



# Fintech Deep.Dive.2022

August, 2022



ABFIN  
TECHS

associação brasileira de fintechs

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# Highlights

In its fourth edition, our Fintech Deep Dive Survey, carried out in partnership with ABFintechs, presents a picture of the innovation and entrepreneurship ecosystem of the financial services industry in Brazil. The content is based on information provided by 156 fintechs from different sectors of activity between March and April 2022. Here are some highlights of this edition.

- Despite the crisis, the share of companies with revenues above BRL 5 million per year continued to grow.

The percentage of companies with zero or negative growth increased from **26%** to **39%** from 2019 to 2020. The following year it dropped to **21%**.

- Fintechs are heavily invested in open banking and Pix:

**72%** are developing solutions in line with the regulations associated with these initiatives.

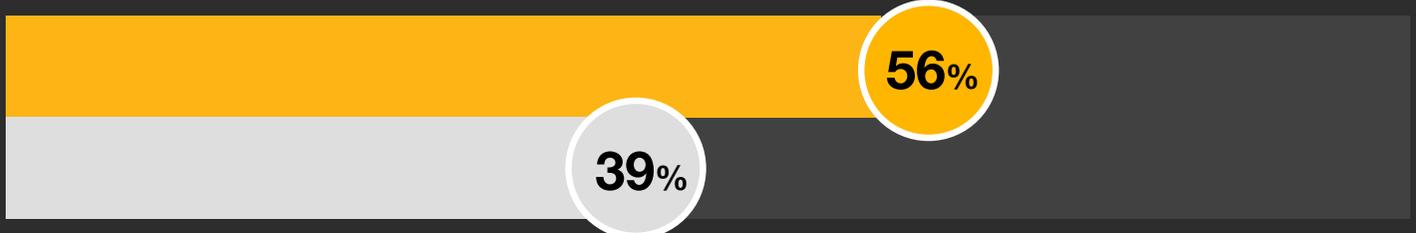
**79%** already benefit from these initiatives or believe they will be able to do so within a year.

- There are some challenges to growth, such as capital shortage (due to political, geopolitical, and economic uncertainties) and a lack of skilled talent.

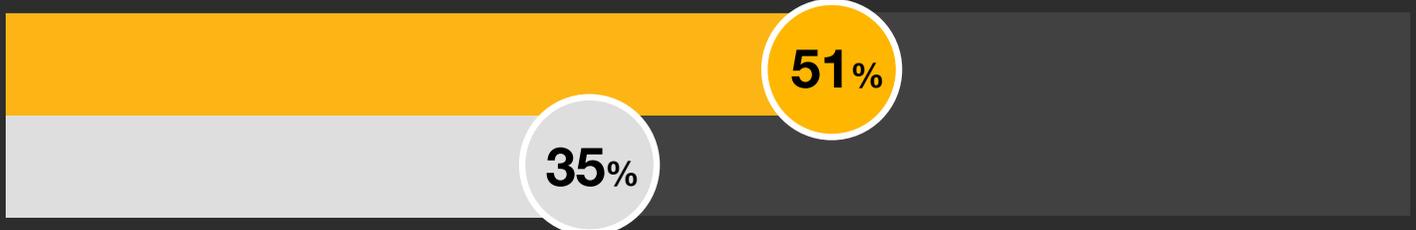
### Main barriers to management\*

● 2022 ● 2020

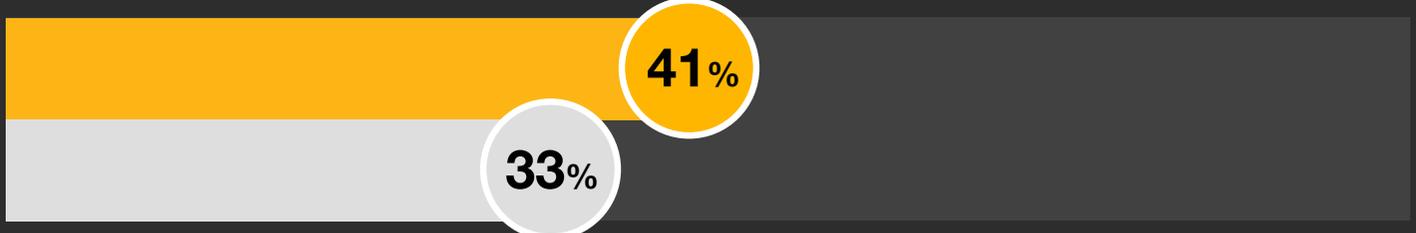
#### Attract qualified human resources



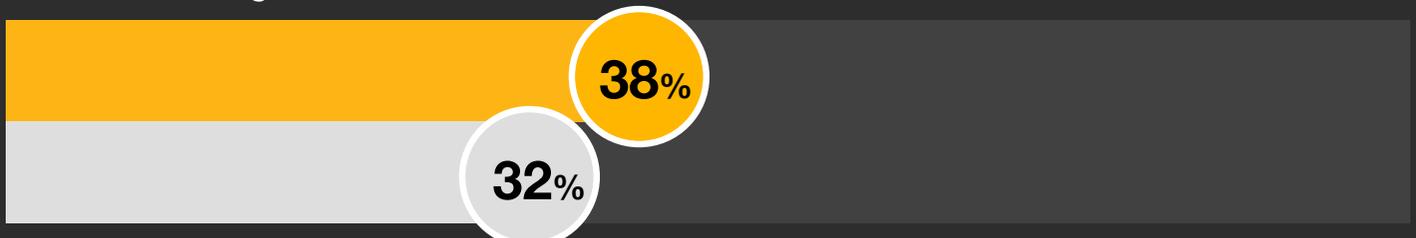
#### Achieve the required scale for operations



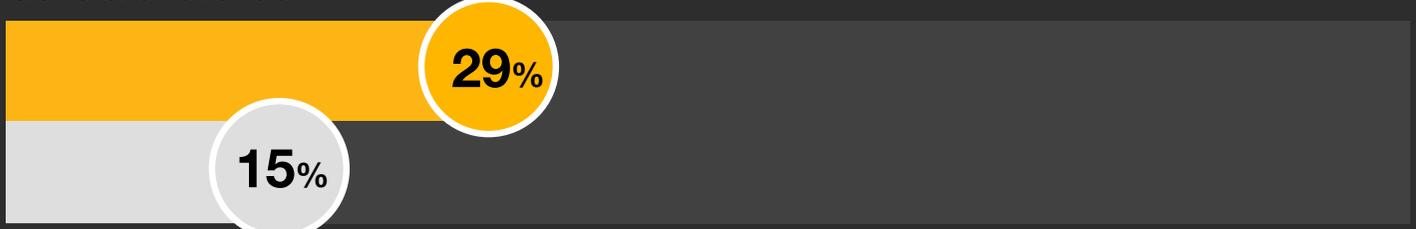
#### Secure investment for the business



#### Get brand recognition

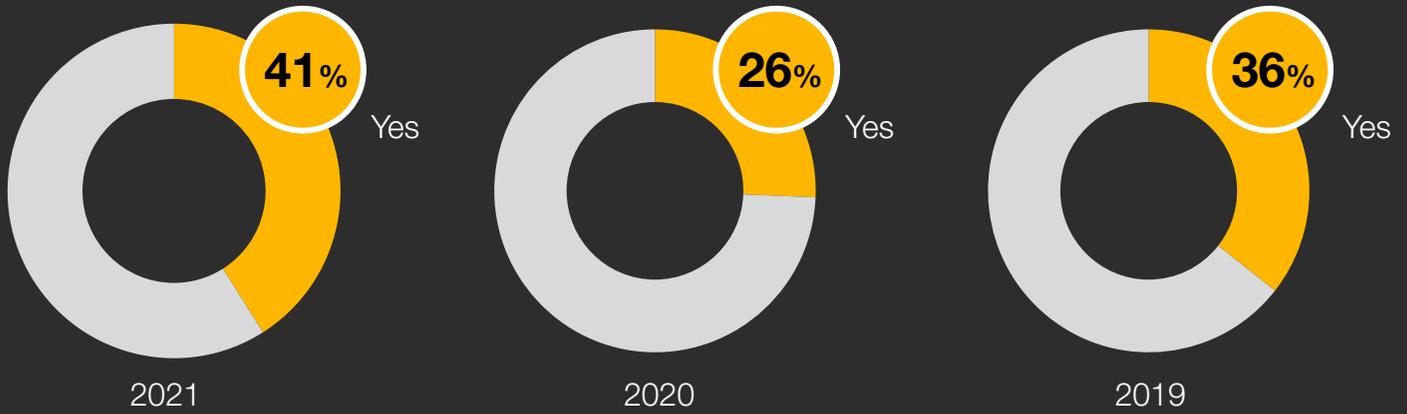


#### Generate revenue



\*The previous edition of the survey was carried out in 2020. Thus, the comparative base is for 2020 and 2022.

Did your fintech receive investments?



The three main segments in which fintechs currently operate are also those in which companies intend to invest the most in the next year.



Credit

36%



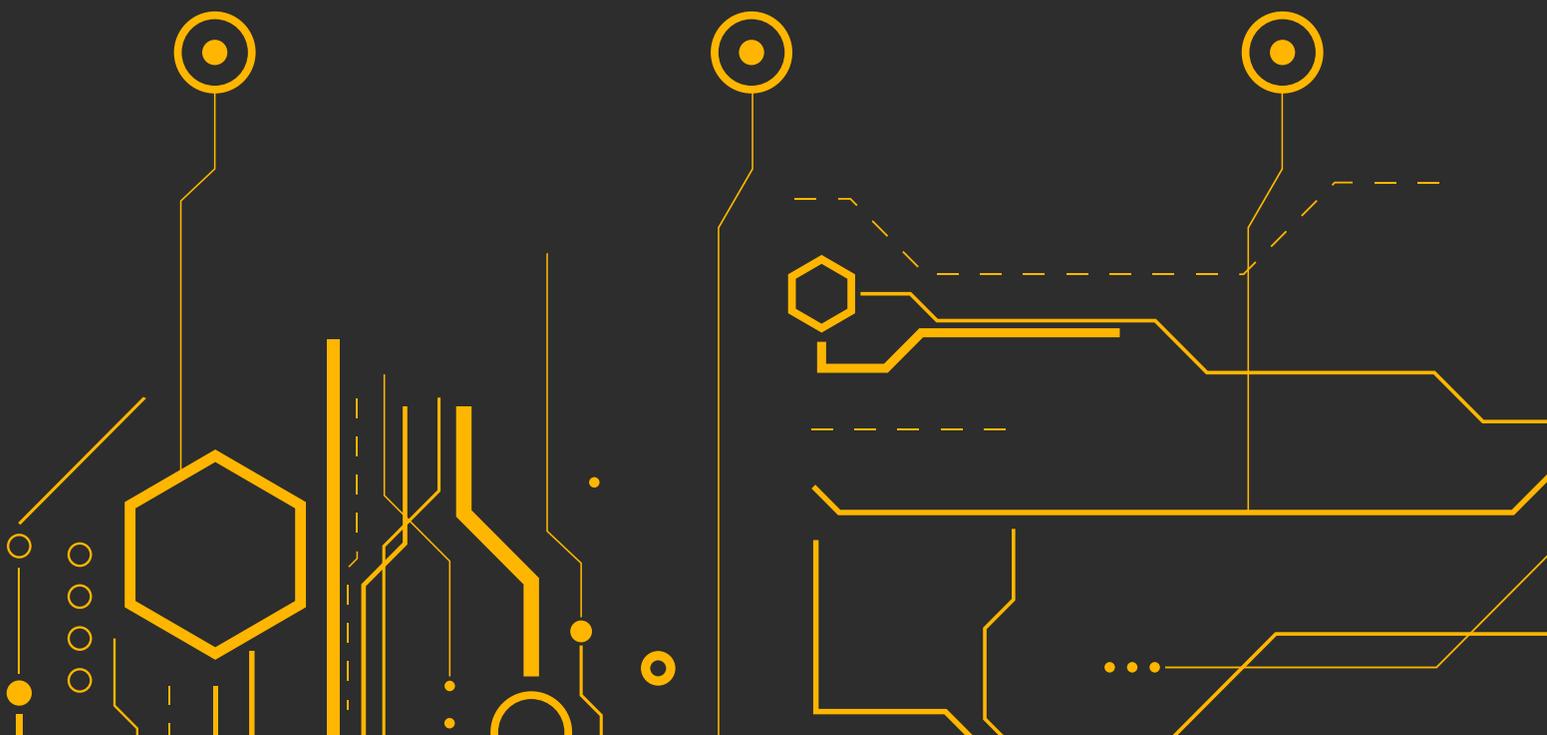
Payment options

31%



Digital banks

30%



A portrait of Luís Ruivo, a man with short brown hair, wearing a blue blazer over a white shirt. He is looking slightly to the right of the camera with a neutral expression.

## Luís Ruivo

Partner and leader of  
Consulting in Financial Services  
at PwC Brasil

“

This segment has consolidated itself. We don't see the boom in new companies that we had five years ago. The fintechs that managed to go off on their own, and compete on equal terms with the incumbents, often did so, supported only by a large customer base, but still without making a profit. They all have in common the pioneer spirit of entering an underserved market using the right recipe. Today, however, spaces are occupied, even by fintechs, and the challenge is to grow and generate profitability in a scenario of scarce capital for investments.”





