

ARCAP

Research Study of the Private Equity, Venture Capital and Seed Capital Industry in Argentina



EVOLUTION

2016/2021



Microsoft for Startups



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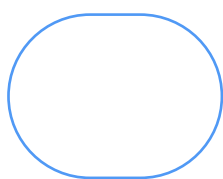
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About Our sponsors

Microsoft for Startups is a program created to help startups accelerate their growth by providing them with access to customers, technology, support and technical communities. Our goal is to grow together and we support ARCAP (Asociación Argentina de Capital Privado, Emprendedor y Semilla) to work with the investment funds to add value to their portfolio and expand the ecosystem.

“We are at a point where starting a startup is much more accessible than it was before, we have more access to platforms, connectivity, a higher user rate, etc. In this context, the main challenge for these companies is to scale, i.e., to go from the idea to becoming a global company. And there are two major difficulties at this point. On the one hand, access to customers and, on the other, access to technical specialists to work collaboratively. That is why Microsoft for Startups seeks to add value by taking five competitive advantages: global scale, customer relationships, access to technical experts, larger sales team, and partner ecosystem. And when we talk about ecosystems, we are talking about helping create more opportunities for everyone,” **explained Mariano Amartino, Managing Director de Microsoft for Startups Americas.**

“Microsoft used to scare start-ups but is now an ‘outstandingly good partner’”. Ben Horowitz, Founder and GP @ Andreessen Horowitz

Microsoft for Startups

After listening to the needs of the entrepreneurial community we focus on three pillars:

Connection with local communities: Through networking spaces, exchanging ideas and access to technological and business resources, which are vital for innovation.

“Both in Argentina and Latin America we are observing a record in the number of transactions and stages of investment in technology startups. For those entrepreneurs, their regional, if not global, projection is often only possible with strategic partners such as Microsoft for Startup.” Diego González Bravo, Vice President Venture Capital, ARCAP.

Access to Fortune 500 customers: one of the main needs of B2B founders and investors is to connect with new customers. By leveraging the Microsoft Commercial Marketplace they can access new markets and customer segments, providing them with access to the partner and sellers ecosystem, as well as new and more agile sales channels.

“Working with Microsoft for Startups gives us access to high-level technology experts, but above all it guides us to engage with an ideal strategic partner to grow in market access and accounts in an accelerated way.” Emiliano Kargieman, Founder and CEO - Satellogic

Access to the cloud and tools: We provide access to Azure through credits, and we made Azure the most open cloud so businesses can use the tools and languages of their choice. We also integrate GitHub, PowerPlatform and Microsoft365 into the startup program.



For more information:

<https://startups.microsoft.com/en-us/>

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EY is a global leader in professional services. It has more than 50 years' experience in Argentina supporting clients in improving transparency, better managing risks, optimizing processes and expanding businesses through four service lines: Audit, Tax, Consulting and Strategy and Transactions.

Strategy and Transactions include varied and interconnected solutions in close relation to the capital agenda:



Strategy

In this transformation age, CEOs and business leaders face the challenge of achieving the highest value for every stakeholder in their organizations. We challenge assumptions and build growth strategies which help improve profitability and long-term value.

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Restructuring

Today's disruption will require organizations to reshape. Strategic change focusing on financial and business restructuring or turnaround must be implemented with speed and certainty. We provide trusted leadership in critical and complex situations to transform, create, preserve and recover value.

Our Contacts

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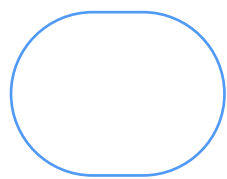
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Introduction

This report centers around a survey of the number and amount of investments made in Private Equity, Venture Capital and Seed Capital in the course of 2021.

In order to reach this goal, ARCAP has conducted a survey of Fund Managers both members and non-members of the association every semester since 2015. In addition, it incorporates complementary information to that obtained in the survey, retrieved from public sources.

After processing the data, this report shows record numbers in the Venture Capital industry: **2021 has been the year with the greatest number of Venture and Seed Capital transactions of which there is a record. The total amount in 2021 surpassed that of 2019 which had been the best year of the industry to that date.**

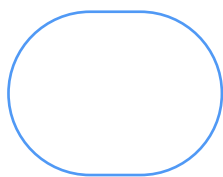
This data is even more impressive if it is taken into consideration that the figure in 2019 (USD 1.128M) included an extraordinary Private Equity transaction of USD 725 million, while the figure in 2021 (USD 1.337M) is made up only of Venture and Seed Capital rounds.

In contrast to this tendency, the Private Equity segment has not displayed any public activity during this period.

Apart from the habitual industry indicators —aggregate number and amount of the transactions made—, since 2020, ARCAP began surveying gender and geographic location because the association believes that having a diagnosis of these dimensions is the first step towards a more diverse and federal industry. In terms of gender, a regression was detected in the number of women taking part, this indicates that it is necessary to put into action measures that target the structural barriers they have to face.

In the same manner as last year, this report analyzes if the startups that received Seed and Venture Capital investments are B2B (Business to Business) or B2C (Business to Consumer), the great majority of startups with financing from this kind of investment, which focus on providing services to other businesses, shows that the entrepreneur ecosystem and the traditional sector do not exclude each other, but may rather work in synergy.

We are glad to confirm once more that, just as it has been occurring for the past 5 years, the Seed and Venture Capital industry in Argentina continues to strengthen.



Methodology

Durante During December 2021, ARCAP, together with EY Argentina, sent a survey to Fund Managers, requesting information about capital commitments and investments carried out during the second semester of 2021. This data was aggregated to the one obtained in the survey of the first semester of the year.

After the information collection period, the data was processed and the results displayed in this report were consolidated.

Through complementary sources of information (LAVCA and information obtained from public sources) additional transactions were identified, including those carried out by foreign Fund Managers. Integrating these sources of information allows for a more complete overview of the activity in Argentina in the period under analysis.

It is important to make two clarifications in relation to the interpretation and visualization of the data presented:

- In the case of Venture Capital, this report comprehends investments made in startups founded in Argentina, even when the financing rounds they close are used to begin or deepen their internationalization processes.
- Each investment reported by a fund manager is considered a transaction. In some cases, there is more than one transaction in the same company, but companies are not repeated when analyzing gender indicators, type of company, location and vertical.

It is also important to mention the distinction of the verticals that is applied in Argentina:



Seed Capital

or Early Stage

Investments made by fund managers in Pre-Series A rounds, generally under USD 1 million.



Venture Capital

(VC)

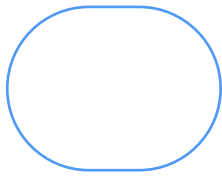
Investments made by fund managers in Series A rounds which in Argentina are usually over USD 1 million.



Private Equity

(PE)

Investments by fund managers in mature companies in which there is usually a majority of interest.



Total Investments

2021

This year there were

110

TRANSACTIONS

of Private Equity (*Seed+VC+PE*)



This is the period with the **greatest number of investments** registered.

Out of **110** transactions carried out



66

belong to
Seed Capital



44

belong to
Venture Capital



No Private Equity transactions
were detected.



USD 1,337.2 million

The sum of all the transactions represents a total investment of **USD 1337.2** million, [making 2021 a record-breaking year](#). In 2019, which until then had been the period with the most investments, the total amount invested was USD 1.128 million, but 64% of that total was a single extraordinary Private Equity transaction. [This year the total amount is made up only of Seed Capital and Venture Capital transactions.](#)

Seed Capital

There was an investment of

25 million



in **66 transactions**.



