
This book is dedicated to all the people who took the plunge and put everything they have into becoming their own boss in order to make people's lives better. Especially the ones that are tackling poverty problems in developing countries.

About the Author



Financial savant, author, and advocate, Agustín Rubini has many interests and is devoted to excelling in these fields. With many years of experience as a financial industry strategist, Agustín is the founder of FSPal.com, an award winning fintech consulting and training firm. He is passionate about the world of finance and the future of financial services. He spends much of his time speaking and writing about fintech and advising businesses on innovation and digital transformation. He has a strong background in developing digital strategy, driving innovation in the financial services industry, and loves coaching and mentoring leaders of startups.

As a means of helping others understand the complexities of the financial services industry, Agustín wrote and published *Fintech in a Flash*, a comprehensive guide to financial technology. Agustín has also interviewed more than 100 fintech founders to bring out the secrets to creating a successful fintech firm. His best insights can be read in *Fintech Revolution*.

An advocate of child welfare, arts and culture, and a proponent of education, Agustín combines his love of science and technology, knowledge, and compassion to effect positive change and offer a better understanding of our complex world.

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Part 1: Financing Fintechs

Companies in this section

Brex

Upgrade

Nav

Fundation

Financeit

Creditas

Afluenta

iwoca

Funding Options

Bonify

RentoMojo

FundingSocieties

Lendingkart

Welab

Financing is of paramount importance to the world, since it can help people and businesses expand, and it can also foster positive sustainability behaviors from big organizations. It is a massive market around the world that encompasses many different types of companies and business models. Lending also

leads the rankings in terms of companies that have gone public, with sixteen that had done an IPO at the time this book was published.

Innovation in lending has been very strong in different areas, especially in the United States. Through this section, you will read about different lending topics, and look at how lending requirements change depending on the geography in question.

I included credit ratings in this category as well, as credit rating is always an important factor for providing business loans. While at some point the business model for credit ratings providers was to sell the data to personal consumers, nowadays this information is being offered for free to consumers, and revenues are being generated through other means, mostly by referring clients to providers that can qualify for lending proposals. I caught up with Gamal Moukabary from Bonify and Levi King from Nav to understand what they are doing in this field.

Consumer lending is a very mature area, where processes have been developed in extensive detail. I enjoyed looking into the innovation that some US companies are bringing, such as Upgrade, which is trying to educate consumers at the same time as providing them with lending. It is interesting for me to see how lending is approached in countries with thin credit files, such as Brazil. I spoke with Sergio Furio from the Brazilian firm Creditas to understand how they operate. I also enjoyed looking at what companies in Asia are doing. I interviewed Simon Loong from WeLab to understand what they are doing around mobile lending, and Geetansh Bamanian from Rentomojo, a company that is introducing a flexible ownership solution providing home essentials and electronics.

Finally, I looked at several companies that specialize in SME lending. This is an area that is very complex, with a lot of risk, a lot of data sources to consider, and a lot of opportunities for innovation. In the US, I've looked at different companies. I discussed the future of point-of-sale financing with the founders of Financeit. Furthermore, I explored with Sam Graziano how Fundation serves different SME niches, and I talked to Henrique Dubregas about how Brex provides corporate cards to different groups, such as well-funded startups. In the UK, I had a chance to catch up with Rishi Khosla from Oaknorth, who showed me the secret on how to get to break-even within the first year of operation. In Europe, I looked at how Conrad Ford's Funding Options is helping SMEs find the right loans, and I interviewed Christoph Rieche to understand how iwoca fulfills business loans. In Latin America, I discussed with Alejandro Cosentino how Afluenta has rolled out P2P loans in several countries. In India, I looked at how Harshvardhan Lunia's Lendingkart has grown its business lending through different states.

This fintech subsector is very dynamic, and still developing intensely. I hope you enjoy reading the different views from these founders.

