

Meet Uruguay's Fintech Tycoons Powering Payments For Netflix And Amazon



Giacomo Tognini Forbes Staff
Billionaires

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Four alumni from Uruguay's biggest private university started payments firm dLocal in 2016. Today they are the most successful entrepreneurs in their nation's history, worth a combined \$10 billion.

Supporting a white t-shirt and slightly tilted glasses, the CEO of Uruguayan payments outfit dLocal Sebastián Kanovich, 31, cuts an unassuming figure on a late August video call. The globetrotting executive, who now lives in Tel Aviv, 7,400 miles from his longtime home of Montevideo, quickly deflects the questions about his company's stratospheric rise and his own sudden wealth.

Just one year earlier, dLocal made history when it raised \$200 million from U.S. private equity firm General Atlantic at a \$1.2 billion valuation, becoming the first unicorn to hail from the tiny South American country. Then in June, the fintech debuted on the NASDAQ, becoming the first Uruguayan company to go public in the U.S. It was a feat that minted the nation's first three billionaires and earned a congratulatory tweet from Uruguay's president. Kanovich himself is now worth an estimated \$60 million. "I don't spend one minute thinking about that," he claims. "I'm proud of what we've achieved, but we're also very hungry. The opportunity ahead is massive."

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From the outset, dLocal has had bold global ambitions. Five years ago, it was spun off from an earlier payments firm called AstroPay to help large multinationals process cross-border payments from billions of customers in complex emerging markets. When a commuter in Rio de Janeiro needs to pay for an Uber or a sneakerhead in New Delhi purchases the latest pair of Air Jordans, dLocal makes that happen by helping the merchants on the other side navigate the myriad payment systems and bureaucratic hurdles.

For Kanovich, the firm's ability to quickly expand overseas was born in the relative dearth of opportunities in his native Uruguay: "We never worked in our home country. That's our DNA, to be right in the middle of two cultures that are somehow different."

Kanovich, for instance, decamped to China for two months back in 2016 to set up dLocal's operations there. "We help Chinese companies go international and sell in Latin America and Africa," says Kanovich. "For every Amazon there's an Alibaba and for every Uber there's a Didi. We hope to serve both. It's a market that has huge potential."

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The five-year old startup already has offices in six countries and is operating in 30, up from 20 a year ago, including Nigeria, India and, of course, Uruguay. It processed \$2.1 billion in payments last year from more than 330 customers including Didi, Nike, Amazon, Microsoft and Netflix, to name a few. "We are that technology infrastructure piece on top of which the merchants sit. It's like building a highway into these markets and the merchant gets to choose whether they turn on Brazil or Indonesia," Kanovich said in 2019.

dLocal is already spending the money it raised in the past year, snapping up Brazil-based payments provider PrimeiroPay for \$40 million in April and continuing to push into new markets. It is also looking to improve its fraud protection services and add to its roster of more than 600 payment methods.

URUGUAY BY THE NUMBERS

- Population:** 3.46 million
- Capital:** Montevideo
- Top exports:** Beef, soybeans, milk, rice
- Billionaires per 1 million people:** 0.87
- GDP (2020 nominal):** \$46.66 billion

More known for farming than fintech, the beef-exporting country nicknamed the "Switzerland of South America" is now one of the smallest nations in the world—with a population of just 3.5 million—to have minted more than one billionaire. Sergio Fogel, 58, and Andrés Bzurowski, 44, who cofounded dLocal, each own an 18% stake worth about \$3.7 billion apiece. They are worth slightly more, after accounting for proceeds from the IPO and their stakes in privately-held AstroPay, dLocal's predecessor firm, which still helps consumers navigate payment systems by uploading funds to a prepaid card or mobile app. Fellow Uruguayan Eduardo Azar, an early investor, owns a 7% stake worth \$1.3 billion. *Forbes* estimates that the trio plus near-billionaire Kanovich have a combined net worth—almost entirely made up of dLocal stock—of \$10 billion. That's more than one-fifth of the country's \$47 billion gross domestic product in 2020.