2021 set a record in the amount invested in this segment.



The verticals with the most investment were: **BioTech, FinTech and HealthTech.**

Venture Capital



There was an investment of

USD 1,312.2 million

in **44 transactions.**

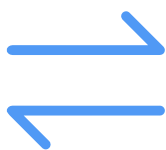


Both the number of transactions and the amount invested set a record.



The verticals with the most investment were: **Enterprise, Software & Services, Agtech and FinTech.**

Only **6 of the investments**



made in Argentina were carried out by a **corporate Fund Manager**

(2 in Seed Capital and 4 in Venture Capital).



These figures show a withdrawal within the sector in relation to previous years.

From the startups that received Venture or Seed financing



74.2%

are in Buenos Aires City or Buenos Aires Province

12.4% in Santa Fe

6.7% in Córdoba

and the remaining in Mendoza, Salta and Tucumán.

Segment of the startups that received investment this year



**66.3%
B2B**

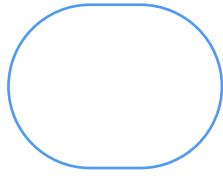


**33.6%
B2C**

11.5% of the startups that received investment in 2021 have a female CEO.



This displays a regression in the presence of women in management positions in the companies invested in relation to previous years.

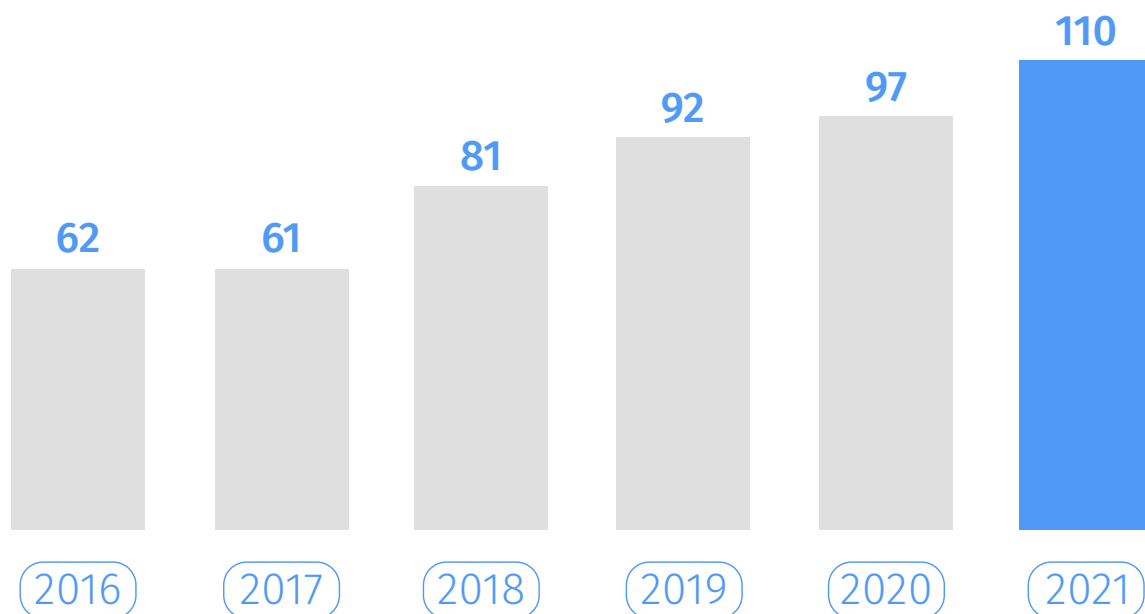


Overview of **Private Equity, Venture Capital and Seed Capital**

This section presets, in aggregate, the number and amount of transactions in Private Equity, Venture Capital and Seed Capital carried out since ARCAP began surveying this data. An annual evolution from 2016 to 2021 is displayed.

Total number of transactions

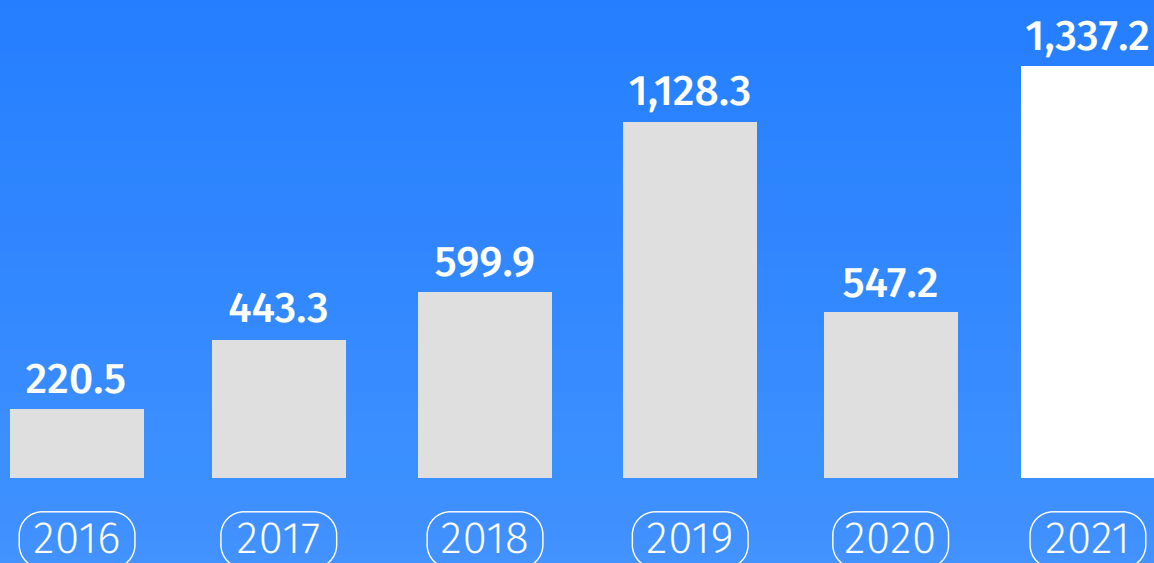
Private Equity + Venture Capital + Seed Capital



It is shown that 2021 maintained the tendency towards rising of the previous years in terms of number of transactions: **there was a rise of 13.4% in relation to the previous period.**

Total amount of transactions

Private Equity + Venture Capital + Seed Capital



Regarding the total amount invested, **there was a relevant increase this year in relation to the previous one.** This increase is even more meaningful if it is taken into account that there were no Private Equity transactions. In 2019, the year with the closest amount to 2021, there was a Private Equity operation of 725 million explaining 64% of the total amount. **In addition,**

In summary, during 2021, there were detected the following investments:



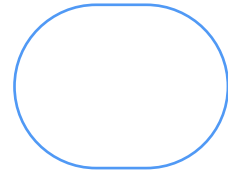
Seed Capital
USD 25 million
in 66 transactions



Venture Capital
USD 1312.2 million
in 44 transactions



Private Equity
No transactions
detected.



