



VEF

The emerging market fintech investor

GRINGO

Gringo: Revolutionizing the Brazilian Driver Experience

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Introduction

This report focuses on VEF's investment in Gringo, an Embedded Finance company in Brazil and VEF portfolio company since 2022.





Embedded Finance signifies the seamless integration of financial services into the user interfaces of non-financial companies. The shift to mobile-first approaches, increased provision of digital infrastructure and ongoing software innovation are factors propelling this trend.

Despite being in the initial stages, Embedded Finance presents a significant opportunity in VEF's core focus markets—Brazil, India, and Mexico. We saw it first-hand through our portfolio companies like Creditas, followed by specific Embedded Finance investments in Brazil-based Solfácil and Gringo, and BlackBuck in India.

The growth of Embedded Finance has been made possible in Brazil thanks to the emergence of open banking and PIX, two critical regulatory support factors we have previously written about [here](#).

In the first section of this report, we outline the opportunity to digitize the driver experience in Brazil, while the second section sheds light on Gringo, its team, and the future of the business.

VEF's Fintech investment verticals

Credit 	<ul style="list-style-type: none"> Consumer SME Secured Unsecured 	Embedded Finance
Payments 	<ul style="list-style-type: none"> Offline Online Mobile Remittances 	
Personal finance 	<ul style="list-style-type: none"> Digital banks Personal finance managers Mobile wallets 	
Investments 	<ul style="list-style-type: none"> Wealth management Roboadvisors Digital brokers 	
Web 3.0	<ul style="list-style-type: none"> Protocols + infrastructure Defi/Cefi NFTs Platforms 	
Insurtech	<ul style="list-style-type: none"> Online comparison and brokerage Full-stack digital 	


 = VEF investments

The opportunity to digitise the end-to-end driver experience in Brazil

The current driver experience


Owning a car in Brazil can be extremely complex – from the initial purchase, to grappling with annual vehicle taxes, managing driving licenses and other vehicle documents, and settling fines. Car ownership comes with its fair share of bureaucratic hurdles and involves navigating a labyrinth of administrative complexities, which is much more the case in Brazil than other emerging markets we invest in. The major pain points can be explained as follows:

Driver pain points



Waste of time

- Analogue and broken systems
- Physical presence required
- Complex tax calculations
- Cumbersome existing infrastructure



Waste of money

- Brazil – 2nd most expensive country to own car
- High recurring annual taxes
- High maintenance costs and fines

Pain points

High car ownership costs

Brazil ranks among the top 5 most expensive countries globally to own a car, with annual running costs exceeding 30% of the average yearly wage. This financial burden is compounded by several factors:

- **High taxes and fees:** Vehicle ownership comes with a hefty price tag, courtesy of high annual taxes and licensing fees (which can be up to USD 300). Both federal and state-level levies on vehicles effectively subsidize spending on a broad range of government programs, including infrastructure development.
- **Costly fuel:** The cost of fuel in Brazil is notably high, significantly impacting overall operating expenses for drivers.
- **Elevated maintenance and repair costs:** Maintaining and repairing a vehicle in Brazil can be expensive, in part due to import tariffs on car parts and a complex distribution system.

The cumbersome experience managing a car

Payment of annual taxation on vehicles and fines requires multiple interactions with public entities, introducing bureaucratic hurdles that often necessitate physical visits to different departments, each with its own set of processes varying from state to state.

