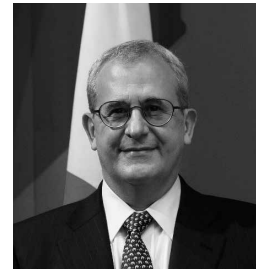


Brazil's Startup Ecosystem: A Hub of Innovation and Opportunity



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Since Prime Minister Fumio Kishida announced the “Startup Development Five-year Plan” in 2022, the Brazilian government, through the Embassy of Brazil in Tokyo, has shored up the promotion of the Brazilian open innovation ecosystem in the Japanese market, with an aim at supporting both startups and venture capital investors.

Every year, the Embassy of Brazil in Tokyo promotes the participation of a selected group of Brazilian startups in the “Innovation Leaders Summit”, one of the most important events of its kind in Asia. Conversely, the Embassy has strongly supported the partnership between the Brazilian Trade and Investment Promotion Agency (ApexBrasil) and Japan External Trade Organization (JETRO) in the program “ScaleUp in Brazil”, directed at fostering Japanese startups in Brazil.

Brazil bolsters a world class startup ecosystem that is both mature and diversified, reflecting the dynamic nature of the domestic market and the continuous adaptation carried out by startups to remain relevant in an ever-changing technological landscape. Encompassing 14,000 startups, this thriving ecosystem reflects the technological prowess of the Brazilian economy and the innovative

character of its people. Of the 45 unicorns found in Latin America, 23 are based in Brazil, highlighting the country’s central role in the region’s startup success story.

Startups are spread across all regions of Brazil, with the Southeast region hosting the majority (55.8%), followed by the South (22.1%) and the Northeast (12.3%). The top states for startups include São Paulo, Rio de Janeiro, and Santa Catarina. These companies are primarily concentrated in sectors such as Edtech (10.3%), Fintech (9.2%), Healthtech and Life Science (8.9%), Tech (8.6%), and Retailtech (5.2%).

Growth and Development Stages

According to a recent study carried out by the Brazilian Association of Startups (ABStartups), the ecosystem is characterized by startups at various stages of development. Approximately 32.4% of them are in the traction phase, 27.3% in operation, 16.4% in validation, 15.6% in scale-up, and 8.3% in ideation. This diversity in stages indicates a healthy pipeline of startups moving from concept to market. This robust trajectory showcases the potential for continuous innovation and the ability to adapt to market demands.

Startups in Brazil predominantly adopt Software as a Service (SaaS) model (40.3%), followed by direct sales (16.6%), subscription clubs (11.3%), marketplace (10.5%) and transaction-based models (9.9%). The average annual revenue for startups is approximately R\$ 876,000 (USD 176,000) in 2022, with a notable increase of 3% compared to the previous year. This revenue growth highlights the increasing market acceptance and the economic viability of startup ventures in Brazil.



Source: <https://latamlist.com/12-brazilian-startups-to-watch-in-2020/>

The typical startup founder in Brazil is around 40 years old, with 63.5% having pursued some form of specialization beyond their undergraduate degree. Women represent 19.7% of founders, while 23.7% are black or mixed-race. Most founders (73.3%) occupy executive roles within their startups. This diverse and experienced pool of founders brings a wealth of knowledge and leadership to the ecosystem, driving innovation and growth.

Investment Landscape

Angel investors are the most common source of investment for startups in Brazil (43.1%), followed by acceleration programs (15.2%), corporate venture capital (7.7%) and public funding (6.2%). The average investment amount is around R\$ 1.2 million (USD 240,000).

Most of the investments are done locally: 35.4% within the same state, 29.3% within the same city, 33.5% from other states, and 1.8% from other countries. Investment trends indicate 44.8% of startups currently have an open investment round, and 21.2% of startups that received investments in the last two years were founded over five years ago, securing higher average investments than newer startups.

Brazil offers an array of programs to support startups at different stages of development, among them:

- **ScaleUp in Brazil:** A program by the Brazilian Trade and Investment Promotion Agency (ApexBrasil), the Brazilian Private Equity and Venture Capital Association (ABVCAP) in partnership with other countries' agencies to attract international startups, offering access to mentorship, business connections, and market insights.
- **BNDES Garagem:** an initiative by Brazil's National Bank for Economic and Social Development (BNDES), promotes entrepreneurship and supports startups, particularly those tackling social or environmental issues. The free program offers two stages: Creation, for developing new impact businesses, and Traction, for growing established ones.

- **FINEP Startup:** the Finep Startup Program by Financiadora de Estudos e Projetos (FINEP) strengthens Brazil's innovation system by supporting tech-based startups. It provides financial resources to help high-growth potential startups overcome early challenges and promotes the seed capital market by sharing investment risks with private agents.
- **EMBRAPII:** the Brazilian Industrial Research and Innovation Company (EMBRAPII) supports micro and small enterprises (MSEs) and startups, especially in deep tech, through its Lab2Mkt program. Offering non-repayable funds and access to expert networks, EMBRAPII aids in developing innovative solutions, reducing risks, and increasing success chances for projects from TRLs 3 to 9.



Principal Target Audience

Brazilian startups primarily target businesses (B2B), with 53.2% focusing on this segment. Additionally, 29.8% target both businesses and consumers (B2B2C), while 12.4% cater directly to consumers (B2C). Other segments include government (B2G) at 2.6%, startups (B2S) at 1.5%, and peer-to-peer (P2P) at 0.5%.

Examples of Pioneering Cases

Bio 6 Sustentável: founded in 2021, Bio 6 Sustentável leads the sustainability movement by converting shrimp shell waste into high-value bioproducts. Its



mission is to create sustainable, efficient products that reduce environmental impact, addressing ecological issues and opening new markets for sustainable bioproducts.

Website: <https://www.bio6sustentavel.com/>

NanoScoping: established in 2014, NanoScoping is a leading-edge startup in the field of nanotechnology. It is dedicated to developing innovative solutions that enhance industrial processes and improve product performance across various sectors. By pushing the boundaries of nanotechnology, NanoScoping contributes to advancements in multiple industries, including healthcare, electronics, and materials science.



Website: <https://www.nanoscoping.com.br/en/>

BioHUB - NCB: founded in 2017, Fly BioHUB is revolutionizing agricultural pest and disease management through a cutting-edge digital platform. By integrating advanced drone technology with sophisticated business intelligence software, Fly BioHUB offers a comprehensive



and sustainable approach to pest control. The company's mission is to transform biological pest control with digital innovation, aiming to be

the global leader in drone-based pest management solutions. This technological integration ensures more efficient and eco-friendly pest management practices.

Website: <https://flybiohub.com/about>

Conclusion

In today's rapidly evolving business landscape, companies have to increasingly rely on open innovation so stay both competitive and relevant. I am convinced that Brazil and Japan, two countries with a long history of cooperation in different technical and technological industries, are well positioned to develop joint solutions in the fields of semiconductors, agritech, healthtech, artificial intelligence and renewable energy, among others.

Therefore, the Embassy of Brazil in Tokyo, through its Science, Technology and Innovation Sector (SECTEC), will continue to support the collaboration between Brazilian and Japanese companies, research institutes and government institutions in order to bring novel solutions to the market and to society as a whole.



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