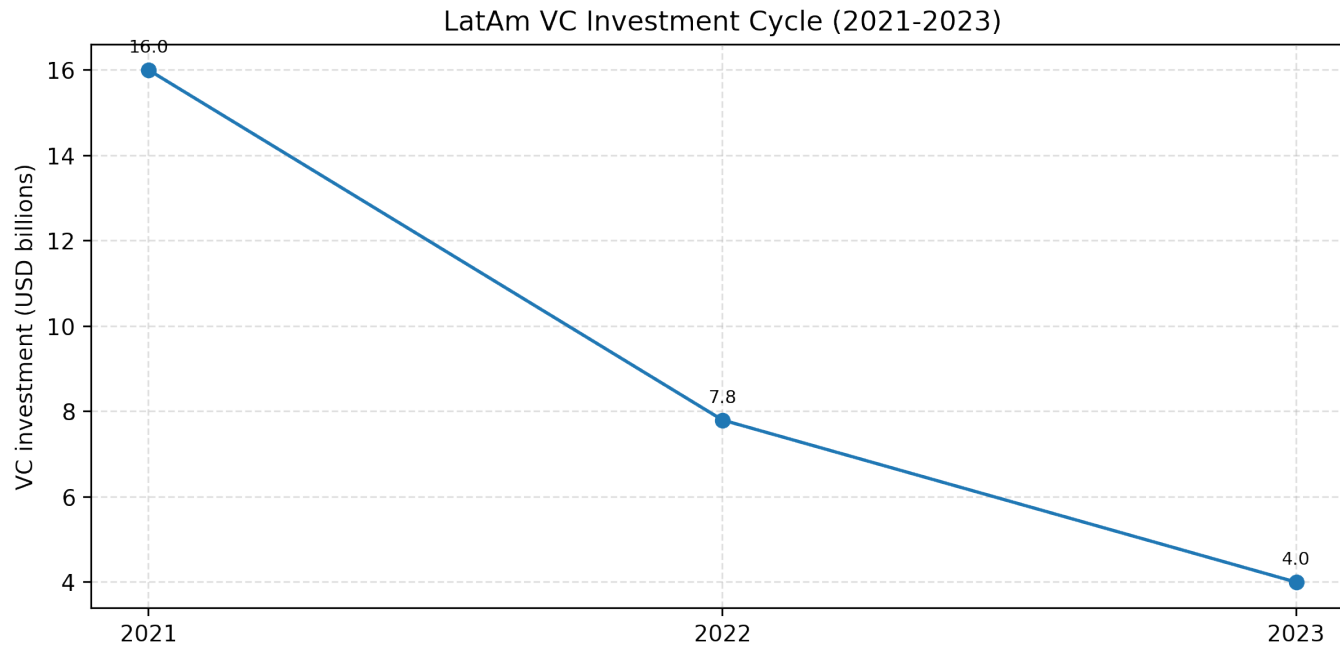
II. State of LatAm Technology & Venture Markets

Where the ecosystem is coming from — and where it is going

A scaled tech ecosystem emerged quickly (2018–2021), then reset

- LatAm produced multiple scaled consumer internet and fintech platforms, creating experienced operators and repeat founders
- The 2021 funding surge pulled forward growth; 2022–2023 emphasized efficiency, unit economics, and path to profitability
- Today's market rewards clear distribution advantage (payments/commerce ecosystems), risk management, and compliance readiness





What changed post-2021

- Deal activity shifted earlier-stage as mega-rounds became less frequent
- Valuation expectations reset, improving entry points for long-term investors
- More emphasis on sustainable growth, margins, and risk controls (especially in fintech)

- Brazil and Mexico are the primary hubs by dollars and platform scale; Colombia and Chile are meaningful second-tier hubs
- Smaller markets can produce category leaders (often cross-border first) but require sharper market selection
- Implication: a LatAm investing strategy often needs both (i) hub-based sourcing and (ii) targeted 'edge market' theses

Hub markets

Deep ecosystems, larger TAMs, more local capital
(e.g., Brazil, Mexico)

Growth hubs

Strong talent + regulation progress, smaller TAMs
(e.g., Colombia, Chile)

Select edge markets

Thesis-driven bets (e.g., Peru, Central America, Andean)

- Global growth investors pulled back post-2021; local/regional funds, strategics, and seed managers became more influential
- More use of structured rounds, venture debt, and profitability-linked narratives in fintech
- Corporates increasingly partner first (distribution/data), then invest or acquire



Seed funds



Local/Regional VC



Strategics/CVC



Venture debt



Growth capital (select)

What to expect

Strategic M&A remains the most reliable exit route; cross-border buyers matter
Public markets are available but timing and liquidity can be challenging;
dual-track thinking is common
For strategics: minority investments can be structured as 'optionality' toward
partnerships or future M&A



So what

Build a partnership and integration thesis early — it strengthens both investing and eventual M&A.
Value synergies (distribution, data, product) can be more decisive than pure financial engineering.

