Mexican
VC Opportunity

AMEXCAP®

The Beginning of The Beginning

Before the beginning of the beginning
August 2020

During the early years of the past decade frustration was the common sentiment in what was, at the time, the nascent Mexican VC ecosystem. No high-flying startups, no prestigious rounds, no founder role-models, no exits (of course) …just a bit of noise, a lot of government grants, lots of optimistic forecasts, and a good dose of (naïve) hope.

All the key players in the VC scene were aiming for the same goal. Nonetheless, the goal was so fragile you could barely say it without sounding crazy: The true empowerment and democratization of Mexico's talent necessary to build a new (and better) social economy.

We are all seeking to build a system capable of achieving the former. We needed bold leaders, talented teams, incubators and accelerators, angel investors, venture capitalists, limited partners, support organizations, modern laws and lawyers, internet and smartphone penetration, credit card penetration, (a lot of) consumers willing to try something new… just to name a few. And finally, we needed all to happen more or less at the same time.

And suddenly, it started to happen…

Well, not "suddenly". There were several critical events along the way to help push this through. Just to name a few: Endeavor, The creation of the "SAPI", Uber's bombastic launch in Mexico City validating the unsuspecting importance of VC, the INADEM, AMEXCAP, Linio and Groupon (and its respective "mafias"), 500 Startups, YCombinator's "Latam-ification", the rise of the "mentorship" concept, among many, many other factors.

The beginning of the beginning

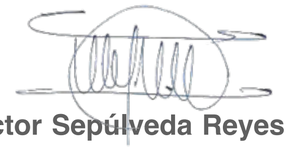
We clearly saw how talented individuals, Mexican and foreign, began to grasp the opportunity. They started building better products and services aimed at transforming Mexico's most relevant industries; Venture Capital became their main enabler.

Key factors for this were fast-paced learning, international peer information and unparallel founder sophistication resulting in powerful companies accomplishing hypergrowth while achieving stunning capital efficiencies. Serious numbers started to pop-up on investor updates. An unsuspected presence (of these startups) appeared on the web and on the street. More and more talent flocked towards these companies, towards the system.

Founders were in need of more capital to fuel growth and commenced looking abroad; they started pitching in the US, in Europe, in China. Word got out. Local VC-Funds matured and international late-stage players arrived. Exits started to happen and returns began to materialize. Seasoned founders started to "pay it forward", becoming angel investors and mentors for up-and-coming entrepreneurs. Former key employees became promising future leaders. A vast amount of novel high-quality startups were launched.

It took just over 15 years to arrive at the beginning.

This is just getting started.



Héctor Sepúlveda Reyes Retana, Cofounder and Managing Partner at Mountain Nazca

Message

This report provides an overview of the Venture Capital (VC) funds investing in Mexico since 2013 through December 2019 and companies invested in the same time frame.

The statistics presented here are drawn from AMEXCAP´s funds, public sources and transaction database. The main data sources used were: press-releases, trade publications, AMEXCAP communication with industry participants and members.

This initiative endorses public interest in the Private Equity (PE) Industry in Mexico, which has been operating for 30 years by now, through promotion of the valuable data we analyze.

THE REINVENTION OF EVERY INDUSTRY IN MEXICO HAS BEGUN.

All enabling factors needed for a digital and tech transformation in Mexico and Spanish-speaking Latin America are in place:

Infrastructure
Smartphone, credit card penetration, etc.

Talent
Highly driven, skillful and experienced local and international founders

Capital
Incubators, accelerators, corporate, early-stage and late-stage venture capital firms

Consumer Behavior
B2C and B2B willingness to consume new products and services

VENTURE CAPITAL FIRMS ARE FUELING ITS INCEPTION AND GROWTH

Local emerging VC firms as well as renowned international late-stage firms are providing the required capital for startups to thrive.

86.6% CAGR
VC investment growth in Mexico 2013-2019

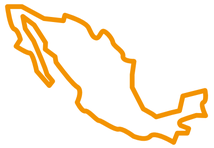
4.2x
VC investment increase in Mexico from 2018 to 2019

9 out of 10
top late stage VC firms are now active in Mexico and Spanish-speaking Latam. (i.e. Sequoia, Andreesen, Softbank, General Atlantic, GGV, Accel, etc.)

Why?

Overview

Why Mexico? Why Now?



Why Mexico?

- Mexico represents a 2.4B a year venture capital opportunity
- Mexico has positioned itself as the “Startup Hub” for Spanish speaking Latin America, a gateway to the rest of the market
- Talent is outstanding. Founders are experienced individuals with clear visions and greater empathy towards stakeholders

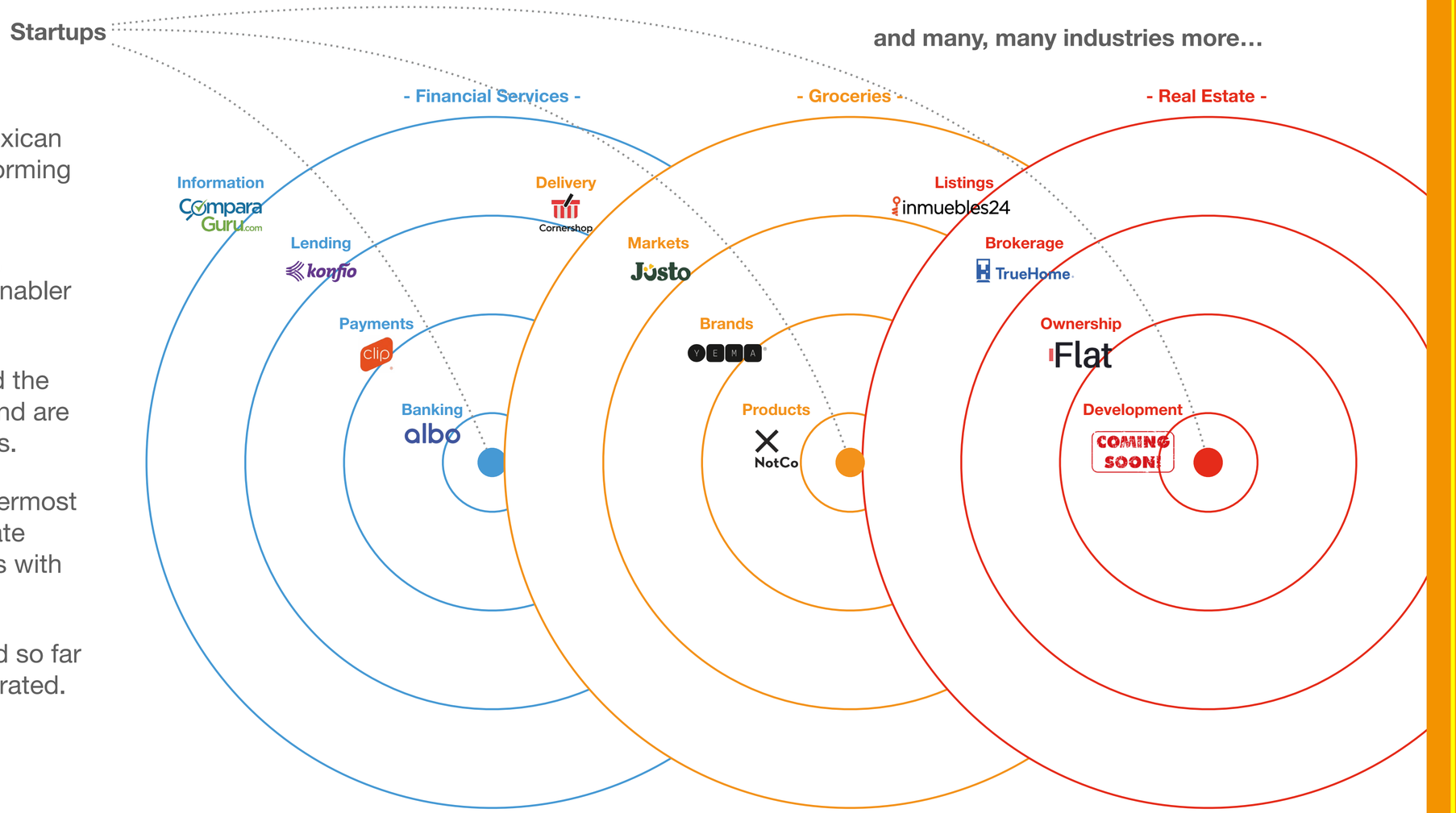
Why Now?

