

## Overview and Origin

- Name of company

NuBank

- When was the company incorporated

NuBank was founded May 6, 2013

- Who are the founders of the company?

David Velez, Cristina Junqueira, Edward Wible

NuBank is a digital bank founded in Brazil in 2013 by David Velez, a native of Colombia with a freshly acquired Stanford MBA, Cristine Junqueira, a Brazilian engineer with an MBA From Northwestern's Kellogg, and Edward Wible, a Princeton computer science graduate.

It is a privately held, Sao Paulo based neobank that provides credit cards, personal loans, life insurance, investment products and related solutions for small businesses and consumers.

NuBank currently has 3700+ employees

- How did the company come about?

Founder David Velez arrived in Sao Paulo in 2012 after recently completing his MBA from Stanford and a new job from Sequoia Capital. Brazil had become the 7<sup>th</sup> largest economy in the world after having grown 4% a year for a decade.

Velez was there to search for opportunities. The plug was pulled on October 1 and David had to devise a new plan. He decided that Brasil which had grown to be one of the largest mobile markets, would be a good opportunity to start a bank. Brazil has strict rules for foreign banks but does allow credit cards. He was going up against five of the largest banks in Brazil which included Banco do Brazil, Santander, Itaú, and Bradesco.

It was suggested by Sequoia Capital partner Roelof that he needed a partner, and Velez recruited Cristina Junqueira, a Brasileiro engineer with an MBA from Northwestern's Kellogg. As the last piece in the founding trio David recruited Princeton computer graduate Edward Wilbe, an American he knew from his days at Sequoia. With an initial Series A funding led by Sequoia they and QED they raised 15 million. NuBank charges no annual fees NuBank's initial strategy was to only offer cards to select people with custom analytic software to determine eligibility. You also had to be referred to them by one of their customers who by nature of having the card had good credit. Some of their limits were sometimes as low as \$14. This strategy created exclusiveness which created desire.

While NuBank doesn't charge annual fees they do charge 5% interchange fees to merchants, and enforce penalizing late payments with interests and fees. By 2016 NuBank hit 1 million credit card customers. In December 2016 they closed another \$80 million of funding. In 2017 after a presidential decree were given an exemption to foreign ownership laws and given a banking

license. Nubank was now able to have digital checking and savings accounts all free except a \$1.20 charge to use other banks ATM's This while other banks were charging \$10 a month.

- Who are the company's main competitors?

The company's main competitors are Neon, Cora, Next. Fuze, SWYP, Plastic, and Truwall.

- Who is the company's intended customer?

NuBank leverages mobile smartphones. Brazil has the 4<sup>th</sup> largest smartphone market, only behind China, India, and the United States. Nubank's target market is everyone with a smartphone in Brazil who is tired of paying the exorbitant fees that traditional banks in Brazil have charged while giving lousy customer service. Their percentage of users under 36 is 70%. They offer a credit card with zero fees. At the time of Nubank's founding banks in Brazil offered credit cards as much as 200% - 400% a year. "According to an HBS case study, in December 2018 the interest rate in Brazil for corporate loans was 52.3%, for consumer loans it was 120.0% and for credit card indebtedness it was 272.42%"

They use many technologies such as Flutter, which is a cross platform mobile framework from Google. Since the bank is targeting those with smartphones, this makes it ideal to run on Android and IOS. With the recent acquisition of Cognitec they now have complete access to Clojure, a dialect of LISP. This gives it some advantages over Python when running multi-threaded operations. It is also very scalable.

- How is the company funded? How much funding have they received?

They recently raised 500 million dollars from Berkshire Hathaway, Including an investment of USD 135 million in it's operation in Brazil. The investment from Berkshire Hathaway was one of two recent extensions of NuBanks series G equity funding round of 400 million which originally closed in January

2021. The second extension which was led by Sands Capitol totaled 250 million, According to Statistica,com total assets amounted to over 32 billion real in the first half of 2020.

Operating expenses amounting to nearly 4,600 million Brazilian Real in the in the first two quarters of 2021, nearly doubling the 2020 operating expenses which totaled 2,566,85 million real.

Growth came in the form of \$523 million in 2019 when the pandemic hit, with a \$78 million loss. In 2020 during lockdowns as more Brazilians took to using mobile apps revenues nearly doubled to \$963 million cutting losses to \$44 million. Current equity is \$750 million. According to McKinsey & Company NuBank has 25 million customers and is the largest Financial technology services company in Latin America. Tencent has invested in Nubank and The Financial Times says it has a valuation of 10million bn.

### Business Activities

- What specific financial problem is the company trying to solve?

NuBank has solved the problem of getting credit cards into the hands of people in Brazil, who ordinarily could not afford one because of the enormous amounts of interest that traditional banks would charge.

Nubank still offers credit cards and savings accounts all through digital banking using mobile. They have branched out to offering insurance and financial solutions for investment. Nubank has grown despite the COVID-19 pandemic, perhaps even because of it as during the lockdown more people with smartphones began using apps and doing business on them more than ever among others. They are now the largest financial technology company in Latin America . They are currently the sixth largest financial institution with around 30 million customers. They are poised for an IPO backed by Berkshire Hathaway, which has hired Morgan Stanley, Citigroup, and Goldman Sachs to help lead it. Nubank has made a series of acquisitions such as Easynvest, a financial brokerage platform that provides investment management solutions for individuals and businesses. In July 2020 they purchased Cognitec, a cloud based platform that offers cloud-native development and continuous integration software solutions for finance and retail sectors. Their latest acquisition was in August 2021 of spin\_pay, a platform based in Brazil that handles payment processing for sectors including E-commerce and retail.

## Landscape

- What domain of the financial industry is the company in?

NuBank is digital bank.

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- What have been the major trends and innovations of this domain in the last 5-10 years?

One major innovation has been the use of data and AI for predictive personalization, where financial institutions can leverage data and advanced analytics to provide predictive personalization for financial marketing.

Banks have begun to focus on the digital banking experience. According to Forrester, “Organizations will work to determine what really matters to their customers, identify projects to improve important experiences, prioritize the efforts with the biggest potential upside for customers and the business, and then train their employees (and give them new tools) so that they can deliver the right experiences consistently.”

- What are the other major companies in this domain?

Nubank's competitors are Neon, Cora Next, Fuze, SWYP, Plastic, and Tranwall.

## Results

- What has been the business impact of the company so far?

NuBank has become the largest financial technology company in Latin America, and the largest digital bank in the world. Money is made from interchange fees. They pay out an above average APR to savers. They make loans to other customers and pocket the NIM spread between the two rates. NuBank has provided innovative solutions, creative marketing and mobile technology to reduce time and costs for its customers. It has

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grown its primary market and has now moved to other services, and is looking to expand in Latin America. With investment capital from some of the largest VC's around it's a strong company that looks to be getting stronger.

- What are some of the core metrics that companies in this domain use to measure success?

Core metrics for digital banks are measured by the following KPI's.

- 1) Digital traction metrics
- 2) Cost to acquire a typical customer (CAC)
- 3) Lifetime value of a typical customer (LTV)

- How is your company performing relative to competitors in the same domain?

It's closest competitor is Neon with 520 employees, 415.2 million in funding, and 28.9 in revenue. Nubank has 3,700 employees, 2.1bn in funding and 523m in revenue, which has made them one of the most valuable startups in the world.

- Recommendations

I would recommend NuBank to have a division that does digital mortgages similar to Rocket Mortgage.

Transactions would be started and completed on smartphones, approved in a few minutes. They would handle the whole process from start to finish using the blockchain and Solidity.

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