# 1. Performance

**Fintech companies felt the impact of the crisis on revenues in 2020, but they are already showing signs of recovery.**

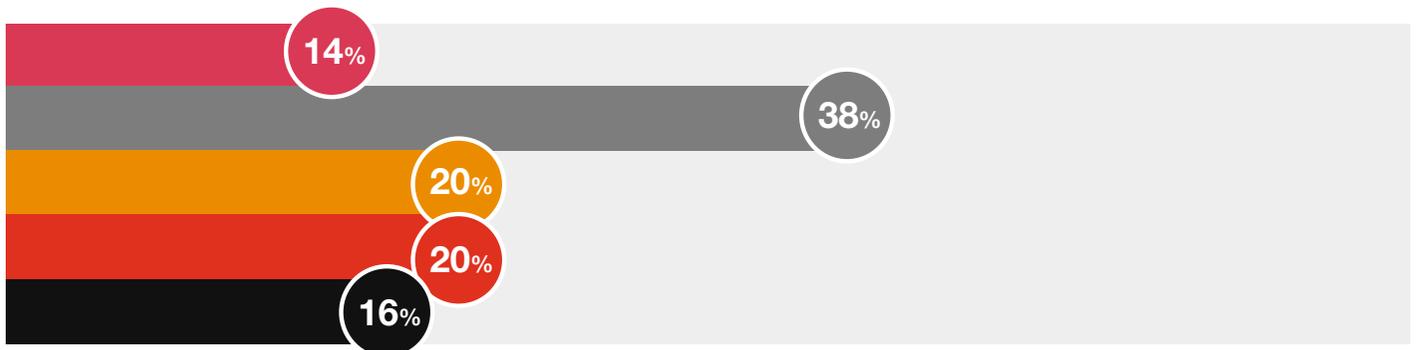
In 2020, at the height of the crisis caused by the covid-19 pandemic, the share of companies with no revenues in our sample almost doubled. The following year, this percentage fell from 38% to 14%. At the same time, the share of fintechs with revenue of up to BRL 350,000 more than doubled (from 15% to 31%).

In segments with higher revenues, although the impact of the crisis persisted in 2020, we noticed the continuing trend observed since 2017 of an increasing share of companies with revenues above BRL 5 million.

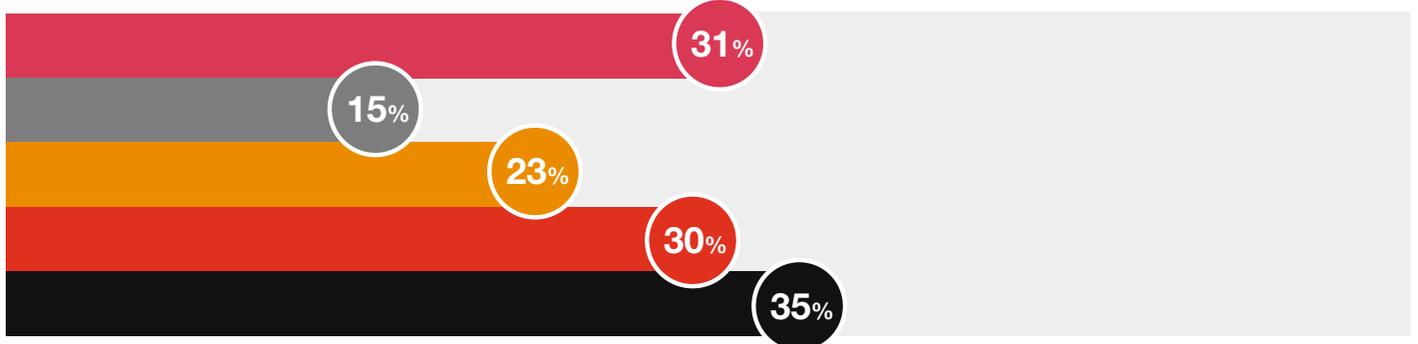
## Gross revenue

● 2021 ● 2020 ● 2019 ● 2018 ● 2017

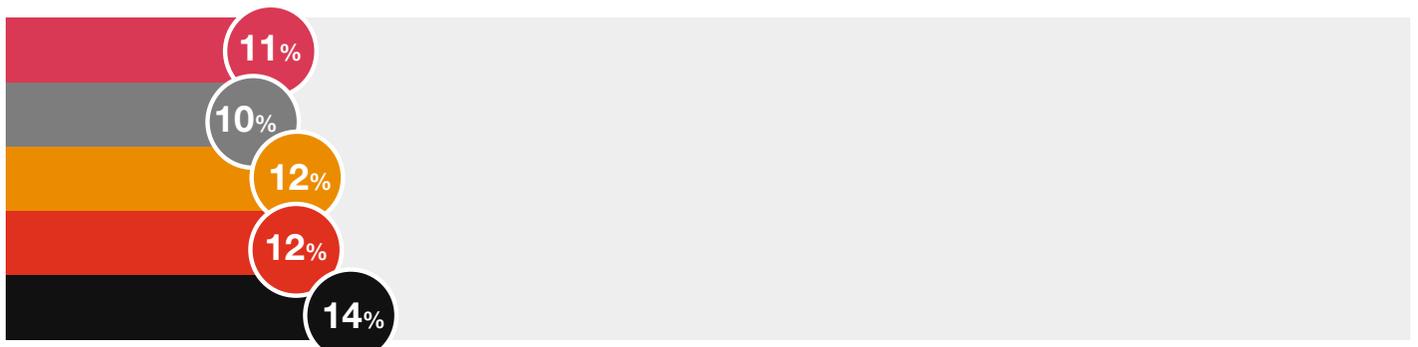
### No revenue



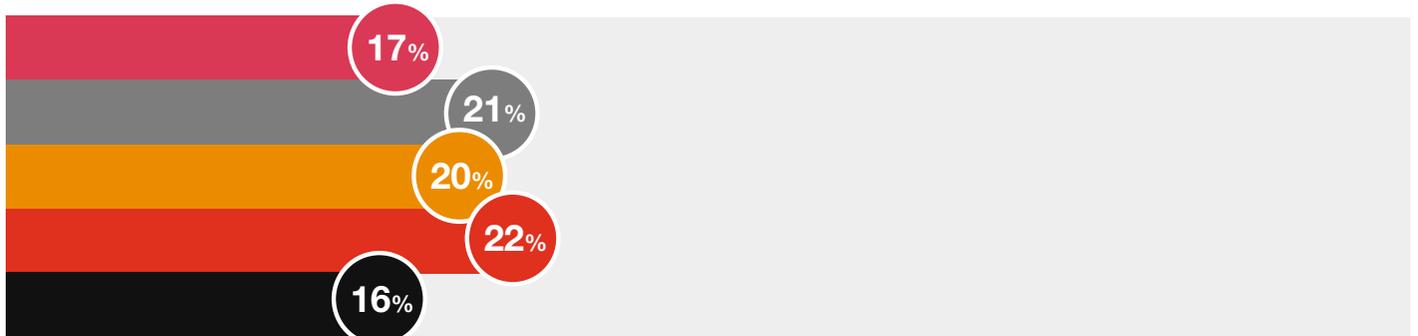
### Less than BRL 350,000



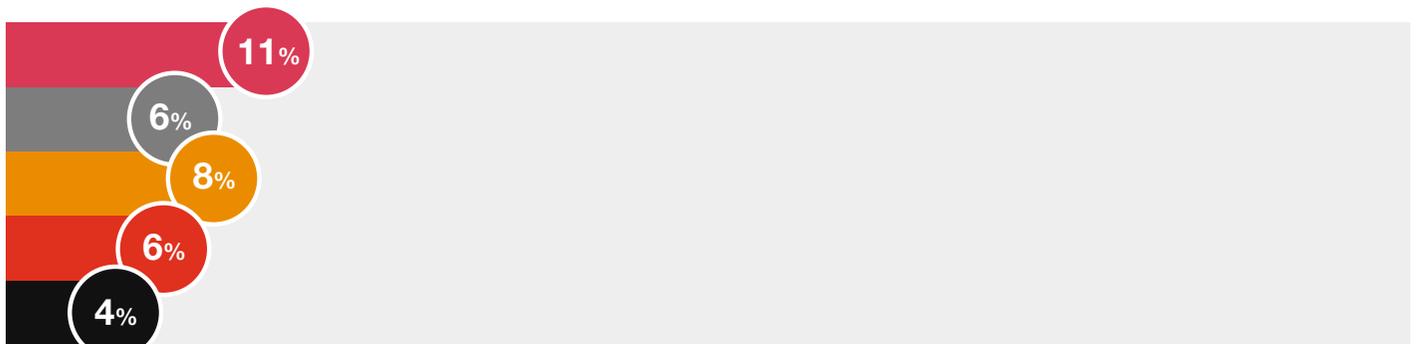
### BRL 350,000 – less than BRL 1 million



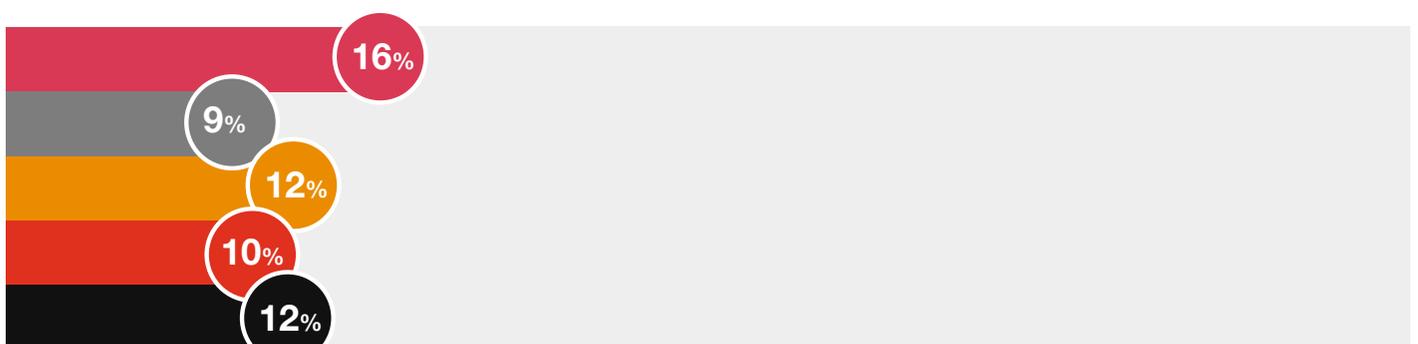
### BRL 1 million – less than BRL 5 million



### BRL 5 million – less than BRL 10 million



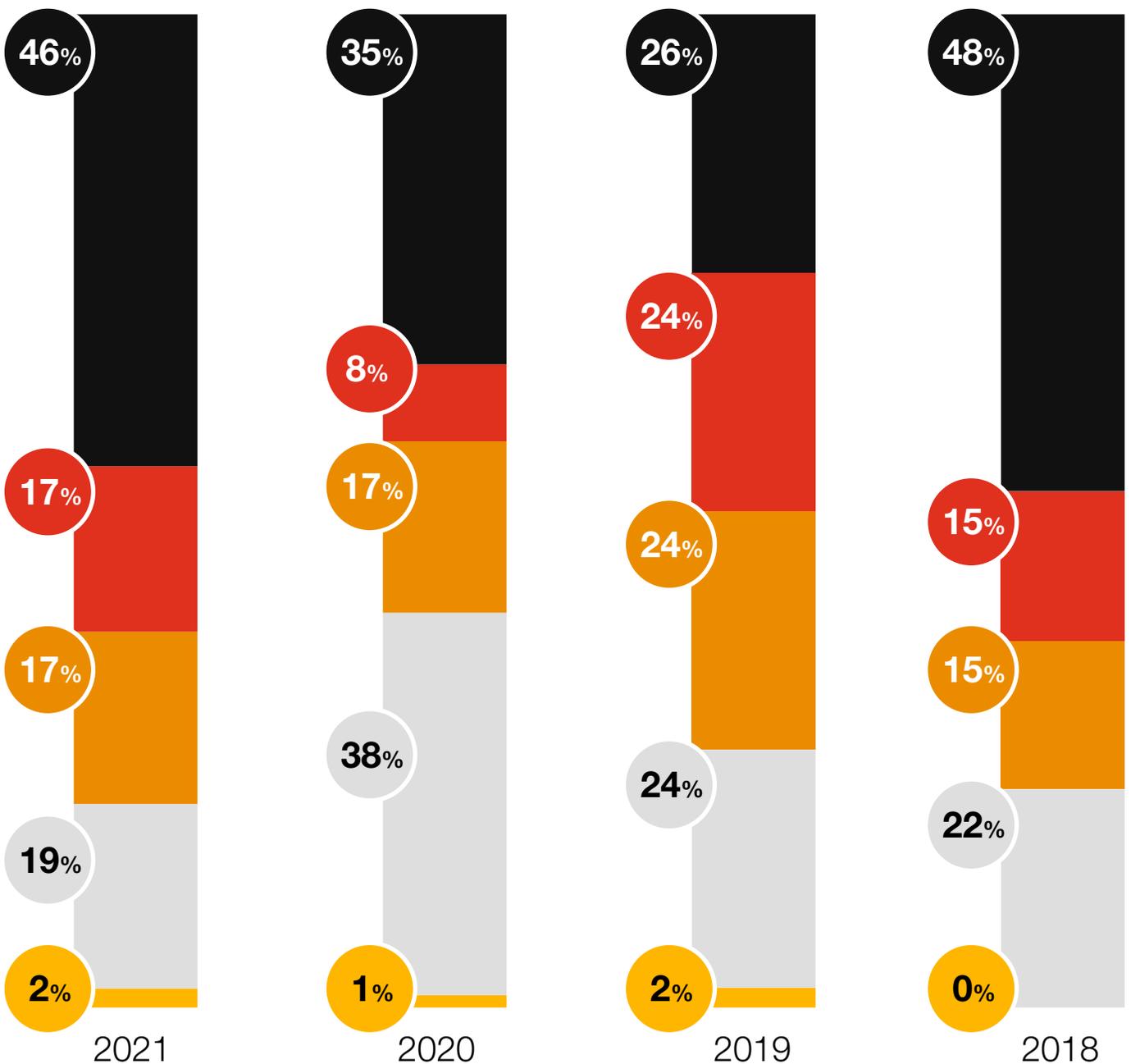
### BRL 10 million or more



Another sign of the crisis was the increase in the share of companies with zero or negative growth, which went from 26% to 39% from 2019 to 2020. However, the group of fintechs with revenue increase above 100% also grew. In 2021, the numbers showed a widespread market recovery.