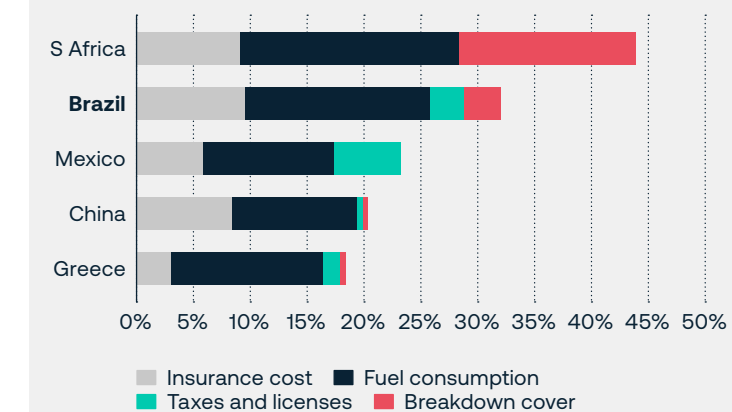
The entities responsible, collectively known as the Brazilian DETRAN (Brazilian State Transport Department), operate with predominantly analogue systems, often plagued with long delays and an overreliance on paper-based communication. Despite government strides in digitalisation, incomplete data integration among municipalities, states, and the federal government results in information asymmetry, affecting all drivers who have to periodically pay vehicle taxes and other documentation renewal fees. These payments often become contingent on settling fines, introducing further complexity.

The payment processes themselves are inefficient and physical, requiring visits to banks or local agencies with limited operating hours. With the exception of the annual vehicle tax (IPVA), paying via installments or credit card is a cumbersome process, unless dealing with major banks. Additionally, drivers lack visibility on payment deadlines, often postponing fine payments due to the inconvenient process.

Adding to the cumbersome experience, tasks like car insurance renewal involve navigating between brokers and direct interactions with insurance companies.

Brazil is among the most expensive countries globally to own a car...

(Costs as a % of average yearly wage)



The above analysis compares the average running cost of different car models in major countries and ranks them in order of affordability (calculated as total annual running costs as a % of annual wage).

Source: Comparethemarket.com



VEF's investment in Gringo

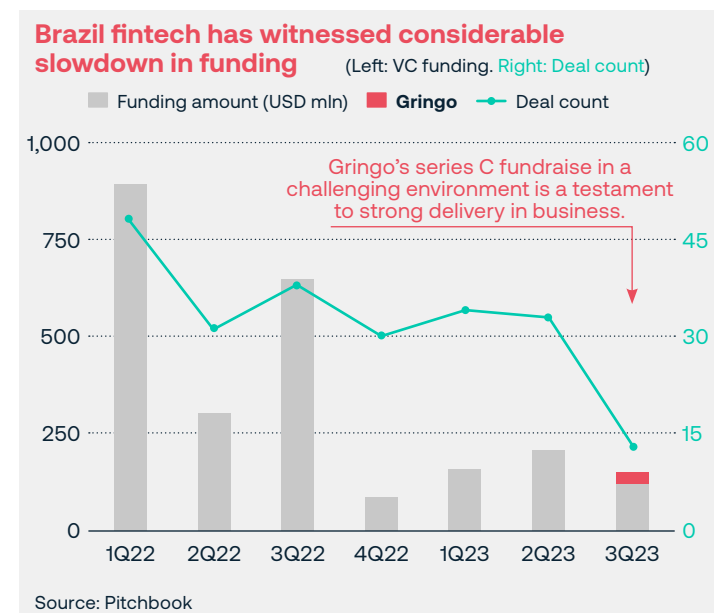


Introduction

Launched in 2020, Gringo serves over 15mln registered drivers with documentation issuance and payment services and has successfully expanded its product suite to include a marketplace which originates credit and insurance in a fully embedded app experience for drivers. Additionally, it provides free monitoring of vehicles and driver licenses, fostering engagement and accumulating valuable data.

VEF first invested in Gringo by leading its USD 34mln Series B in February 2022. Since then, performance metrics, including TPV, transactions, and revenues, have grown 5–6x.

Recognising the importance of identifying and supporting compounders early on for returns, we participated with a USD 3mln additional investment in Gringo's Series C, a successful funding round announced in September 2023. With this round, Gringo not only achieved a higher valuation but also became one of the very few Series C companies to secure funding amidst the prevailing market challenges, a real testament to the quality of the team, execution, and attractive business they have built.



The team

Gringo has 3 co-founders – Rodrigo Colmonero (CEO), Caique Carvalho (CPO) and Juliano Dutra (CTO). It is a strong team, with complementary skills and a deep experience set.



