



FINTECH DONE RIGHT

HOW SENIOR SOLUTION CAPITALIZED ON THE POTENTIAL OF FINANCIAL TECHNOLOGY

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Financial technology (FinTech) is hot. Once a highly regulated industry dominated by large banks, FinTech companies around the world are impacting all areas of financial services. Many industry observers, such as *Forbes*, which in 2015 published its first “[FinTech 50](#)” list of innovative companies, predict that we are entering a FinTech-led digital disruption phase that will challenge existing business models in retail banking, investments and currencies.

While some FinTech companies such as WePay and PayPal have gone public, the majority of FinTech companies around the world are startups that are struggling to scale. Senior Solution, a Brazilian company specializing in software development and solutions for financial institutions, is an exception. The company’s steady rise from startup to IPO offers insights for FinTech companies looking to successfully scale.

Here are three lessons from the company’s success:

1] Adapt business models to customer demand

Senior Solution, founded in 1996 by Bernardo Gomes and Luciano Camargo, began by providing customized IT projects with a source code. In response to changing market demands, the company changed its business model by developing a standard product that could be offered to clients in exchange for a monthly licensing fee. Customers were also charged for support and maintenance expenses. The company continued to evolve its business model in response to customer demand, and by 2012 it included four segments: 1. Software – including licensing, support and maintenance of software; 2. Services – mainly related to tailored projects for customers; 3. Outsourcing – management of IT systems and processes; and 4. Consulting – consulting to financial institutions.

2] Partner with the right investors

By the mid-2000s, the Brazilian financial services sector was highly fragmented with more than 150 providers, none of which held more than 5% of the market. At that point, Senior Solution had grown to more than 100 employees, had improved its governance structures and had significant recurring revenues but needed external financing to further grow the company. The company resumed discussions – which had started as early as 2001 – with Stratus, a private equity investment company focusing on Brazil’s mid-tier market, and Stratus bought 20% of Senior Solution’s shares. The fit between management and Stratus was clear as both were not focused on short-term gains and a quick exit but were looking to methodically grow the company. Senior Solution’s partnership with Stratus allowed the company to pursue a rigorous M&A strategy focused on complementary offerings. By 2012 the company had become the main consolidator in the sector, acquiring and integrating five companies in six years to complement its portfolio of solutions.

3] Pursue IPO financing at the right time (and on your own terms)

By 2012, Senior Solution’s management knew that the time would come when they would need more resources to continue pursuing their growth plan. The outlook for new investments seemed promising, and by taking an active role in consolidating the sector the company could continue to strengthen its product portfolio. In December 2012, the company’s board of directors approved the decision to go public, and sell part of its capital on the stock exchange. Access to capital markets allowed Senior Solution to obtain resources in a more continuous way and the company continued to grow through acquisitions. In 2013, it acquired Drive, a leading developer and marketer of software applications for assets managers, and in 2015 it acquired Aquarius and Pleno, two developers of software applications for the consortium segment.

4] Focus on your customers’ pain points

Senior Solution clearly identified many of its customers’ pain points and tweaked its offering to help customers overcome them. Among the difficulties customers faced were a fragmented and large number of suppliers. This lack of integration created compliance problems and compatibility issues due to the company having multiple platforms. Also, no end to end solution existed. Different systems existed for bonds, equities, foreign exchange, front and back office, and more. In addition there were specificities from the Brazilian context that complicated dealings with banks such as a high level of inflation: traditional systems cannot handle so many digits, for example. And, previously there were complex methods for computing interest rates on interbank loans. All of these issues added up to be a hassle for customers who had to deal with them manually before Senior Solution introduced a way to ease the process.

Senior Solution successfully navigated the turbulent Brazilian financial markets to become a leading software developer for the Brazilian financial industry. Through a combination of organic growth and acquisitions the company achieved nine consecutive years of increased gross revenues and an average annual growth rate of 26.5%. Three lessons from Senior Solution's rise – adapting business models to customer demand, partnering with the right investors and pursuing IPO financing at the right time – are relevant for other businesses in both developed and developing markets looking to scale and realize the promise of FinTech.

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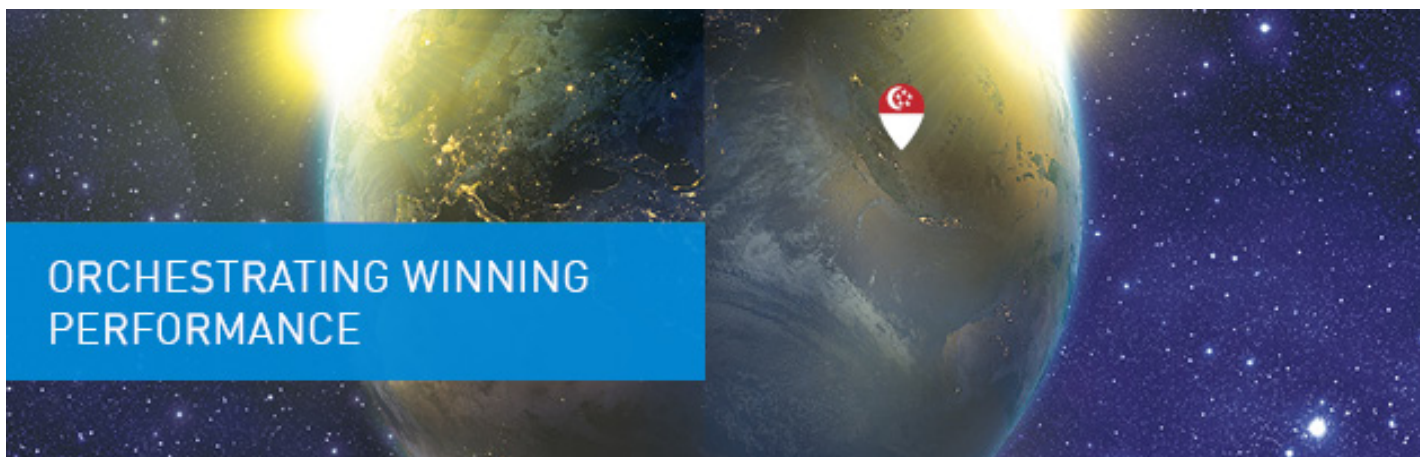
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