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Venture Capital Trends in LATAM

An Overview for H1 2023



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LATAM

VC Industry First Half of 2023

544

OF FUNDING ROUNDS

USD$ 1.45B

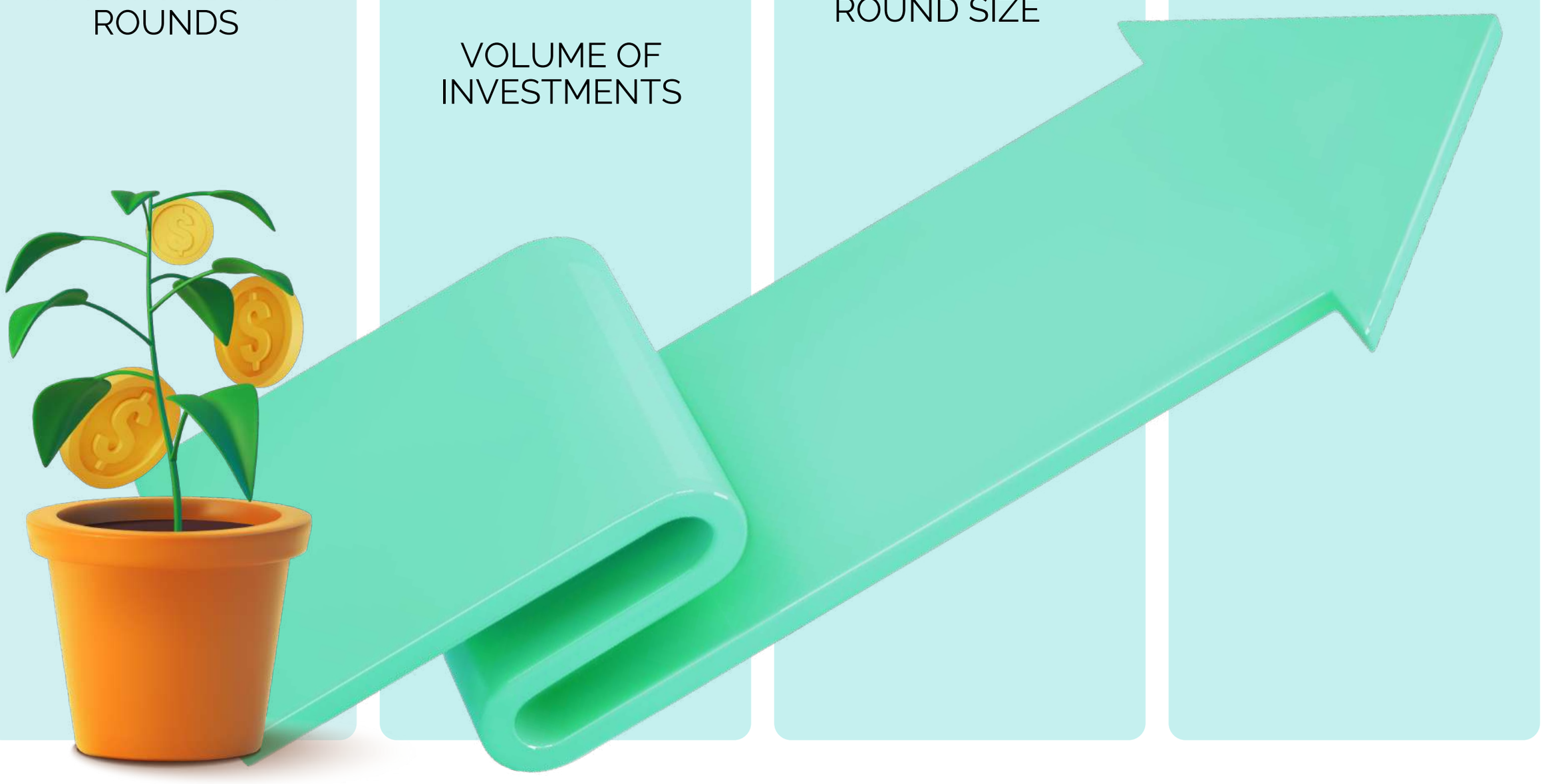
VOLUME OF INVESTMENTS

USD$ 700K

MEDIAN ROUND SIZE

USD$ 3.5M

MEDIAN PRE-MONEY VALUATION



Source: Cuantico Insights

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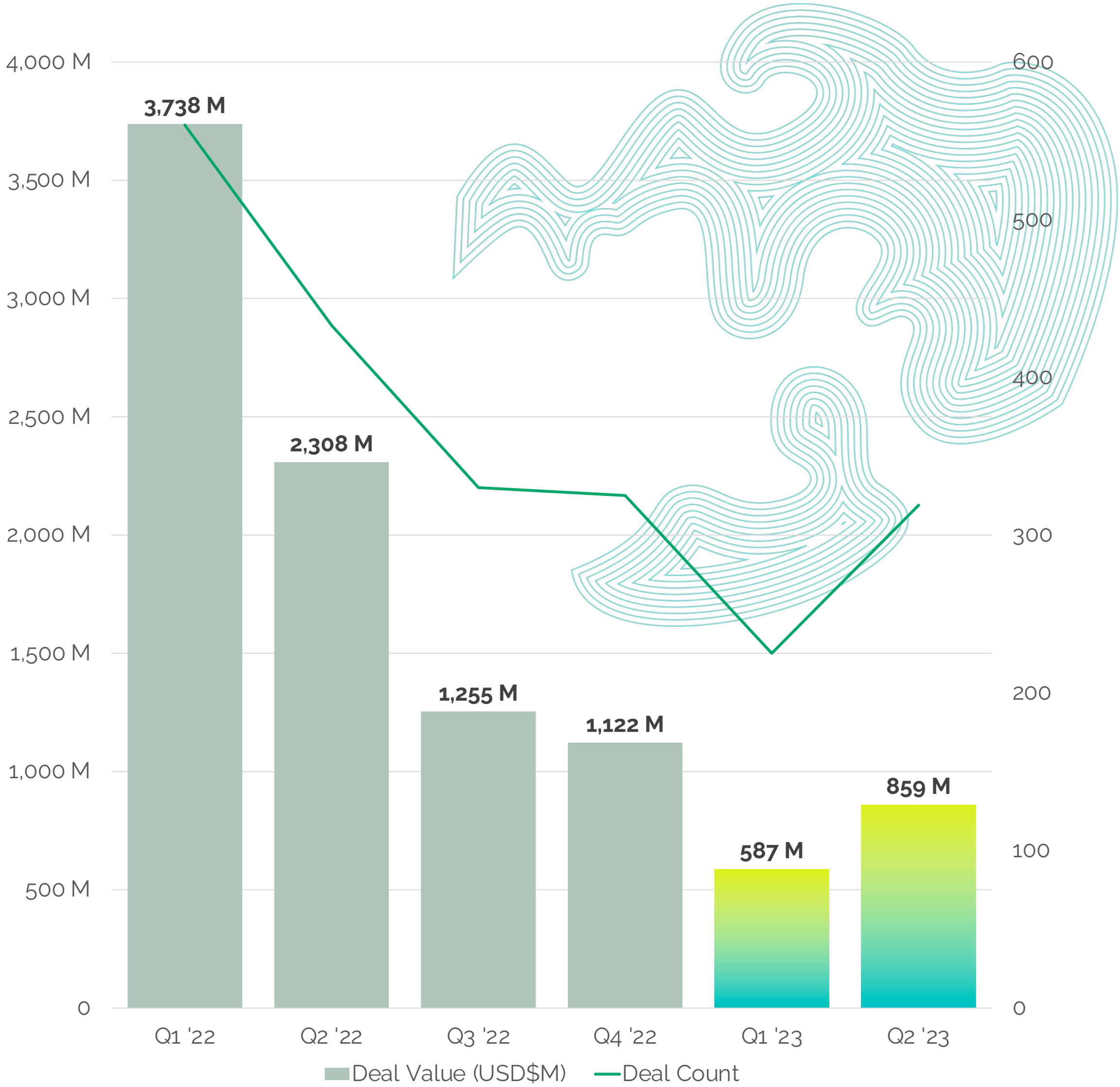
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Volume of Investments

H1 2023

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Volume raised in funding rounds over the last 6 quarters (in USD$ Millions)



Source: Cuantico Insights

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"The first half of the year has seen a significant decrease in investments, a reality hidden behind the complex task of raising capital for funds. In this context, it is critical for corporate capital to position itself to capitalize on those opportunities that, by making strategic sense and being properly managed within the framework of open innovation, promise to offer financial returns."



Daniela Fraga
Bluebox

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“We are probably in the worst quarter in terms of startup investment in Latam, but we will never see it like this again. It's the perfect timing to make good investments, and surely those VCs with Dry Powder will seize the opportunities that the market presents to us in 2023.”



