PODCAST TRANSCRIPTION SESSION NO. 263-SERGIO FURIO

Welcome to the Lend Academy Podcast, Episode No. 263. This is your host, Peter Renton, Founder of Lend Academy and Co-Founder of LendIt Fintech.

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Today's episode is sponsored by Lendit Fintech LatAm, the region's largest fintech event dedicated to lending and digital banking is going virtual. It's happening online on December 8th and 9th. Pandemic or not, LatAm is still the hottest region for fintech in the world and LendIt Fintech LatAm features all the leading players in the region. So, join the LatAm fintech community online this year where you will meet the people who matter, learn from the experts and get business done. LendIt Fintech, lending and banking connected. Sign up today at lendit.com/latam

Peter Renton: Today on the show, we are going back to Latin America to interview the CEO of one of, I think, the most interesting companies in that region or maybe even in the world, as far as fintech goes. I'm delighted to welcome Sergio Furio, he is the CEO and Founder of Creditas. Now, Creditas are based in Brazil, they are a consumer lender, but they're much more than that, as we'll find out in this episode. While I see their entry point as lending, they have big, big plans beyond that which we get into in some depth.

We talk about the different offerings, we talk about the environment in Brazil, we talk about how banks are innovating there, we talk about the big companies in Brazil like Mercado Libre and Neubank that also have lending operations and how Creditas differentiates themselves. We talk about their fund raising process and how that's changed dramatically since Sergio started back in 2012 and what the future holds. It was a fascinating interview, hope you enjoy the show.

Welcome to the podcast, Sergio!

Sergio Furio: Yeah, thank you very much, Peter, and I'm glad to be here with you.

Peter: Okay. So, let's get started by giving the listeners some background because you do have an interesting background. I mean, you're running a Brazilian company, but you're not Brazilian, you're not even Portuguese, I believe. So, tell us a little bit about your background and how you made your way to Brazil.

Sergio: Yeah. So, I'm originally Spanish, graduated in 2000 in Business, not a millennial anymore, unfortunately (Peter laughs) and spent my initial years in investment banking working with large companies, capital markets and stuff like. That was like in the good 2000s where you actually had like very wide margins when you were doing like the CMM in Europe.

By 2005, I decided I was ready to move on and do something more of a generalistic approach to business and I got into strategy consulting with BCG. I spent there like seven/eight years and because of my background, I specialized in retail banking. So, I left....you know, I went through ten soft strategic plans and technology transformation projects and operational excellence, you know, all those things were so popular in the early 2000s.

By 2008, I made a move from Europe to the US, I landed in New York, I think it was like a month after Lehmann collapsed so very interesting times, you can imagine. Actually, in Europe, the collapse of the retail banking space had happened probably six/nine months before that because of the real estate crisis and so on so 2008 was like an amazing moment in my life probably. So, got into the States and I took over a project that was to advise one of the retail banks in the US, an international player, one of the large ones, and I led for them the technology transformation. It took me four years, the so-called technology transformation.

I think that that was the crucial moment in my life, it was 2011, four years after getting to the US. I also realized that that project......it was supposed to be the cutting edge of technology, it was not like four years old and we were like delivering the code at that point. If you think about the way the project had been planned and designed, it was 2007 and we kicked it off in 2008. Remember that the iPhone came up in 2007 so you can imagine that there was not like a single line of code about mobile, everything was about like paperless branch and zero back office and all of those things.

By 2011, that was not the reality anymore, we were already like seeing that the industry was moving or was meant to move in a different direction, right. So, I think that desperation, I said, okay, I need to do something else and I had a friend who just became an entrepreneur, got involved with him, invested in him and I ended up saying, I really want to do this. Obviously, I had spent my whole life in banking so I had to do something related to banking, fintech was not the thing at that point, remember. It was like the early days, but it was not even the term.

So, I said, okay, I want to do something, but this is New York, there are like ...plenty of people are like super smart, they have like banking background, technology background, what is my differential? At that point, it's when I met my wife, there's always a love story in the middle (Peter laughs) and my wife is Brazilian, we used to work together. Obviously, there are several more reasons that we will talk in a second about it, besides Sylvia, but definitely that was like the tipping point. You know, the industry is moving too slow and there's like a huge opportunity right now in technology to disrupt these markets and I want to do something there and then I connected the dots with Brazil and then we will talk about that, if you want.