Private Equity

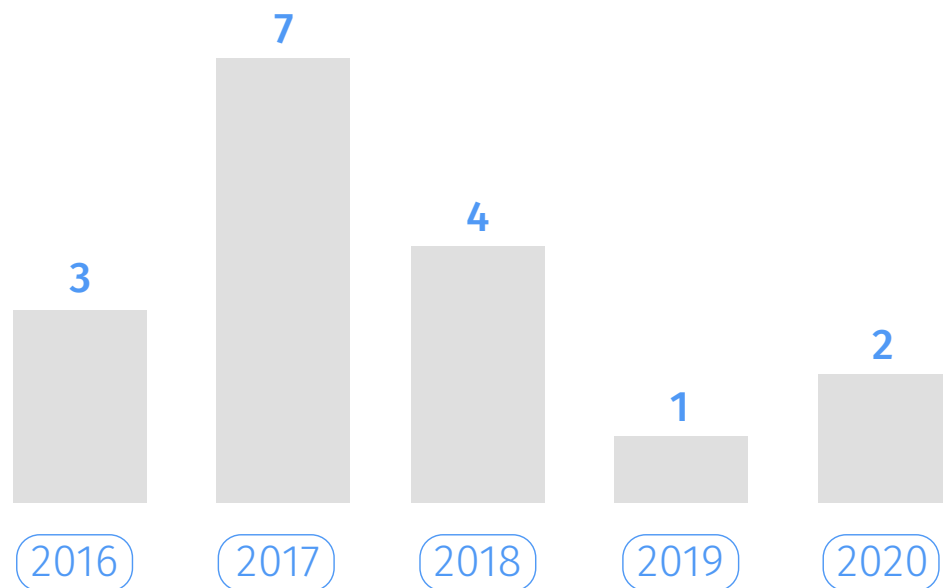
Fund managers that invest in Private Equity provide temporal (3-10 years) financial resources in exchange of participation in unlisted companies which have greater perspective for development and which, in contrast with companies with investments by Seed Capital and Venture Capital, have a longer track and are more established in the market.

The volume of the amount invested also exceeds increasingly the volumes handled in investments in projects which focus on Seed Capital and Venture Capital.

This year no investments were detected in Private Equity, nevertheless this section shows the evolution up to 2020.

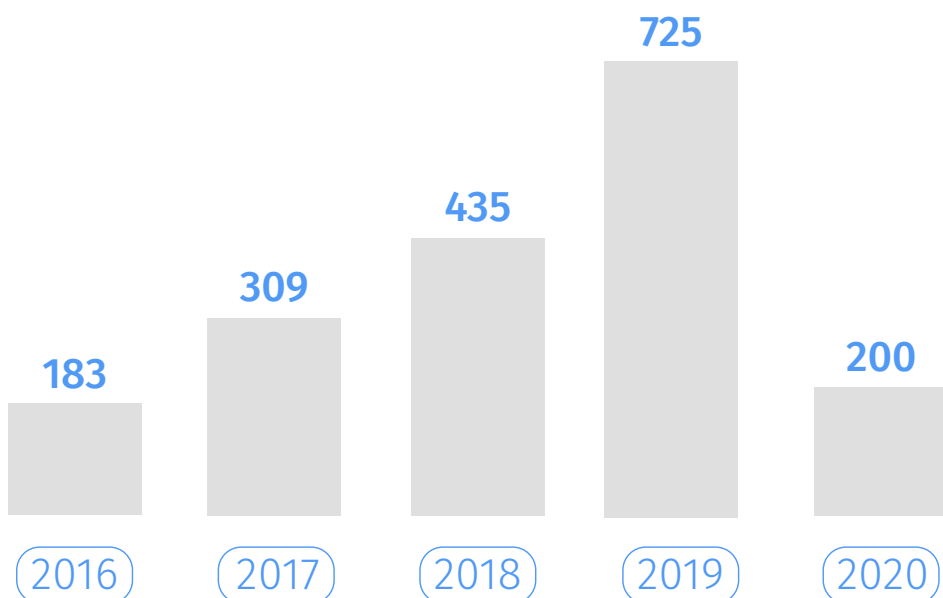
Amount of transactions

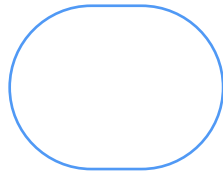
Private Equity



Amount of transactions (in USD million)

Private Equity





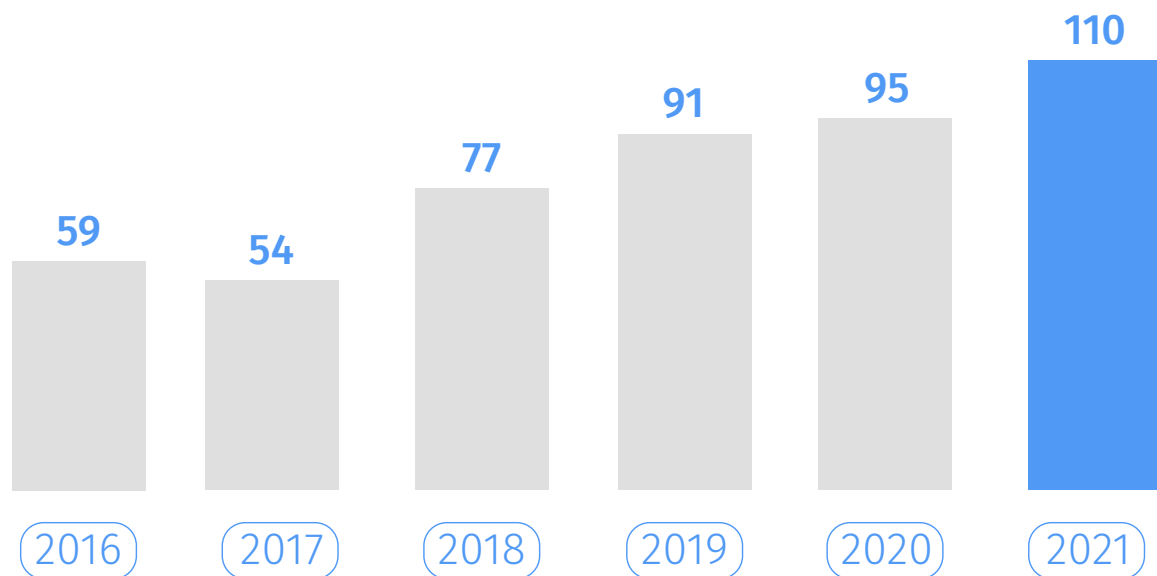
Venture Capital Industry

The concept Venture Capital industry is used as an umbrella term that comprises the sum of Seed Capital and Venture Capital transactions. This section shows the aggregated figures of both stages. In the following sections they will be displayed in a disaggregated manner.

This part will also show the proportion of the investments carried out by Fund Managers of Corporate Venture Capital (CVC).

Total number of transactions

Venture Capital + Seed Capital



It is perceived that the number of transactions, which had been rising continuously since 2016, leapt this year, and **increased 15% in relation to the previous year.**

Total amount of transactions (in USD million)

Venture Capital + Seed Capital

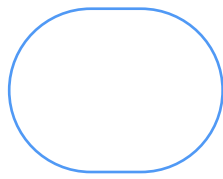


As it is presented in the graph, the total amount invested in the Venture Capital industry has evolved increasingly since 2016 with a slight hold back in 2020. The year under analysis in this report is a record-breaking year, the total amount is **almost 4 times more than the previous year and 36 times more than the first year of which there is a register of the activity.**

In 2021, 9 extraordinary transactions were detected of USD 1,174 million that represent 87.8% of the total. The remaining 12.3% were 101 transactions of USD 163.2 million. As displayed in the following chart, 2021 settles a record in total transactions, typical transactions and atypical transactions.

