

LATIN AMERICAN PRIVATE CAPITAL & ESG DEAL CASE



DATE OF INVESTMENT June 2022
ROUND SIZE USD20m
PARTICIPATION STAKE Undisclosed



COMPANY NAME

Elenas
<https://www.elenas.co/>

INDUSTRY/SECTOR E-Commerce Marketplaces

LOCATION(S) Colombia, Mexico

DESCRIPTION

Elenas is a social commerce platform that empowers micro-entrepreneurs in Colombia and Mexico to launch online businesses by selling products on social media sites. The company provides a digital solution for sellers to start an online store, manage clients, and grow their business from home, without having to worry about product sourcing, delivery, or payment collection. It adapts the traditional e-commerce marketplace to fit the needs of buyers while supporting the financial development of its largely women-led seller community.

INVESTOR PROFILE(S)

DILA Capital, founded in 2011, is a multi-stage Venture Capital firm based in Mexico City dedicated to investing in early-stage companies.

Mercado Libre is Latin America's leading e-commerce and fintech technology company. The company is listed on the Nasdaq (NASDAQ: MELI) since 2007. Mercado Libre established its Corporate Venture Capital vehicle in 2013 to invest in tech companies, typically in Series A & B, that democratize commerce and financial services in Latin America.

FUND NAME(S) DILA Capital IV, MELI Fund

FUND SIZE(S) USD115m, Undisclosed

Following its USD20m Series B led by DILA Capital, Elenas has been focused on enhancing unit economics, expanding in Mexico and refining its technology platform to support projected growth. The company has over 200,000 active sellers, out of which 95% are estimated to be women. The startup has generated USD15m in additional income for micro-entrepreneurs while promoting financial inclusion with 47% of sellers opening their first bank account to receive sales commissions.

OPPORTUNITY

Approximately 11 million women in Latin America sell consumer products through direct sales catalogs. Door-to-door sales involve a wide range of responsibilities including purchasing inventory, handling deliveries, marketing products and managing revenue collection. This type of sales channel brings additional revenue to many women entrepreneurs in the region, but it also exposes them to financial, inventory and operational risk that severely limits their ability to scale their business sustainably. Despite the limitations that it presents, the catalog model persists in Latin America, largely due to consumer preferences that value the personal touch of community-based relationships over the convenience of digital marketplaces.

Elenas was created as a social commerce marketplace to disrupt the inefficiencies of direct selling while retaining the familiarity of its relationship-based strategy. Through Elenas' mobile application, sellers can access a wider range of discounted products, set prices and promote their business across social media. After customers complete a purchase, Elenas and its distributor partners coordinate inventory management, payments and last-mile logistics, allowing sellers to focus on growing their business and managing relationships with their clients.

The company was launched in 2018 by Zach Oschin. Prior to the launch, Zach worked as an entrepreneur in residence at Polymath Ventures in Colombia, where he conducted extensive on-site interviews on consumer trends which led him to develop the concept of Elenas. Polymath became one of the company's first investors and collaborators, leading a pre-seed round for Elenas in 2019. Later in 2020, Alpha4 Ventures led a USD2m seed round with participation from Amador Holdings, Meesho and follow-on from Polymath. Just one year later, Elenas closed a USD6m Series A round led by Leo Capital with participation from FJ Labs, Alpha4 Ventures and Meesho.

From the start, Elenas has developed strong community networks to navigate the social commerce market and inform strategic decisions. The company focuses entirely on nonperishable items such as home goods or beauty products which match local preferences and bring higher profit margins to sellers. Elenas avoids infrastructure costs by setting up digital systems to facilitate

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transactions between local manufacturers, sellers, shipment providers and buyers without ever having to hold inventory. Furthermore, it provides flexible payment options such as cash upon delivery, while leveraging its investor network to expand banking services.

The outbreak of COVID-19 became a critical point in the company's development, as the pandemic simultaneously accelerated internet penetration rates and reduced the number of underbanked individuals. An estimated 13 million people across Latin America made their first online transaction during this time, rapidly accelerating digital transformation. Furthermore, micro-entrepreneurs began searching for alternatives to reach consumers and continue to operate their businesses during lockdowns. Elenas was well-positioned to serve as a bridge between independent sellers and consumers, which resulted in rapid growth. Sales increased 25x in 2020, prompting Elenas to seek additional funding to expand to other Latin American markets.

EXECUTION

In 2022, Elenas closed a USD20m Series B led by DILA Capital, a Mexico-based VC firm focused on supporting early-stage companies. Participating investors included Mercado Libre, Endeavor Catalyst, IDB Lab, Acacia Venture Capital Partners, FJ Labs, Broadhaven Capital Partners, Cambium Grove Capital, Grupo Bolívar and Leo Capital. Mercado Libre contributed USD1m through its MELI fund. Most recently, Elenas secured a venture debt agreement with Partners for Growth.

Since closing its Series B, Elenas has been focused on improving unit economics, sustaining its expansion strategy in Mexico and refining its technology platform to sustain the company's projected growth. As of July 2023, Elenas has over 200,000 active independent sellers on the platform, with Mexico now accounting for over a third of total revenue. The company began monitoring and prioritizing the most effective micro-entrepreneurs to better allocate resources, leading to nearly 1.45x growth in average sales per seller. The platform has also incorporated information provided by sellers to create a more personalized experience that better supports the goals of their ambassador network.

Given its extensive e-commerce infrastructure knowledge, Mercado Libre has supported Elenas through industry expertise, partnership networks and operational guidance. As part of its due diligence process, the MELI fund's IT and product directors worked with Elenas' Chief Product Officer to identify key technical considerations for scalability. Both MELI and Elenas are cross-collaborating and actively learning from each other's strategy, often through direct exchanges between both companies' executive teams. Currently, Elenas is also integrating Mercado Libre's Mercado Pago platform as one of its payment options in Colombia and Mexico.

GENDER INCLUSION & SUSTAINABLE GROWTH

Elenas is structured to empower micro-entrepreneurs by providing digital infrastructure to build their own business and take advantage of the growing e-commerce industry. The company has served over 1.2 million end-clients during the past year, with 40% of orders placed in underserved rural areas, reaching consumers that have been historically excluded from traditional e-commerce channels. These benefits also extend to local brands that sell their products through Elenas' network, as small manufacturers were previously unable to access catalog sales because of the complexity required to build a sustainable salesforce and community relationships.

The majority of Elenas' sellers are low-income women entrepreneurs who support their families with additional income generated from the platform. This extra income represents between 20-50% of their full-time salaries, and sellers have been able to make between 3-8x more sales through Elenas in comparison to traditional direct selling. The platform also provides greater flexibility through expanded access to remote work, which enables sellers to manage other responsibilities at home. Not only has the startup generated USD15m in additional income for its sellers, but it is also expanding financial inclusion. Approximately 47% of sellers created a bank account for the first time after joining the network, further promoting the inclusion of underbanked women in Latin America.

