

Interview with **Sergio Furio**, founder and CEO of **Creditas**

To provide further insight into the type of business and, arguably more important, the type of people we back at VEF, in this section of our Annual Report we catch up with Sergio Furio, founder and CEO of Creditas, Brazil's biggest and fastest-growing secured consumer lender. In almost every way, Creditas and Sergio are exactly what we are looking to back. A driven, focused, energetic, and almost addictive entrepreneur, driving one of the fastest-growing fintech companies in Brazil with a best-in-class offering into a scale opportunity space, but also one that improves the financial wellbeing of the growing Brazilian customer base who interact with it.

As an introduction, can you share with our investors how it all began, the impetus for, and idea behind Creditas?

I'm originally Spanish, born and raised in Valencia, but moved to New York as my career took off with BCG, the consultancy group, where I spent a lot of time working with and advising some of the largest financial institutions in the US. My eureka moment for Creditas was triggered by my then wife to be, who is Brazilian. When I told her that I wanted to become a fintech entrepreneur, she told me all about the state of financial services in Brazil, the issues with it, where consumers pay 100%+ annual percentage rate for a simple personal loan. Clearly inspired, but in-part driven by the desire to impress, I started digging into the problem and realized that most of it was not related to higher levels of delinquency risk or higher funding costs, but largely by the gross inefficiency of the incumbent Brazilian banking system. I saw a clear opportunity to improve financial services by leveraging on better technology and digital channels. So, in 2012, we got married, decided to move to Brazil, and started up the business. It was one of those opportunities where the more time you spent on it, and especially when I arrived in Brazil, that it just became

more and more obvious. Within a year I realized that THE amazing opportunity was in refinancing all that expensive unsecured consumer debt by using the customer's properties (and eventually other assets) as a collateral.

Who is Sergio Furio, what makes you tick, drives you on?

In the early days it was about risking my life for the unknown. Getting out of my comfort zone and proving to myself that I can do amazing things outside of the safety and structure of the corporate world, almost with my own hands. Today, I'm very passionate about causing clear and tangible impact. There are so many problems in our society, and I think that I can deliver change, inspire others and ultimately create a better world. I'm doing exactly what I want to do at this moment in my life. And I enjoy the idea of having my daughters proud of what we did one day.

Can you share some of the unique features of both Creditas and the Brazilian market that form the basis of your success to date.

Creditas is all about providing liquidity to the owners of illiquid assets. If you think about it, people work most of their lives to create wealth that is trapped in real estate property or their cars. In Brazil alone, there is a USD 3 trillion pool of assets in the combination of consumer real estate and cars. Today, consumers are only using a fraction of those assets to secure low-cost debt (currently only ~7% of that total value is used as loan collateral). If we can use those assets and inject that liquidity back to the consumer, if we can tap into this opportunity, in a seamless way, the impact would be massive. We could triple the available funds in Brazil, and that would mean better education, more small business investments, home renovations... and we could do all this at a fraction of the cost that they are currently paying to their friendly neighborhood bank.



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What opportunities and challenges are you presented with when operating a business like Creditas in a country like Brazil?

While our business concept is super logical and simple to explain, the challenges on the road to success are very real. Collateralized loans are extremely complex to originate. Besides dealing with customer acquisition, credit analysis and funding of the loans, you need to take care of the loan production. This involves the asset appraisal and more importantly, analyzing the legal risk. In Brazil we don't have title insurance, and that means that we need to do an internal underwriting of the property title, including all potential liabilities of the borrower that may impact the title, and

liabilities on the companies that the borrower may own that can also indirectly impact the property. As ever, if you tackle the hard path in business there is a very real chance you can build some real defensible moats for your business to allow you to return strong profits through the cycle. Creditas has been able to continuously build sustainable advantage due to the complexity of the product. So, I guess you could say we embrace the challenges that Brazil offers in our space, and it is through our success in overcoming them that we have built something truly unique and defensible.

What have been the key milestones for Creditas so far, moments that made the difference?

Between 2012 and 2015, Creditas focused on partnering with mid-sized banks and act as a distribution channel for them. After completing the platform, a key milestone was achieved in April 2016 when we issued our first fully originated home equity loan. In 2017 we launched our first asset-backed investment fund that allowed us to fund the loans and keep most of the loan return while minimizing our capital consumption. In 2018 we issued our first residential mortgage backed security, first in June through a private placement, and then in December through a public offering that was distributed mostly to retail investors. From an equity standpoint, our USD 55 million Series C led by Vostok Emerging Finance in December 2017 represented an inflection point for the company that allowed us to grow 5x in revenues in 2018. Finally, in January 2019 we were granted a financial institution license by the Brazilian Central Bank that gives us full independence to originate our loans and increase both economics and innovation. All this and we are still so early in our journey and look forward to many more milestones to come!

How do you feel about 2019 (and beyond) for the business?

We have plans to grow 30x between 2019 and 2021 and as such 2019 is going to be a critical year. As well as driving more origination volume through our platform, our automation efforts are really starting to kick in, and we expect to see healthy productivity improvements and efficiency gains through the year. We believe that becoming a low-cost producer is a necessary part of our strategy to build a sustainable competitive advantage, and that means significant technology investments. Our team today of near 600 strong should grow to around 900 by year-end as we continue our accelerated

growth and prepare launching new products in our portfolio. There is a plentitude of initiatives that are to be implemented which should start making secured lending a go-to product, and Creditas as the recognized brand in the space and by Brazilian households in general.

How would you describe your relationship with VEF and your investors in general?

Our quarterly board meetings give us some discipline in our relationship with our investors. We gather in a round table and digest 100 pages of in-depth content to make sure that everyone is on the same page. In between board meetings, we have a very close relationship and have constant interactions on specific opportunities, business development, product and technology and funding. VEF has been a great partner since leading our round and has active participation in our key strategic decisions. Both David and Alexis are outstanding professionals and have been supporting us with introductions and thought partnership during these last 15 months.

To close off, what would you say to investors in Vostok Emerging Finance, who indirectly are shareholders in your company?

Fintech in emerging markets is going to be an amazing ride. Full of ups and downs, but with clear and consistent secular trends that favor disruption. VEF has been quick in landing in Brazil and now enjoys a great brand among fintech entrepreneurs looking for Series B/C. There are tremendous opportunities to be built in Latin America and patience is going to be the investors' friend.