Peter: Right, right. So, you moved from New York to Brazil, I take it. Maybe just describe....this was quite a few years ago, right, you're talking like 2012 thereabouts, so what were the lending options for consumers in Brazil in 2012?

Sergio: So, that was actually what attracted me from the early stories that my wife was telling me...she was saying, no, in Brazil people pay like 200% for a personal loan. I said, yeah, no way. I'm curious in nature and sort of analytical, if you want, so I decided to start searching and using Google Translator, I did not speak Portuguese at that point. So, I was using Google

Translator and translating the web of the Central Bank of Brazil and downloading reports and stuff and things over a couple of weeks and I said, oh my God, it's actually happening.

So, what I saw was an economy with a huge potential, 200 million people, very high margins on the banking side, 30% spread, 30% spread, 35 to 40% APRs, 30% spread, it was not the funding cost, but it was something that I was usually told. It was not the delinquency rates that were at that point at 4%/5% or something, it was just pure spread, that was okay. So, why is it that this happens, why is it that banks need to charge that much and then I got, and this was still far from the distance, right, so still haven't put myself in Brazil so this was like pre-2012.

While I was doing some quick math, I saw that the distribution channel was a problem, the number of branches compared to the size of the loan book of the banks was not simply making sense. I did like the math and said, okay, one branch, how much in loans do they hold with households, with consumers and my reference was the US and it's probably like $150 Million per branch. I got into Brazil and it was $50 Million per branch, ten times less, so ten times less so then the math really made a lot of sense.

Okay, so these guys have such a low productivity in the branch network that they need to inflate the price so that they get the margin to compensate for the fixed cost and that's why spreads were are at 30% instead of like 3%, it was like very, very, very obvious. They looked like they need it, there was like no way for Brazilians to get into a website or an app or something at that point in 2012 and get financial products so you actually needed to have retail branches. It was almost like a social responsibility of the banking industry to have branches so that the middle class could get into the branch and get financial services.

Peter: Okay, okay. So then, when you started , maybe you can......what kind of loan offering did you begin with and then how has that evolved over time?

Sergio: So, I'd like to talk about Creditas in three phases, right. The number one was bootstrapping. I was a first time entrepreneur and difficult to convince anyone to give me a check, only my friends wanted to do that and I did not want to go through the pain of losing their money. (Peter laughs) I said, no worries, I will take my last bonus and I will invest into this business. It was not much money so, I said okay, this was going to be a nimble venture and I'm going to play it by myself, I'm going to hire four developers, two journalists and first step is going to be building just like a marketplace of financial products, 1.0 of fintech, right.

So, lead generation, partnering with banks, trying to crack the code on why was it that banks didn't have, at that point, entry to the lending products, they didn't. The only way of getting a loan in 2012 was by you walking into a branch and applying for a loan. So we said, okay, why don't we just like take that experience, move it into a website and start by playing with them. So, we did that for a couple of years and then it started like taking off, it actually made sense, it was like very obvious that that had to happen.

We got some venture money, I think it was like $3 Million at that point in 2014 or so and we said, okay, let's continue doing this. By the end of 2015, we had two products in our platform, it was a variety of a home equity loan and a variety of an auto equity loan what would be like in the States a title loan for your car. I'm saying a variety because the mortgage market in Brazil is totally under penetrated. The residential real estate market has a loan to value of 6% so 94% is pure equity. I said, hey, why is this happening, why is it that people are owners of the apartments and they don't get money from them and cancel the personal loans that they are holding and their revolving credit cards.

What I realized very quickly was that the regulation for mortgages was very new, that was something I didn't know when I got to Brazil. It was just like at that point six/seven years old, no more than that. Banks were turning their back on the mortgage market because they were like drug addicts with the personal loans had 120% APR, there was like so much margin in that that they were neglecting that.