Year	Transactions	Atypical (*)	Total
2018	74 - USD 34.9M	3 - USD 130M	77 - USD 164.9
2019	86 - USD 27.3M	5 - USD 376M	91 - USD 403.3
2020	93 - USD 86.1M	2 - USD 261M	95 - USD 347.1
2021	101 - USD 163.2 M	9 - USD 1,174	110 - USD 1,337.2

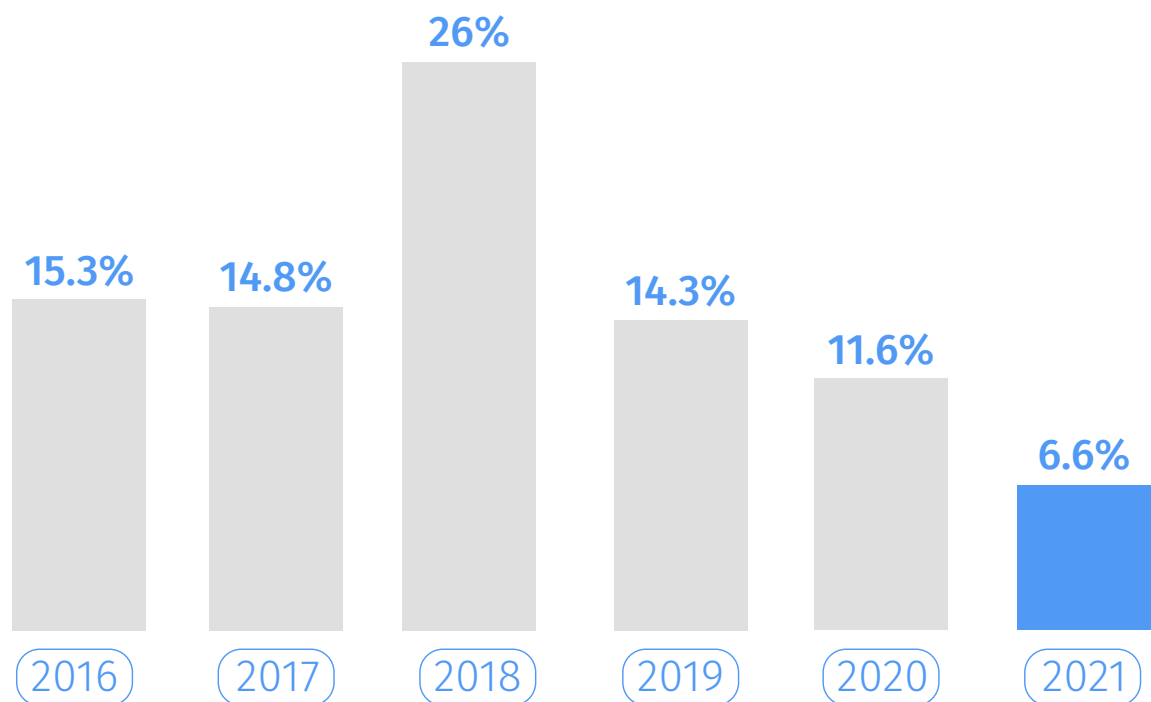
(*) transactions over USD 20 million



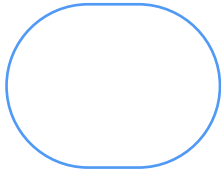
Corporate Venture Capital (CVC)

Corporate Venture Capital is a vehicle used by companies to invest on other dynamic projects (startups) that are growing.

Proportion of transactions made by Corporate Capital



This graph shows that since 2018 there has been a **decrease in the number of transactions carried out by corporate fund managers.**



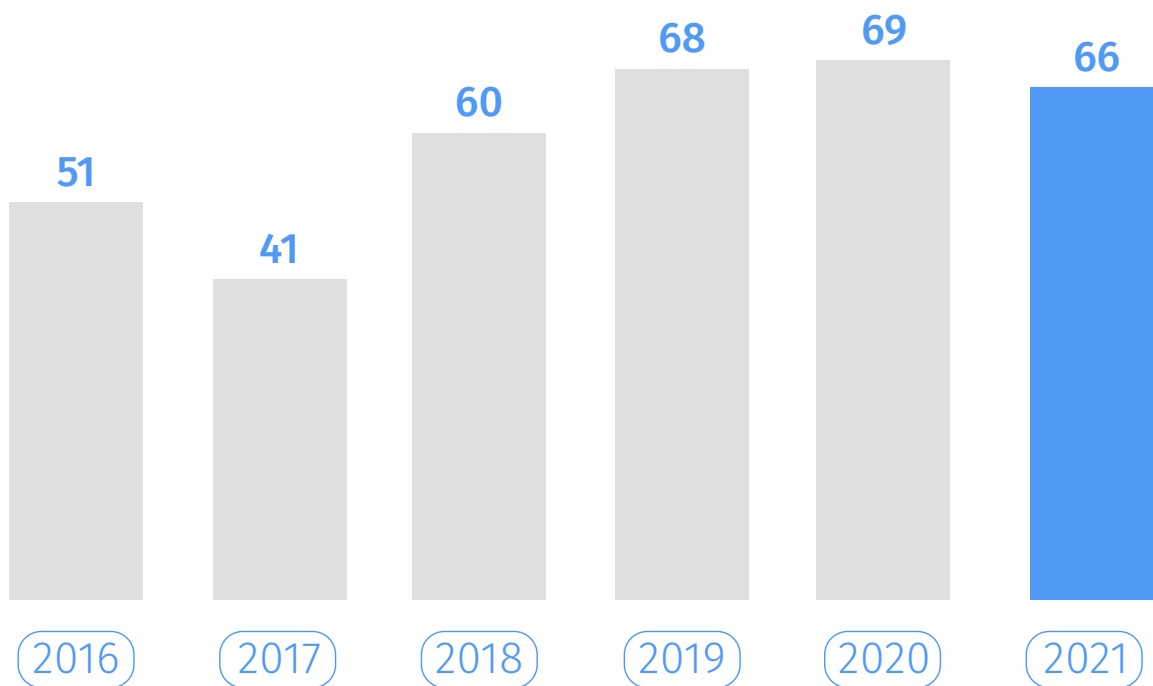
Seed Capital

Seed Capital transactions are operations which generally range between USD 25 thousand up to USD 1 million. It is a funding round that allows startups to come out to the market and test/validate client response and in some cases to expand on a national level.

The surveys conducted by ARCAP do not include individual angel investors, they collect information of seed rounds when professional managers are involved.

