

Nubank hunts cut-price startups as fintech valuations fall

Article

The news: Brazilian neobank **Nubank** reportedly plans to capitalize on the sliding valuations of Latin American fintechs by making acquisitions at a discounted price, according to the Financial Times.

Bargain hunter: Nubank CEO and founder David Vélez [told the FT](#) that he thought there would “probably be some consolidation” of fintechs in the region which would provide

opportunities for acquisitive growth.

- Vélez said that some of the acquisitions Nubank considered one year ago are “coming back at a **70% discount**” and that the bank was “looking to do more M&A.”
- Wider economic uncertainty has impacted funding in the region. **VC investment into Latin American fintechs reached \$1.2 billion in Q1**, falling 27% from Q4, per the Association for Private Capital Investment in Latin America.
- And valuations of fintechs are dropping: **Shares of Nubank are down 66%** from when the company's stock began trading back in December.

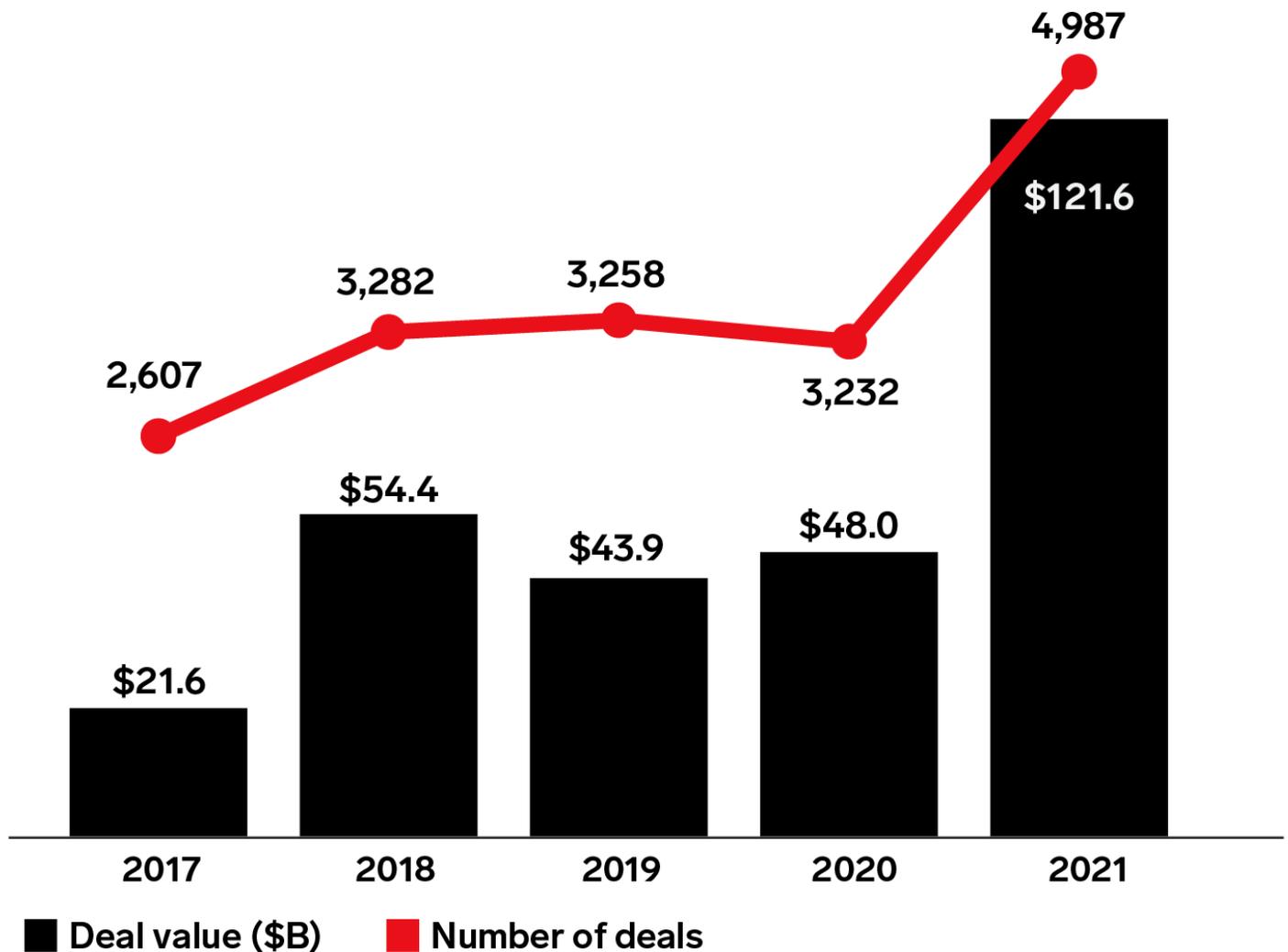
Growth over profits: Neobanks have long been dogged by [problems in turning a profit](#), with **less than 5% of them breaking even**, per a Simon-Kucher & Partners [report](#).

Nubank is no different and is still loss-making. However Vélez has said the digital bank could be “profitable tomorrow,” but was putting growth first. It will likely achieve this through three courses of action:

1. **Acquisitions** will help build out its product suite while bringing in new tech and customers. Last year, Nubank [bought](#) payment gateway **Spin Pay** to strengthen its foothold in the payments market and California-based financial planning startup **Olivia**.
2. **Geographic expansion** will grow Nubank’s presence in new markets as it looks to capitalize on demand for access to financial services in Latin America, where just 55% of adults have an account at a financial institution, per the World Bank. In April, Nubank [received](#) a \$650 million credit line to fund growth in Mexico and Colombia.
3. **New products** can spread risk and bring in new revenue streams. The bank has already expanded into offering investments, insurance, and [cryptocurrency trading](#), and can introduce its wider product suite to new markets as it grows.

Annual Fintech Funding Worldwide, 2017-2021

billions and number of deals



Source: PitchBook "2021 Annual Fintech Report," March 24, 2022

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The big takeaway: As the climate for fintechs in Latin America gets harsher, startups in the region face [cooling capital funding](#) and sliding valuations. Neobanks need to balance their bottom-line performance with growth and consider the long-term implications of prioritizing one over the other.

Nubank has the size and customer base to support a degree of risk-taking and it can benefit from picking up startups at a discount in a consolidating market where smaller firms may struggle to survive. But going forward, LATAM-based fintechs can't afford to take short-sighted punts and need to plan for sustainable growth and monetization in an increasingly unforgiving market.