Rodrigo Colmonero – CEO and co-founder

Prior to founding Gringo, Rodrigo was a co-founder and partner of an asset manager in Brazil called NEO Investimentos, where he spent 10 years. Rodrigo ran NEO's innovation fund called NEO Future, investing in public equities in Brazil where he spent time on the automotive industry. Gaining a deep understanding of the industry's pain points led him to wanting to start Gringo. Rodrigo is smart and highly regarded in the asset management industry. What has impressed us most about Rodrigo is his execution at the company, long-term vision, the team he has assembled, focus on culture and his constant desire to learn from those around him and iterate the business accordingly.

Caique Carvalho – CPO and co-founder

Caique is a second-time founder, having been a co-founder of Mylnk before operating within the tattoo industry. Prior to that venture, he worked at CarZar in South Africa, a C2B marketplace facilitating vehicle transactions between private parties and dealerships through an auction platform. He has a product-orientated mindset and embodies the company's central focus on the driver.

Juliano Dutra – CTO and co-founder

Juliano was the founder of a software house called Rapiddo which was instrumental in creating iFood's technology and was later acquired by iFood in 2018. Since then he has been an active angel investor and board member at a number of Brazilian startups and a reference for software engineers.

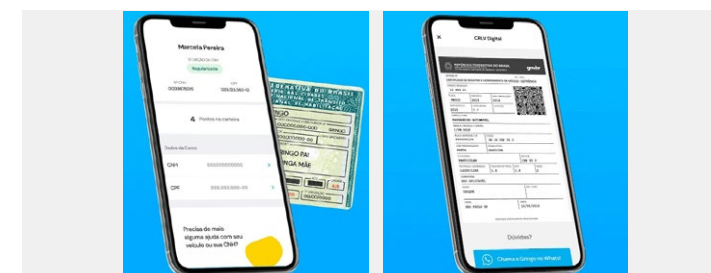
Gringo overview

The app and long-term vision

Gringo initially focused on providing vehicle documentation services, which include tracking license and registration details, vehicle taxes, and monitoring traffic violations. Expanding beyond just monitoring, Gringo began to address drivers' financial needs by facilitating the settlement of outstanding vehicle-related debts, offering integrated digital payments with flexible instalment options.

As the platform gained momentum and gathered insights into drivers' journeys, Gringo evolved into Brazil's first 'fully embedded' vehicle credit and insurance platform. Today, Gringo offers auto equity loans and car insurance in collaboration with key partners in the auto industry.

Gringo's long-term vision is to become the 'driver's best friend', with the most extensive and comprehensive source of data on drivers in Brazil. By participating in every aspect of the vehicle journey, the platform seeks to capture a significant share of profit pools within the auto industry.



TAM & monetization

Documentation

Gringo began its relationship with drivers by creating solutions around vehicle documentation, including licenses and taxes. Vehicle documentation in Brazil is a USD 20bln+ gross market value (annually) with vehicle taxes making up half of this, and the rest generated in fines, licenses and renewals. Drivers enjoy the ease of document management via Gringo, paying a small, fixed fee for the service.

Payment of fees

Gringo offers drivers the ability to pay their dues digitally through the Gringo app and avail of credit solutions on taxes due to be paid, pointing to an estimated USD 1bln+ potential revenue pool to be earned through these solutions. Gringo's digital solutions are gaining significant traction led by a favourable regulatory environment and the aforementioned introduction of PIX. Gringo monetizes all digital payments (including those made through PIX) on its platform through a combination of a fixed fee and transaction fees for instalment payment options (Buy Now Pay Later or BNPL). Gringo leverages existing payment providers and local BNPL rails to facilitate this financing without taking credit risk and charges a spread. The biggest attraction to drivers is the fully digital experience and the ability to pay their annual vehicle licence and taxes (equivalent to 2–4% of the vehicle value) in instalments.