### Revenue change from the previous year

- -50%--1%
- 0%
- 1%-50%
- 51%-100%
- More than 100%



## Young, optimistic and looking for financial stability



# 68%

of fintechs in our survey are less than five years old – 3 points more than in the previous edition of the study.



# 65%

expect to more than double their revenue in 2022.



Only  

# 35%

have reached the break-even point, with more than two-thirds of them doing so within two years.



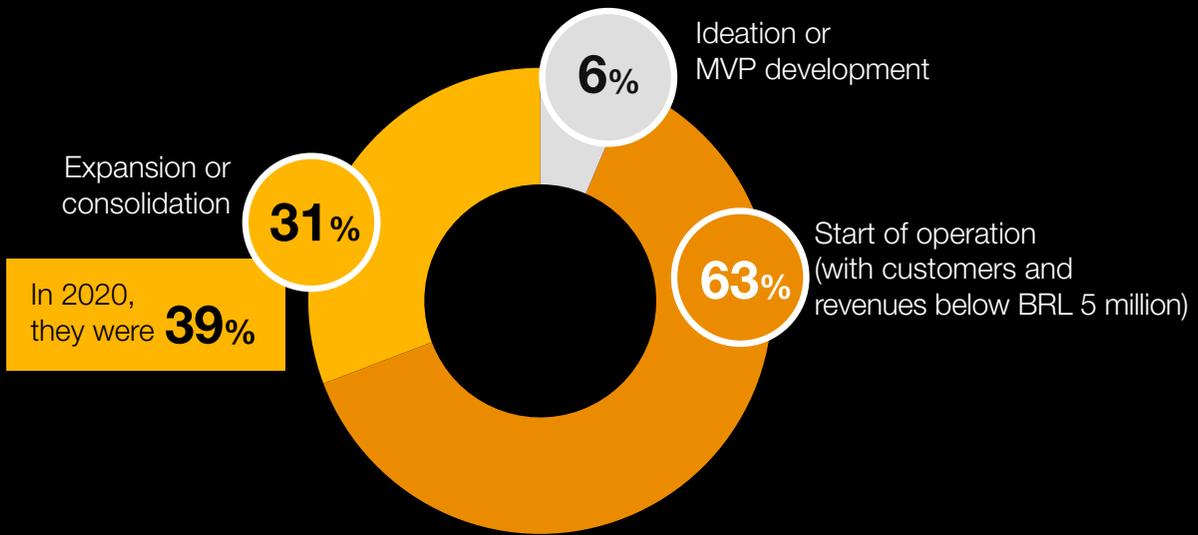
Among the remaining fintechs,

# 52%

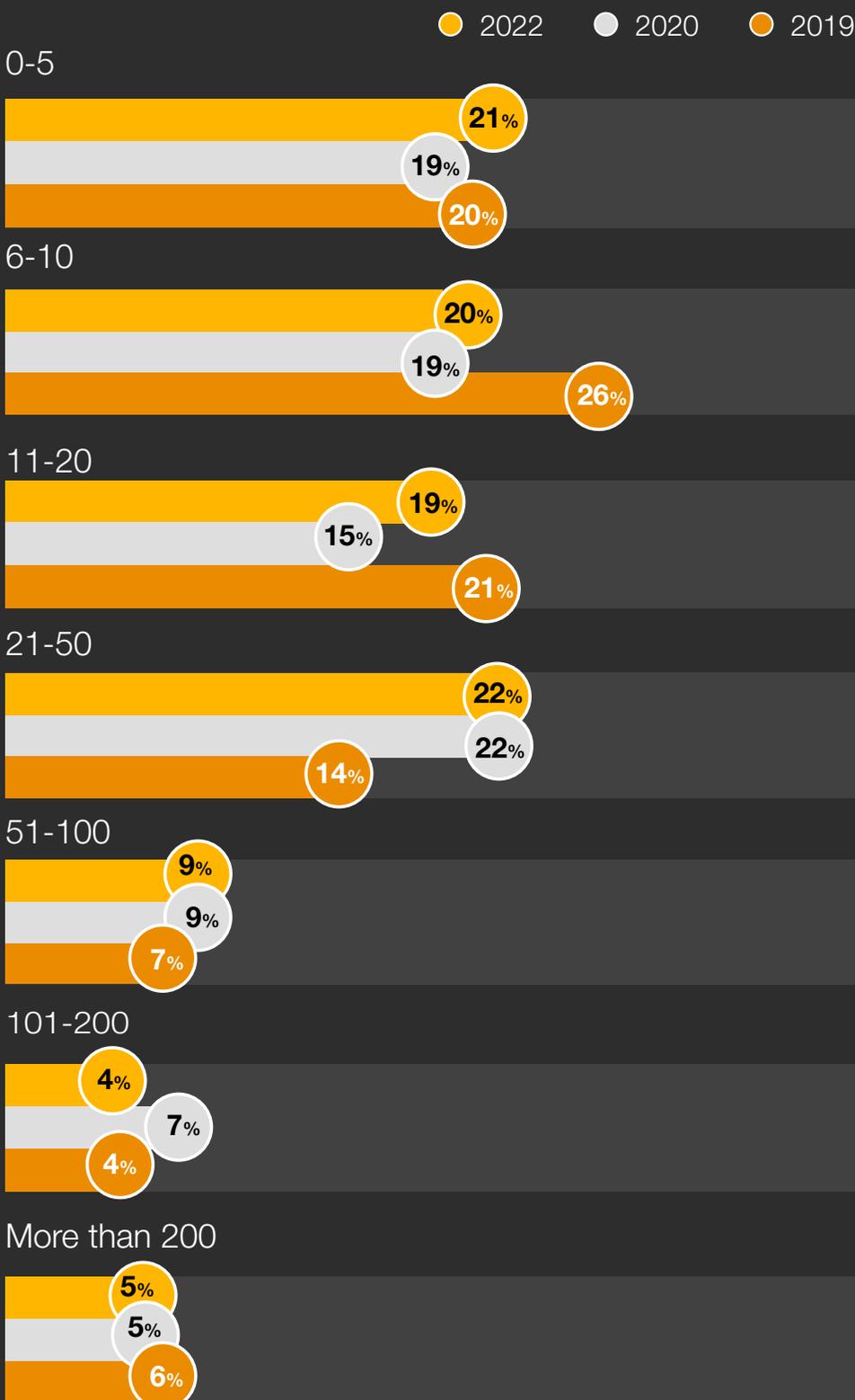
expect to reach the break-even point within two years.

## Fintech maturity level

The percentage of companies in the expansion or consolidation phase (with clients, validated by the market, and with revenues between BRL 5 million-20 million) decreased.



## Number of employees



### Up to 10:

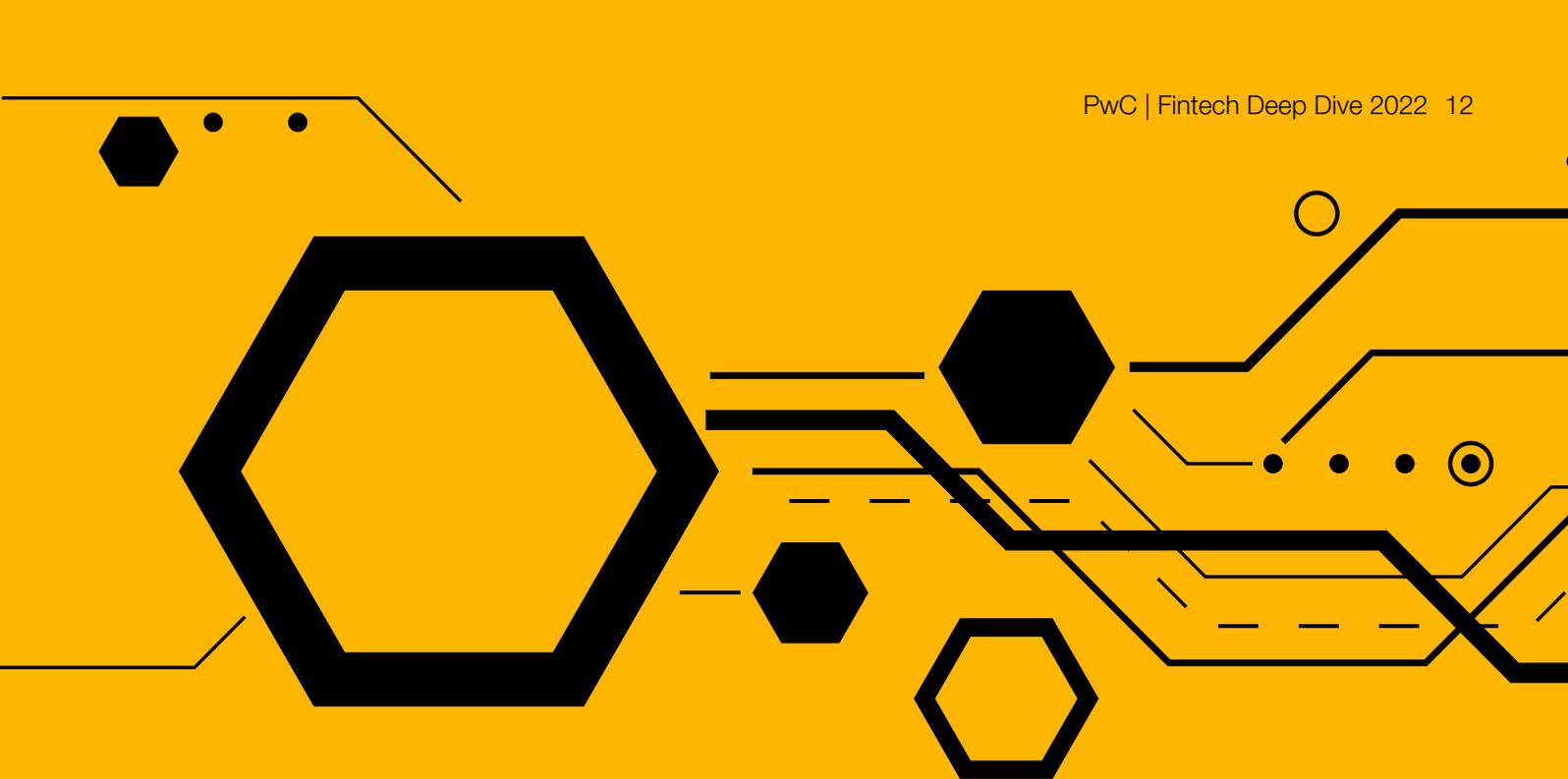
2020: 38%

2022: 42%

### More than 100:

2020: 12%

2022: 9%



## 2. Outlook

**Mindful of open banking and Pix opportunities, companies focus on corporate clients and need more qualified talent.**

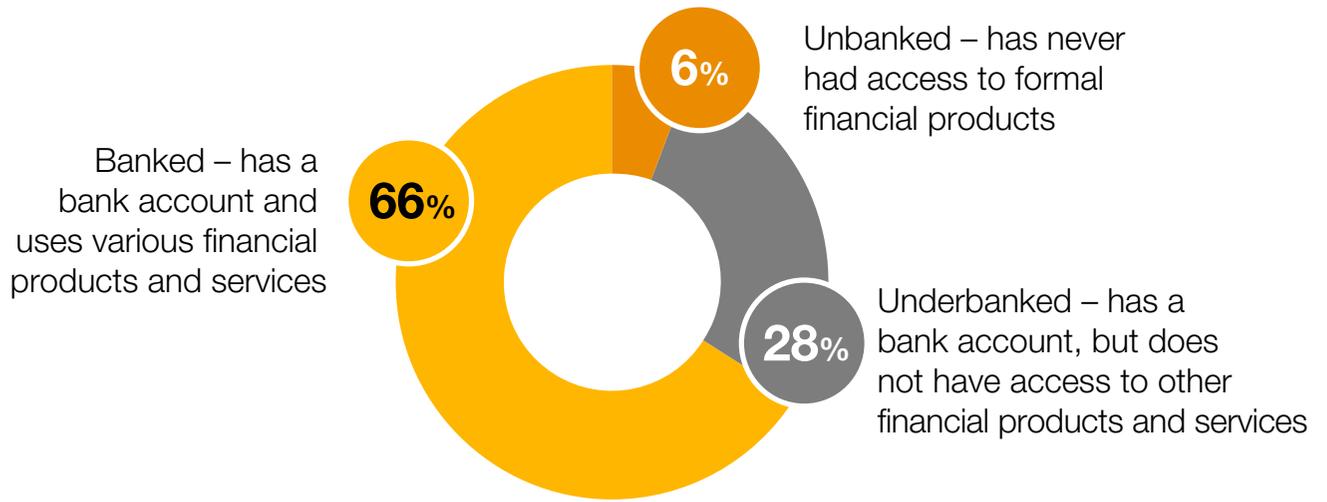
The scale of transformation that open banking can provide in the Brazilian market depends on changes in the ecosystem of fintechs and banks that take time to materialize. Most companies are investing in solutions to exploit the opportunities promised by the integration of financial institutions and are already seeing the benefits of these initiatives.