David Albo
Impacta.vc

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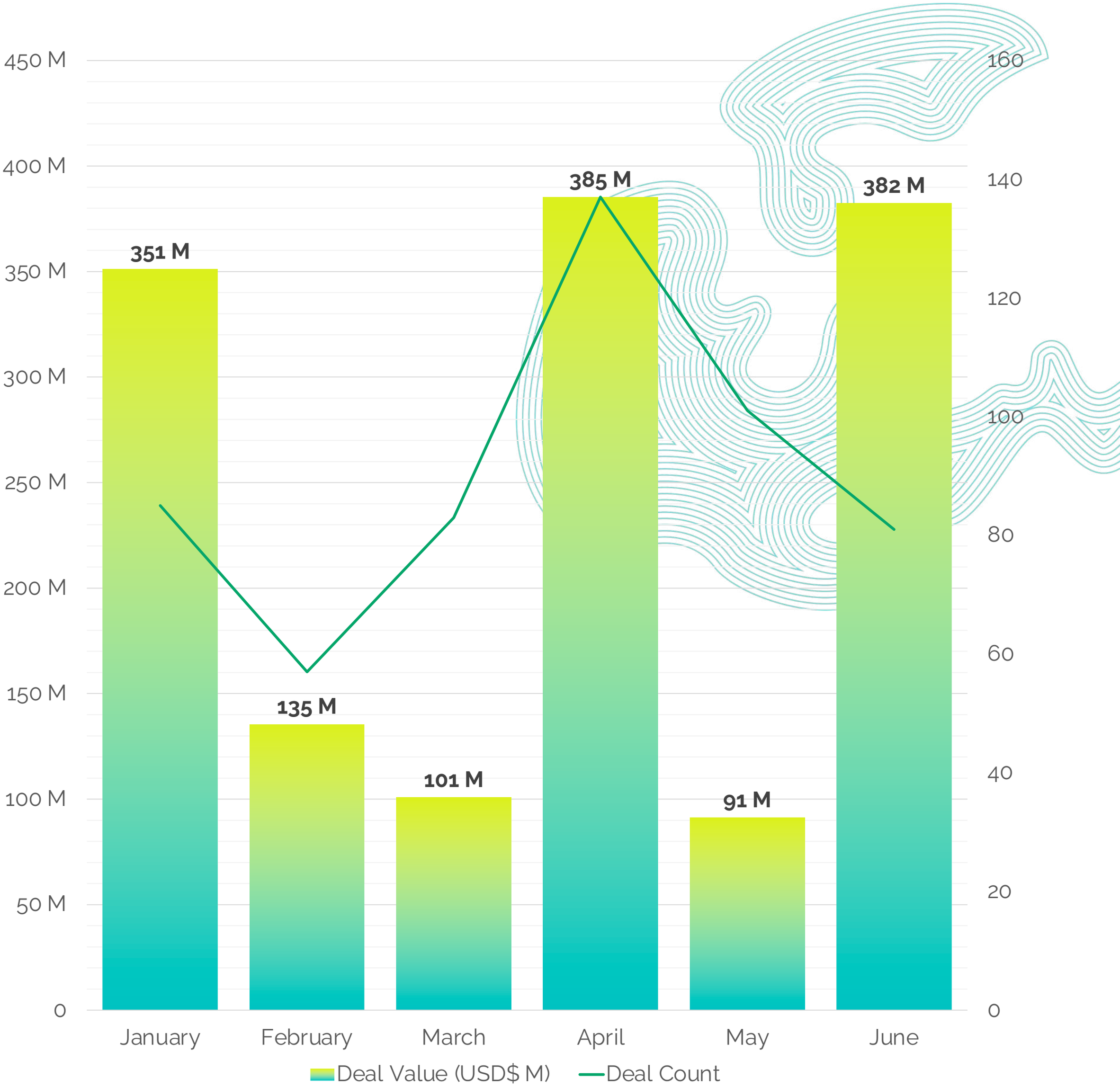
Latin America

1H 2022 saw total VC investment at USD$6B.

However, 1H 2023 witnessed a significant decline to USD$1.45B, a 76% decrease.

Dynamic shifts in the investment landscape call for strategic considerations in the region's business ecosystem.

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Volume raised in funding rounds H1 2023
(in USD$ Millions)