- Mexico recorded a +700M Venture Capital influx in 2019, a 42x increase from 2013.
- Only a handful of Mexico’s largest industries have been touched by Startups. They are just getting started.
- Critical infrastructure as well as consumer behavior are primed for Startups’ products and services
- Many experienced early-stage VCs as well as several renowned late-stage VCs are now active in the market

Why Mexico? Why Now?

Startups are beginning to penetrate and transform the largest industries in Mexico. They're just getting started.

- Like other geographies before them, Mexican Tech Startups are identifying and transforming their most relevant industries.
- And like other geographies before them, Venture Capital is and will be the main enabler of their journey.
- Additionally, Mexican founders have had the visibility of international peer-learning, and are perfecting locally in their own companies.
- Startups initiate by transforming the outermost layers of each industry and then penetrate further, creating very relevant companies with increased barriers of entry.
- Only a few industries have been touched so far and even fewer have been deeply penetrated. They're just getting started.



Why Mexico? Why Now?

Venture Capital grew 42x since 2013. The most relevant Late Stage VC Firms are entering.

Most Relevant Transactions of VC-backed Companies in Mexico

2013	2014	2015	2016	2017	2018	2019
clip Seed 3.2M	CONEKTA Seed 2.0M	clip Series A 13.2M	kueski Series A 14.3M	clip Series B 37.5M	konfio Series C 25M	konfio Series D 100M
		kubo financiero Series A 9.2M	konfio Series A 8.0M	Cornershop Series B 21M	GAIA Series B 10M	clip Series C 100M
		bright Seed 5.6M	KAVAK Seed 3.2M	Credijusto Series A 11M	grin Series A 45.8M	KAVAK Series B 162M
				urbvan transit Seed 2.9M	KAVAK Series A 10M	Credijusto Series B 42M
					sofía Seed 5.4M	albo Series A 26.4M
						Justo Seed 9.3M

Entry of Relevant Late-Stage Venture Capital Firms in Mexico

2013	2014	2015	2016	2017	2018	2019
			Accel	GENERAL ATLANTIC	GGVCAPITAL	SoftBank
					SEQUOIA	GREENOAKS
						ANDREESSEN HOROWITZ
						DST GLOBAL
						VALAR

Venture Capital Invested in Mexico (USD millions) - equity only (no debt)

2013	2014	2015	2016	2017	2018	2019
16.9	15.1	67.8	49.5	147.2	170.5	717.6

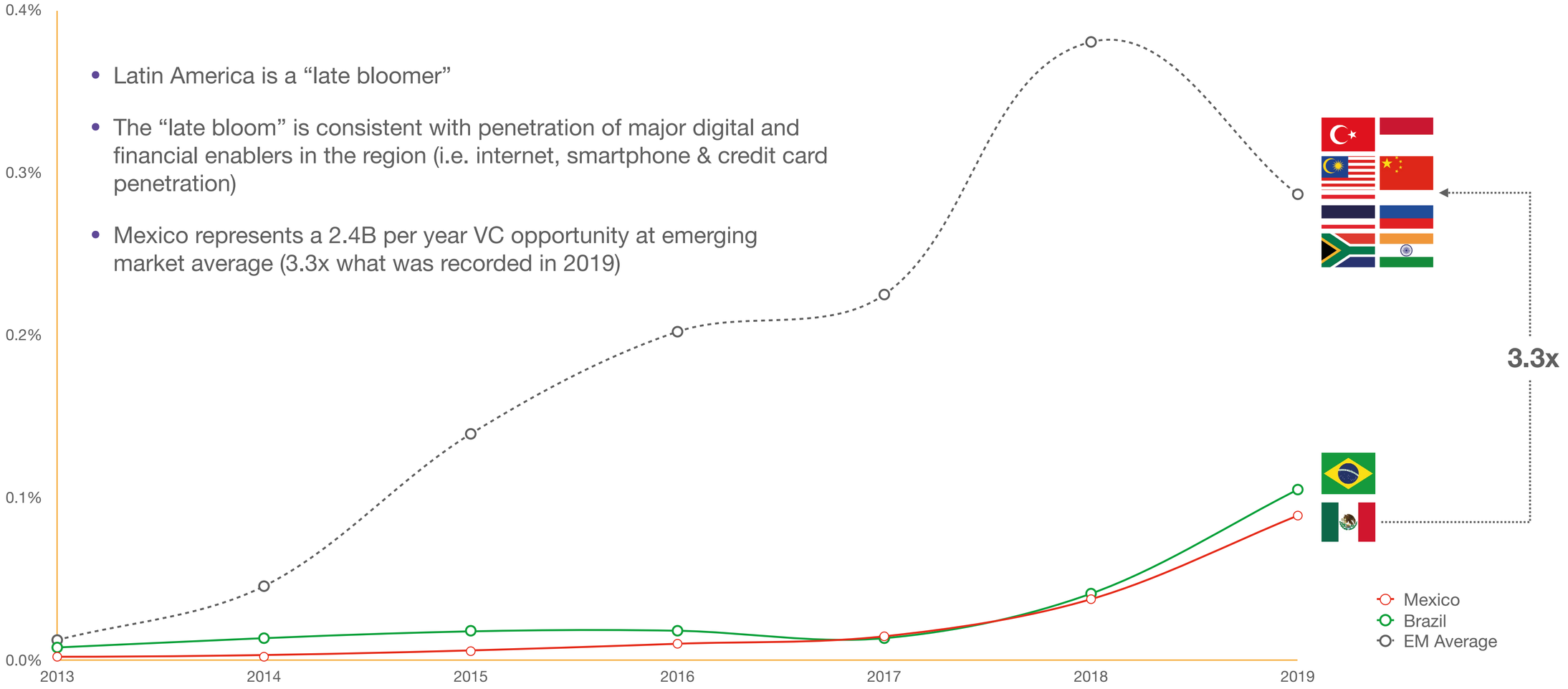
Source: Pitchbook Data | Adjusted through individual confirmations with most VC firms and companies

Why Mexico? Why Now?

Nonetheless, Mexico and Latin America have substantial growth ahead.

Venture Capital Investment as % of GDP in top 10 emerging markets.