Uruguay's tiny internal market meant that dLocal needed to move abroad early on, starting with neighboring Brazil. But rather than compete with larger payment rivals such as Stripe and Adyen (both of which are worth nearly \$100 billion) in the established markets of North America and Europe, dLocal instead carved out its niche in fast-growing, emerging countries. That strategy has paid off not just in growth but profitability: Unlike many other fintech startups, dLocal was already profitable before it went public, nearly doubling its sales and net income to \$104 million and \$28 million, respectively, in 2020. The key to those profits is the high prices dLocal charges for its service: On a typical \$100 transaction on Amazon, for example, dLocal pockets \$4, four times the average rate for payments firms.

"dLocal enables emerging market consumers to buy from developed market ecommerce companies and pay with their local funding sources," says James Friedman, an analyst at Susquehanna Capital. "Amazon and Microsoft are their largest customers, and you can tell they add value because their prices are high."

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A 20 minute drive from dLocal's office in the country's third-tallest building in the capital city of Montevideo, the halls of Universidad ORT are a far cry from the rarefied world of such tech giants. Uruguay's largest private university was founded in 1942 by the Organization for Research and Training, a Jewish educational foundation established in St. Petersburg in 1880 to empower Russia's Jewish population with trade and professional skills.

Universidad ORT was set up in Uruguay to support Jewish migrants fleeing postwar Europe and seeking to build a new life in South America. That spirit lives on through four of its alumni, none of whom were on campus at the same time but who came together to found dLocal. Kanovich, Fogel and Bzurowski all attended the university, along with dLocal's president, Jacobo Singer; Fogel, who is a member of *Forbes* Councils, began teaching a class on digital disruptions there in 2008.

Before joining forces with Bzurowski, Fogel had cycled through various startups that didn't catch on, including a voice-over-IP company and a failed venture he started with his wife ("It was a very, very bad idea," he later said of the experience in a September 2020 interview with the YouTube channel *20MinuteLeaders*.) In 2009, Fogel and Bzurowski teamed up to launch AstroPay, a payments firm that helps consumers in emerging markets store funds online using a prepaid virtual debit card. They recruited Kanovich as general manager in 2012. Within two years, Kanovich, then 24, was CEO and Singer had joined as a software engineer.

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One of the company's first investors was Azar—currently dLocal's chairman—who had made a small fortune selling Ireland's largest operator of data centers to a competitor for \$144 million in 2011. The first external cash came in 2019 when General Atlantic, which had previously invested in Dutch payments firm Adyen, invested an undisclosed amount.

"dLocal has been profitable from its first year. Money wasn't a driver for any of the funding rounds we did before we became public," says Kanovich. "At some point we realized that we wanted to get to the next level, and we were looking for a partner that would help us scale and think internationally."

In September 2020, General Atlantic put in another \$200 million and seven months later, dLocal closed a \$150 million funding round with investors including Alkeon Capital Management, Tiger Global and D1 Capital Partners that valued the firm at \$5 billion. When dLocal finally went public with shares priced at \$21 apiece in June, the markets valued it at more than \$6 billion. That valuation has long since been eclipsed. With a market capitalization now hovering around \$20 billion, the company's valuation has grown by 1,560% in just two years.

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As the company grew, the founding team moved across borders to open new offices. After his two-months stint in China, Kanovich settled in Israel, where Fogel also studied and lived for a decade. (Fogel is now back in Uruguay.) Bzurowski lives in Uruguay but has a home in Miami, while the firm's chief technological officer resides in Buenos Aires. The rest of the executive team is spread out across Spain, Philadelphia and California.

"Borders don't mean anything anymore. The person can be sitting in Sunnyvale, or in New York or in Argentina," said Fogel in a YouTube interview.

Still, no matter how many more countries it expands to, its young CEO believes dLocal's culture will always be rooted in the rolling plains and tight-knit cities of Uruguay.

"Uruguay is a small market that looks to the outside a lot. We always understood that we had to adapt, because no one cared about our home," says Kanovich. "Remaining humble is a very common thread of Uruguayan society and culture."

Disclaimer: Sergio Fogel is a member of Forbes Councils.

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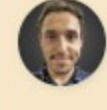
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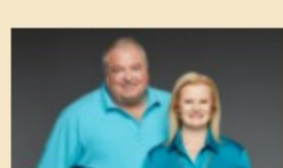


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