Total number of transactions

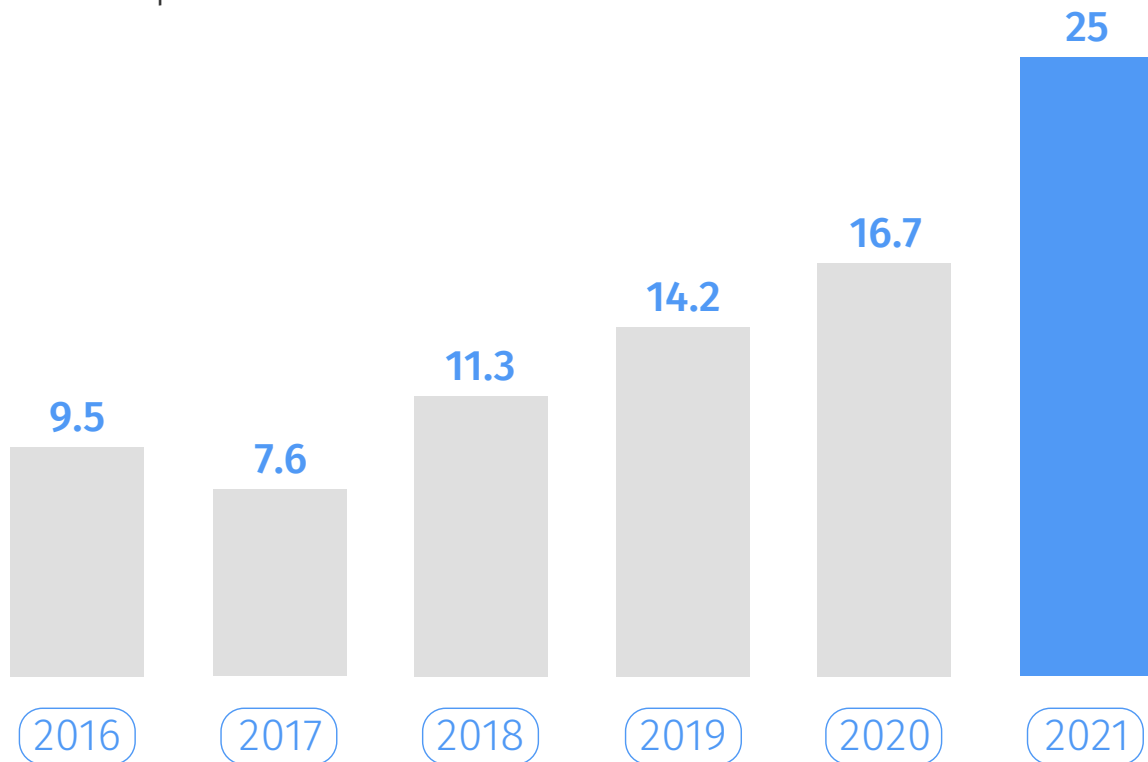
Seed Capital



The number of Seed Capital transactions has remained stable the last three years. In 2021 a **slight decrease in number was detected, but as it will be shown below, the total amount increased.**

Total amount of transactions (in USD million)

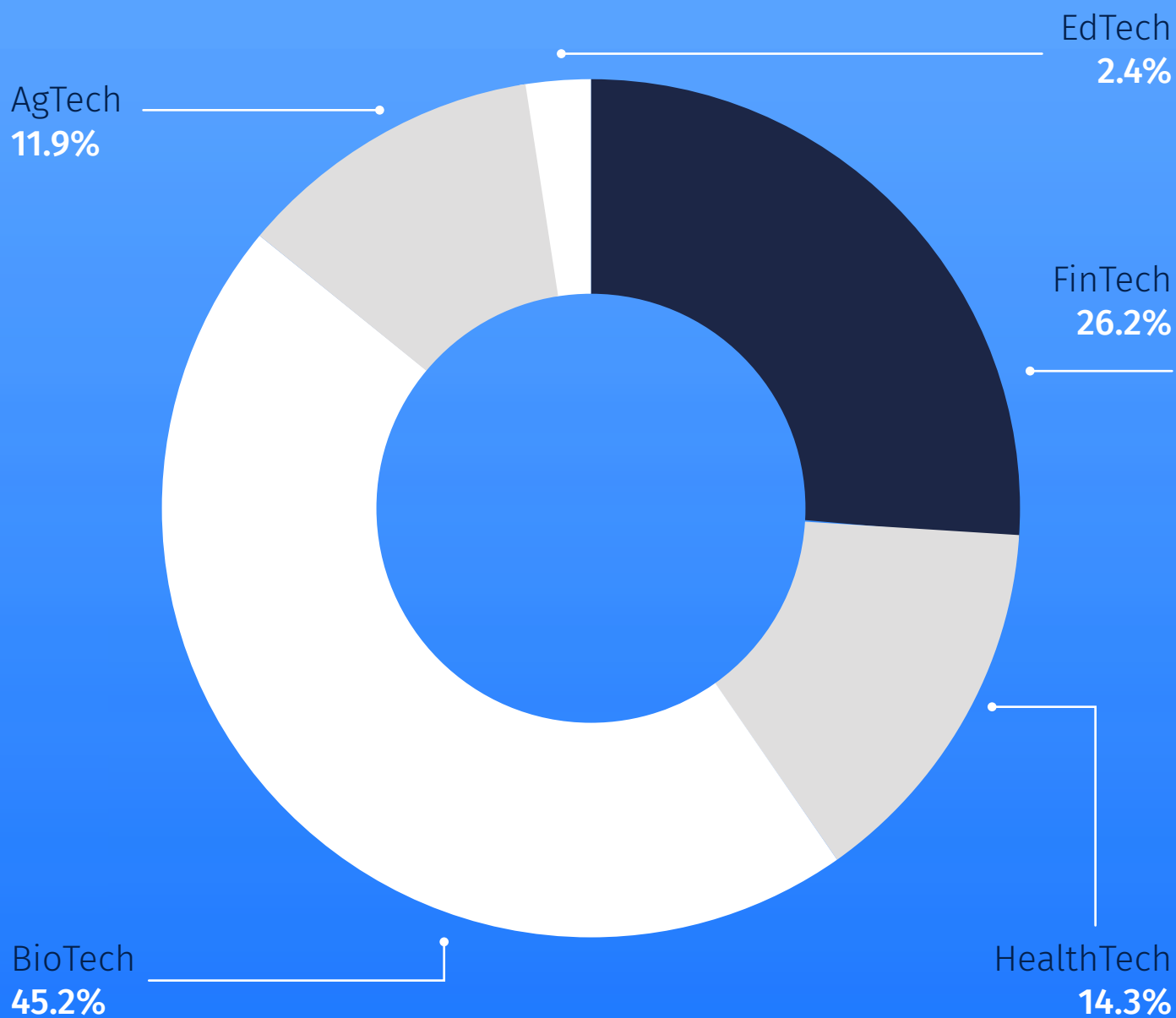
Seed Capital

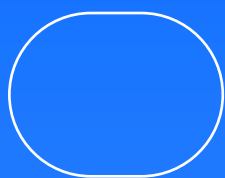


Although the number of transactions has remained stable since 2019, a steady increase of the total amount is observed. **This year displays an increase of 50% in the total amount invested.** In other words, on average, the transactions carried out in 2021 were larger in amount than those made the previous year.