With a focus on the corporate sector, especially small and medium-sized businesses, fintechs say they are having difficulties attracting talent, achieving scale, gaining brand recognition, obtaining investments, and generating revenue.

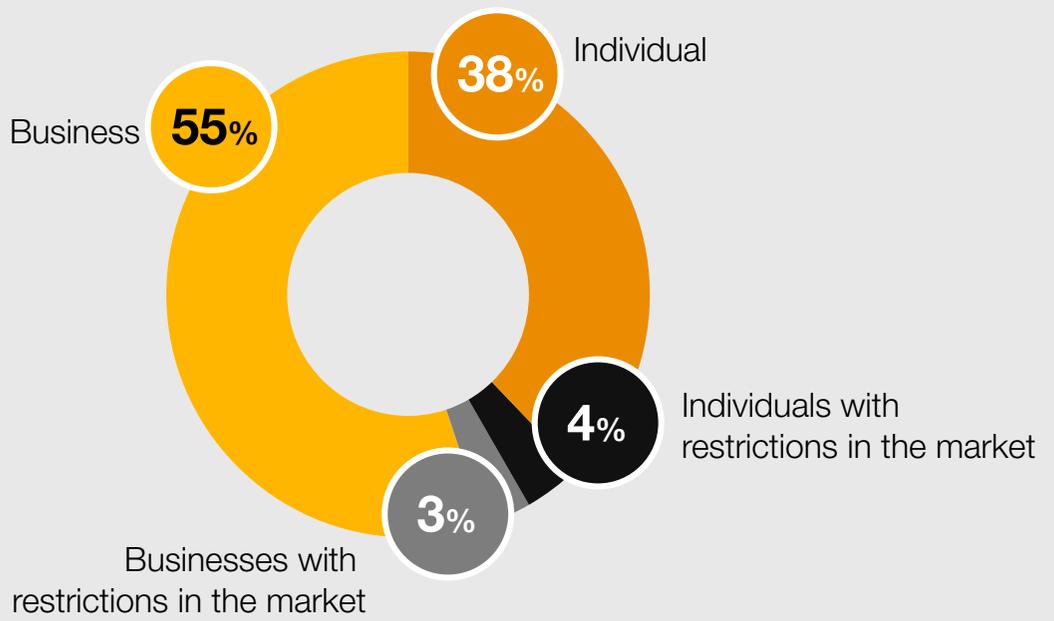
### **Client profile**

- Two-thirds of the customers of the fintechs in our sample have bank accounts and use various financial products and services.
- 7% of the companies serve customers with restrictions in the market (individuals or businesses).
- 58% of the participants have a customer base made up of businesses.
- Small or medium-sized businesses are the main category of corporate customers of the fintechs in our sample, with 38% of mentions.

## Customer access to the financial system



## Type of customer

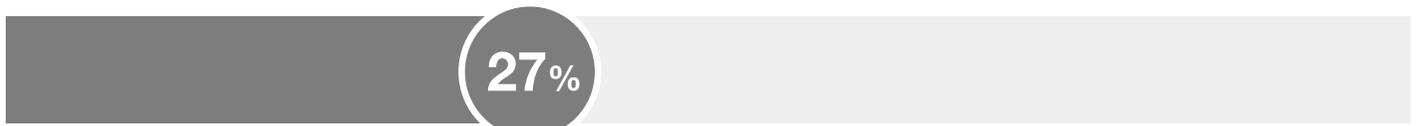


## Customer profile

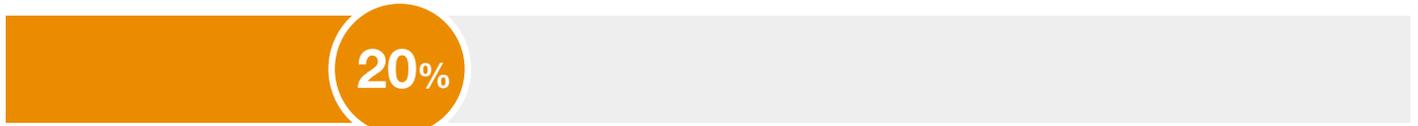
Small or medium-sized business (revenue between BRL 2.4 million and BRL 90 million)



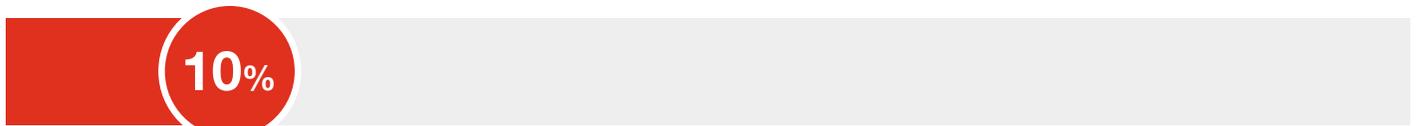
Individuals with a formal work contract (known as CLT in Brazil)



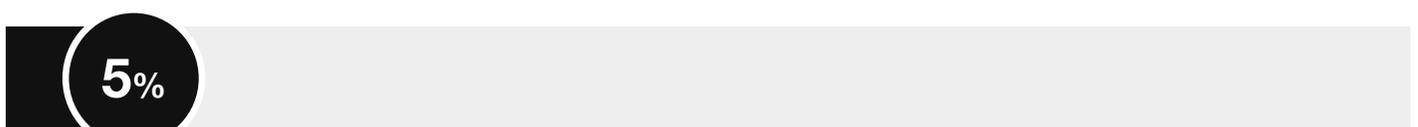
Corporate businesses (revenue over BRL 90 million)



Freelancer



MEI (an acronym for Individual Microentrepreneur)





## Diego Perez

ABFintechs President



Fintechs have achieved good penetration among the digital generation of young people and the low-income population, which has less access to technology. In the first group, they meet the demand for high availability and a more pleasant experience. Young people want to open and close a bank account as quickly as they download or delete a game on their phone. Among the low-income population, fintechs have been able to create products that make basic use of available technology or make access to it much cheaper. In the peripheral neighborhoods of major cities, for example, it is easy to see small entrepreneurs or informal workers using their machines to receive payments via Pix.”

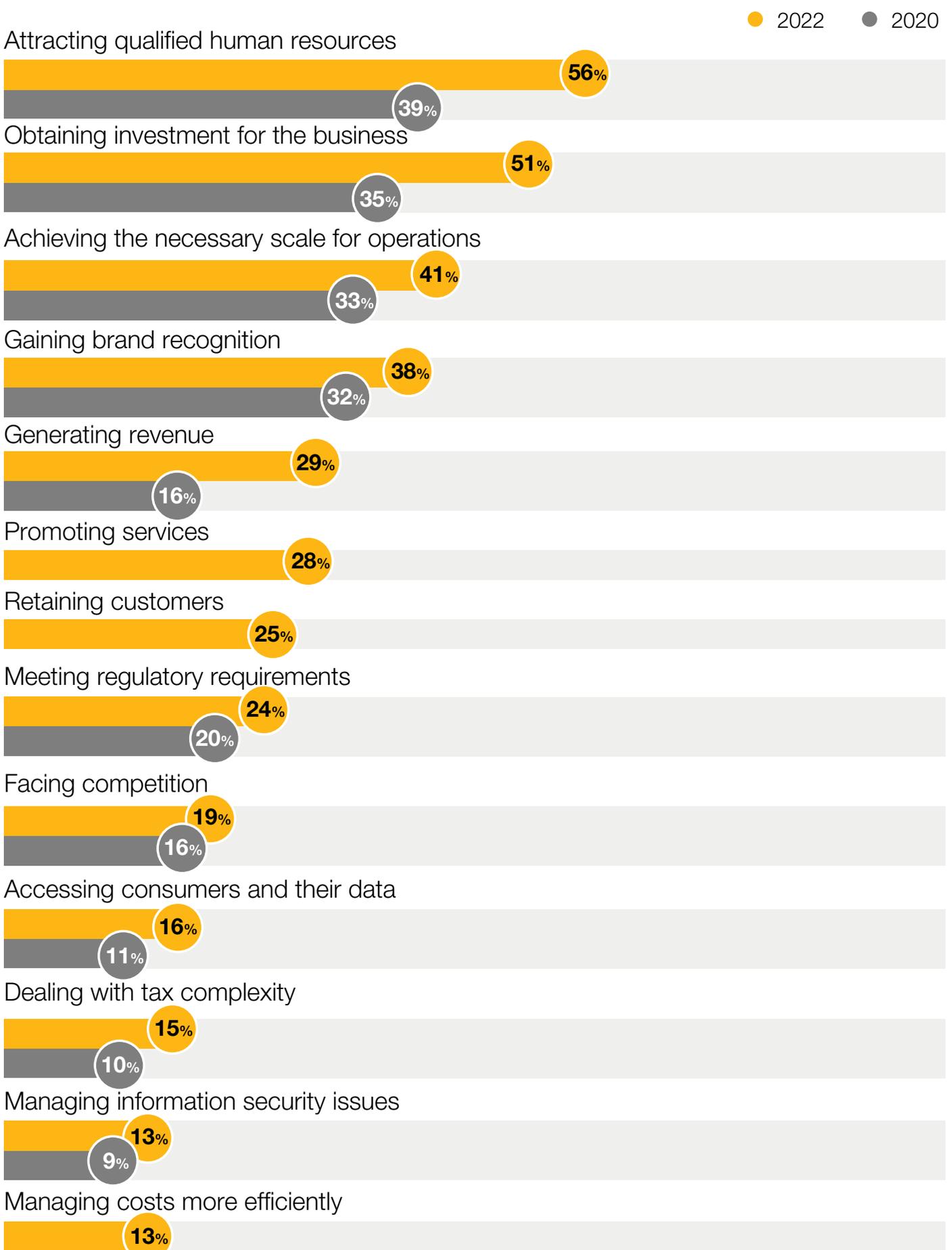


## Main barriers faced by management

In a sector that constantly needs to innovate and depends on cutting-edge technology, attracting talented human resources remains the main challenge faced by management and concerns a much larger portion of the participating companies in the survey.

Generating revenue moved up two positions in the ranking and currently occupies the fifth place. This item is followed by two new barriers researched this year: promoting services and retaining customers.

All the researched barriers received more mentions from the participants than in the previous edition of the survey, an indicator of the difficulties faced by fintechs during the crisis caused by the pandemic.



## Regulation creates pressures and opportunities

### Open banking and Pix

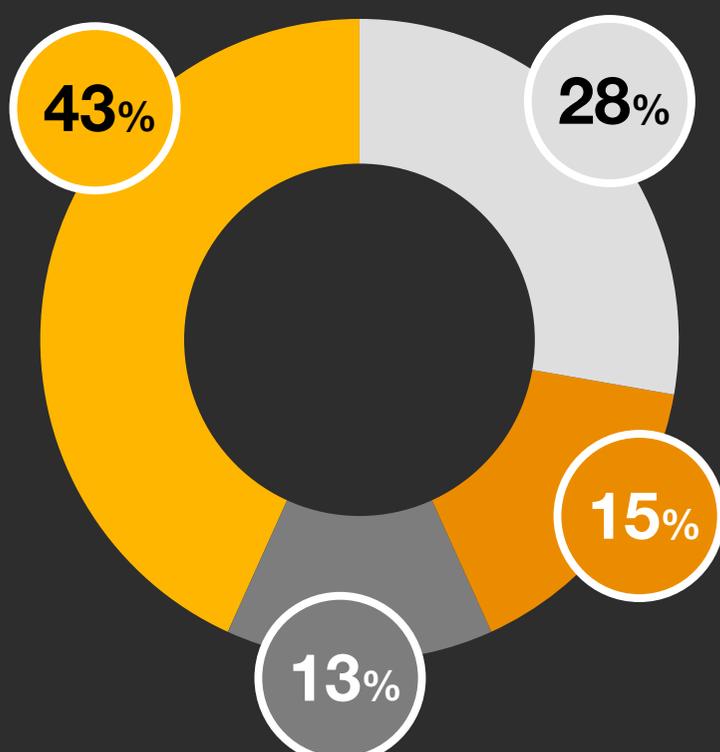
Most fintechs claim to be already reaping or about to reap benefits from their investments in solutions related to open banking and Pix. After Brazilians' mass adoption of Pix, the companies still see opportunities to explore the new payment modality to diversify their product and service offerings and attract customers.

Similarly, open banking has yet to fully show its potential for transforming the market. The regulation already exists, but the transition takes time because it is necessary to develop the open finance integration infrastructure required to install marketplaces for financial products and services.

When they are available, price comparisons will be more accessible, and the impact on people's lives and the market will be more visible. This trend will be especially beneficial for the credit segment, and young people are expected to be the primary target audience.