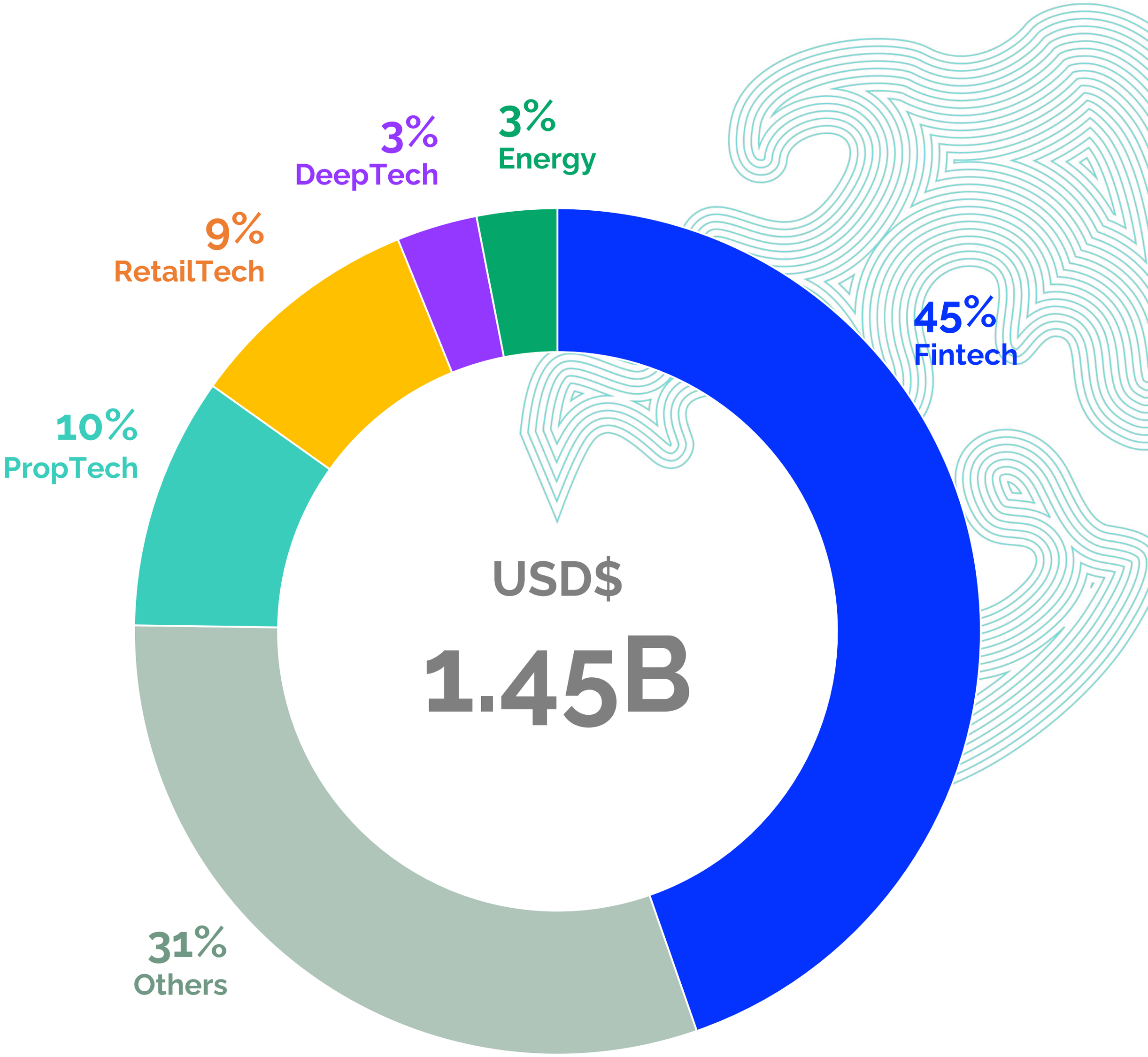


Source: Cuantico Insights

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Top sectors by volume raised H1 2023
(in USD$ Millions)



Source: Cuantico Insights

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“In the first half of 2023, the Venture Capital industry in Latin America has encountered challenges; however, there are still promising indications of growth and resilience, especially in early-stage startups and sectors like Fintech. The region's startup ecosystem continues to attract investments, and this trend is expected to persist.”

