

## **Kavak secures US\$810M in financing from HSBC, Goldman Sachs and Santander**

- *HSBC, Goldman Sachs and Santander continue to back LATAM highest-valued startup's track record and business model.*

Kavak, the leading pre-owned car-buying and selling company in Latin America, secured more than US\$810 million in financing from HSBC, Goldman Sachs and Santander, in agreements that will serve to support pre-owned car transactions.

Such agreements granted the Mexican unicorn US\$675 million from HSBC, through a forward flow agreement, in which HSBC agreed to buy the collection rights of a set of pre-owned car loans originated by Kavak.

Also, the company received a credit line of US\$100 million from Goldman Sachs, and another of US\$35 million from Santander. These resources will be used to develop Kavak's business model and to strengthen its inventory, to continue its consolidation within the Latin American market.

Kavak's disruptive business model triggered a transformation in the industry by minimizing the risk of fraud during transactions and controlling the buying, selling, and reconditioning of cars. In addition, the company increased its growth potential through the development of a financial technology that provides populations with different credit profiles with the ability to purchase a car, even if they have never previously-had a credit application approved.

*"In Latin America, 40% of pre-owned car transactions involve some kind of irregularity, increasing the risk of fraud. Under these conditions, it is difficult for institutions to assume the risk of financing pre-owned cars. In Mexico alone, less than 5% of transactions receive any type of financing, meaning people's access to buying a car is very limited"* pointed out Moises Flores, Kavak's CFO.

Kavak's innovations managed to disrupt the pre-owned car industry in Latin America, where the unicorn has established its presence in more than 80% of the market in the region, including operations in Mexico, Argentina, Brazil, Chile, Colombia, and Peru, and has recently landed outside of Latam, starting operations in Turkey.

The company's plan and results convinced the world's leading venture capital funds, such as Softbank, General Atlantic, and Greenoaks, among others, to invest more than US\$1.6B in five financing rounds. Now, some of the world's leading banking institutions such as HSBC, Goldman Sachs and Santander avouch their business model and help multiply the

capital of the most valuable private startup in Latin America, currently valued at over US\$8.7 billion.

*“As a result of these agreements, we will be able to strengthen our offer of certified cars in the market. However, we will invest heavily in the development of an operating model that, in less than two years, and with the support of our financial partners, has allowed us to offer financing solutions to more than 50% of our customers an important step toward breaking down the barriers that impede the well-being and development of the middle class in the economies where we operate”,* expressed Flores, Kavak’s CFO.

50% of the people who choose to buy a car in Kavak do it via financing. For most of them, this is their first loan of their life. Also, 40% of people who buy through Kavak are buying their first car; proof of the company's ability to give access to financing and mobility.

*“The collaboration between HSBC and Kavak will allow both companies to exchange best practices in the field of digital innovation, risk management and global standards, and due to the transformation that this represents for the industry, the Mexican unicorn is laying the foundations for the pre-owned car market of the future,”* said Enrique Margain, Executive Director of Mortgage and Automotive Credit of HSBC Mexico at HSBC.

*Samuel Villegas, President and CEO of Goldman Sachs Mexico, indicated that “Kavak’s business model is aimed at addressing a crucial pain point for many would-be car owners, lowering the barriers of entry into the pre-owned auto financing market. Our extension of credit supports the growth opportunity for the company and the fintech sector in Latin America more broadly”.*

Finally, Javier Cosio Castillo, Executive Director of Financial Solutions at Santander Mexico, added that *“Kavak is reinventing the traditional model of buying and selling pre-owned cars in Latin America, and its global vision focused on providing safety and trust in every transaction in all emerging markets is fuel for success; we want to be part of the transformation they represent for the industry.*

In just five years, Kavak has established an operation in 24 cities in 7 countries worldwide, with more than 7 thousand employees, distributed in 75 operating centers and an inventory of more than 30 thousand cars.

*“In the US, 7 out of 10 citizens have a car, which contrasts with Latin America reality, where only 1.5 out of 10 inhabitants have access to do so. This is the main goal of our transformation: to become the real long-lasting solution for mobility issues for people in emerging markets worldwide”,* stated Moises Flores Botello, Kavak’s CFO.

**About Kavak**

Kavak started the revolution in the automotive market in 2016 by creating a platform based on the use of data and technology that buys, reconditions, and sells used cars over the internet or on company premises (hubs), with all the guarantees of safety and reliability, and the best financing options. After five years of operation, Kavak became the most valuable startup in Latin America.