- Latin America is a “late bloomer”
- The “late bloom” is consistent with penetration of major digital and financial enablers in the region (i.e. internet, smartphone & credit card penetration)
- Mexico represents a 2.4B per year VC opportunity at emerging market average (3.3x what was recorded in 2019)



Source: Pitchbook Data & World Bank
EMs include: China, Indonesia, Malaysia, Thailand, Turkey, South Africa, india and Russia

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Why Mexico? Why Now?

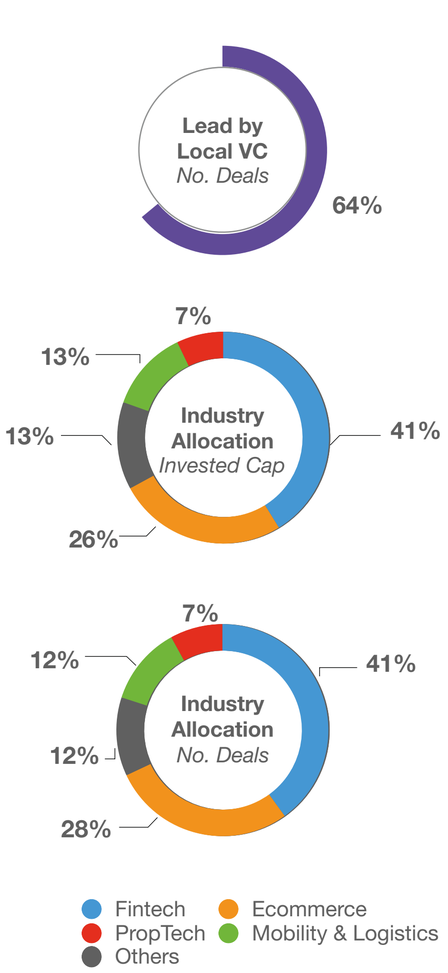
Seed capital influx in 2019 matches all previous years combined. Fintech & Ecommerce, the most active verticals.

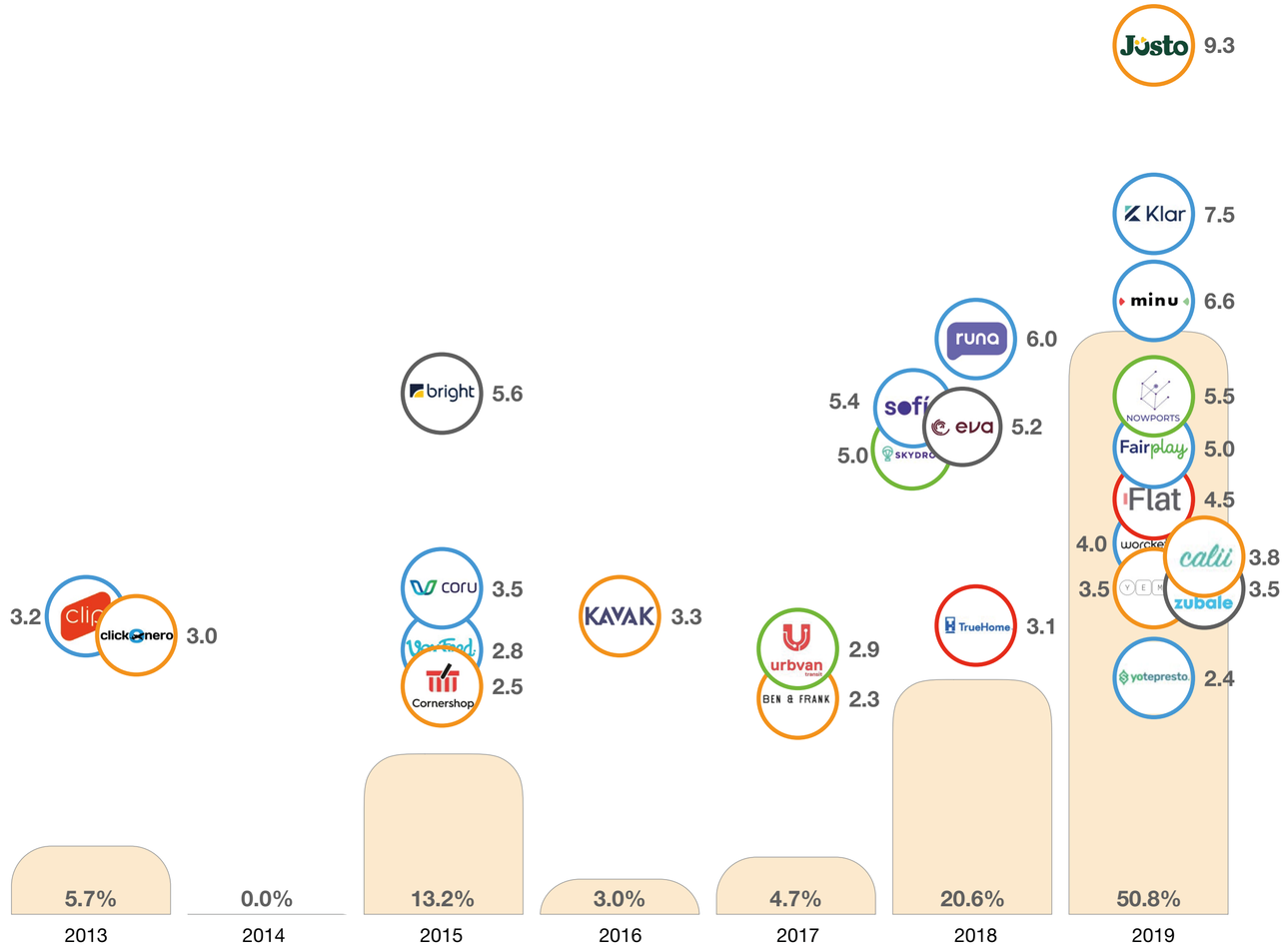
Top 25 Seed Rounds in Mexico (2013 - 2019)*

Rank	Company	Seed	Year
1	Jüsto	9.3	2019
2	Klar	7.5	2019
3	minu	6.6	2019
4	runa	6.0	2018
5	bright	5.6	2015
6	NOWPORTS	5.5	2019
7	sofía	5.4	2018
8	eva	5.2	2018
9	SKYDROP	5.0	2018
10	Fairplay	5.0	2019
11	Flat	4.5	2019
12	worcket	4.0	2019
13	calii	3.8	2019
14	coru	3.5	2015
15	zubale	3.5	2019
16	YEMA	3.5	2019
17	KAVAK	3.3	2016
18	clip	3.2	2013
19	TrueHome	3.1	2018
20	clicknero	3.0	2013
21	urbvan transit	2.9	2017
22	VexFeed	2.8	2015
23	Cornershop	2.5	2015
24	yotepresto	2.4	2019
25	BEN & FRANK	2.3	2017

Venture Capital Invested in Mexico (USD millions)

Seed Round Statistics and Dynamics





Source: Pitchbook Data | Adjusted through individual confirmations with most VC firms and companies

Why Mexico? Why Now?

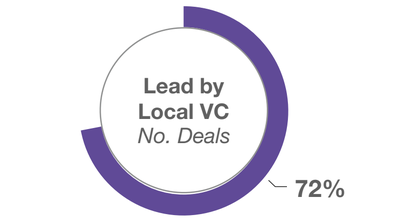
27% of all Series A capital influx came in 2019. Time to Series A has been cut by half.

