

The Investor



NXTP Ventures is a Latin America-focused venture capital firm. It primarily invests in seed and Series A rounds with an average investment size of between USD500,000 and USD2 million. As of October 2021, NXTP has invested in 131 companies focused on a wide range of sectors including cloud and SaaS, logistics technology, fintech, B2B marketplaces, artificial intelligence and internet security.

FUND NAME

NXTP Ventures Fund II

FUND SIZE

USD36 million

TOTAL AUM

USD57 million

The Company



Kangu provides logistics solutions to the e-commerce industry by leveraging small local businesses as pick-up and drop-off locations for packages. The company's digital network connects retailers, third-party logistics providers and consumers in a vertically integrated platform to enable low-cost and efficient deliveries. Kangu has 5,000 hubs across 700 cities in Brazil, Mexico and Colombia as of October 2021.

WEBSITE

www.kangu.com/br

INDUSTRY/SECTOR

Logistics Services

LOCATION

Latin America

DATE OF INVESTMENT
JANUARY 2020

AMOUNT
USD1.36 MILLION

PARTICIPATION/STAKE
18.28%

DATE OF EXIT
AUGUST 2021

IN 2019, Argentina-based venture capital fund NXTP Ventures was introduced to startup Kangu by Américo Pereira Filho, the former Chief Executive of FedEx Brazil. Kangu's founders Ricardo Araújo, Marcelo Guarnieri and Celso Queiroz have over 20 years of logistics experience, including building Rapidão Cometa into one of Brazil's largest transportation and third-party logistics (3PL) operators in advance of its sale to FedEx in 2012. They started Kangu in April 2019 with the idea of making Brazil's rapidly growing e-commerce industry more efficient by transforming small local businesses, such as grocery stores, cafes or pet shops, into logistics hubs called Kangu Points.

Instead of relying on central warehouses to store and move packages, Kangu uses local neighborhood stores to serve as drop-off and pick-up points for both vendors and customers. In its first six months of operations, Kangu had grown rapidly, partnering with over 600 businesses and delivering over 100,000 packages per month. However, the capital committed by the founders and several angel investors was running out and the company needed more financial resources to expand into new cities across Brazil.

NXTP invested USD1.36 million in Kangu's seed round in January 2020. In just over two years of business, Kangu has become the fastest growing e-commerce logistics platform in Latin America with revenues increasing 100x year over year as of December 2020. In October 2021, the company delivered over 8.5 million packages through more than 5,000 Kangu Points in Brazil, Mexico and Colombia.

The Deal

KANGU'S proprietary technology connects over 70,000 e-commerce retailers, transportation companies, local Kangu Points and consumers to determine the fastest and most cost-effective delivery routes, leading to a better user experience compared to conventional methods. For example, vendors who previously mailed packages through Brazil's state-controlled postal service company Correios traveled an average of three kilometers; now, they can simply walk to their closest Kangu Point, which is typically less than one kilometer away. Shipping costs are reduced by more than

50% compared to Correios and customers save valuable time by not waiting in long lines. Should the customer need to return a package, he or she can use the Kangu app to locate the closest drop-off location.

Kangu's business is structured to maximize operating leverage given its low fixed costs. While most 3PL providers service new addresses, Kangu's drivers use the same routes daily, collecting packages from their assigned Kangu Points and then dropping



them off at a cross-docking facility for further dispatch. In contrast to typical delivery methods, Kangu's cars also come back from the cross-docking facility full of packages to take to their stores the next day. By optimizing its routes, reducing unnecessary trips, appropriately sizing vehicles and enabling more vendors and consumers to walk to nearby drop-off and pick-up locations, Kangu estimates that its associated greenhouse gas emissions are 50% less than its competitors.

Since NXTP's investment, Kangu's workforce has increased from 30 to 400 employees, while the number of drivers contracted by the company has grown to approximately 500 as of October 2021. Kangu provides its drivers with recurring daily transport fees as well as health and safety training. Its unique onboarding program includes collaborating with drivers to test delivery routes, determine the best parking spots and identify any potential dangers. As a result, driver turnover is lower compared to Kangu's competitors.

Outlook

MERCADO LIBRE, a Latin American e-commerce and financial services technology company operating across 18 countries, announced it was acquiring 100% of Kangu for an undisclosed amount in August 2021. Kangu had recently approached Mercado Libre, which was one of its largest strategic partners, to discuss its next phase of growth. While pondering how it would want to participate in an upcoming financing round, Mercado Libre realized that it wanted to own the business instead, recognizing how valuable Kangu had been in the growth of its logistics network. The NXTP team agreed the deal made strategic sense for all parties involved.

Post-acquisition, Kangu will remain independent and continue to be managed by its current leadership team, which is focused on expanding — particularly into rural areas outside of Brazil and Mexico's main cities. For example, in Brazil, Kangu hopes to reach 3,500 hubs and 13 cross-docking sites by the end of December 2021, up from 2,600 hubs and five cross-docking sites as of November 2021. Going forward, Kangu plans to continue growing sustainably while supporting the development of local businesses and communities.

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By offering lower freight expenses, Kangu has given small businesses an opportunity to compete against larger e-commerce companies. For example, a vendor may have to pay BRL22 to mail a product that costs BRL100 through the post office. Kangu's reduction in fees is so large — charging, for instance, BRL7 instead — that these small businesses can now begin to offer free shipping as well, which is allowing them to grow dramatically.”

MARCELO GUARNIERI
CEO AND FOUNDER, KANGU

Enabling the growth of small businesses

WHEN a store partners with Kangu, it receives a commission on every package it scans, in addition to benefiting from an increase in foot traffic. Kangu estimates that the local businesses in its network have seen an increase of up to 10x in extra income after one year of being a Kangu Point.

As COVID-19 spread across Latin America, Kangu suddenly found itself playing an important role in keeping small businesses afloat as Kangu Points were considered essential services. Given pandemic restrictions, the Federation of Commerce of Goods, Services and Tourism of the State of São Paulo (FecomercioSP) estimated that more than 202,000 local companies were likely to close their doors in 2020. For some stores, Kangu was their only source of revenue.

Because Kangu provides a cheaper way to ship goods, many SMEs also began selling products online to survive. To further support these businesses, Kangu partnered with former NXTP portfolio company Nuvemshop. The e-commerce platform helps small retailers start and grow their own online operations, giving them an alternative to being intermediated by larger existing marketplaces.