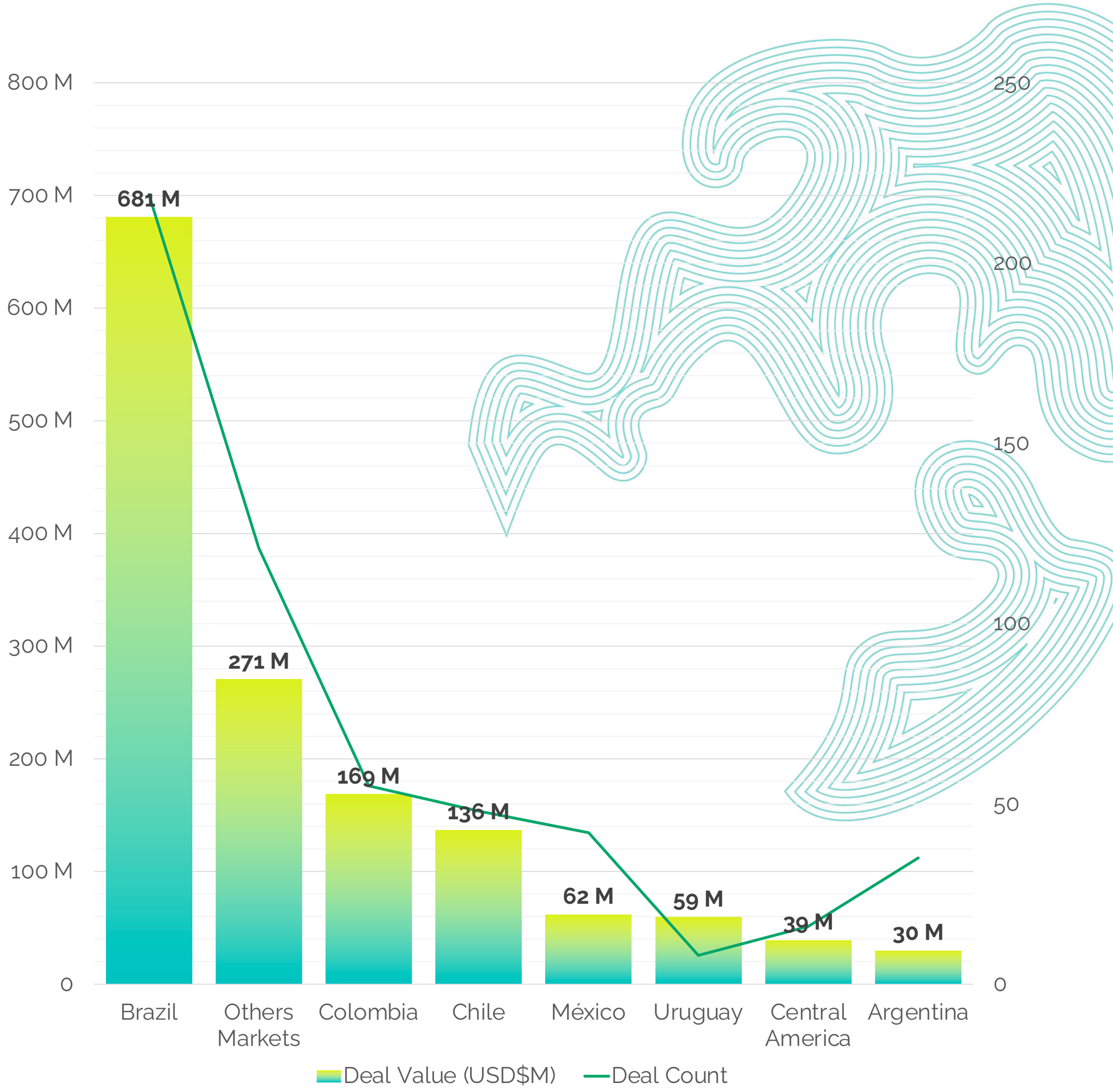


Nicole Schaub
Central America Angel Fund Initiative
CAFI

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Top markets by volume raised H1 2023
(in USD$ Millions)



Source: Cuantico Insights. *Deal Value doesn't include debt.

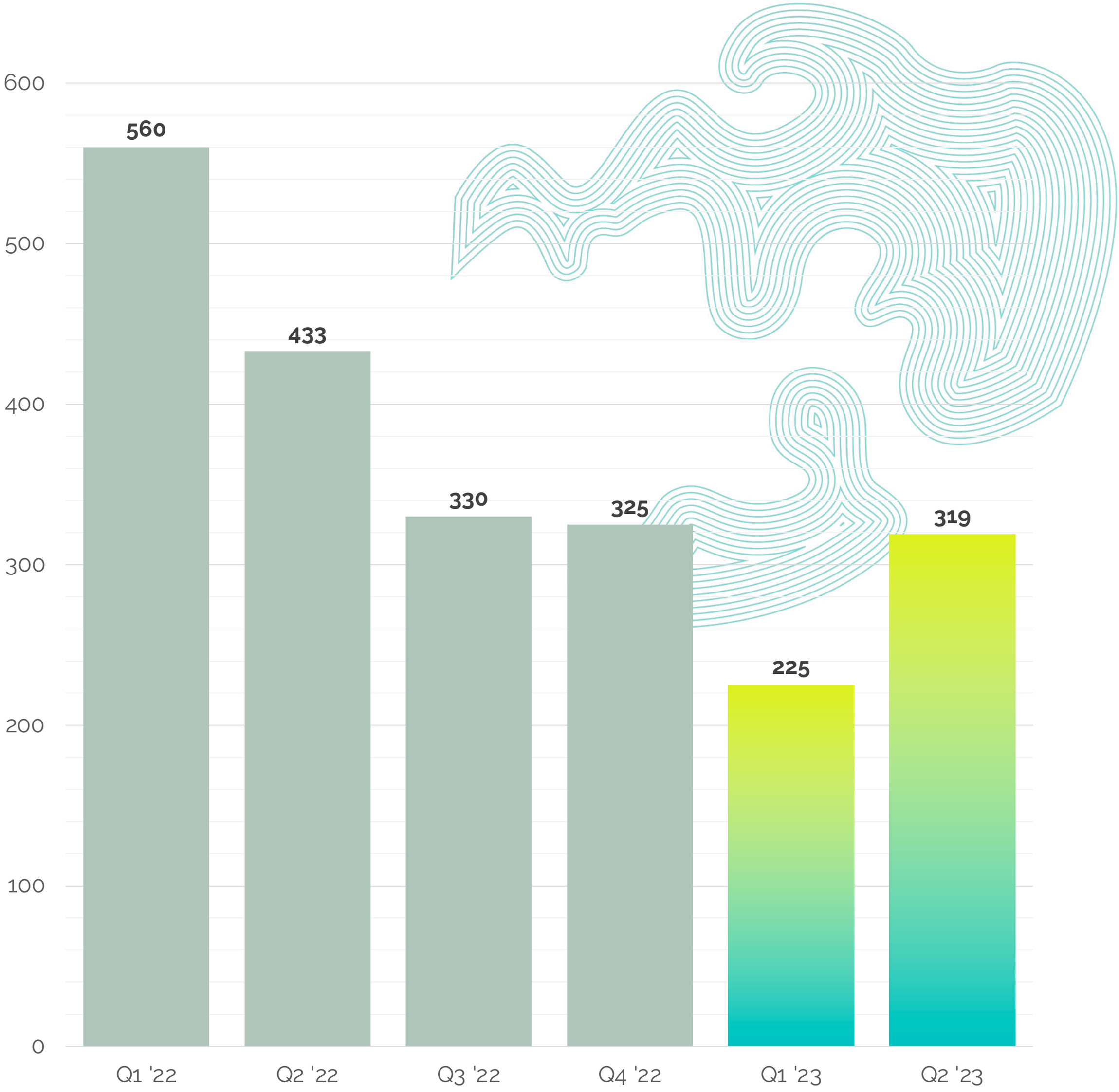
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Funding Rounds