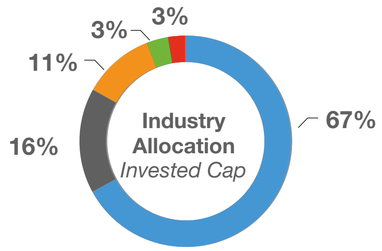
Top 25 Series A Rounds in Mexico (2013 - 2019)*

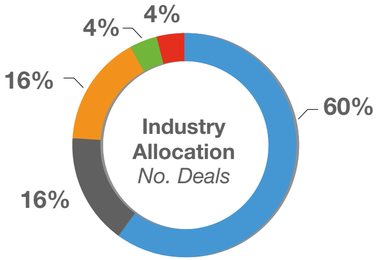
Rank	Company	Series A	Year
1	grin	45.8	2018
2	albo	26.4	2019
3	runa	18.0	2019
4	kueski	14.3	2016
5	clip	13.2	2015
6	Credijusto	11.0	2017
7	KAVAK	10.0	2018
8	bright	9.8	2017
9	kubo financiero	9.2	2015
10	urbvan transit	9.0	2019
11	yalo	8.1	2018
12	konfío	8.0	2016
13	coru	7.0	2017
14	TrueHome	7.0	2019
15	airtm	7.0	2018
16	Médicos SantaCarmen	7.0	2015
17	BEN & FRANK	6.8	2019
18	Cornershop	6.7	2016
19	CONEKTA	6.6	2016
20	CapitalTech	6.5	2015
21	Xertica	6.5	2018
22	undostres	6.5	2018
23	ePesos	6.0	2017
24	Luuna	5.7	2017
25	visor	5.6	2019

Venture Capital Invested in Mexico (USD millions)

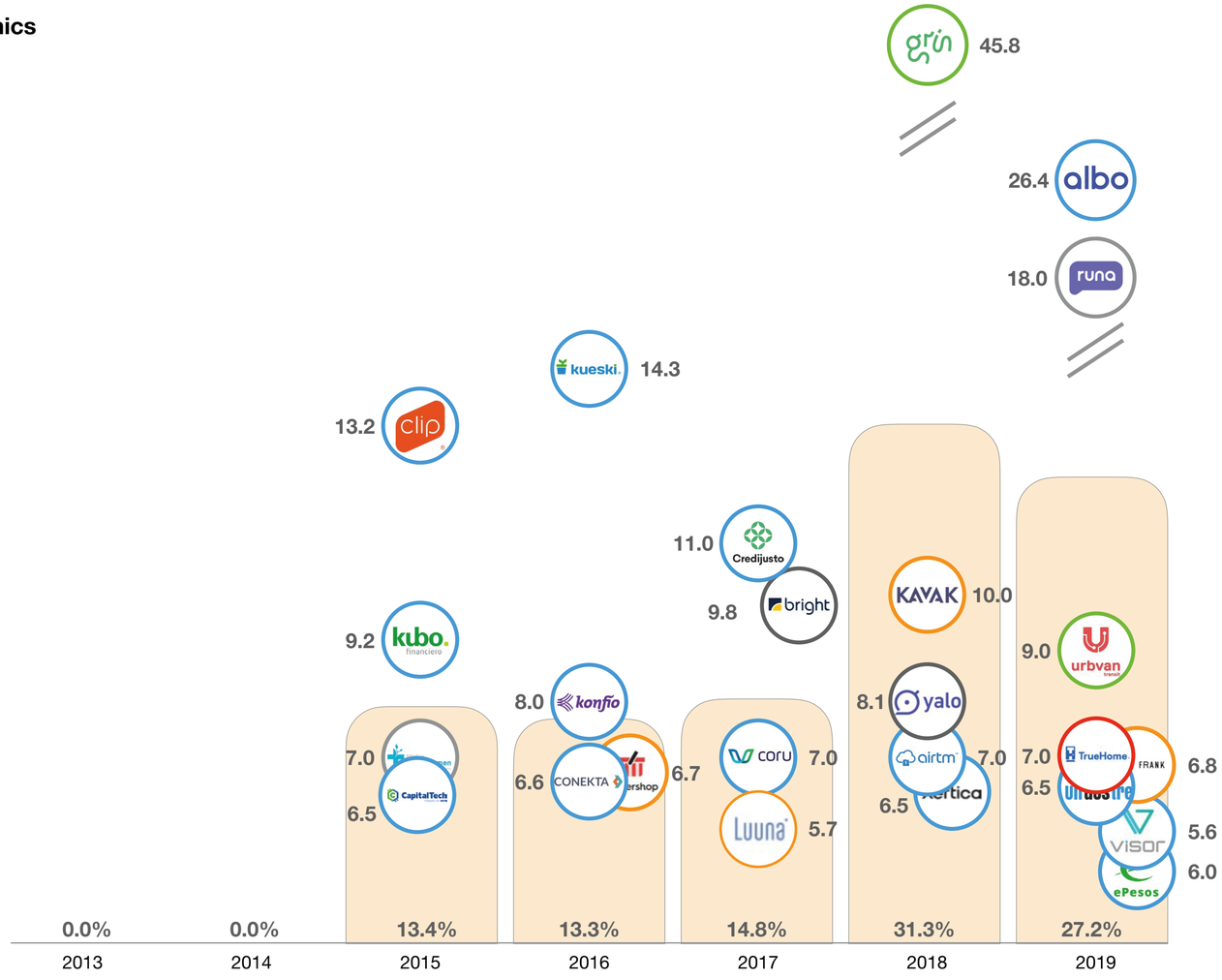
Series A Round Statistics and Dynamics







Fintech
PropTech
Others
Ecommerce
Mobility & Logistics

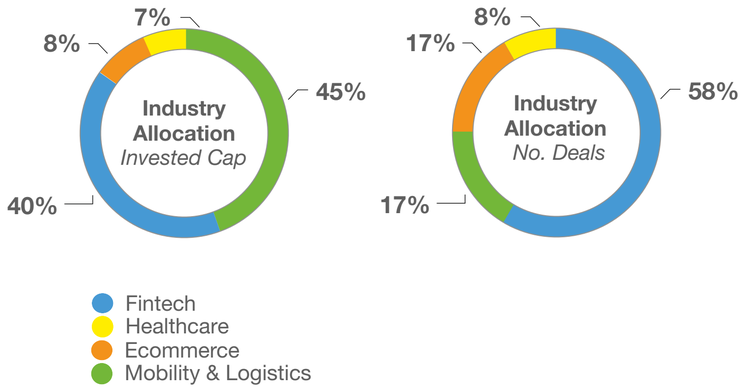


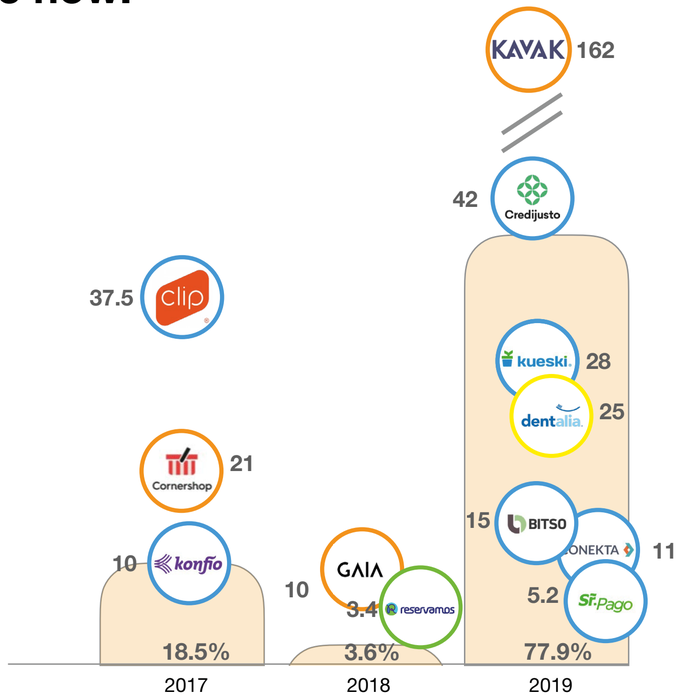
Source: Pitchbook Data | Adjusted through individual confirmations with most VC firms and companies

