

The Investor



Lightrock is a global private equity platform that backs companies that pursue scalable and tech-driven business models around the key impact themes of people, planet and productivity/tech for good. Lightrock's portfolio includes more than 85 companies in 14 countries across Europe, the United States, Latin America, Asia and Africa, supported by a team of over 90 professionals based in five offices across these regions, including Lightrock's headquarters in London. Lightrock is backed by LGT, the international private banking and asset management group, and other global institutions.

FUND NAME

Lightrock Growth Fund I

FUND SIZE

USD900m

TOTAL AUM

USD3.3b

The Company



Frete.com, formerly known as CargoX, is a digital freight marketplace that matches supply and demand for freight services. The Fretebras platform allows Brazilian drivers to plot out their pickups and deliveries ahead of time, rather than having to hunt for jobs at truck stops. Founded in 2013, the company recently rolled out a full digital wallet and credit system and expects to become the largest financial services provider to the trucking industry in Brazil by the end of 2022.

LOCATION

Brazil

SECTOR

Logistics

WEBSITE

www.frete.com

DATE(S) OF INVESTMENT

APR '20, SEPT '20,
NOV '21

AMOUNT

CONFIDENTIAL

STAKE

MINORITY



Cycling around truck stops in Brazil more than a decade ago, Frete.com founder Federico Vega observed the staggering amount of time trucks spent idle or on return trips with no cargo transported. In 2013, he established CargoX, now known as Frete.com, a free online platform that automatically matches supply and demand for freight services.

Trucks move 75% of commercial cargo in Brazil, where rail, air and maritime options are limited, making it the world's third-largest trucking market after China and the United States. The fragmented road freight industry was reliant on manual matching of truckers and shippers conducted by thousands of offline marketplaces and brokers. Trucks typically traveled with unused capacity 45-60% of the time, with near-zero backhauls, contributing to carbon emissions and high transportation costs for suppliers. Brazil's 1.5m heavy-duty truckers, representing just under 1% of the population, struggled to find freight jobs and spent over half of their fuel costs on empty return trips.

By 2020, Frete.com had raised several rounds of funding to consolidate its leadership position in the Brazilian trucking industry, most recently with a USD60m Series D. Given Lightrock's hands-on and impact-focused approach, Frete.com saw the firm as a potential partner to develop its own ESG strategy as it scaled, especially as it eyes a future public listing. Lightrock was attracted to the company's market share and breakthrough technology, as well as its impact on CO₂ emissions and the income and security of professionals in the trucking industry.

The Deal

Lightrock was among the investors that participated in the company's April 2020 USD90m Series E, which also attracted the Inter-American Development Bank (IDB) and follow-on from Goldman Sachs, Valor Capital Group and Farallon Capital. Since Lightrock's first investment, Frete.com has further consolidated its position in Brazil by growing the number of truckers using its free freight matching service. Lightrock has also assisted Frete.com in monetizing the platform through embedded financial services such as insurance and lending to shippers, as well as partnerships with service stations to provide discounted fuel and food purchases to truckers.

Pandemic-related supply chain disruptions lessened demand for trucking services, reducing Frete.com's cargo volume by about 30% in April 2020 compared to pre-COVID-19 levels. Through Lightrock's support, which included a business continuity analysis and best practices shared by its other portfolio companies, Frete.com rebounded to above pre-pandemic levels, achieving 120% gross transaction value growth from January to August 2020. The number of loads posted per day on the marketplace was 150% higher in the same time period.

The company has continued to grow in 2022, achieving USD28b in year-to-date (YTD) gross transaction value in August 2022, a 75% year-over-year increase. The company has also set records for the number of shippers and truckers on the platform, with 177,000 companies hiring 1.4m trucks registered in the app so far in 2022. On average, loads receive quotes one minute after listing and are unlisted by the shipper in less than 24 hours.

"We closed the investment from Lightrock at the beginning of the pandemic, when no one was trusting anyone else. When things get bad, you see which investor is really solid, which will support the company during the rough times and in the long run."

—Federico Vega, Founder & CEO, Frete.com

Inclusive & Sustainable Growth

Lightrock has been instrumental in the development of Frete.com's ESG reporting framework, culminating in the company's first annual ESG report in 2021. Frete.com now tracks metrics such as CO₂ emissions reduction, increases in income and security for truckers and women's representation in the industry. Lightrock also helped the company implement governance best practices, including establishing risk and audit committees.

By reducing unused trucking capacity from the market average of 60% to only 15% amongst Frete.com users, the platform slashed CO₂ emissions by more than 25m tons in 2021. It is currently working with climate tech firm MOSS and consultancy MGM to

measure Frete.com's greenhouse gas emissions and develop emissions reduction and offset initiatives.

For the ~90% of Brazilian truckers that use the platform, Frete.com increases their profits by an average of 50% by providing a direct link to trucking jobs and thus reducing their idle time and empty return trips. Frete.com users tend to be the head of a household of five people on average but with little access to the formal banking system. Through FretePago, launched in 2021, the company offers users a digital wallet and has started lending to shippers in the first phase of a three-year rollout of financial services that will also include trucker credit and life insurance. The app helps to build a user's credit history, paving the way for future financial access. FretePago established partnerships with 2,700+ truck stops to enable truckers' access to diesel and food at high discounts across the country, thus reducing their overhead and boosting income.

In the Brazilian trucking industry, freight robbery accounts for BRL1b (~USD198m) in losses for carriers. By leveraging machine learning capabilities, Frete.com analyzes past crime rates to help truckers avoid high-risk routes, times, neighborhoods and types of cargo. This feature has reduced fraudulent load posts on the app by 67% in 2022 compared to 2020.

Outcome/Outlook

Frete.com is now the most used app for Brazil's truckers. The app represents ~90% of all trucks in the Brazilian freight industry and 48% of all freight service transactions in the country. Frete.com is the second largest trucking platform in the world in terms of web traffic, second only to FTA in China.

The company achieved unicorn status through its USD200m Series F round in November 2021 led by Tencent. Frete.com is currently focused on continuing to expand its market share in Brazil and financial services to the trucking sector, with ambitions to list on a US public exchange in the coming years. •