### Develop solutions for open banking and Pix?

- Open banking and Pix
- Only for Pix
- Only for open banking
- None



# 72%

are developing solutions for open banking and Pix.



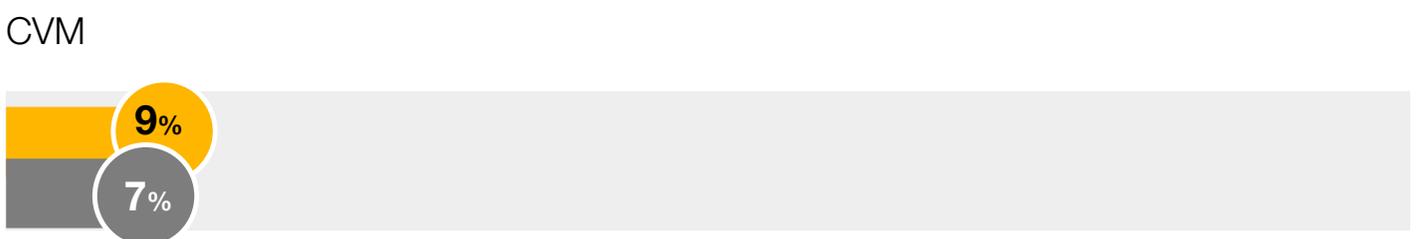
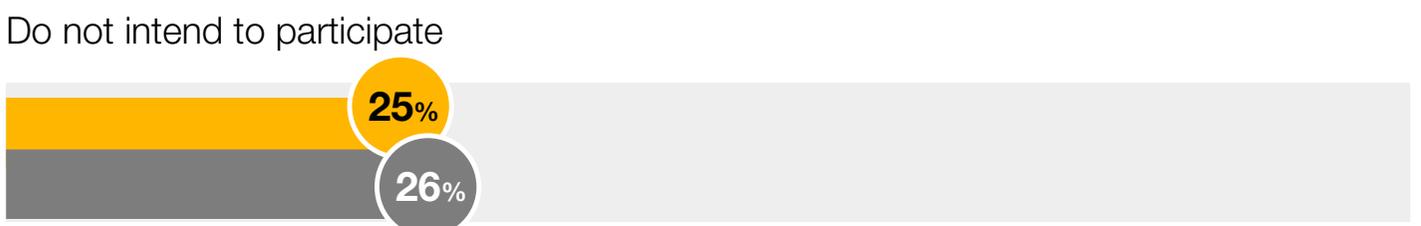
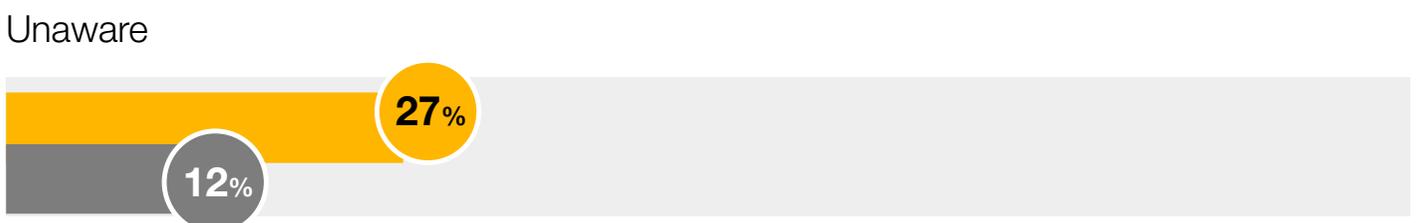
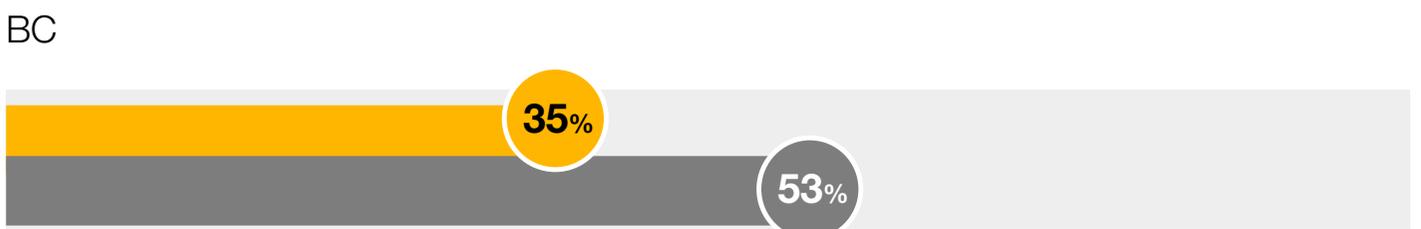
# 79%

already reap the benefits from these initiatives or believe they will be able to do so within a year.

## Participation in a regulatory sandbox

More than half of the fintechs intend to refrain from participating in a regulatory sandbox or are unaware of the subject. The percentage is significantly higher than the 38% in the previous edition.

● 2022 ● 2020



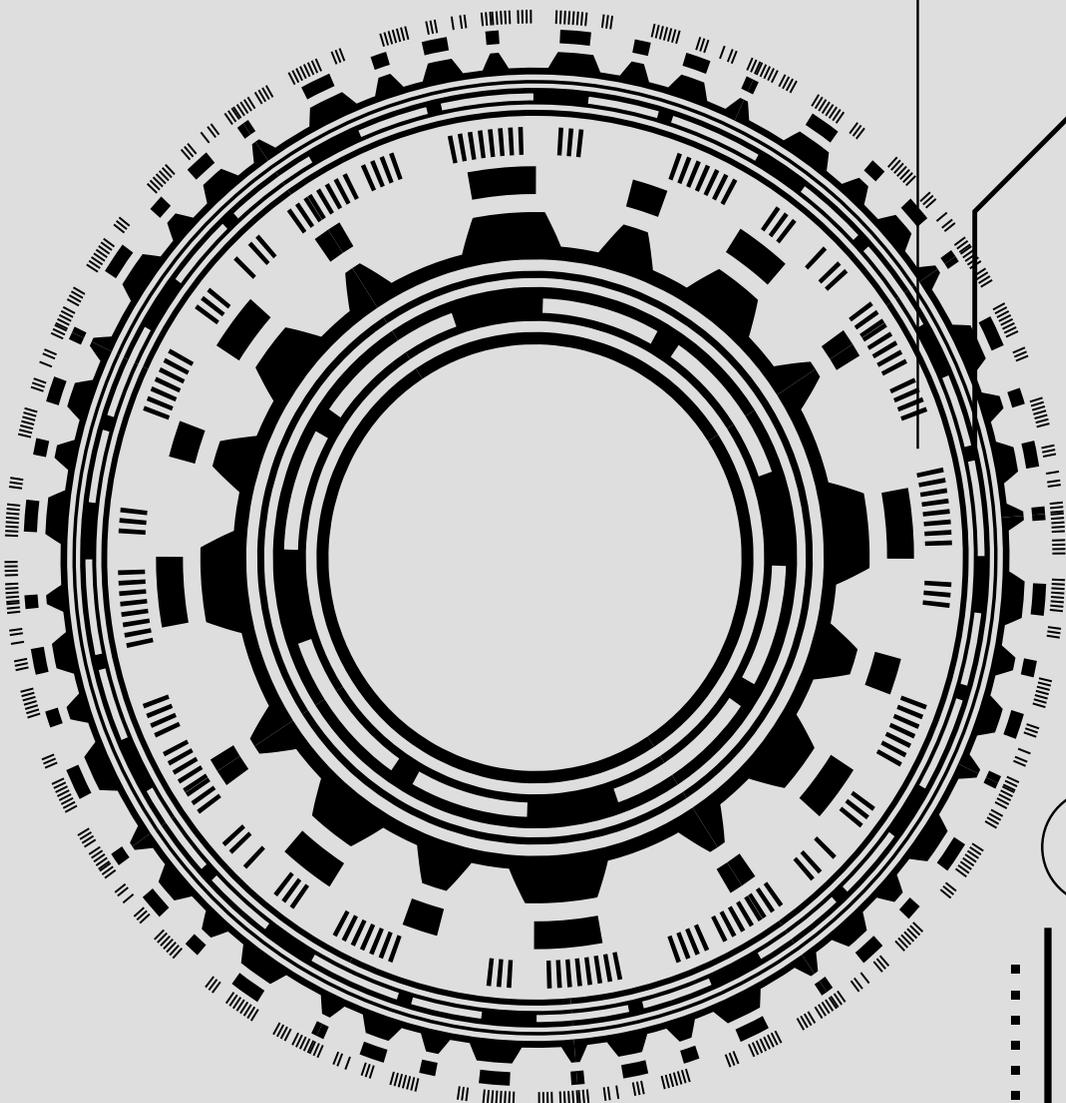
## 'Law of Good'

Few companies resort to the 'Law of Good' (Law No. 11,196/05 or *Lei do Bem*), one of the main incentives for innovation. The reasons may be a lack of knowledge, a lack of internal controls, or the fact that they have not yet reached the profit level for the actual profit regime. Today, the 'Law of Good' only applies to profitable companies.



# 96%

have never benefited from the technological innovation tax incentive provided by the 'Law of Good' (*Lei do Bem*)



## Cybersecurity and fraud risks



92%

say they have already complied with the General Data Protection Law (LGPD).



84%

say they have already complied with the Anti-Money Laundering Law.

Being compliant with the law is different from being prepared to face risks. Although they are not yet the main target of hackers and fraudsters in the financial sector, fintechs that do not have an adequate structure to deal with cyber threats, fraud, and financial crimes will remain vulnerable to severe impacts on their operation, reputation, and survival, even if they are compliant with legal requirements.

# 3. Strategy

**With a focus on reducing the costs of products and services, fintechs are betting on expanding the credit, payment methods, and digital banking segments.**

The main areas of operation for fintechs remain almost unchanged from the previous edition, except for digital banks, which advanced to third place, overtaking financial management solutions.

The five main areas of operation are:

● 2022   ● 2020

Credit



Payment methods



Digital banks



Financial management



Investment management

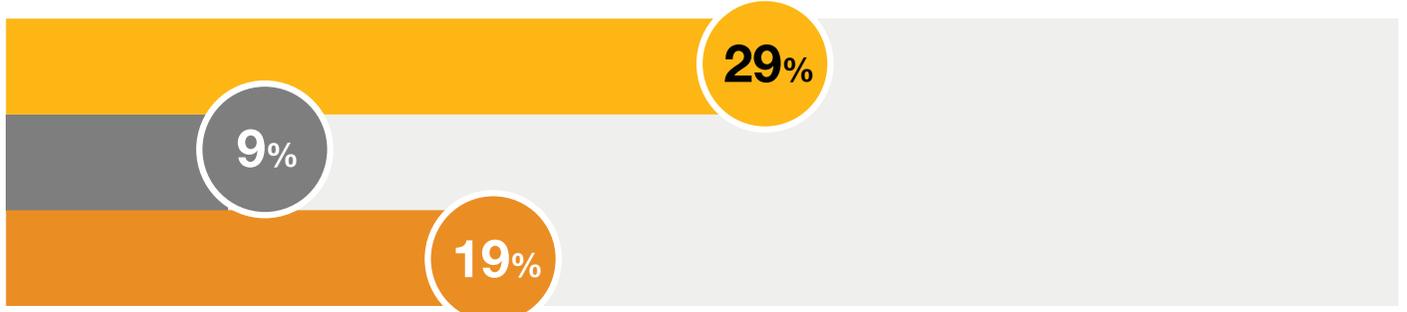


## Expanding areas

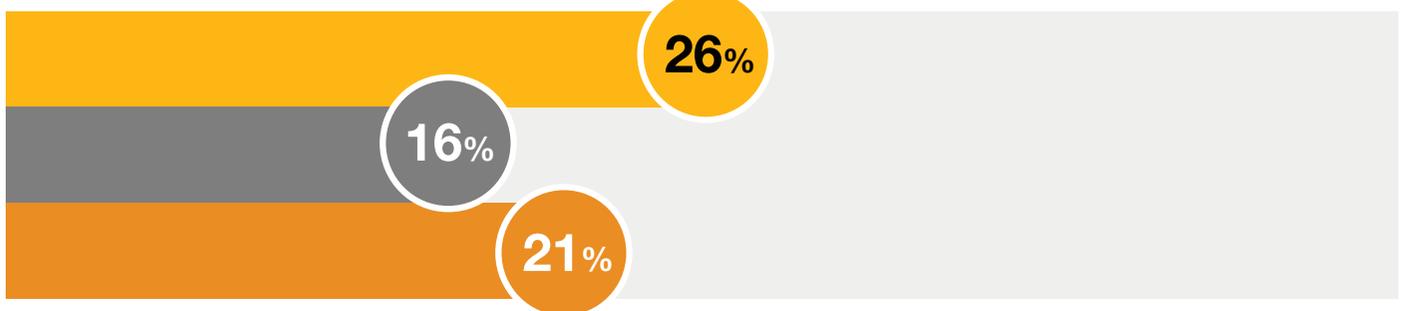
The bet on the digital banking segment has been increasing every year.