- Local distribution advantage: partnerships, embedded channels, or unique merchant/consumer networks
- Risk & compliance maturity: fraud controls, underwriting discipline, and regulator-ready reporting
- Governance: strong minority protections, clean cap tables, and operational reporting cadence
- Cross-border scalability: ability to expand while localizing payments, risk, and compliance

How strategics often win

Partnership-led entry: payments acceptance, wallet integrations, merchant tools, lending offers for ecosystem participants

Investing as a wedge: minority stakes in enablers (risk/fraud, payments infra, KYC/ID) and category leaders

M&A readiness: pre-negotiate integration (APIs, data sharing, compliance) to reduce friction if you later acquire

Partner → Invest → Acquire

Reduce integration risk over time

What to bring to the table

Distribution + data + product co-build (not just capital)

Cross-border operating playbook (engineering, brand, compliance, partnerships)

III. Latin America Fintech Landscape

Segments, leading themes, and investable opportunities

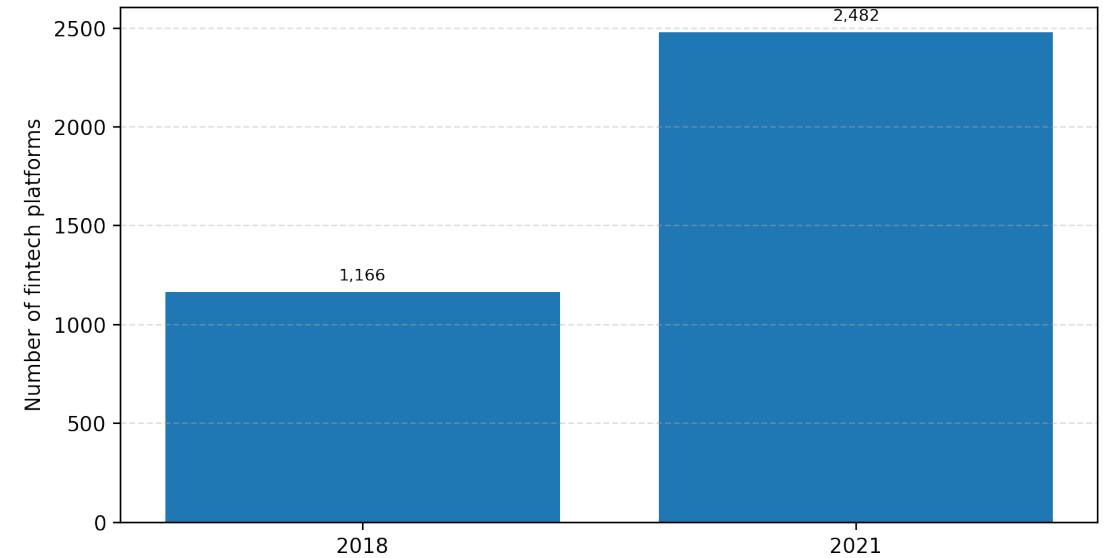
Why it compounds

Payments are the rails for digital commerce; once a user transacts digitally, adjacent financial products follow

Credit gaps (consumer + SME) create demand for alternative underwriting and embedded lending

Instant payment rails and open finance are accelerating product iteration and lowering distribution costs

Fintech Ecosystem Growth (2018 to 2021)



Operating takeaway

If you touch commerce, you will touch payments, identity, and fraud.
Fintech partners can accelerate localization.

Payments & wallets

Instant rails, cards, acquiring, merchant tools

Lending

Consumer, SME, BNPL, secured lending

Wealth

Brokerage, savings, crypto gateways, pensions

Insurance

Digital distribution, embedded cover, claims tech

Infrastructure

KYC/ID, fraud, data, compliance, APIs

B2B/Embedded

Fintech features inside platforms and SaaS

Use case: map targets by (i) regulation intensity and (ii) distribution edge (embedded vs standalone).

What matters

Key drivers: instant payments, digital wallets, card penetration, and merchant digitization

Winning models often combine: acquiring + software + working capital + risk tools (merchant lifecycle)

Watch items: interchange/fee regulation, fraud, chargebacks, and competition from incumbents and big tech

Where to look (examples)

Merchant acquiring / PSPs: regional and local leaders (varies by country)

Wallets / consumer payments: often tied to commerce ecosystems or neobanks

Payment infrastructure: real-time rails, gateways, fraud/identity

What to know

Customer acquisition can be fast in mobile-first markets, but funding costs and credit losses drive outcomes

Regulatory regimes differ (full bank license vs EMI/wallet); economics depend on product mix

Strategic angle: distribution partnerships (payroll, marketplaces, merchants) can lower CAC and improve retention

Economics levers (simplified)

- CAC ↓ via distribution
- Funding cost ↓
- Credit losses ↓
- Engagement ↑

So what

Favor platforms with a clear path to primary account status and risk discipline.