Chapter 1 Henrique Dubugras

Company name: Brex BREX

Location: San Francisco, California, United States

Brex provides a corporate credit card called the Brex Visa for technology companies. It helps startups of all sizes (from recently incorporated to later-stage companies) to instantly get a credit card that has 20x higher limits, completely automates expense management, eliminates receipt tracking, and integrates with accounting systems. Henrique's story is very inspiring; from a very young age he succeeded in business by founding Pagar.me, one of the largest payment processors in Brazil. Brex has been a very fast growing company, achieving a valuation of more than \$2.5 billion in just two years.

Roles: Henrique Dubugras, Cofounder and CEO



In the next five years I think regional banks will lose a lot of market share in the US and a lot of new challenger banks will gain market share.

Agustín: I'm interested to know how you started in entrepreneurship.

Henrique: My story starts when I was around twelve, because there was this video game I wanted to play and my parents didn't want to pay for it. I figured out that if I learned how to code it, I could play it for free. I started coding because of that. I basically built a version of this game; instead of being charged to play, you were charged to have advantages inside the game (like a premium model). I did that for around two years, the software became popular in Brazil, a lot of people are playing it and I made some money. But then, after two years I got this legal notification saying that I was breaking some sort of a patent. I didn't know what

patents were, but my mom got super upset and told me to shut everything down. That was my first experience in coding and entrepreneurship. At that point I was fourteen.

Agustín: So you were an adolescent who wanted a cool gaming feature. How did that transform into being a teenager who is making money out of the whole experience?

Henrique: I think it was kind of natural in the sense that I needed money to pay for the servers, so I found I needed to charge for something and didn't want to charge monthly fees like the original games did, so I found another way to monetize it. Other games were monetizing advantages inside of the game.

When I was fourteen, I was having this fourteen-year-old crisis, and I started to do some normal stuff; so I found a girlfriend and started watching TV shows. There was this TV show called Chuck; he was a really good spy, hacker, and programmer, and he worked for the CIA and he had this awesome life and he went to Stanford. I decided that I wanted to be like Chuck; I wanted to have his life. So I needed to go to Stanford as well. That's how I got interested in studying in the US, but at that time it wasn't easy to do it from abroad, there was the whole application process. You need to take SATs and write essays and get recommendation letters and fill out an application—and I didn't know any of that. So I found this Brazilian guy that was graduating from Stanford and was starting a ticketing company in Brazil. We made a deal where I would code for him for free, and in exchange, he would teach me the Stanford application process. I did that for a year; and after a year, he had raised a bunch of money. He hired a bunch of senior engineers—those senior engineers taught me a lot, I really improved as an engineer. After a year, I decided I wanted to start my own company. And then I joined some friends and we tried to start this education company that helped Brazilian students with their US application process. I did that, we got a bunch of users, but we were never able to monetize it, so it failed after nine months or so. I had invested most of the money I had made on the game into this company.

Agustín: Sounds like a little hurdle along your path. What did you do then?

Henrique: I was running out of money, and there was this Hackathon that was worth fifty thousand dollars and I thought, "Hey, if I can win this thing, it's more time being able to support myself." So I went to a few friends and we built this app called "Ask Me Out," which was basically like Tinder, but instead of geolocation it was based on Facebook friends. You could like and match your Facebook friends. It turns out we won, we got the fifty grand, came back home, and we tried to launch it; and it didn't work. I tried to monetize it and I had a really bad experience implementing payment rails. Around this time, my cofounder Pedro

Franceschi—who's also a programmer and entrepreneur, and who had worked at a payment company in Brazil during his teenage years—and I had implemented a payment system. We decided to build a better system, together. That's when we started our first company Pagar.me, which was like what Stripe does, but in Brazil. We started that company and raised a seed round. It was the only money we raised, but we grew the company from the two of us, to over around 150 employees, very profitable, around a billion and a half in transaction volumes. We sold that company in September 2016 and then moved to the US to go to school at Stanford. But three months after we got there, we decided that we wanted to build another company and we got into Y Combinator for a virtual reality idea. We soon gave up on that idea, and decided we wanted to go back to fintech and payments. We saw all these startups that had no way to get a corporate credit card without personal guarantees, and they had low limits, and so we decided to build something better and that's how Brex started.