Why Mexico? Why Now?

Series B & Late VC capital influx came now.

Series B Round Statistics and Dynamics

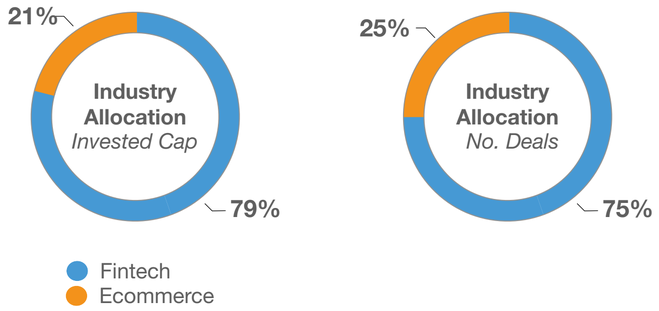


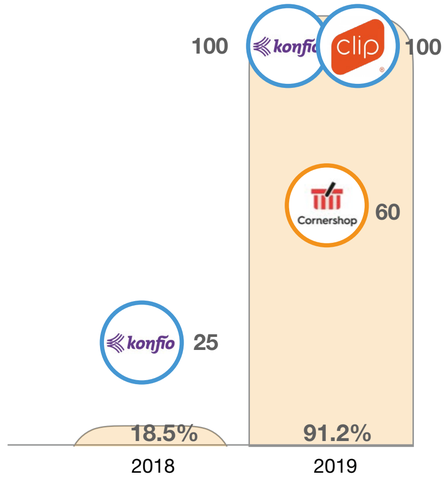


Lead local VC Series B Rounds in Mexico (2017 - 2019)*

Rank	Company	Series B	Year
1	KAVAK	162.0	2019
2	Credijusto	42.0	2019
3	clip	37.5	2017
4	kueski.	28.0	2019
5	dentalia.	25.0	2019
6	Cornershop	21.0	2017
7	BITSO	15.0	2019
8	CONEKTA	11.0	2019
9	konfío	10.0	2017
10	GAIA	10.0	2018
11	SF.Pago	5.2	2019
12	reservamos	3.4	2018

Series C & D Round Statistics and Dynamics





Lead local VC Series C & D Rounds in Mexico (2018 - 2019)*

Rank	Company	Series C&D	Year
1	clip	100.0	2019
2	konfío	100.0	2019
3	Cornershop	60.0	2019
4	konfío	25.0	2018

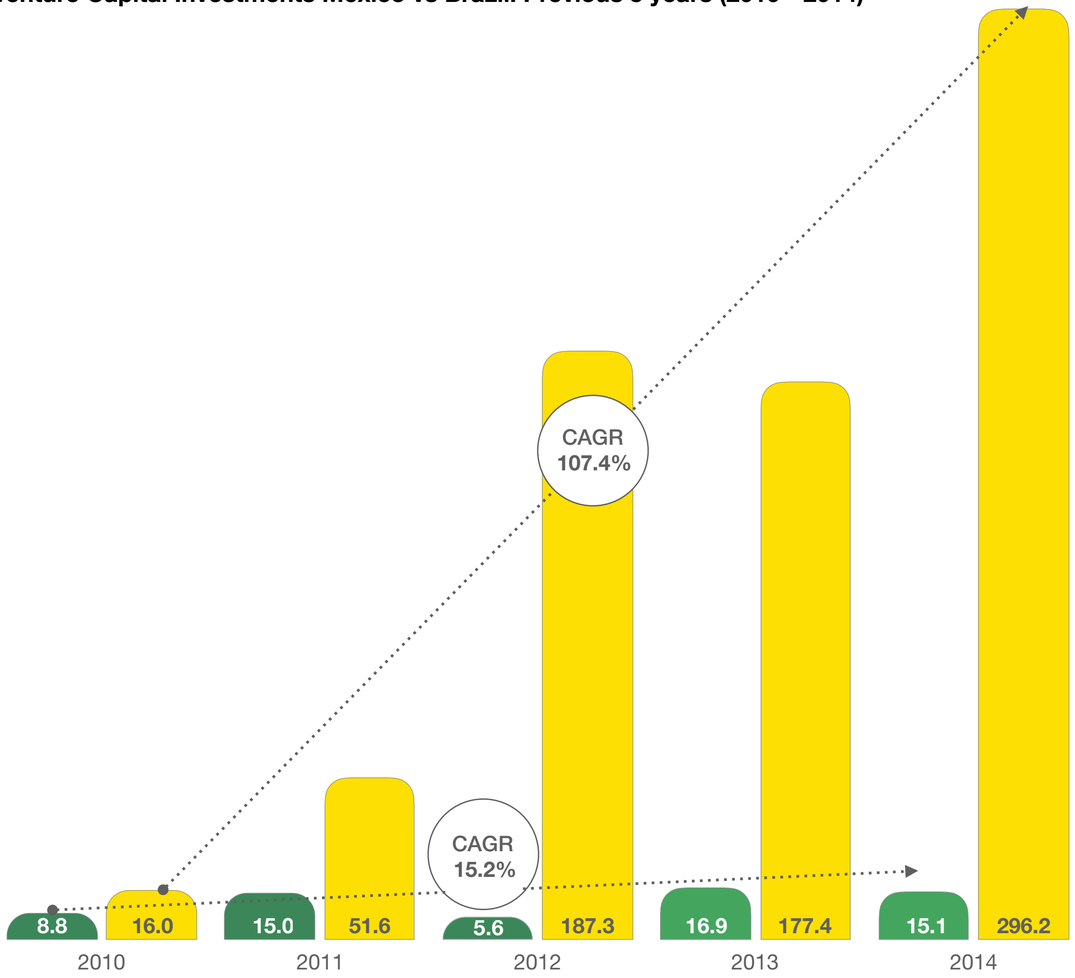
Venture Capital Invested in Mexico (USD millions)