Synergies: integrate identity, payments, and loyalty to make your ecosystem 'stickier'.

- Credit gaps and thin-file consumers/SMEs create opportunity for alternative data and embedded underwriting
- Unit economics hinge on: cost of funds, collections, fraud controls, and macro (rates/inflation/FX)
- Regulatory scrutiny is common in consumer lending; transparency and affordability matter

What works

Short-duration products, tight feedback loops, diversified funding, strong collections

What breaks

Long duration + weak risk controls + FX mismatch + aggressive growth targets

- B2B fintech can monetize via software + payments + credit, with lower fraud than pure consumer plays
- Embedded finance enables platforms to offer payments, lending, and insurance as features (not standalone products)
- Categories to watch: treasury/cash management, invoicing/AP-AR automation, payroll, and SME cards

Infrastructure

KYC/ID • fraud • open finance APIs

Fintech layer

Payments • credit • insurance

Platform (commerce / SaaS)

Distribution + data

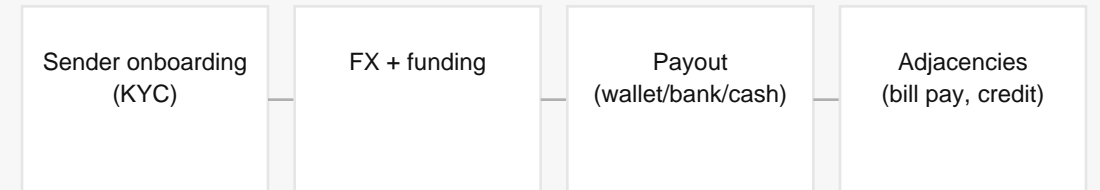
Key points

Major corridors (e.g., US → LatAm) support scale in FX, payouts, and wallet integrations

Growth levers: faster settlement, better FX transparency, and ecosystem tie-ins (bill pay, savings, credit)

Key risks: AML/sanctions screening, fraud, agent networks, and regulatory licensing

Typical flow (simplified)



- Open finance initiatives are most advanced in some markets; data access can improve underwriting and reduce switching costs
- Identity, fraud, and risk tooling are foundational across all fintech verticals
- Infrastructure plays often scale cross-border faster than regulated balance-sheet products

Investable infrastructure themes

KYC/ID verification • fraud & device intelligence • AML tooling • open finance APIs
• payment orchestration

Operating synergies

Use infra partners to accelerate localization, reduce fraud, and improve conversion

- Market selection: TAM + regulatory clarity + payments rails maturity + partnership availability + competitive intensity
- Investment filters: distribution advantage, risk/compliance maturity, unit economics, and cross-border scalability
- Synergy score: does the target improve your ecosystem conversion, retention, monetization, or risk controls?

Common pitfalls

Over-indexing on 'LatAm as one market' • underestimating localization • weak governance controls • FX mismatch

What wins

Local partnerships • strong risk & compliance • repeatable playbooks • disciplined capital allocation

Takeaways

Sequence markets: pick a core beachhead, then expand regionally once the payments + risk playbook works

Combine operating + investing: use partnerships and minority stakes to learn, build distribution, and create options

Focus fintech where your ecosystem has natural adjacency: payments/merchant tools, fraud/identity, embedded credit, and cross-border

Set up a repeatable governance and diligence process that is 'LatAm-ready' from day one

Discussion prompts

Which 1–2 markets are the highest priority based on your existing user/merchant footprint?

What synergy wedges can we test in 90 days (payments method, wallet integration, merchant offer, credit offer)?

Where do we want to invest for enablement vs invest for category ownership?

Primary public sources used in this deck:

- World Bank Data (LAC macro; country GDP): <https://data.worldbank.org/country/latin-america-and-caribbean>
- World Bank Data — GDP indicator: <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD>
- LAVCA — 2023 Trends in Tech (2022 data): <https://www.lavca.org/research/2023-lavca-trends-in-tech/>
- LAVCA-based 2023 commentary: <https://serebrisky.com/2024/03/03/the-venture-capital-climate-in-2023-latin-americas-market-correction/>
- IDB / IDB Invest / Finnovista — Fintech ecosystem report (2022): <https://publications.iadb.org/en/fintech-latin-america-and-caribbean-consolidated-ecosystem-recovery>
- GSMA — Mobile Economy LatAm 2024: <https://www.gsma.com/solutions-and-impact/connectivity-for-good/mobile-economy/latam-2024/>
- IDB Invest blog — digital payments & inclusion: <https://www.idbinvest.org/en/blog/financial-institutions/using-digital-payments-push-financial-inclusion>
- Map asset (CC BY-SA 3.0): https://commons.wikimedia.org/wiki/File:Latam_blank.png

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