Gringo is still in the early stages of its journey with drivers, operating within an auto industry TAM of USD 170bln+

(Source: IBTP, Susep, B3 and multiple other sources)

	Core product	New products (already live)		New product (to be live)
	Documentation	Auto financing	Auto insurance	Buy-and-sell
Gross Market Value	USD 20bln+	USD 25bln+	USD 3bln+	USD 125bln+
Revenue pools	USD 1bln+	USD 1bln+	USD 500mln+	USD 20bln+
	High market share High monetization	Product market fit achieved Early days of monetization		Early days of planning

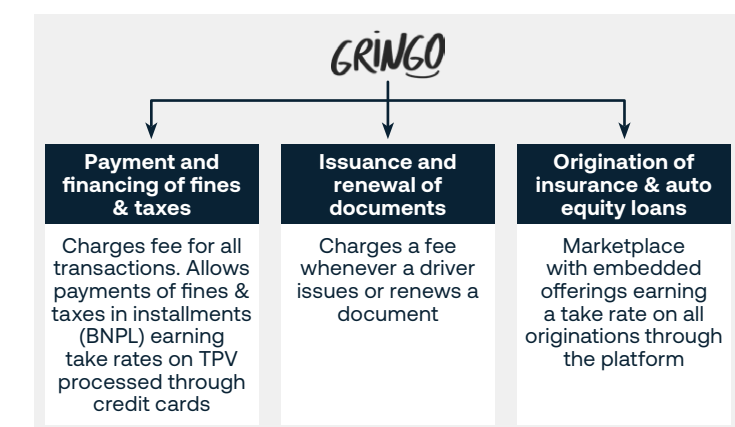
New products

Gringo has established a unique relationship with its customers, and as such, has access to a deep pool of data to assess the needs of drivers at different points in their vehicle journeys. Further deepening this relationship, in 2022 Gringo began offering fully embedded auto insurance and financing solutions in their app, matchmaking drivers with cost-effective and affordable products. Together, this represents an additional USD 28bln+ annual gross market value opportunity (translating into an estimated USD 1.5bln revenue potential). Gringo's ability to leverage its growing platform to become an efficient originator creates value for both drivers and lending/insurance partners who acquire high intent drivers digitally. For its fully embedded solutions in auto equity and insurance, Gringo earns a commission from partners on loans and premiums originated.

Buy-and-sell

Whilst Gringo continues to build out financing and insurance solutions, it is now strategizing on entering the buy-and-sell market. The Gringo marketplace is still in early days of monetisation, but together (financing, insurance, and 'buy-and-sell') represent an additional USD 125bln+ potential gross market value.

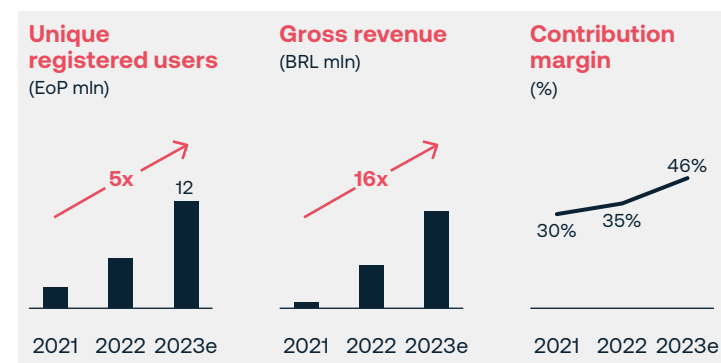
Gringo monetization streams



Traction & growth

In a short time, Gringo has become Brazil's #1 app for drivers. Its compelling value proposition has driven a 4x increase in users and a remarkable 16x growth in revenues over the past 2 years. Despite challenging market conditions in 2023, the business has excelled, with revenues expected to double and a contribution margin approaching 50%. The focus on customer experience is evident in improving conversion metrics and exceptional user retention, reflected in a high NPS score of 88. This score has been a strong signal of great product market fit and that the Gringo app and services are solving a real pain point for drivers.