Brazil vs Mexico

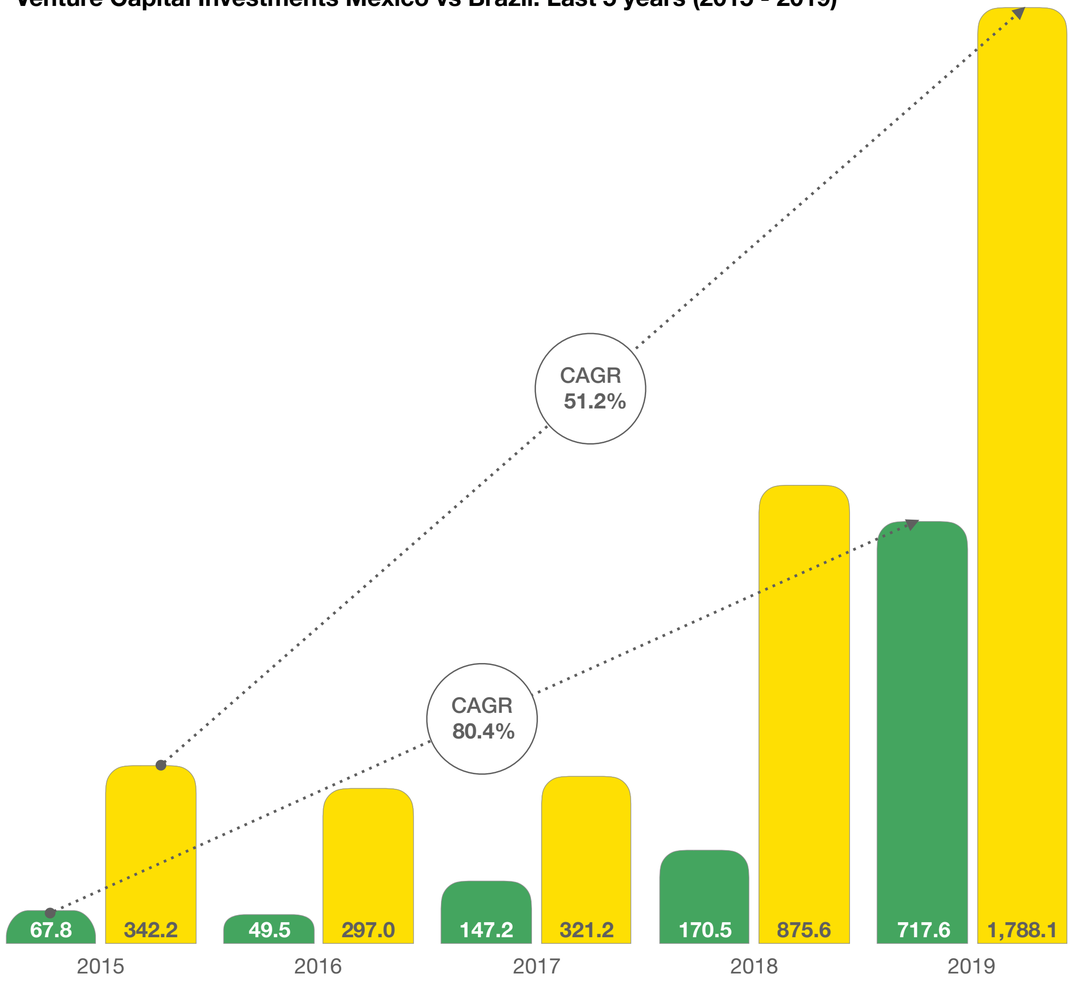
Why Mexico? Why Now?

Brazil adopted first and Mexico is clearly catching up in recent years.

Venture Capital Investments Mexico vs Brazil: Previous 5 years (2010 - 2014)*



Venture Capital Investments Mexico vs Brazil: Last 5 years (2015 - 2019)*



*Venture Capital Invested (USD millions)

Mexico Brazil

Source: Pitchbook Data | Adjusted through individual confirmations with most VC firms and companies

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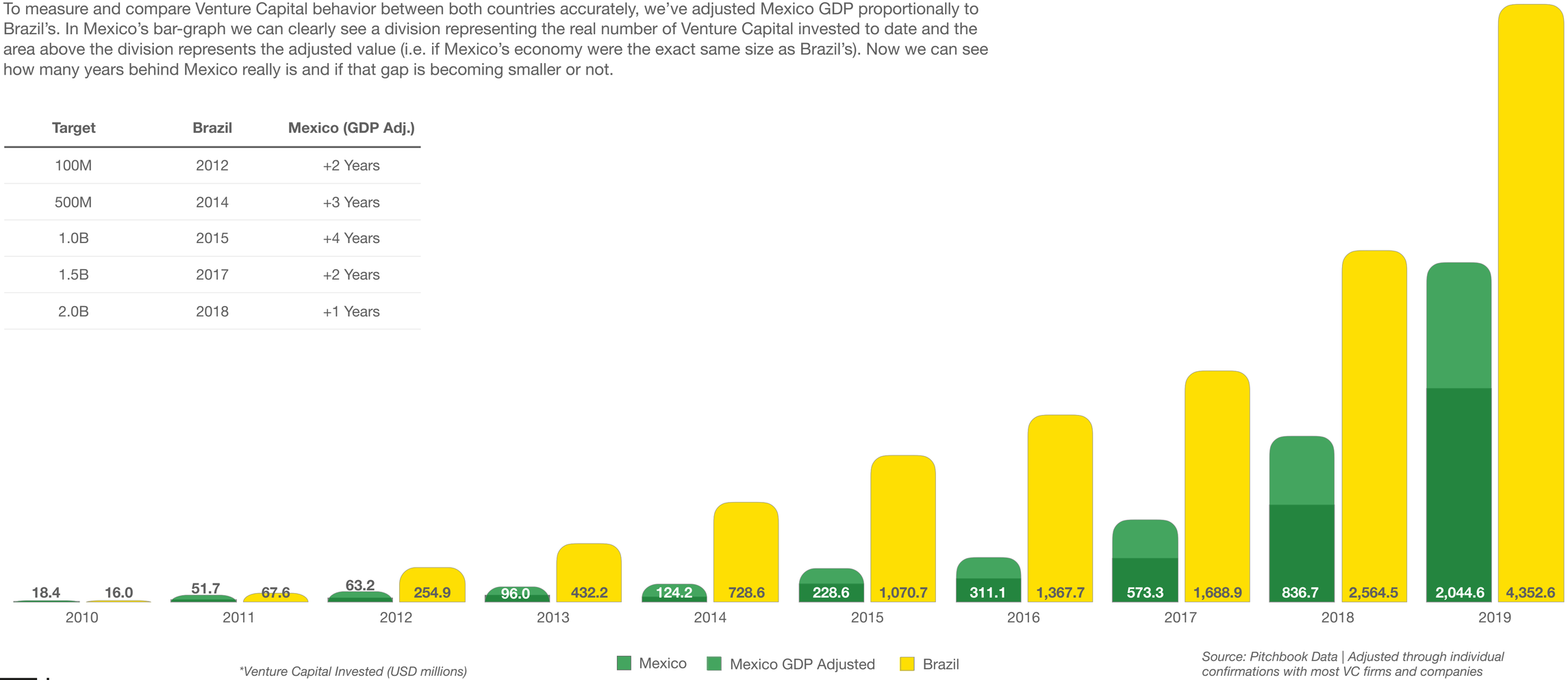
Why Mexico? Why Now?

Brazil took a 3-year advantage over Mexico. By 2019, it has been reduced to just 1-year.