H1 2023

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Number of funding rounds
over the last 6 quarters



Source: Cuantico Insights

"It is widely recognized that the period between 2022 and 2023 has presented challenges for venture capital, particularly in contrast to the rapid growth experienced in 2021. Nevertheless, in recent quarters, we have witnessed an exceptional surge in early-stage investments in LATAM. This promising trend points towards a highly favorable outlook for the closing of 2023, especially benefiting early-stage startups led by talented entrepreneurs who can showcase remarkable levels of innovation, scalable business models, viable unit economics, and fair valuations."



Evelyn Arriaga Velasco
G2 Momentum Capital

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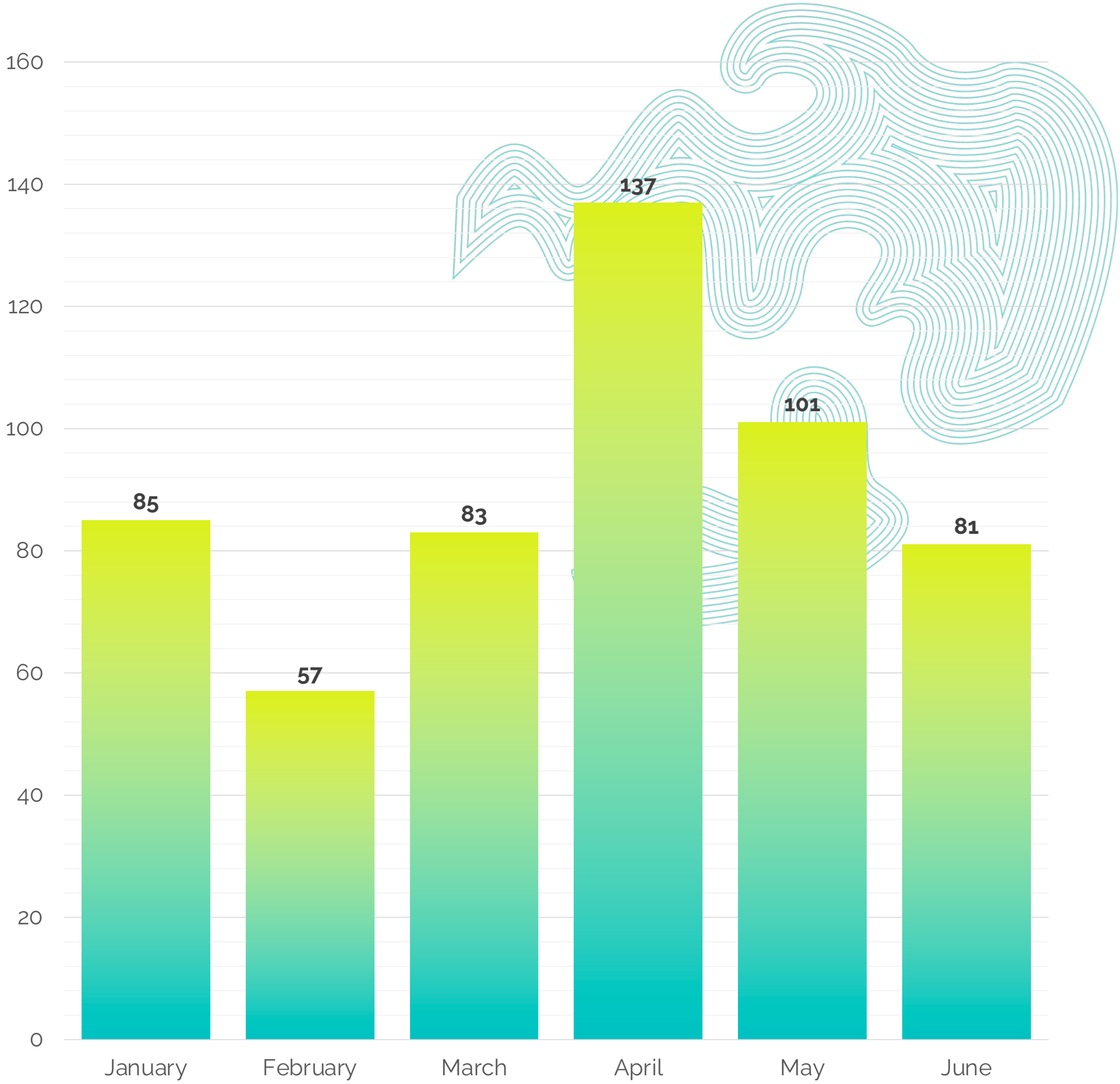
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Early-stage startups continue to thrive, with investors increasingly focused on this segment, at least until the declines in public markets and recessionary winds fade from the horizon.