Agustín: That's a good summary of a few years of your life. Could you describe the offering and the reason for Brex?

Henrique: Brex—we have three things that are different. The first one is the underwriting model. Today, we're the only corporate credit card that doesn't require any kind of personal guarantee. We can give you ten times higher limits and you can go from zero to a card in five minutes. You can get a card in five minutes with no personal guarantee and very high limits, compared to the incumbent banks, where it takes multiple weeks to get a card, with a low limit and you have to personally guarantee it. The second thing that we did was we rebuilt the entire technology stack from scratch, and that allowed us to basically build our own functionalities so we have better expense management, better reporting, things like that; so just better software in general. The third thing is that we built a rewards program that is geared toward startups. You get 7x points on rideshare, 4x on travel, 3x on dining, 2x on software. Software and rideshare are not categories that existed in traditional cards, as opposed to Brex, and those are things that a company can spend a lot of money on; so they can actually accumulate a lot of points. So, those are the three main advantages of Brex. While today we are focused on startups, the vision is expanding to other sectors, so other types of companies can also use Brex as their corporate credit card. Not only startups, but restaurants, retail, consulting, all construction, all the industries, is the vision. As well as building other B2B finance products over time.

Agustín: How many employees have you got right now at Brex?

Henrique: We're around eighty.

Agustín: Eighty, that's a lot. How did you go about funding the company? Records say about \$182 million has been raised.

Henrique: We raised a Series A back in March 2017 led by Ribbit Capital, Peter Thiel, Max Levchin—a bunch of people participated in that round. Then we raised a Series B of around \$50 million in April 2018 led by Y Combinator. And then we raised our Series C; that was around \$106 million in September 2018 and that one was led by Greenoaks Capital and DST Global.

Agustín: In terms of funding, this is obviously not your first company, so I'm assuming this one was a lot easier to do; but how did you approach asking for money in Pagar.me for example?

Henrique: Pagar.me was more like a begging situation. We were both sixteen, we didn't know what we were doing, and we were hoping that someone would fund us. They funded us, really quickly, and we were able to raise three hundred thousand dollars. But then over the lifetime of Pagar.me, we built a lot of relationships in Brazil and Silicon Valley, so it was easier because we already knew people, we'd already had a successful exit and so it was easier.

Agustín: How do you see Brex growing? Where are you focusing?

Henrique: We're focusing on expanding to new sectors and going to larger companies. Today we serve, really well, companies from up to a couple hundred employees to more than a thousand, two thousand to three thousand employees.

Agustín: There's a lot that's been written around your partnership with Pedro. How did you get that started and what are the dynamics between you? Is one of you good at something and the other good at something else? How do you guys get along?

Henrique: Pedro is really strong. We're both engineers by training but in Pagar.me I ended up doing more of the business stuff and Pedro doing more of the internal technology and operations. I'm really good at pitching things and product and strategy; Pedro's really good at internal stuff, like technology, operations, and integration of the company.

Agustín: I'm really surprised about the whole coding thing. Is there any secret sauce that you guys have created to be able to have launched such successful ventures?

Henrique: I think a little bit of the secret sauce is that we rebuilt the entire technology stack from scratch. That allows us to have a lot more control over

what we're doing, versus if we did the same thing as banks where they just used third-party software, then our business wouldn't be working. So it's the fact that we can control the entire technology stack, and it's good software, a good system. It allows us to do anything we want, but building all the stack from scratch was very hard.

Agustín: When you say hard, what does that mean?

Henrique: It means that we asked a lot of people, "Hey, so we're thinking about building this technology stack from scratch," and everyone said that we were crazy, that no one had done this in—I don't know how many years. But because we had already built a fintech platform from scratch in Brazil, we were more confident, "No, we think we can do it; we kind of know how to do it," and then we did it. But the hard thing is, there's a lot of stuff involved in processing a lot of money, and there's a lot of stuff where you can't make mistakes, there are many parts in a delicate system.

Agustín: I was looking at the start date of Stripe, it was 2010, did you get inspiration from them when you created your own payment mechanism?