Investment by vertical (in number of transactions)

Seed Capital



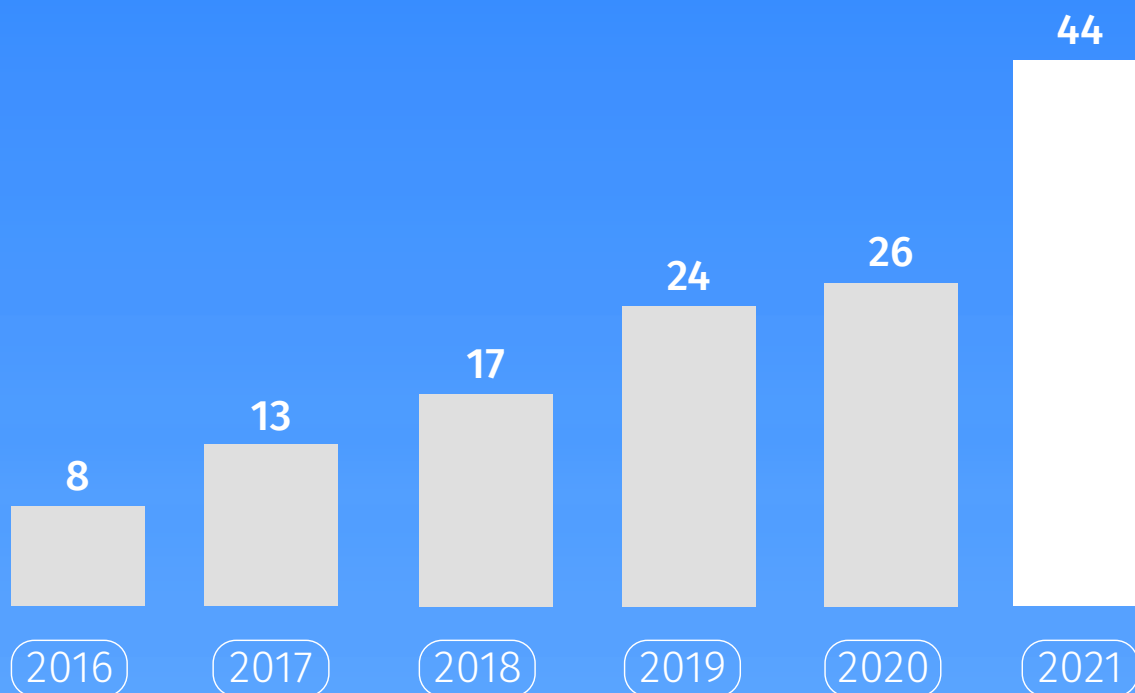


Venture Capital

In Argentina, generally, rounds considered to be Venture Capital are those of over USD 1 million. Venture Capital Managers validate market traction and invest capital that enables scalability.

Total number of transactions

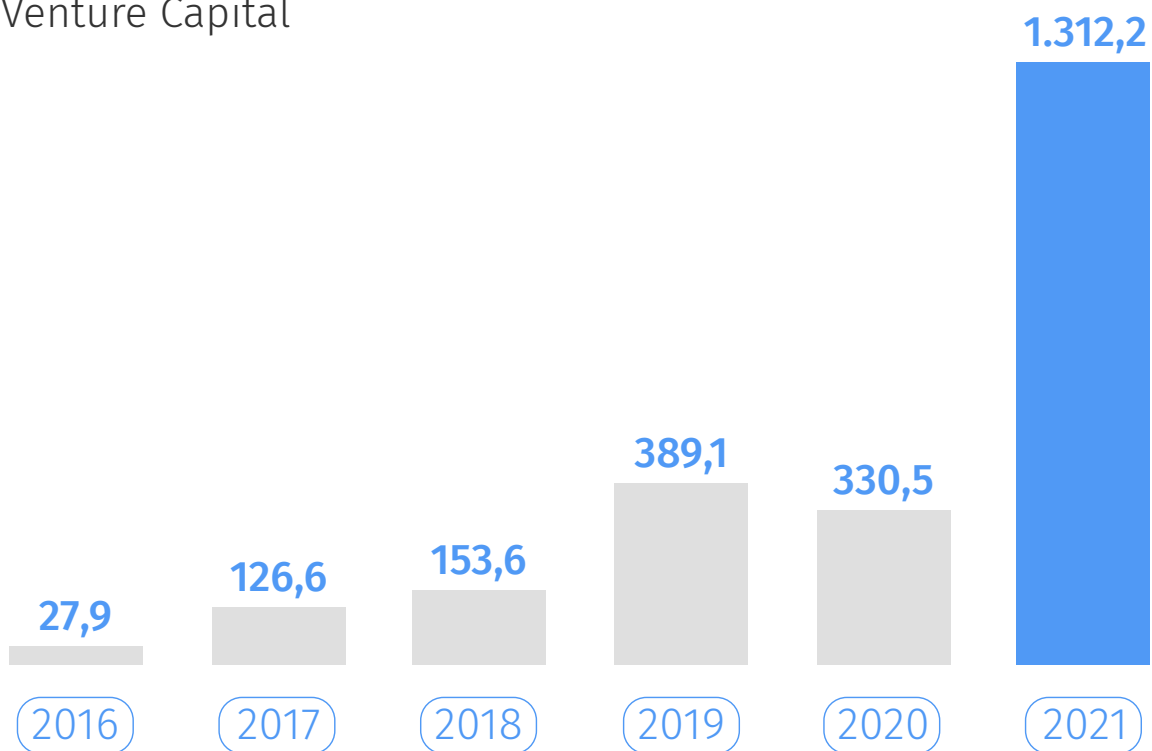
Venture Capital



Venture Capital has seen an increase in the number of transactions since data began to be collected. This year there was an **increase of 69.2%** in relation to the previous year, making this the highest.

Total amount of transactions (in USD million)