● 2022 ● 2020 ● 2019

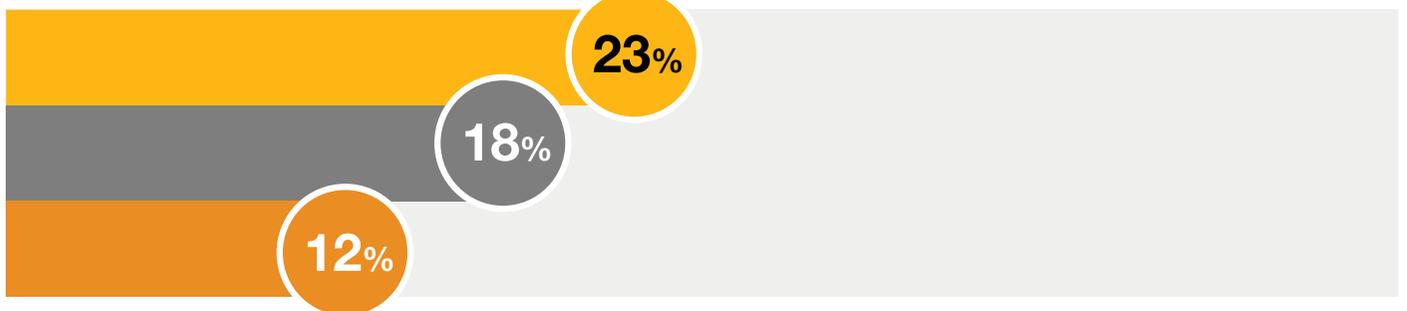
### Credit



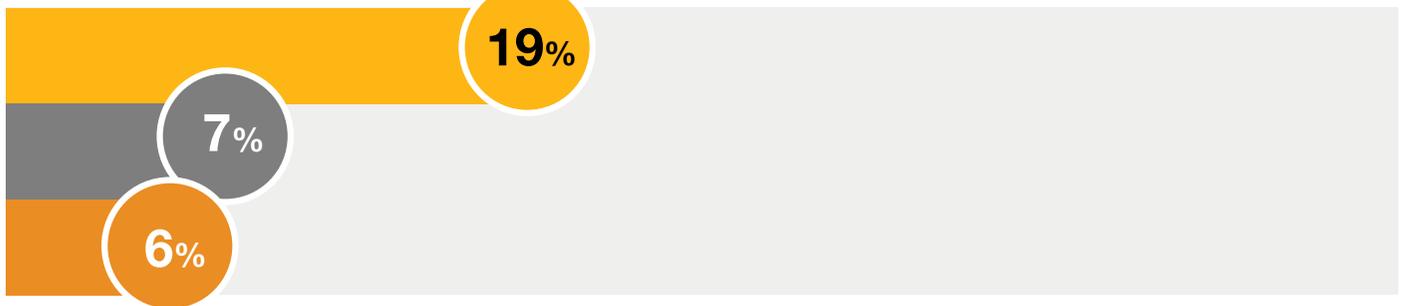
### Payment methods



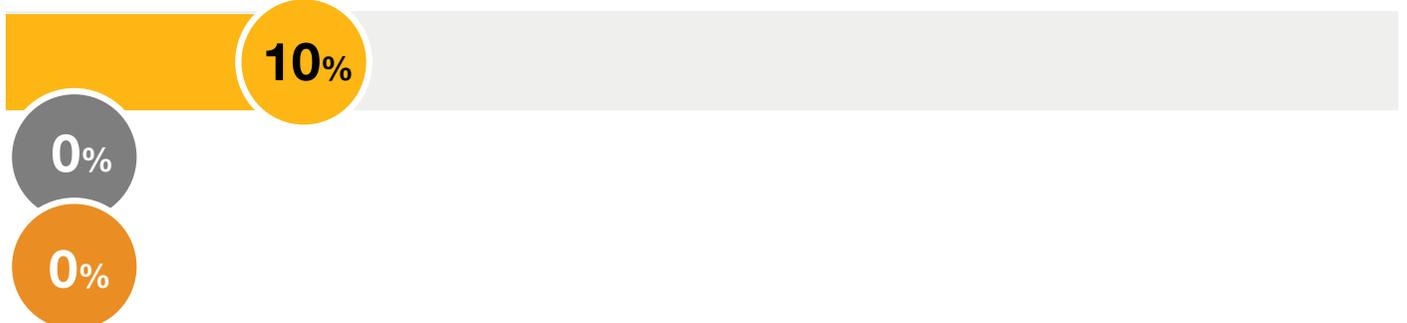
### Digital banks



### Financial management



### Investment management



The three main verticals in the sector are also the segments in which fintechs most intend to invest in the next year:



## 1° Credit - 36%

There is still much room for fintechs in the credit sector to grow, considering that the general population has yet to know the solutions these companies offer. The impact of open banking on the market, which has been very little so far, will be especially beneficial for this niche of fintechs.



## 2° Payment methods - 31%

The growing digitisation trend will continue to drive the expansion of companies operating in the payment sector, simplifying the buying and selling process.



## 3° Digital banks - 30%

There is an excellent opportunity for non-financial sector companies, such as retail, beverage distributors, and energy providers, to create their own banks. They can offer their customers favorable financing rates thanks to reduced financial costs associated with issuing invoices and defaulting. It has become cheaper to provide a digital account without having to be a bank.

## Focus of operation

B2B and B2C



B2B



B2C



Other



Only

# 10%

of fintechs are aimed exclusively at the final consumer (B2C).

Two-thirds intend to offer services adapted to a niche market, **62%** seek a differentiated experience for the customer and **40%** aim to increase financial inclusion.

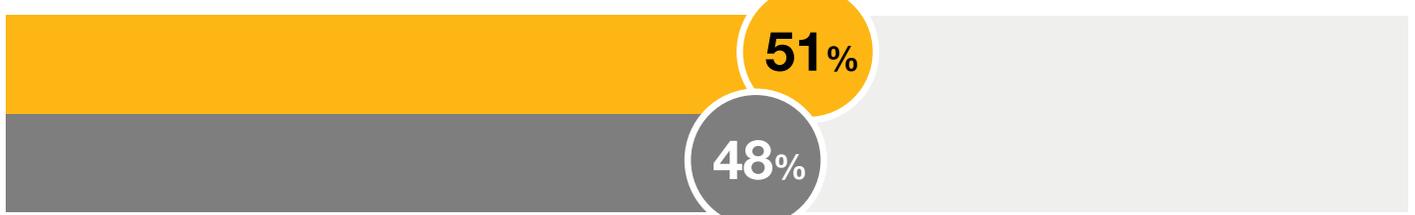
Over a quarter of companies (**28%**) offer a service yet to be available in the traditional financial system, such as cryptocurrencies and crowdfunding.

More than half of fintechs choose cost reduction as their primary differentiator.

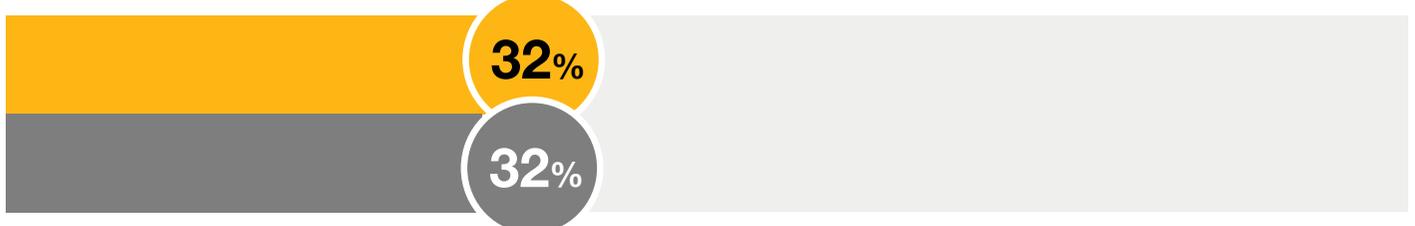
## Main differentiator

● 2022 ● 2020

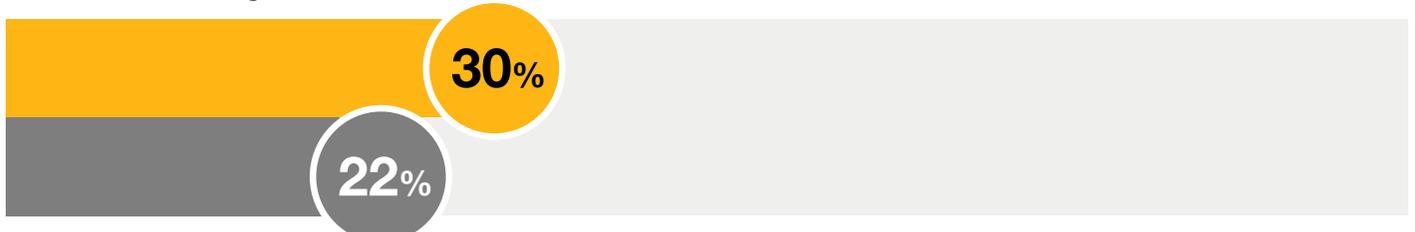
Cost reduction



Disintermediation



Access to a large user base



## International operations:



29%

already operate internationally, and 47% plan to do so. 88% will use partnerships.



12%

have headquarters abroad.

## Main regions of international expansion plans

Latin America

65%

Europe

36%

North America

35%

Asia

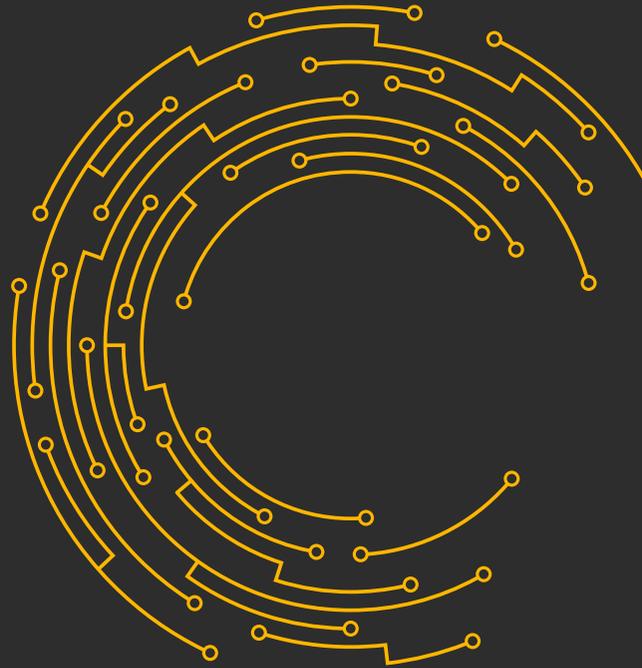
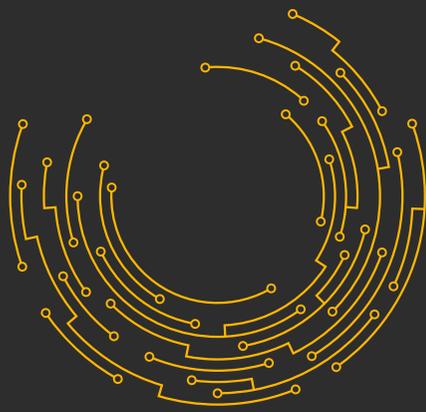
12%

Middle East

6%

Oceania

3%



## The main technological bets

The technologies mastered by fintechs remain the same as in the previous edition of our survey. The bets for the future are primarily in artificial intelligence, blockchain, and data analysis, which will be essential for product customisation.

Three leading technologies they dominate



Three leading technologies they plan to dominate



## 4. Capital

**Most of the surveyed fintechs finance their activities with resources from their entrepreneurs. The crisis has reduced the appetite of investors for risk.**

The fintech movement results from a combination of factors: an excess of capital in the market looking for good returns, a sense of rebellion in specific places, regulatory support, willingness to innovate, and new technologies that can lower the cost of setting up the innovation infrastructure.

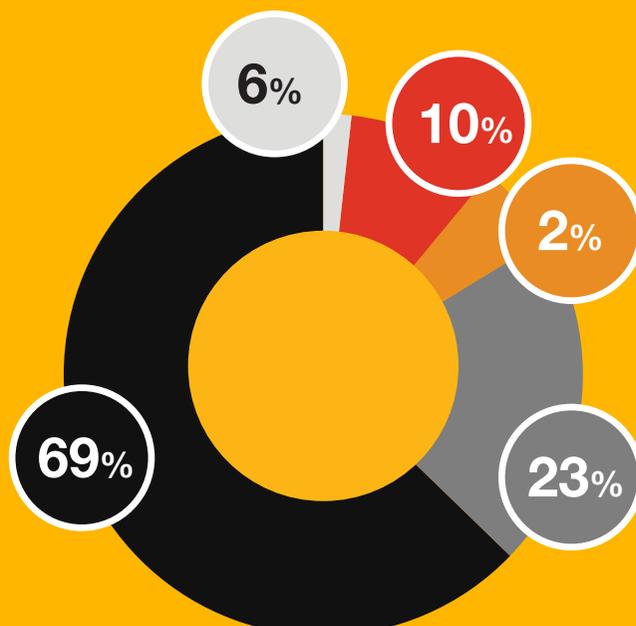
Currently, there is little availability of venture capital to finance the innovation of startups. This situation is primarily due to some investments being frozen during the Brazilian election and to uncertainties related to prices and interest rates worldwide, which were exacerbated by Russia's invasion of Ukraine in early 2022.



**69%**

of the companies are funded by equity.