Accumulated Venture Capital Invested In Brazil and Mexico (Adjusted to GDP)*

To measure and compare Venture Capital behavior between both countries accurately, we've adjusted Mexico GDP proportionally to Brazil's. In Mexico's bar-graph we can clearly see a division representing the real number of Venture Capital invested to date and the area above the division represents the adjusted value (i.e. if Mexico's economy were the exact same size as Brazil's). Now we can see how many years behind Mexico really is and if that gap is becoming smaller or not.

Target	Brazil	Mexico (GDP Adj.)
100M	2012	+2 Years
500M	2014	+3 Years
1.0B	2015	+4 Years
1.5B	2017	+2 Years
2.0B	2018	+1 Years



*Venture Capital Invested (USD millions)

Source: Pitchbook Data | Adjusted through individual confirmations with most VC firms and companies

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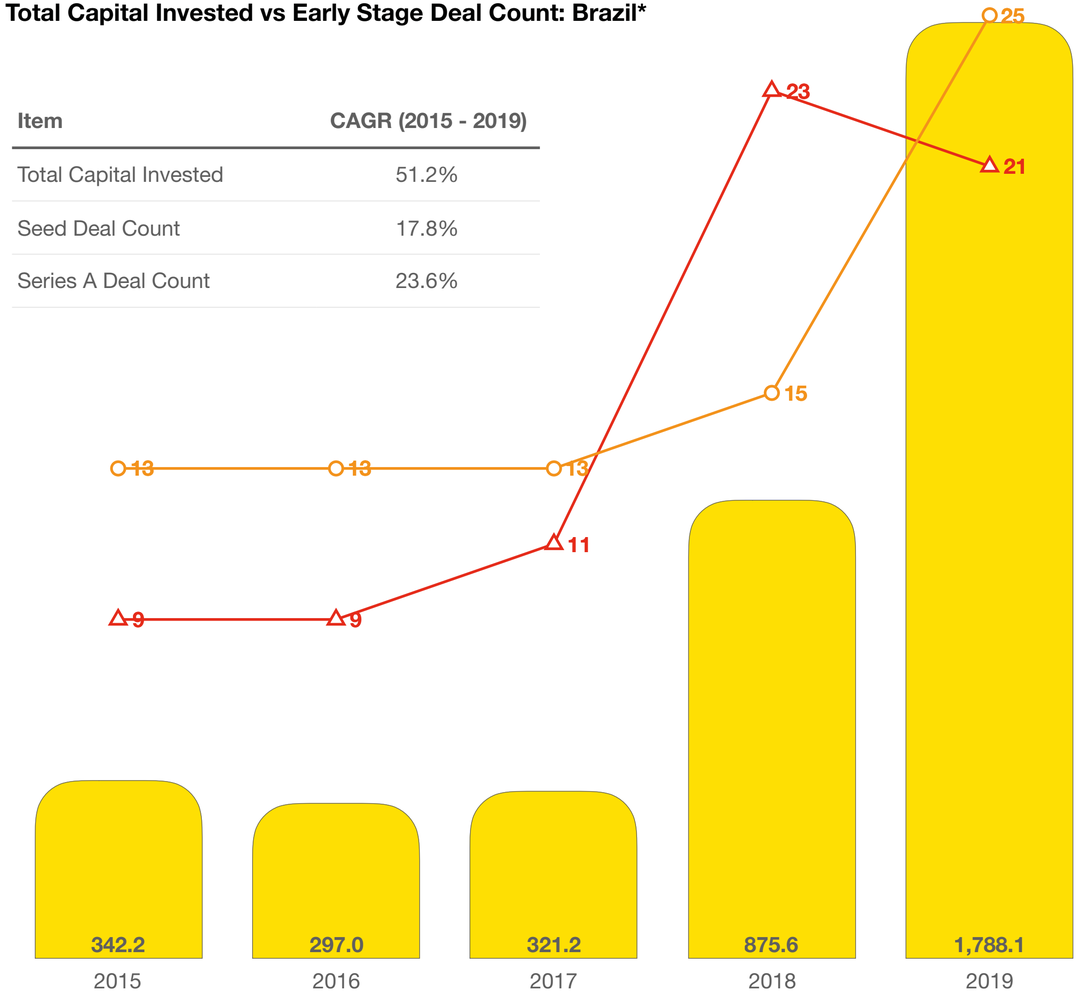
Why Mexico? Why Now?

However, Mexico is recording a lag in early stage deal growth, inconsistent with overall VC investment growth

Total Capital Invested vs Early Stage Deal Count: Brazil*

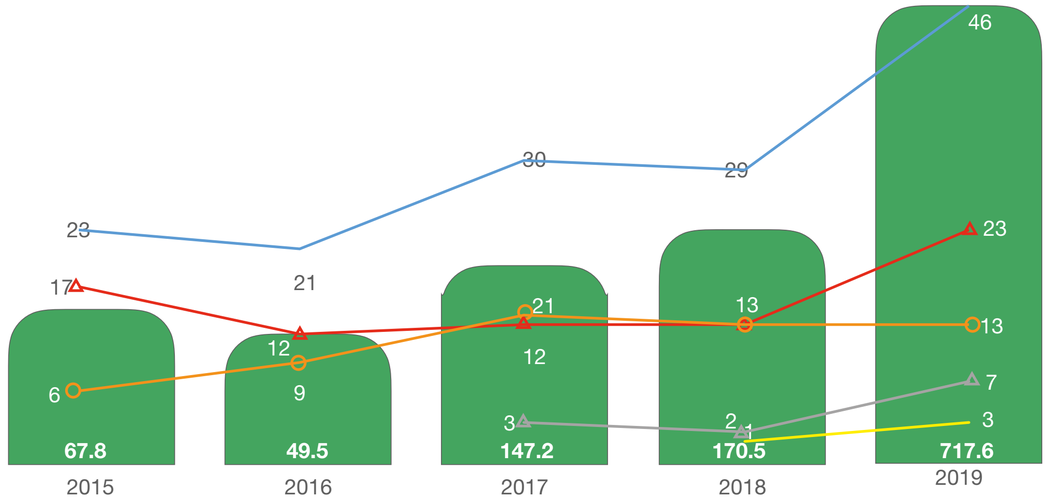
Item	CAGR (2015 - 2019)
Total Capital Invested	51.2%
Seed Deal Count	17.8%
Series A Deal Count	23.6%



Venture Capital Invested (USD millions)

Total Capital Invested vs Deal Count: Mexico*

Item	CAGR (2015 - 2019)	
Total Capital Invested	80.4%	
Deal Count Seed	7.8%	
Deal Count Series A	21.3%	
Deal Count Series B	52.8%	*3 year CAGR
Deal Count Total	18.9%	