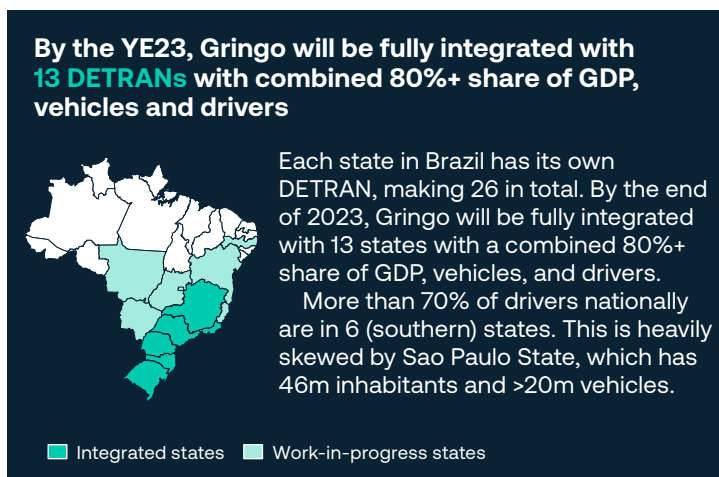
Gringo has rapidly become the leading platform for drivers in LatAm



Key risks to the Gringo investment case

- **Government innovation:** One risk Gringo may face is if government departments at a federal and state level are able to coordinate and offer a unified digital solution to these problems. However, we know these bodies are typically slow to move, and because Gringo's solutions span multiple departments and states we find it hard to see anything like this happening anytime soon.

- **Competition intensifying:** Gringo faces competitive pressures, with larger banks competing on the payment product, and private companies considering entering the space through alternative wedges (buying and selling, parking, etc.). We are confident that the Gringo team will be able to deliver these products with a unique user-centric experience.
- **Product execution:** The team has executed well on the existing payments product and delivered a great user experience with strong engagement and retention showing that the products solve real pain points. Execution risk will centre around launching and effectively monetizing products like insurance and finance without compromising the experience.



Gringo must integrate with each DETRAN one-by-one, and in turn this requires integrating with a select number of banks the government uses. In some cases, there are direct API integrations, in others Gringo must integrate directly and manually. In this way, we believe Gringo is building a defensible moat and increasing DETRAN coverage is key to unlocking further growth.

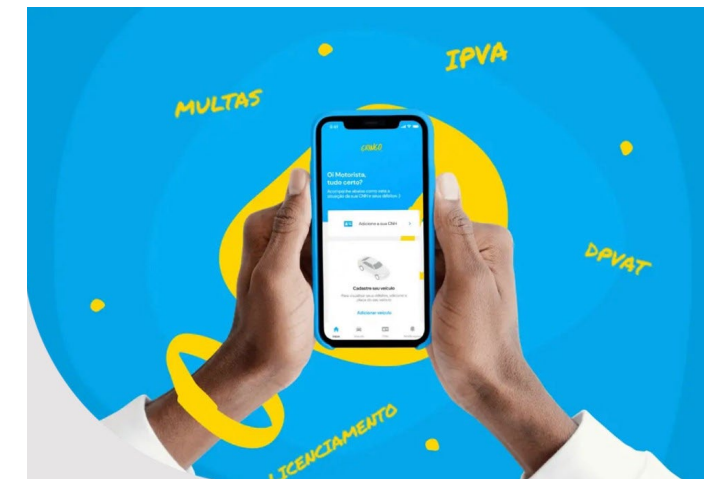
The future

The future of Gringo will be characterised by accelerating the growth of users after a successful fundraise and increasing revenues from ancillary services through their marketplace.

Accelerating growth: Post fundraise, Gringo is now in a strong position to efficiently acquire customers and scale the user base. By YE23, Gringo will be fully integrated with 13 state DETRANs with a combined 80%+ share of GDP, vehicles, and drivers in Brazil.