So we said, okay, let's create a mortgage because the property is unleveraged, they own it outright and let's say provide that with that mortgage liquidity to the individual so they can then cancel the personal loan, the revolving credit card and so on. So, we did that in 2015/2016 with both the home equity product that we call and the auto equity product extracting value from the car, right, so delivering the loan not to buy the car, but to just cancel the personal loan that they had that was super expensive.

By 2016, we realized that the marketplace model connecting to seven/eight consumer finance companies and mortgage companies and the like, it was nuts, it was like extremely difficult at that point. Too much complexity, the user experience was not good, we were not being paid enough, we were not being recognized by the banks on the value that we were providing, we were doing the whole transaction, very complex in Brazil this type of thing and also, they really didn't want to innovate.

So we said, okay, this is the moment of truth and that's when we became a direct lender on a securitization model. We were like finding the customer, producing the loan, booking the loan in a similar model as the US players did in that phase and just taking the money, securitize it to institutional investors and then eventually also retail investors so that opened up that second phase, 2016 to 2019.

By 2019, so like a year ago, we said, okay, this broke actually, it was like amazing so we cut on the marketplace. We are now like a pure lender based on securitizations of both institutional investors and retail investors, but the platform was not complete. We want to be deeper into the relationship with the customer. We started a new phase that coincides with our last equity round, that was $230 Million round in mid-2019 and we said, okay, let's complete the platform. That implied a bunch of things that we did over the last 12 months which has been like, you know, in seven years, two products and in just one year we launched five different products in different verticals.

So, we launched auto financing, we launched payroll loans in partnership with the employer, we launched salary advance and then we launched a new vertical that we called Consumer

Solutions which is our incursion outside of fintech and into regular consumer products. So, we launched a store, an e-commerce platform and in that store our customers they go, they buy an iPhone. We call it iPhone for Life, it's like a similar product in the US, but the way which the customer pays the iPhone is instead of with a credit card, they use the salary themselves so they sign a contract with us.

We already have a partnership with the employer and then the customer pays over 24 months in fixed installments. After 24 months, we collect the iPhone back and we deliver a new iPhone to the customers who continue paying directly from their salary. You know, like a lot of innovation there if you think about it, especially in a country where you don't have credit history and then getting the collateral.

You see that everything in Creditas is about collaterals, right, everything is about collateral because you don't have credit history. So, distinguishing between someone that is going to pay you back and someone that doesn't is the centerpiece of what Creditas is today. And, the last thing that we actually announced a couple of weeks ago was the launching of Creditas Home which is home solutions. We realized that people get their home equity loan from us, it's either to renovate the apartment or because they want to anticipate the sale of the apartment because they are upgrading to another apartment, those type of things, we said okay.

If we really want to be in the center of the relationship with the customer, we need to do those things by ourselves and we started doing home renovation. We, obviously, don't go with the bricks and the mortar, but we coordinate a process, we have the architects that actually support the customer and take out the pain from the shoulders of the customer. We feel that that is really the way that banking is going to evolve over time, is being much closer to the solution so that we can actually add more value to the customer.

Peter: Interesting. So, you are moving really....you've been a fintech company this whole time, but you're moving really to outside of finance, it sounds like. Do you see that as a big part of your future then to have like one part of the company as fintech and the other part of the company as a broad range of services.

Sergio: Absolutely. Sometimes when we think about banks, I have the feeling that we are still like a...same discussion five or ten years ago in most of the verticals. The process is on paper so when it's moved to digital then we need to automate it, then we need to put data science and it's going to be like an amazing thing. The problem with that mentality is that you are entering into a negative cycle in which you are commoditizing yourself. You are solving it, everyone else in the industry is solving the same problem and you know what, software works.

Actually, it solves the problem of financing and it reduces the cost, it creates efficiency, it reduces the prices. So, I could see very clearly like, you know, five/ten years down the road, these products being pure commodities and who is the customer and what do the customer want. In reality, the customer does not want a loan, they want what they can buy with that loan for the loan that they can source so that's why we really feel that's the strategy moving forward for us.