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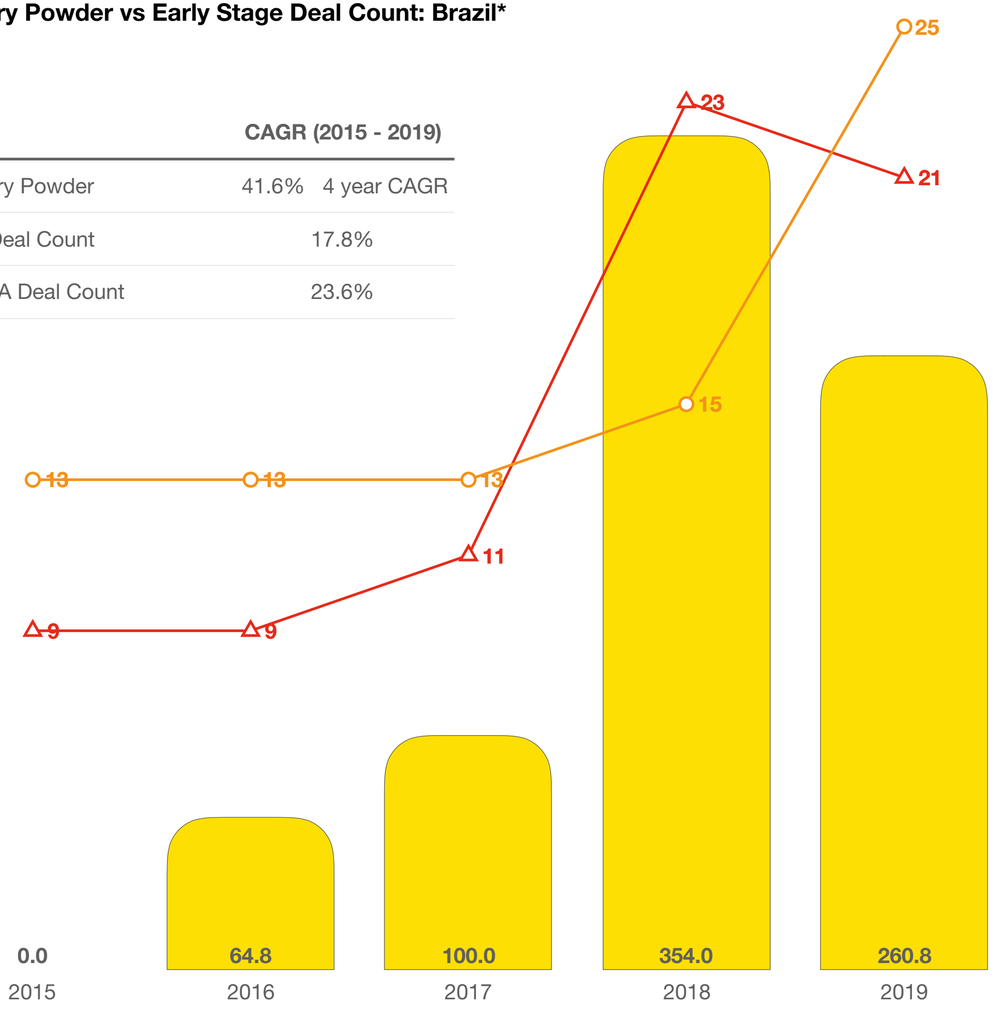
AMEXCAP®

Why Mexico? Why Now?

However, Mexico is recording a lag in early stage deal growth, inconsistent with overall VC investment growth

New Dry Powder vs Early Stage Deal Count: Brazil*

Item	CAGR (2015 - 2019)
New Dry Powder	41.6% 4 year CAGR
Seed Deal Count	17.8%
Series A Deal Count	23.6%



Venture Capital Invested (USD millions)

Total Capital Invested vs Deal Count: Mexico*

Item	CAGR (2015 - 2019)	
New Dry Powder	11.5%	
Deal Count Seed	7.8%	
Deal Count Series A	21.3%	
Deal Count Series B	52.8%	*3 year CAGR
Deal Count Total	18.9%	

Source: Pitchbook Data | Adjusted through individual confirmations with most VC firms and companies

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Conclusions

1. Mexico’s outstanding growth in Venture Capital Investments is mainly driven by the late stage rounds.
2. Mexico’s growth in early stage deal count is much more consistent with the growth of available capital for local VCs (dry powder).
3. Mexico is not creating a base of late stage opportunities fast enough and must revert on this trend to capitalize on the attractiveness of its market.

AMEXCAP Member´s

Any discrepancies between the aggregate statistics published by AMEXCAP and the constituent data files can be attributed to confidential information that has been omitted from public reporting. Data may have some adjustments year over year, this is due mainly to more public information from historic investments and capital raised from funds that have not been tracked before.

Note: All materials contained in this document were prepared by AMEXCAP and are made for the use of members of the association and organizations engaged in the private equity industry.
Disclaimer: This information is intended to provide an indication of industry activity based on the best information available from public and proprietary sources. AMEXCAP has taken measures to validate the information presented herein but cannot guarantee the ultimate accuracy or completeness of the data provided. AMEXCAP is not responsible for any decision made or action taken based on information drawn from this report.

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Thank-you Note

In the AMEXCAP we want to highlight and thank the leadership of Mountain Nazca, ALLVP Venture Partners, Cometa, Dila Capital, Angel Ventures, IGNIA, Dalus Capital, Fiinlab and other Fund Managers in carrying out this study. Their effort is bearing fruit as today we are publishing a document that will undoubtedly become a reference for everyone who wants to know the potential of the Venture Capital Industry in Mexico. We are proud of the tenacity and vision in the VC sector, as well as the sense of community that characterizes the VC ecosystem in the our country.

Mexico has more than 120 million inhabitants with around 70% having access to internet and a mobile phone. Many sectors are developing fast, such as access to credit, consumer services, urban mobility among others. This study showcases the infrastructure, potential market and other enabling factors required for a digital and technological transformation with enough maturity to be potential catalysts for the VC Industry.

Additionally, the country has motivated, skilled and experienced entrepreneurs, Venture Capital Manager Funds focused on early and late stages, as well as a growing corporate interest in Corporate Venture Capital. There is also a market with the need and willingness to try new products and services. All of which is positioning Mexico as a reference for the development of the VC Industry in Latin America, being an important promoter of early-stage VC Fund's creation. Special mention is deserved for the participation of the federal government's development of the entrepreneurial ecosystem which in the last 6 years has supported the creation of more than 40 VC funds, giving an important boost to First Time Managers.

In particular, the study shows that the growth of Venture Capital investments is mainly due to the performance and potential of promoted companies in early-stages that have now raised late-stage rounds. In order for this to become an ongoing trend, it should not be forgotten that the increase in the number of companies invested in Mexico in initial stages is linked to the capital available for investment operated by managers -in most cases local's because they are familiar with the region and environment.

Mexico has an incredible opportunity to capitalize on the attractiveness of its market and boost foreign investment for subsequent stages; in order to benefit from it it and continue obtaining good results, an early-stage business pool must be created, to make it easier for them to reach the next stage in a faster and more efficient way.
The findings of this study underline the relevance of Venture Capital Funds, which can accurately detect needs and opportunities on developing companies and besides capital contributions, can give guidance and support to enhance its growth. Mexico has a tremendous opportunity; startups with growth potential in the country represent USD $2.4 BN per year. The present study is our contribution to a collective effort to raise awareness about the benefits and potential of our industry.

We congratulate all of those who have been part of this history of growth and success: Fund Managers, Institutional Investors, Public Institutions, among others, that supported and accelerated the growth of the industry. At AMEXCAP it´s clear to us that together we are stronger and that only by combining forces we will have the most impact on society. So we reaffirm our commitment to continue working to strengthen the ecosystem of innovation and entrepreneurship in Mexico and the region and we invite you to continue working collaboratively.

Sincerely,

Liliana Reyes, CEO, AMEXCAP

AMEXCAP®