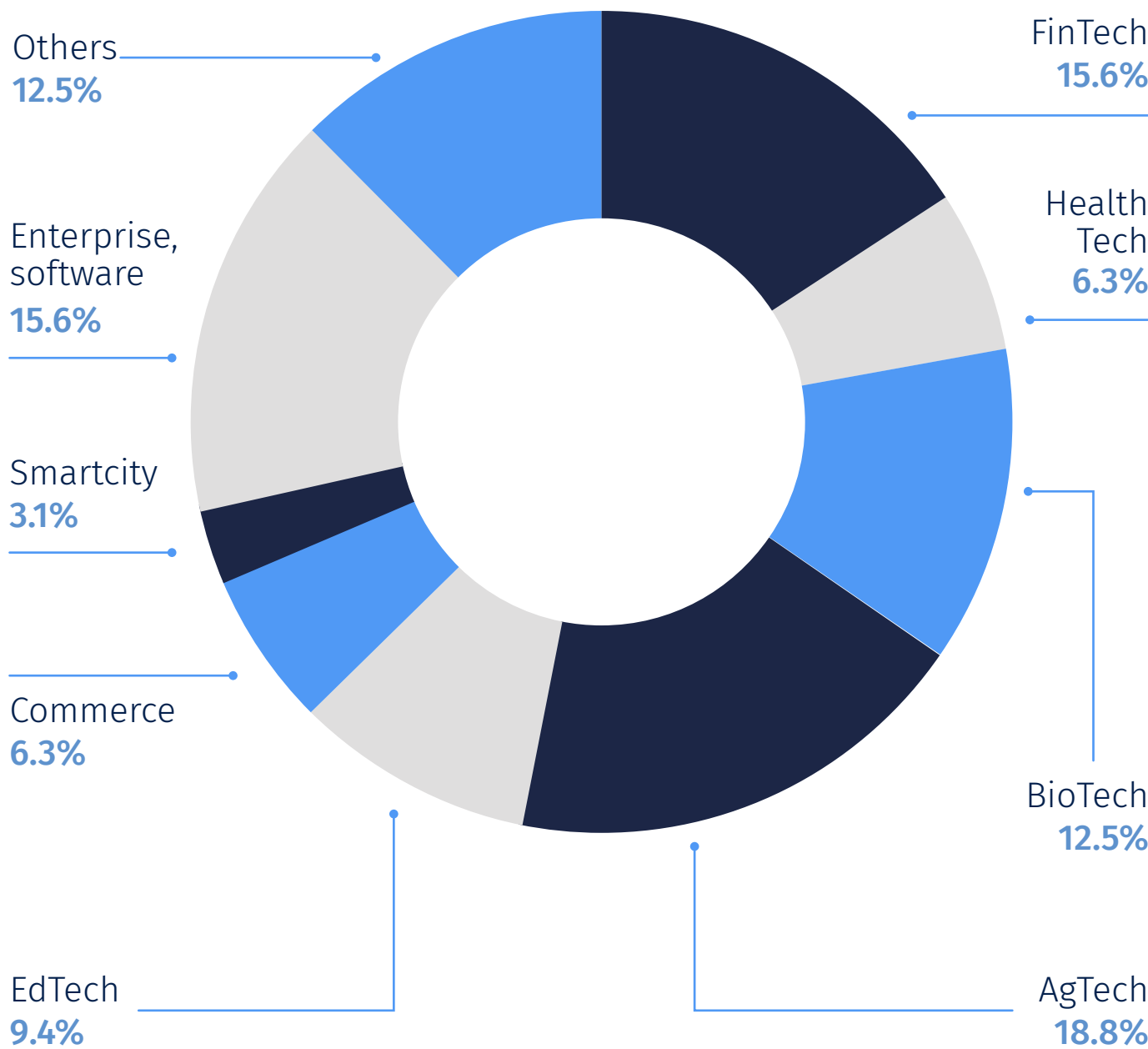
Venture Capital

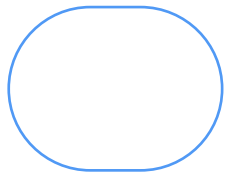


The total amount invested in Venture Capital in 2021 is **almost four times higher than the previous year and it is 46 times larger** than the total amount invested the first year ARCAP began measuring these indicators.

Investment by vertical (number of transactions)

Venture Capital

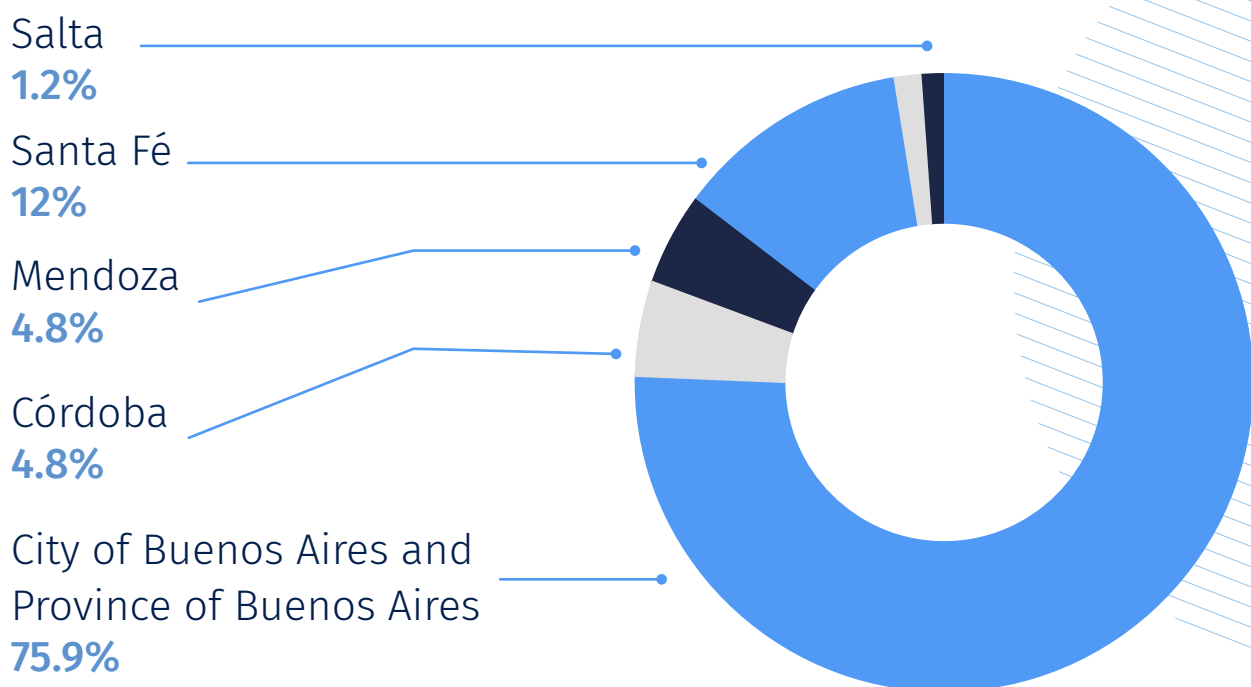




Profile of the companies that received Venture or Seed Capital financing in 2021

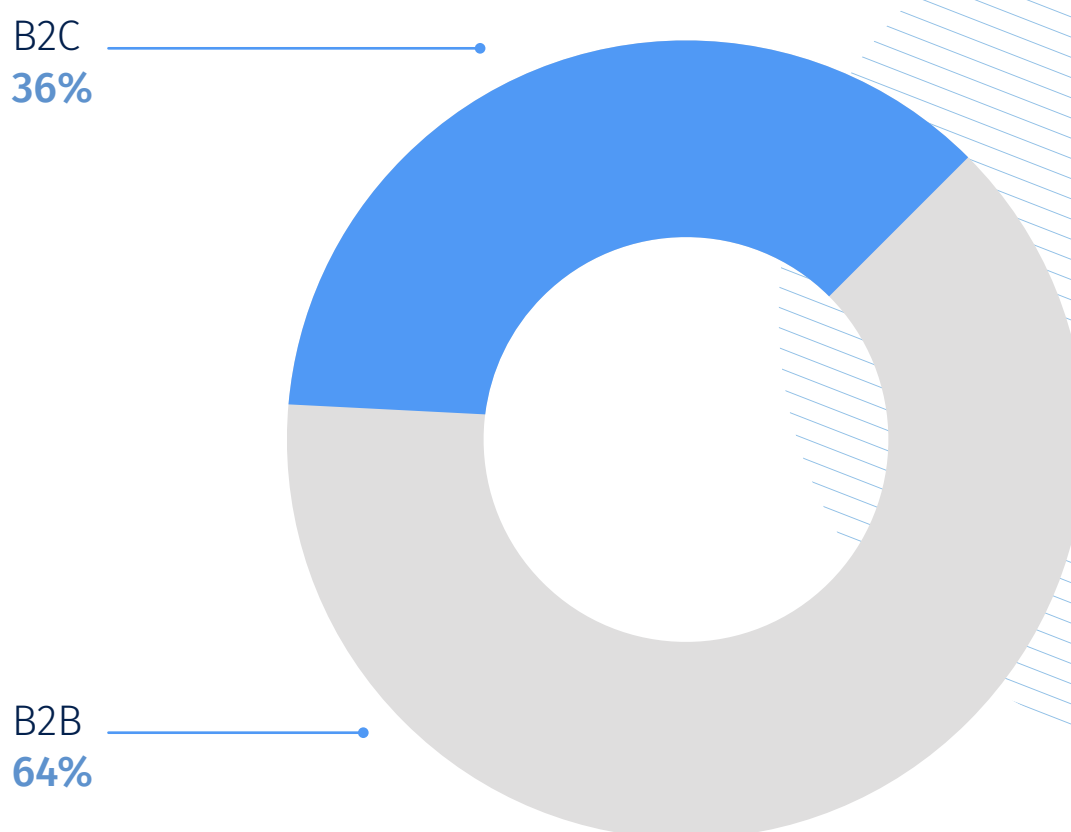
This section displays the profile of the startups that received investment this year. ARCAP began surveying these indicators since 2019 and the following reports will show the evolution of these indicators through time.