Peter: Interesting, interesting. I would say there's not many companies doing that anywhere in the world that I know of. Maybe this is fintech 3.0 or 4.0 whatever, but, right now, this is a fintech podcast, we're going to focus more on the financial side. So, you still have the home equity loan, right, so maybe just take us through kind of the user experience. Actually, I'm on your website on my other screen here and it's been translated for me, but I can see that everything....you know, it looks like you can go through this process on your website, but maybe tell us a little bit about the user experience, how long it takes and how the terms of the loans are, that sort of thing.

Sergio: Perfect. So, in terms of the loan types and the terms, obviously very different products in our portfolio and I' going to start with the top of the pyramid, that's the home loan. On average, that's going to be like a $60,000 loan on a property, average is three times that so the average loan to value of our loan is 30% so that's a property of $200,000 which is the average property of the urban population in Brazil. Obviously, like in the US, that will be probably three times that or four times that, you need to adjust for the difference in geography.

The second product, that's the auto, that will be like $6,000 on a $20,000 car and then the payroll which is like a $2,000 product, a salary advance, that will be like $500. In terms of the APRs, home equity would come at an average 12% per year, the auto and the payroll will go at probably 30% and the salary advance, we give it away for free, it's an engagement product, we don't want to make money with that. So, all the employees that we are partnering with the employer, they get like two times per year, they can do a salary advance for free and we use that as a way of engaging the customer. If they need money later, more like a long-term need then they have direct access without marketing cost to our platform obviously.

So now, moving to the user experience, again very different, payroll, salary advance and auto, that's fully digital and fully automated. Auto, you have just like 5% of the process that we have some human intervention today and that has obviously......we have come like a long way for the last four years. Just like a year ago, automation was like that in auto, it was like at 45%, now you're at like 95% so it's like a very small piece. Actually, it's like in the...when the customer does the remote appraisal, they do it in the app, they download the app, they take the picture in certain pieces of the car so that we can validate the status of the car, that there's no fraud on it and all that stuff. Some of the portions of that appraisal we still have like humans checking that. OCR is still like doing some good things in taking the plate and those things, but some others are not. So, that's one side, right, it's automation.

The other one is data, right, and the way that we price the loan. We price the loan real-time, we set the rate real-time when the customer gets into us even if you have like a collateral. We do that by taking that appraisal and identifying the liquidity of that property, depending on the default, the moment the customer is going to default, what's the depreciation, the projected depreciation of the car, how long is it going to take us to actually sell the car. That gets into the

LGV and that becomes ultimately the pricing, right. So, we do like....in cars we still do like fully leased out contracts, fully lien placements, there's like a lien on that property.

So, the beauty in Brazil....that's one of the few countries that actually have like digital liens, you can do it like real-time with the Central Bureau that actually coordinates all the liens on the car properties.

Salary advance and payroll…. you know, in Latin America and in emerging markets, in general, people are huge fans of WhatsApp and the customers in payroll and salary advance, 90% of them, it's a bot in WhatsApp, they just do the validation in real-time, same day they get the liquidity that they want. In auto equity, in the car product, the record....we actually bidded like last month, it was like four hours from customer visit to money on the account, four hours and you're like...again, you're like doing a remote appraisal, the customer that you did not know before, nobody told you, you have not been in contact with that customer before. They're placing the lien and delivering a loan that is typically like five/six times the salary of that person, the monthly salary of that person.

Now, in home equity different scenario, still scratching the surface, if you want. In Brazil you still need to go to the notary. I was listening, I think it was like a couple of weeks ago, you're speaking with Vishal from Better and he was like reflecting on the digital notarization of the contract. In the US, it is still a point of tension, same happens with Brazil like a lot of advocacy.....I think that the pandemic is helping us in convincing the regulators actually to create a Federal regulation on that, but still not there. And then there's like an additional complexity in home equity that we face.

Actually, this is on the back, the customer does not see it so from a customer perspective, it's a beautiful process, but in the back....in Brazil, you don't have title insurance. My friend, Vishal, when he wants to do like a mortgage, he just gets like a title insurance and that's it, pays like a couple of thousand dollars for that and end of the story, okay, we don't have that here. So, that creates a complexity that you need to build a title insurance company inside Creditas to actually validate that the property is owned by that customer, number one. Number two, and this is like a specific case of home equity, is that if the customer/if the borrower has liabilities, personal liabilities, they could have an impact on the real estate property.