Henrique: When we started, we didn't know about Stripe. But as we grew, we found out about them and some things they were doing right, we did similarly. A lot of things in Brazil were very different though, so it was a bad idea to directly copy.

Agustín: How do you hire people? What you look for and how do you create a culture of people that think like you?

Henrique: Our culture was heavily influenced by a few different external factors. Silicon Valley, having really good engineering, product, and all the things that Silicon Valley believes; but also a little bit of our Brazilian inspiration. Having a culture where people can dream really big; we're both very ambitious and work really hard. We have our core culture and values that are having an owner's mentality, understanding why, being a fixer and dreaming big—and that's kind of our values. We try to recruit for these values.

Agustín: I want to explore your competitive landscape. How do you see yourself against competitors? Who are your competitors?

Henrique: Our main competitors are the bank cards, for example, American Express and Chase.

Agustín: Makes sense. I hear that you have loads of partnerships in Brex. What is your approach here?

Henrique: We have a lot of partnerships. A lot of people, a lot of companies, want to get access to our customers. We help them with that and in exchange give us a good offer for our clients, which will generate value for our customer base.

Agustín: How do you see Brex expanding? Is it different products? Regionally? Different customer groups?

Henrique: We have very big ambitions, so we want to do all of those. We are going to focus on the card for a little while, expanding to new sectors and industries, like I said, and also geographically—eventually, not this year, but maybe next year or the year after.

Agustín: Do you see Brex getting to Brazil, a market that you know really well?

Henrique: Eventually.

Agustín: It would be good to add new products to Latin American. I wonder if you miss living in Brazil.

Henrique: We want to keep building products for America. I want to keep living here in the US. But Brazil is a really big market, and we know that market, really, really well, so it would make sense for us to do it. Eventually.

Agustín: You started really early in your career and have grown really fast. Where do you see yourself going from here?

Henrique: I think we don't want to build another company, we want to keep running this one for a long time. I think that building and running this company keeps us motivated and we have our friends here and people we like.

Agustín: What motivates you to keep working hard?

Henrique: Honestly, money was kind of a big motivation for us with our first company but then after we sold it, money has a utility logarithmic function, so it's not that anymore. I like building something really massive, really ambitious.

Agustín: How do you see fintech evolving in the future years? There are a lot of new technologies. From your perspective, how do you see the industry evolving, how will life be different in a few years for customers?

Henrique: As an industry, I think a few things. One, more challenger banks will certainly get market share. So in the next five years, I think regional banks will lose a lot of market share in the US and a lot of new challenger banks will gain market share. I think that the big players, like Chase and Bank of America,

they still will be very, very big and will still succeed in the future, but the number seven, eight, and nine and ten, will be more modern banks instead of the traditional ones. That's one thing I think will happen. I think that it will get more competitive. Margins will get slightly worse than they are today. Regulations are going to get a little bit tougher, which is going to still be a barrier to entry for new entrants but not impossible, so I think fintech will be more revolutionized in the next ten years than it was revolutionized in the last decades.

Agustín: You never completed the circle, what happened at Stanford? Did you get to go to Stanford?

Henrique: Stanford, I went there for just six months.

Agustín: Just like Steve Jobs and your hero, Chuck. <laughs>

Henrique: Yeah.

Agustín: Did your priorities shift once you were studying at Stanford?

Henrique: The work priority was definitely first. We came to Stanford knowing that it was likely that we weren't going to finish, but we wanted to come and check it out.

Agustín: That's interesting. As a final question, what is your perspective on financial inclusion? This is a topic that has been gaining more attention over the past year. How can fintech help people that need it the most? Do you do anything in this area?

Henrique: We definitely do this, because there are all these people including internationals and minorities that, say, they raise a lot of money, they do the due diligence of raising money from investors, and then they can't get a card. We at Brex allow them to get a card which was impossible for them before. We feel that we are doing our part there and I think fintech can have a big part there, by allowing people who had trouble getting bank accounts to get bank accounts—and for credit and life insurance and all those things. By having better technology and better algorithms that can underwrite these people based on not only FICO scores and other traditional methods.