

Fernando Lelo de Larrea: 2022 is a year of adjustment and reinvention for the VC's

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MIAMI, FLORIDA, ESTADOS UNIDOS, September 1, 2022 /EINPresswire.com/ -- Last year, more than 20% of venture dollars went into [fintech](#) startups globally, according to CB Insights. Equally notable:

One-third of all unicorns created in 2021 were fintech companies.

This year, market conditions are dramatically different in every sector, including fintech. But while this year's pace of funding in the fintech space is noticeably slower — and falling — the fact remains that the sector still accounts for a significant share of venture funding globally. In the second quarter, for example, about 18% of global venture dollars went into fintech startups.

"In Mexico the landscape is different. Fintechs are just starting positioning and players without a tech background like Oxxo and Spin are succeeding at a very fast pace" says the investment specialist [Fernando Lelo de Larrea](#).

There is no question that the deal environment is slower now than it was this time last year, particularly with respect to late-stage growth. Many companies are rightly focused internally on

optimizing their business and waiting to test the market.

There still appears to be a bid-ask spread in private market expectations relative to, say, public market valuations.

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Deals do feel a little less competitive, but there are still a lot of capital providers — General Atlantic being one of them — who are excited to continue to invest in great opportunities and back great entrepreneurs. The

environment has caused the pace of a deal to slow down, which, honestly, is probably a good thing. It gives companies and investors more time to get to know one another and perform



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diligence, in both directions.

Many people are calling this a downturn.

There is an appetite to invest in longstanding themes related to the transition to the digital economy and the globalization of entrepreneurship, and enterprises are actively pursuing opportunities to back visionary entrepreneurs with proven business models. What has always been the case is that investors gravitate toward situations where a trusted partner can add substantial value. entering a more challenging macro environment because of inflation and dark clouds in the economy, maybe that promise resonates even more.

Fintech companies often have multiple revenue levers — adding new product lines, building in payments, etc. How viable will these levers be for fintech companies in 2022 looking to defend their 2020-2021 growth rates?

“It’s tricky because 2022 is a year of [adjustment](#) and reducing costs for any VC of any size. The companies that focus on their strengths and can operate lean without compromising their operations and revenue will have the trust of the stakeholders, even if those companies are young” says the specialist Fernando Lelo de Larrea.

The first half of 2022 has not been kind to investors in the technology sector. Since the beginning of the year, the Nasdaq-100 has declined more than 23%, landing the tech-focused benchmark squarely in bear market territory.

Individual names in the sector have similarly faltered. High-end consumer electronics company Apple, for instance, is down more than 15% so far this year. Alphabet, the parent company of search engine giant Google and video sharing platform YouTube, has fallen more than 25%. Similarly, e-commerce behemoth and Whole Foods acquirer Amazon is down 28% on the year, while electric automaker Tesla has declined by more than 30%.



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But that's just the start. Photo sharing service Pinterest and social network giant (and now-metaverse company) Meta have both halved their market capitalization since the beginning of 2022. Meanwhile, subscription streaming pioneer Netflix has collapsed by nearly two-thirds since the start of the year, while instant messaging company Snapchat has fared even worse, falling by a whopping 75%.

The carnage isn't isolated to big tech alone. Among less-mature companies, things appear even more grim. In particular, younger, smaller, and highly unprofitable technology firms have suffered the sharpest declines in the industry. For example, artificial intelligence (AI) lending company Upstart has lost more than 80% of its value this year, while online used car dealer Carvana has shed a staggering 90%.

Private markets haven't been immune to the broad-based downturn either. Venture capitalists and private equity firms alike have become more sensitive toward valuations and selective about dealmaking. As a result, risk capital has become sparse and startup valuations have taken a nosedive, with later-stage companies looking to raise a Series C and beyond bearing the brunt of the fall. However, it's unlikely that earlier-stage startups are any more well-insulated than their later-stage peers from the ongoing markdowns in private company valuations and more likely that the correction simply hasn't hit this segment of the market yet. In other words, the worst of the storm might still be up ahead for early-stage VCs and founders and may force both parties to recalibrate their risk and return expectations going forward. Nonetheless, for the rest of the players in the tech sector, the second half of the year may prove to be slightly easier to weather. While macroeconomic indicators don't look too rosy and may signal more pain to come, it's also reasonable to imagine that Q3 and Q4 may not be as turbulent for markets as the first half of 2022. Given that public and private valuations are typically forward-looking, most names may have already priced in further near-term disappointment, insulating them against further declines.

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