Peter: Sure, yeah.

Sergio: And then, therefore, you need to validate 85 different points of risks, including whether the customer is paying the condo or has paid like the real estate taxes or are there any fines or is he like an entrepreneur that has some labor claims and all that stuff. Obviously, data plays like a critical role there to anticipate what is the chance of that customer having one of those issues and then focusing relentlessly on solving that issue,

Peter: Okay. So, that's quite amazing, what you’ve built there. I mean, how big is your company, how many employees do you have?

Sergio: Today, we are at 1,500 employees doubling over the last 12 months. We have remained stable over the pandemic so we managed to take certain measures and avoid laying off people and staff, but from a size perspective, 1,500 people. We are running our portfolio of roughly a couple of hundred million dollars and revenues of $60 Million,

Peter: Okay, okay. So, you are a pretty decent size. So, let's talk about the pandemic because.....I mean, Brazil has been hit recently hard, I hear it in the news in the US, how has Ceditas been impacted? Obviously, you're working from home, you also told me earlier that all of your employees are working from home, but how has that affected the business itself?

Sergio: We actually returned the two offices that we had so we are now like a company without an office (Peter laughs). The workplace, people at Creditas, are scratching their heads and thinking how the future's going to look like and how we're going to be operating in the future. So, that’s quite an interesting time over the next six months. On the business side, in March, it was a shock, right, so okay, this is coming and we had like two concerns. One was the credit portfolio risk, the other one the credit so risk so it's credit and liquidity.

So, we moved into a cash preservation mode, we have like plenty of cash in the bank, we're lucky, but besides that, we did not like to get into a negative trap so we said, okay, what can we do. What we did was slowing down growth, we were growing 9% every month over the first quarter, right, every month, every 30 days 9% up and then we slowed that down in Q2 to 3% every month. With that reduction in the growth rate, then suddenly we started generating cash. It's because you have this portfolio that is cash flow positive generating like a bunch of cash every single month. Our business is all about recurrence, we don't consume capital, but we have the recurrence of the credit because we get a synthetic junior tranche like a success fee, if you want to put it that way.

So, we had all that cash coming and we were just containing the cost we'd use in the marketing expenditure so generated cash. In July, we started going back because we saw that the two concerns that we had, we were fine with them. So, credit risk...we have like some hiccups in March and April so people were like just holding on the payments because the big banks were saying, we're going to hold payments for 60 days and the customer said, can you do that? I'm not a bank, I don't have the resources to do that, I still need to continue paying the investors, I'm not sure how I'm going to be doing that, but we managed to convince them that it would be like better for them to pay.

By mid-April, it was already very clear that the delinquency wasn't going to be a big problem. Today, we are at the same level as we were in February. So, essentially, we went through the crisis with no impact literally in losses. You know, at the end of the day, it’s the power of the collateral and having a low loan to value, right, like so much equity, the customer has so much equity, so much skin in the game that even if they get unemployed, what they would do was just sell the house, get the money, go to a rental area and then avoid actually the foreclosure of the apartment, right.

On the liquidity front, we had a concern of, are we going to be able to continue securitizing? In Q2, we did a record in securitizations so the markets were wide open, it was $300 Million realized in securitizations so almost like $100 Million. The markets were wide open for us because they would like to apply to quality so the investors that actually wanted to get exposure to credit risk, suddenly, they wanted to have collateralized loans, they wanted to have low loan to value, low volatility even though they were not being paid an amazing amount of money. That was what we actually experienced and now, we are back in hyper growth mode already starting in July. August is going to be an amazing month, September is going to be better than...probably the best month in the history of Creditas.

Peter: Wow! So, I want to talk about your competitive environment because you've got in Brazil probably the most successful.....Nubank, as you know very well, is the highest valuation of any fintech outside of China and you've got Mercado Libre which is the Amazon of Latin America that are getting into lending, Nubank is getting into lending so, what's the competitive environment like and who do you see as your big competitors?