Regarding transactions, the trend has been relatively positive, reaching a total of 544 deals in H1 2023, the majority of which were in the Seed stage. This represents a 45% drop compared to the first half of 2022, indicating a shift from an average of 165 monthly transactions to an average of 90 per month.

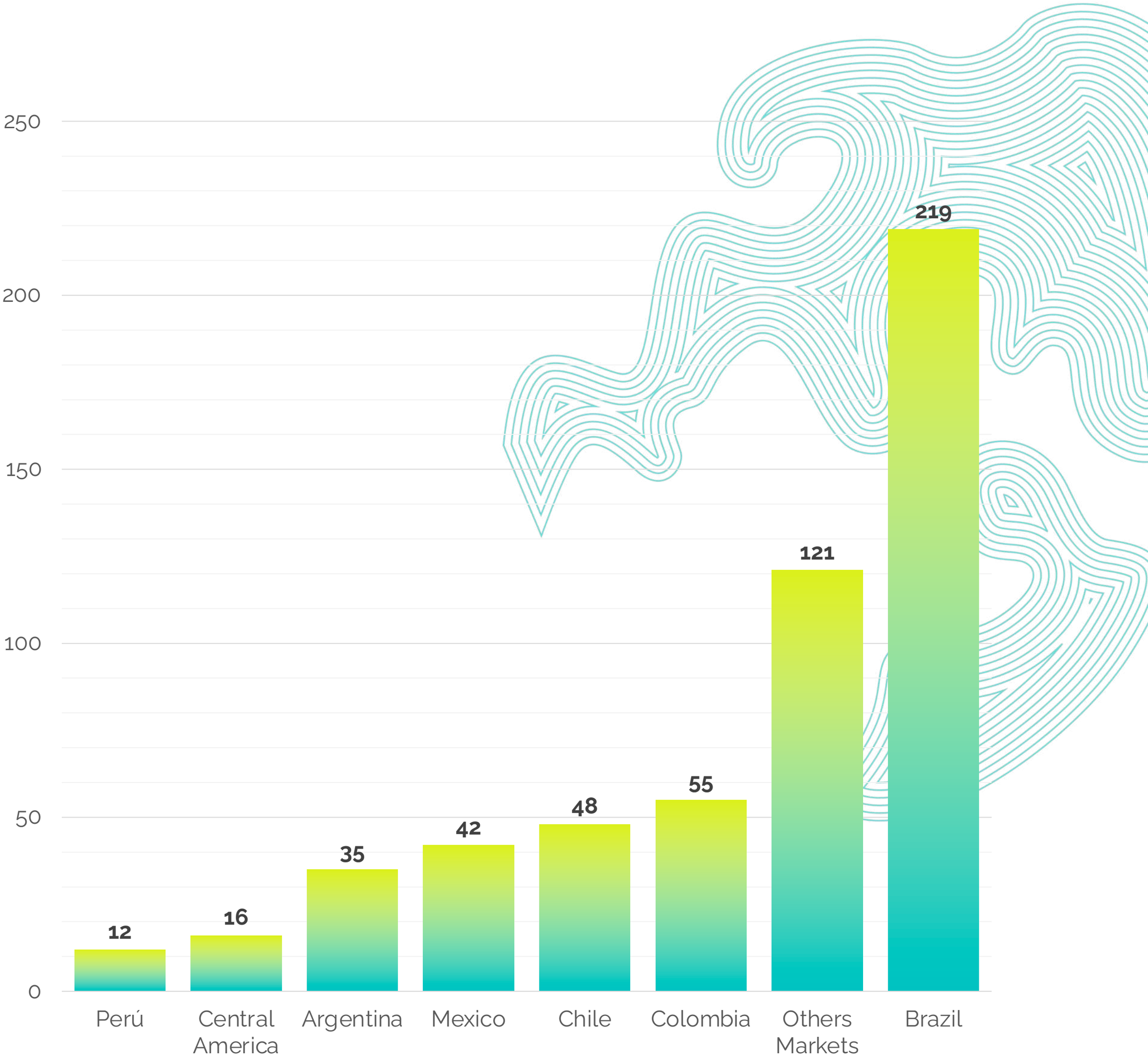
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Number of Funding Rounds H1 2023