- Funded by equity
- Private equity investment
- Conglomerate shareholding control
- Autonomous
- Investment by a financial institution



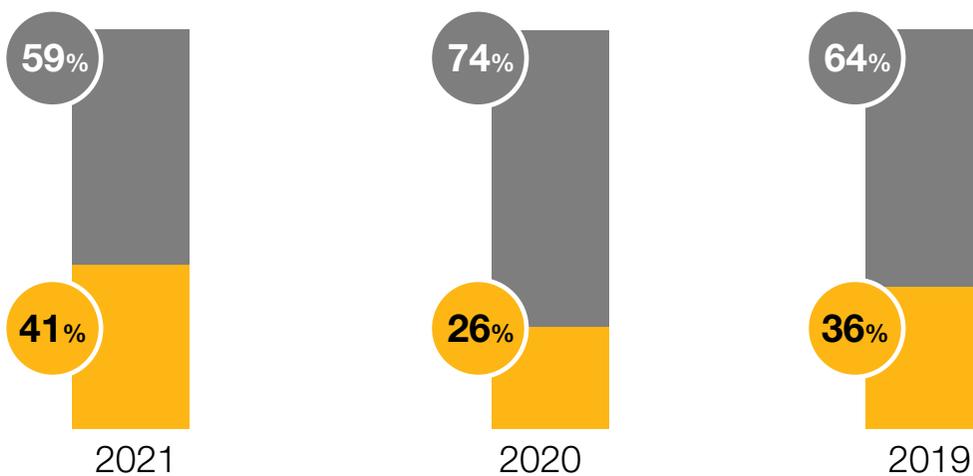
The high percentage of companies that finance their operations reflects the economic crisis triggered by the pandemic and geopolitical conflicts, which dried up sources of capital for startups. However, it can also result from established companies deciding to open their own fintechs, such as digital banks, to facilitate their businesses.

### Investment reduction

The percentage of companies that received investments decreased in 2020, but started to grow again in 2021.

Did your fintech receive new investments?

● Yes ● No



 **31%**

classify their investors as “angels” and **27%** as venture capitalists. Accelerators are **15%**.

 **72%**

view traditional financial institutions as partners – currently or in the future.

 **85%**

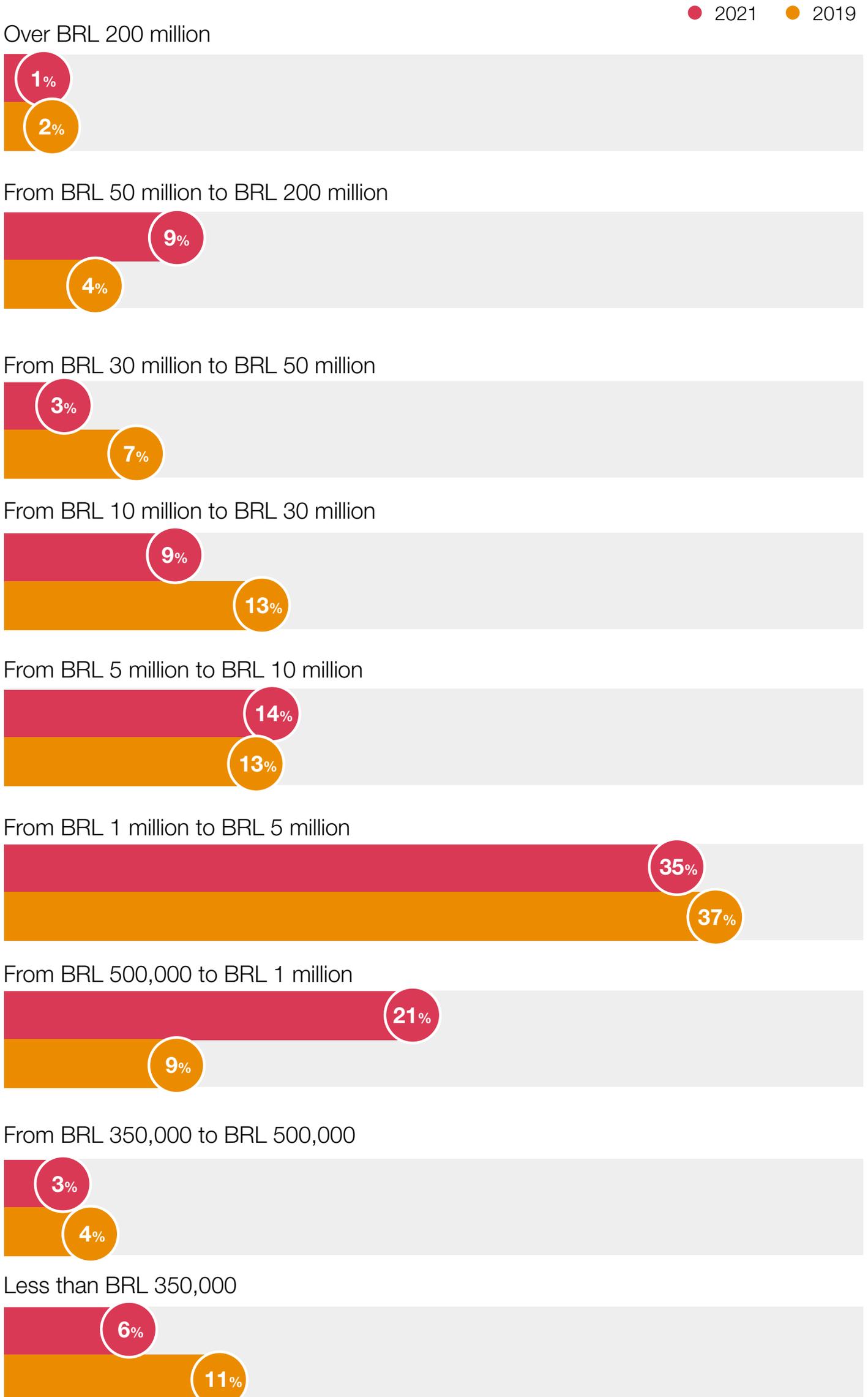
of fintechs receive up to **0.1%** of their total investment from international sources.

 **56%**

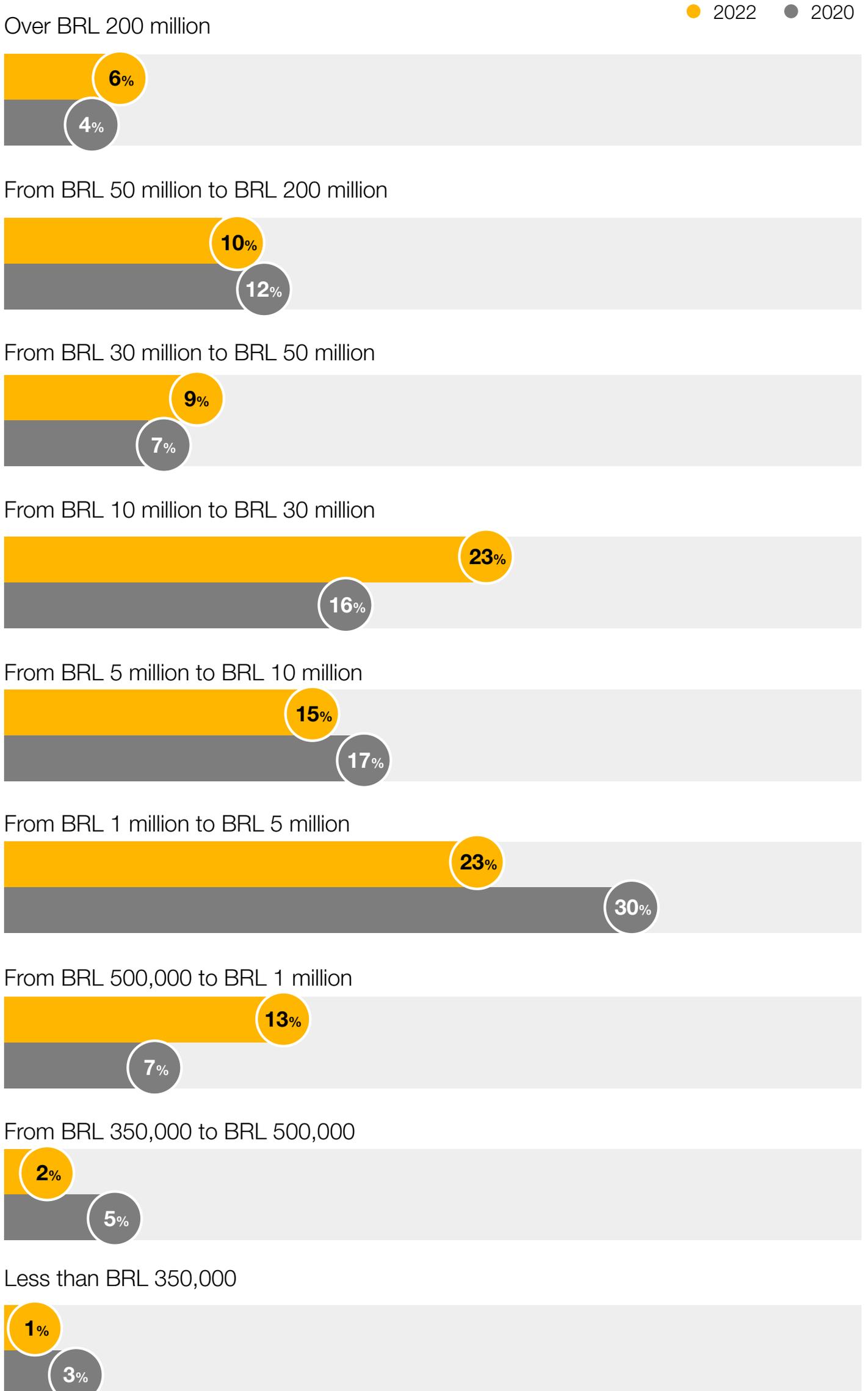
have never participated in a round of investments.

## Funding

Among those that received investments, 49% report having raised between BRL 1 million and BRL 10 million. In the previous edition, this percentage was practically the same (50%).



At the time, **80%** of fintechs were seeking investments or planning to do it in the following 12 months. In this group, **60%** intended to obtain between BRL 1 million and BRL 30 million.



The lack of brand exposure is a stumbling block to almost half of the fintechs searching for capital. The other most cited issues are the economic/political crisis and the scarcity of investors.

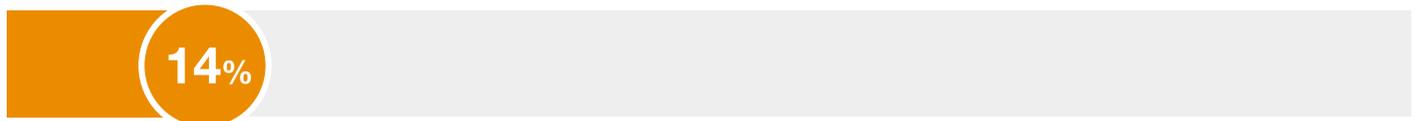
Lack of brand exposure



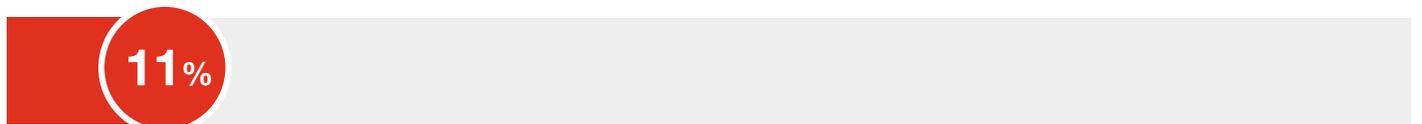
Economic/political crisis



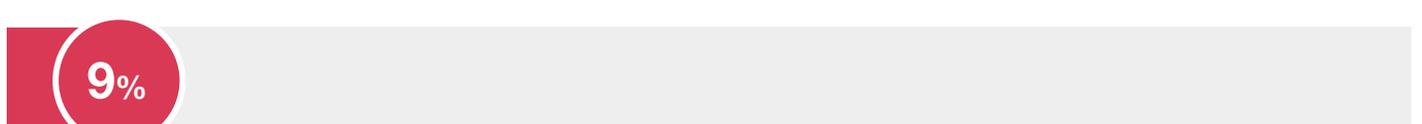
Absence or scarcity of investors



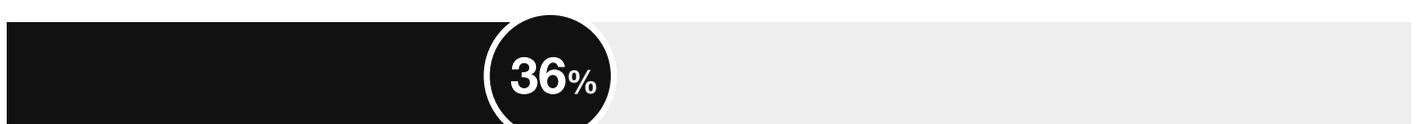
Competition



Lack of proper regulation



Others



Note: Participants could select more than one answer.