Increasing revenues from ancillary services: This will be a function of increasing cross-sell of auto equity loans and insurance, and building out vehicle 'buy-and-sell'.

- **Increasing cross-sell of auto equity loans and insurance:** Gringo sees lending and insurance as key to layering in additional revenue growth, increasing core conversion rates, and building a competitive moat of complex integrations around key ecosystem players in banking and insurance. The beauty of Gringo's marketplace solution stems from the fact that the entire loan and insurance process is completed in-app (with some information on drivers and cars already pre-filled) and without the drivers having to leave the Gringo ecosystem. This significantly improves conversions and reduces drop-off rates at every step of the process. With partners including the top three auto lenders and multiple auto insurers in Brazil, Gringo is on the front foot to scale the cross-sell of auto equity and insurance products in 2024.

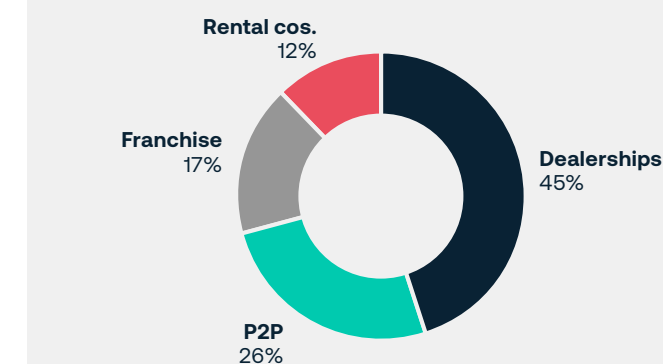


- **Building out vehicle 'buy-and-sell':** In the long term, Gringo has ambitions to enter the vehicle 'buy-and-sell' market, which is among the largest revenue pools in the auto industry. C.50% of cars in Brazil are sold offline through physical locations. Marketplaces (Webmotors, for example) typically lack a personal touch with customers and mostly provide leads of 'digital customers' to dealers and as a result, financing and insurance attach rates are low adding to the poor overall customer experience. Armed with a goldmine of customer data, transaction intelligence, and individual preferences, Gringo is gearing up to redefine the entire car-buying experience in Brazil and is currently strategizing to enter the 'buy-and-sell' market.

Gringo has an incredibly bright future ahead and, as a shareholder, we look forward to seeing the team fulfil its full potential.



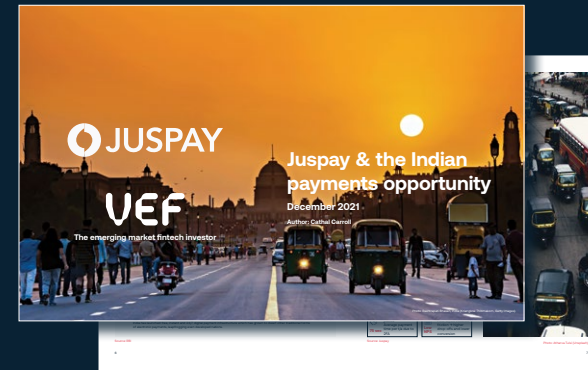
Split of total car sales in Brazil (as of August 2023)



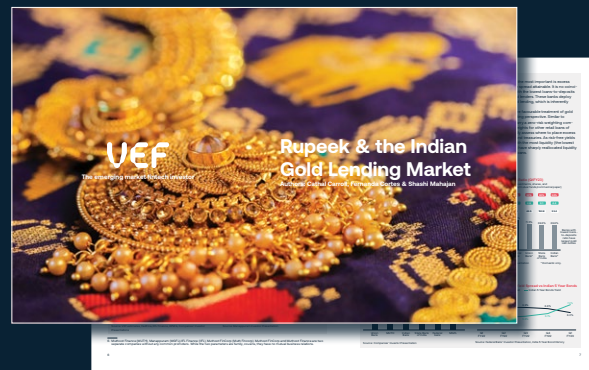
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Juspay & the Indian payments opportunity



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Embedded Finance in Emerging Markets

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