Location of the startups that received Venture or Seed financing in 2021



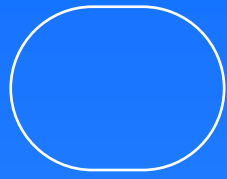
One of the objectives of ARCAP is to contribute to the development of a **federal and diverse industry**. Presenting an image that shows the localization of the companies that received Venture and Seed Capital investments serves as a starting point to begin working for an industry that increasingly covers more territorial extension.

Target customer of the companies that received Seed or Venture financing in 2021



B2B (Business to Business) startups are those that provide services to other companies. This type of startups may function as a **boost of a more traditional economy** and synergy between both sectors can be created through them.

B2C (Business to Consumer) startups are those that make a product or provide a service for the final consumer. They bring **technological advances directly to people's daily life.**



Gender

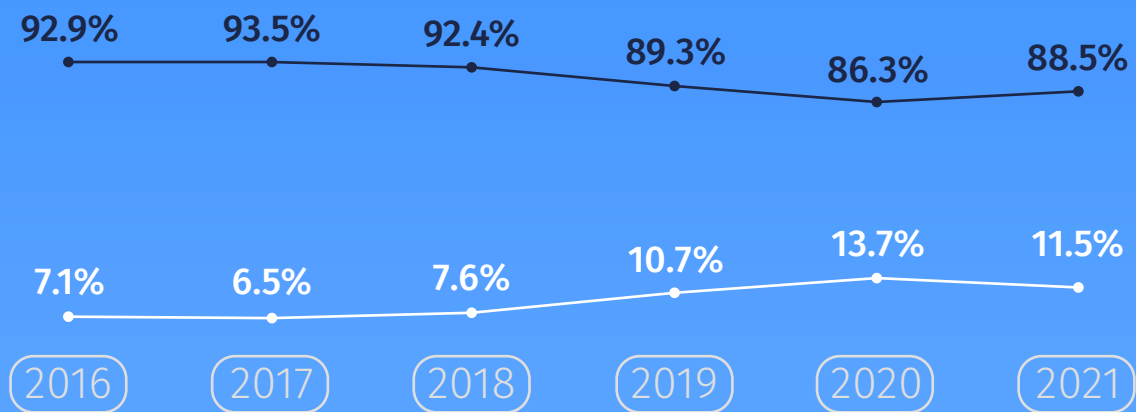
In 2019 ARCAP produced a report that shows gender indicators in the industry, both in the companies financed and in the Fund Managers, for the period between 2016 and 2019.

In this section, the figures for the indicators corresponding to 2020 and 2021 are added to the information surveyed for said report.

Gender ratio of the CEO of companies which received Venture Capital investment

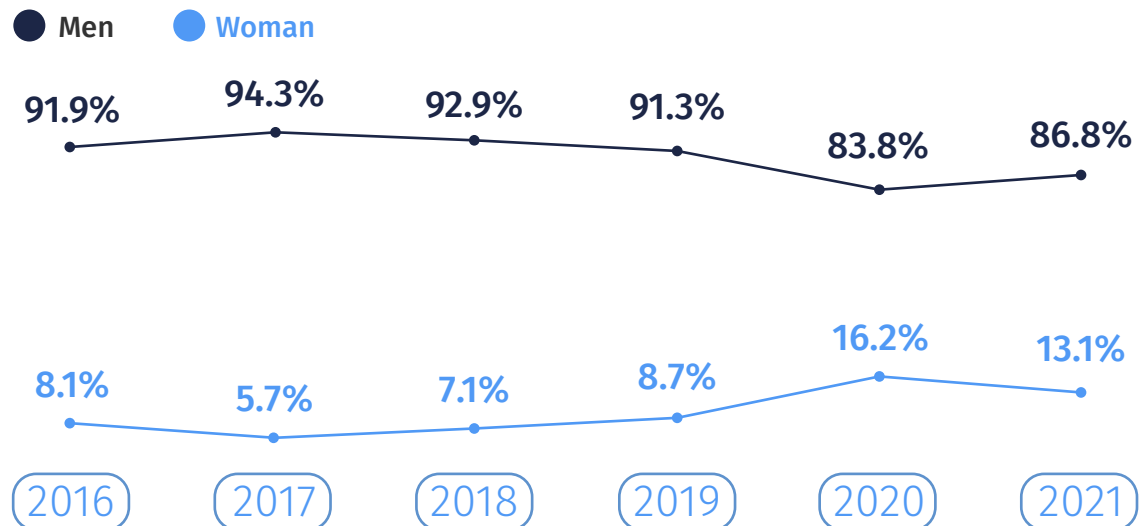
● Men

● Woman



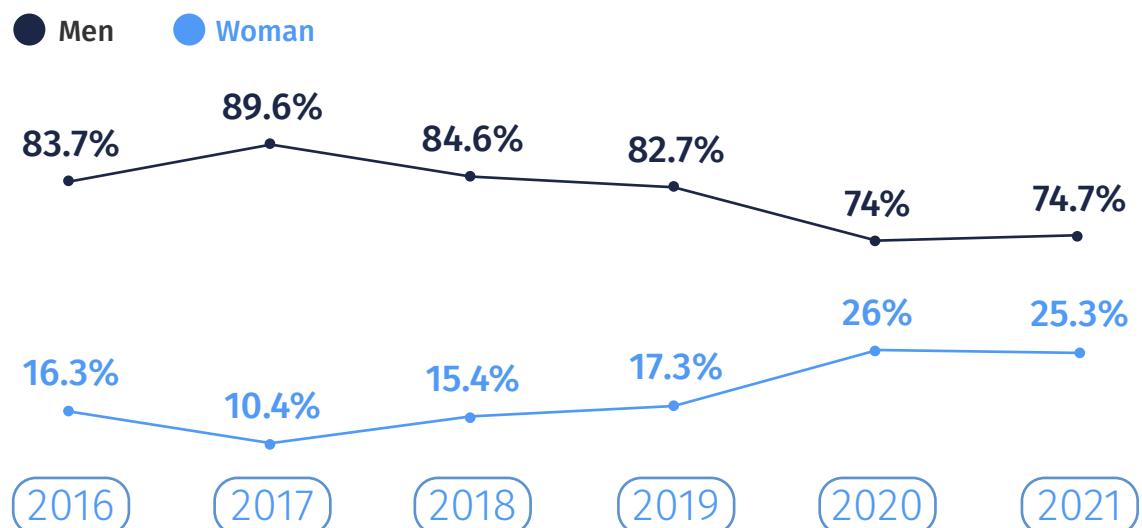
As displayed in the graph, the rising tendency since 2017 was interrupted in 2021, where **a regression of women's presence in management positions in the companies that received investment can be perceived** in relation to the previous year.

Gender of entrepreneurs that received financing



This graph is drawn by the sum of all the entrepreneurs that founded companies which received Venture and Seed Capital investment and their differentiation by gender. Even though 2021 is better than four out of the five years registered, there has been a regression in the presence of women in companies that received investment in relation to the previous period.

Composition of the founding team by gender



The graph shows the composition by genre of the startup teams that received financing in 2021. It reveals that in 2021, 25.3% of the founding teams had at least one woman in them.

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