Sergio: Perfect. So, these two guys that you mentioned, they are like amazing, a lot of respect for those two guys, obviously, very different strategy than Creditas. What we do very fairly on Creditas....Creditas focuses on the....most of it are for the non-millennial guys, it's someone that already owns an apartment and owns a car, they are in their mid-30s to mid-40s, that's the range, 35 to 45, that's what we target so, the guys are already making some decent salary. Our average customer is top 15% of the Brazilian population in terms of monthly income.

Now, if I turn into these two guys, so firstly, Mercado Libre, they are like actually an example, it's very inspiring for us on the solution strategy that we talked about before. Mercado Libre was coming the other way around, they came from the e-commerce side and they said, hey, payments sucks, we need to solve that problem, they created Mercado Pago so payments.

And then they said, okay, so lending is bad for these SMEs that we work with, they built Mercado Credito which is the lending side of Mercado Libre and they are doing a terrific job. Think about it, they have all the data of transactionality of the merchants that are placed in the e-commerce, in the marketplace, they have like an amazing brand. I think great things are going to come from that business, it's really amazing what they are building.

And then if you look into Nubank,.....so they managed to build an amazing business here, they started as a credit card company initially with a vision much larger, but they did very good in focusing on the credit card instead of the debit card that at that point was like the typical thing that everyone was trying to do, especially in Brazil, because credit risk is high. So they launched a credit card, obviously, they had a struggle to find what delinquency was going to be, how they could create the data algorithms and so on, but they did it and they grew like crazy. They did it by focusing on user experience, the millennials, millennials love that.

Nubank is a revolutionary, it's against conformism and it's a day-to-day product, right. Now, once they have that...on top of that, once they have that what they're going to be putting is more and more products, right, to actually monetize those customers better because today is mostly a transactor business. And they launched their personal lending product, right, that was like a year ago. Obviously, the customer base that they have is slightly different than the one that we do, just like much younger, significantly higher defaults, but this is going to be Nubank's place like pay for the next five years, pay for the next 50.

So, Nubank is how can we build a huge bank from scratch starting with the millennials and then going together with the millennials. Millennials become baby boomers (both laugh) eventually, they will get higher salaries, they will buy houses and cars and so on, so amazing strategy. You know, our competitor is none of the two, in reality they are like the traditional banks, the incumbents, those are the guys that have the customers that we want and that's really where the money is.

And then the other competitor is poor lending products, in general. In Brazil, we could have like a lending size of 3X what we have today if you just change unsecure lending for secure lending, you can just do very easily without increase in debt service of the customer, you would just like triple/quadruple the amount of loans that you have in the economy so that's really the challenge over the next decade.

Peter: So, that's a good question. We are running out of time, but a couple of things I really want to get to. I mean, how are the banks reacting to companies like you and even to Nubank for that matter because you guys are really creating some decent scale. From what I understand, the banking system in Brazil is a bit of an oligopoly, they're really old established banks, I mean, how are they reacting to fintech?

Sergio: It's a classic....first slowly and then suddenly, right. So, I remember, 2014 to 2016, they were almost like ignoring and in 2016, they became very worried, this is actually going to happen, oh my God, we are naked so what are we going to do. They call this legacy and so a lot of concern. And then I see that from 2018 onwards, they are doing like a good job, they are like taking the platforms, isolating legacies, creating layers of APIs that actually allow them to be faster in developing products. If you perceive that the cycle of developing new stuff....it's much longer than ours, obviously, but I think they are like adapting very well and they have like strong brands that they are trying to improve, but their brands are strong.

I think that more and more they are becoming more like fintechs, they start like calling them banktechs now, but it's all about, you know, who is going to do it faster; the bank is going to adapt faster or the challenger is going to get to scale faster, right. So, that's the game, right, they have a customer base, these guys have sometimes 40/50 million customers, very engaged where they have like salaries, they can plug new products and so on so I really do have a lot of respect for the banking industry, they are adjusting quickly, they have decent people running them and they are catching up.