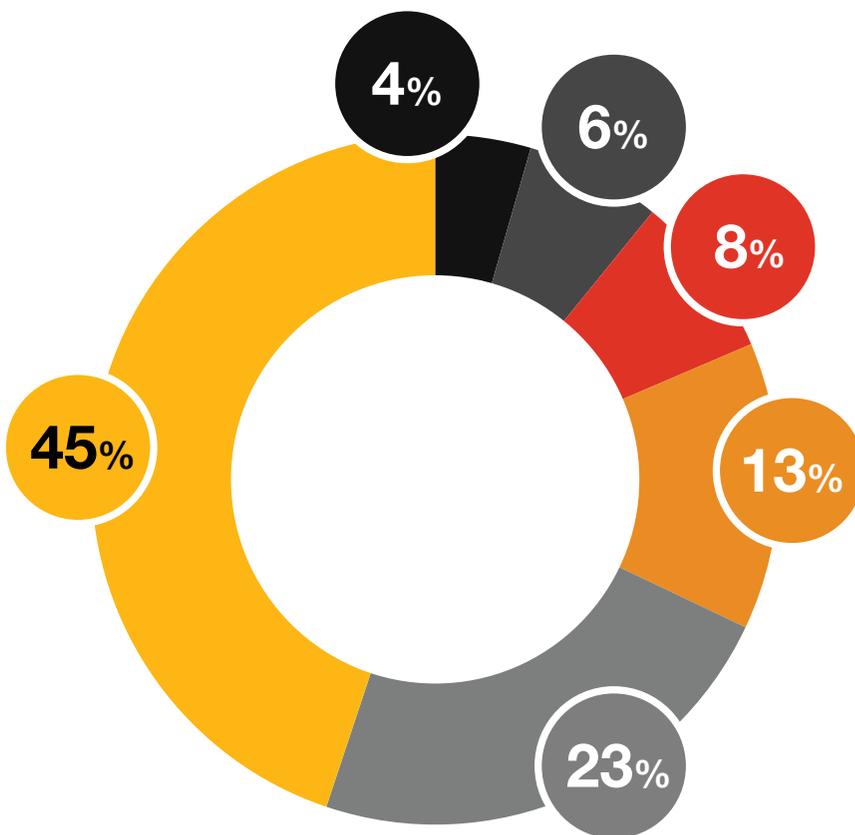


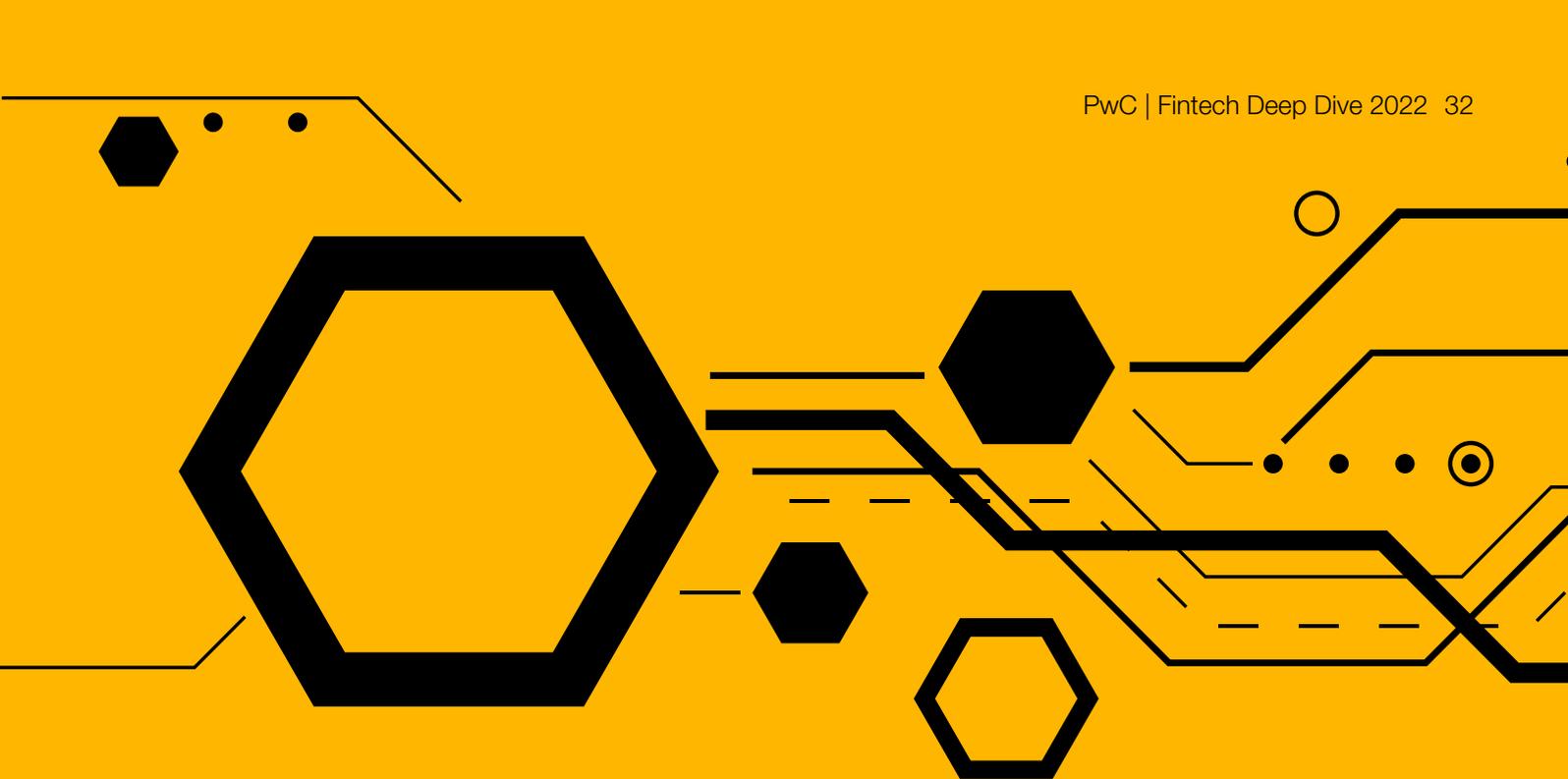
## Equity strategy

Almost half of fintechs plan to obtain investments from funds to finance their activities. The crisis caused by the pandemic, which generated uncertainties regarding prices and interest rates, dried up the available sources of capital for these companies to carry out IPOs in Brazil and abroad.

Since 2019, the share of fintechs intending to do an IPO abroad has fallen from 18% to 8%. For IPOs in the country, the drop was from 12% to 6%. The possibilities of selling the business to strategic investors have also become more limited: intentions have fallen from 42% to 23%.

- Receive investments from a fund
- Keep the business private
- Perform IPO in Brazil
- Sell the business to a strategic investor
- Perform IPO abroad
- Establish partnerships with international companies



An abstract graphic at the top of the page features a large, thick black hexagon on the left. To its right, a network of black lines and smaller hexagons (some solid black, some hollow) extends across the top. The lines are of varying thickness and some are dashed, creating a complex, circuit-like pattern. The background is a solid light blue color.

# Methodology

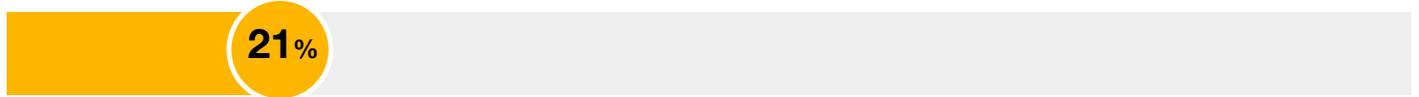
The Fintech Deep Dive Survey 2022 was conducted by ABFintechs (Associação Brasileira de Fintechs) and PwC based on responses to an online questionnaire sent to representatives of technology companies specializing in financial services in Brazil.

Between March 14 and April 22, 2022, we received responses from 156 fintechs. Our sample includes companies of different sizes and sectors. Specialists from ABFintechs and PwC carried out the data analysis. The answers were treated as strictly confidential and analyzed collectively. No reference to individual companies is made in the results or data analysis.

## Participants profile

### Age of the primary founder

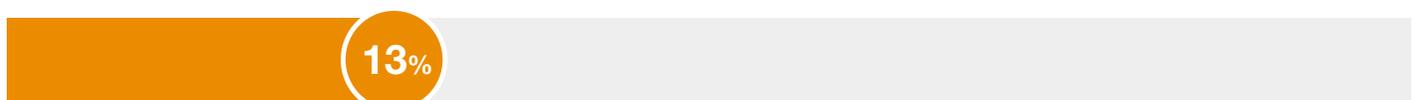
Between 20 and 30 years old



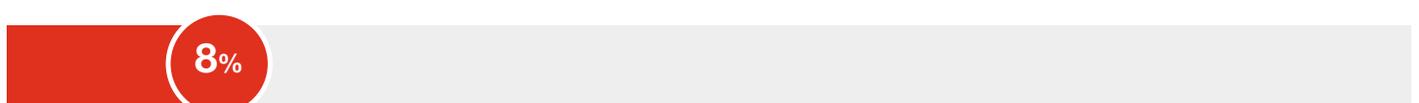
Between 30 and 40 years old



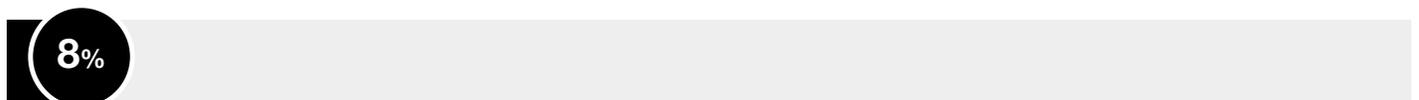
Between 40 and 50 years old



Between 50 and 60 years old



Above 60 years old



### Gender



# Contacts

## PwC

We are a network of firms with offices in 155 territories and more than 295,000 professionals dedicated to providing quality services in auditing and assurance, tax advisory, corporate and business consulting, and deals.



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## ABFintechs

Founded in 2016, ABFintechs currently has more than 530 associates. Besides ensuring that as many fintechs as possible become a reality as a business, its mission is to make Brazil a reference in innovation in the financial sector, becoming a supplier of disruptive innovation in finance to the world.



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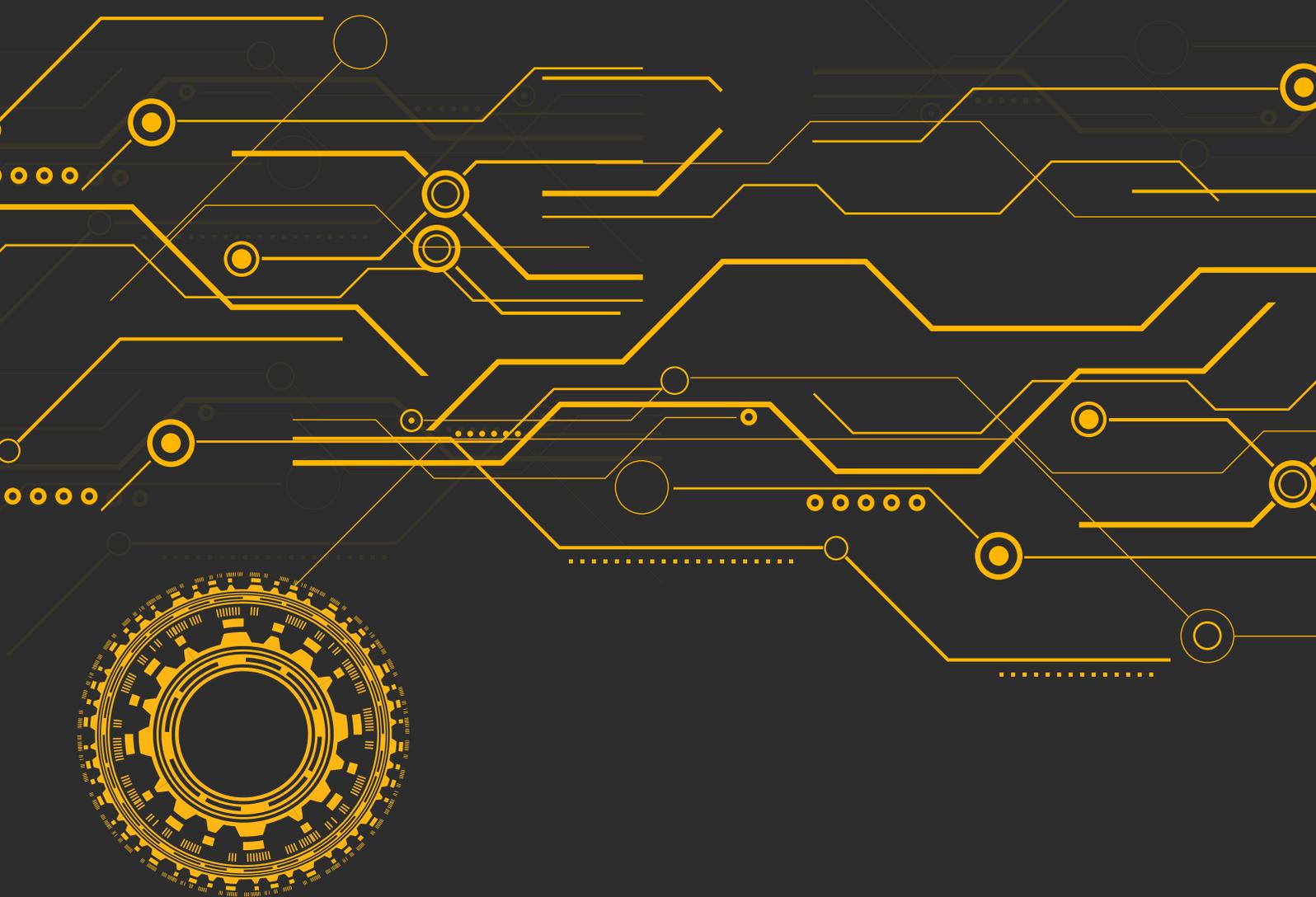


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