Source: Cuantico Insights

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Funding Rounds per Market H1 2023



Source: Cuantico Insights

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“In Latin America, the debt market has historically been more restrictive than in other regions around the world. As a result, many companies have resorted to seeking financing from traditional bank loans or private investors. However, there's a silver lining – in the latter months of 2023, there has been a notable rise in funds showing interest in debt investments. The shorter return periods compared to VC make it more accessible for startups to secure credit at favorable rates.”



Jorge de la Hoz
Cube Ventures

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Despite the challenging macroeconomic landscape in the region, significant transactions have taken place every month, showcasing the resilience of the regional startup ecosystem.

Notably, debt financing has played a crucial role in some remarkable deals, such as the USD$100M funding round for mexican fintech Fairplay and Colombian proptech Habi.

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Notable Funding Rounds H1 2023

scanntech

Jan
Uruguay
* *
$210M

daki

Feb
Brazil
Series C
$50M

CLARA

March
Mexico
Debt
$90M

Fairplay

April
Mexico
Debt
$100M

digibee

May
Brazil
Series B
$60M

LaHaus

June
Colombia
Series C
$62M

Source: Cuantico Insights.
Data includes VC and Debt transactions.

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Industry Leaders Insights & Perspectives

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In 2021, we witnessed historically high levels of Venture Capital investments. However, starting from 2022, we have observed a slowdown in startup investments, influenced by various factors, including the depreciation of tech stocks in the public market, instability caused by the war in Ukraine, a stagnation in initial public offerings (IPOs), reduced interest rates, declining valuations, and the collapse of Silicon Valley Bank in the first quarter of 2023.

In response to this situation, Venture Capital funds have adopted a more cautious approach when investing in startups, preferring companies with attractive metrics and healthier profit margins. Although this capital shortage has impacted startups at all stages, its effects have been particularly noticeable from Series A funding and beyond.

However, this readjustment in the entrepreneurial ecosystem should not be perceived as solely negative. There is still considerable growth potential for startups in the Latin American market, where numerous unresolved challenges present opportunities. Valuations are now aligning more closely with startup merits, motivating founders to pursue growth strategies with a more conservative capital approach.



Paulina Melo
Angel Ventures

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"Latin America has experienced steady growth in its startup and technology company ecosystem in recent years. If this trend continues, venture capital investment by the end of 2023 is likely to remain attractive to investors seeking high-growth potential opportunities. However, startups must demonstrate strong metrics and traction to secure investment, and valuations should reflect their real and tangible growth."



Marianne Springmühl
Volcano Capital

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“Recovery is on the horizon. It seems we have reached the lowest point, and there are already promising indications of a rebound in the last quarter. Additionally, industries such as AgTech and Climate Tech are poised to gain significant relevance in the coming year and beyond. Furthermore, we can expect a surge in investments from outside Latin America flowing into startups within the region.”



Isra García
StartupLinks

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The second quarter of 2023 shows positive signals for the VC investment ecosystem in the region, with an improvement in both investment volume and the number of transactions.

This coincides with Visa's acquisition of the Brazilian fintech company Pismo for a value of $1 billion, which could signify the long-awaited onset of winds of change for the region.

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At Cuantico, we believe in the power of change.

We map and analyze the venture capital industry in Central America and LATAM as a powerful tool to accelerate the region's development and innovation.

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