Peter: Okay, okay. So I want to talk about financing. I mean, you started this business in 2012 where really no one in America was focused on Latin America at all and suddenly, we've come back. You've seen this evolution and it is fascinating to see this going from..... you can't probably get a phone call or email returned but now, Latin America is one of the hot spots in the planet and you've got some of the marquee investors here, QED, who we know really well, SoftBank, obviously everyone knows, Kaszek. How has the fund raising process changed, how has that been for you over the years.

Sergio: It was a miserable experience (Peter laughs). You're going to do what...you're going to take off the banks, get out of this room. (laughs) That was basically it so nobody....I remember speaking with other folks like Nubank, as you mentioned, they were getting like the same type of reaction, that's going to be impossible, you have no idea and especially we are foreigners. When we get there, these guys, they don't know anything about the country, what are they saying so very painful at the beginning, especially if you are like a first time entrepreneur, you have no way of getting funded or very few of us.

Then by 2016, everything changed and it was like in part because, you know, the regulator openly said that they wanted fintech to succeed, they would like a defined and clear roadmaps so that fintechs could adapt to being regulated and all that stuff. At the same time, consumer penetration in smart phones skyrocketed in 2016/2017 so much more adoption of the consumer. And then, early cases, you know, Nubank, Creditas, Stones, Paz Seguros like created some critical mass so investors went all the way around. So, everyone then started saying, okay, so fintech is going to be like a big thing and likely a big thing, right.

And now, yes, as you're saying, everyone is looking at Latin America, especially Brazil, and saying, yeah, there are so many cools things that are happening down here. This is not like a......sometimes, China looks like they're far, far west and sort of an un-ruled type of geography, but when you get into Brazil it's like hyper regulated type of region but still with very high margins. There are so many things that can be done in multiple verticals, obviously, competition is going to be heating up, but investors really see that these are legit companies, legit businesses really innovating and creating the future competitors for the banking industry.

Peter: Right, right, okay. So, last question, where are you taking Creditas, are you going to be a massive....it sounds like you're going to be a Mercado Libre sort of operation, what's your vision for it?

Sergio: Yeah. First, definitely not going to be competing with Mercado Libre. Think about it like Mercado Libre is all about small items in the day-to-day like an Amazon type of thing. Our strategy is very focused on the high-ticket transactions, right, so it's your house, your car and your salary so those are the three core systems that we are building around it.

So, we are very passionate about that idea, we are seeing very good real results, a lot of customer engagement, a lot of repetition on the customer. So, suddenly, you take a real estate loan that's typically, you know, once in your life and then you're generating recurrence by plugging iPhones and then buy your car and then renovate your house and you go through the cycle of the customer so that vision of a platform for the customer is really compelling for us.

Now, from a growth perspective, we want to continue growing 3X every year, let's say 2 to 3X over the next five years which is going to.....at the end of the day, what we are saying is we think that in five years, we can be a hundred times where we are today. When you look at the market size and when you look at how much we are innovating in unexplored territories, you would just be scratching the surface even at that point five years down the road.

So, at the end of the day, we think that the world needs to have a Creditas-type of company like someone that focuses on high ticket items that takes complexity across multiple ecosystems and provides that platform for their customers. Hopefully, the end-game is going to be not to have an end and to create a hundred years company.

Peter: Right. Good luck there, Sergio, it's been fascinating chatting with you and hearing your story. I think you've got an amazing company there and best of luck to you.

Sergio: Thank you very much, Peter, and congratulations on your work.

Peter: Okay, thank you. See you.

As I said in the intro, I think they're just a fascinating company, Creditas, and I think we can learn a lot. They really are, I think, pioneers in some ways and certainly in Brazil they're pioneers, but even in fintech globally, there's not many fintech companies that are thinking beyond financial services. Many of them are thinking about different verticals within that, but Creditas is really looking at their customer and thinking we want to serve them beyond financial services. I don't know whether we'll see that as a trend in other areas of the world or in other companies, but certainly one to watch and I'll be following along with their progress very closely.

Anyway on that note, I will sign off. I very much appreciate you listening and I'll catch you next time. Bye.

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