

# deals forecasting

---

Understand how **Distrito**  
applies **data intelligence**  
to identify the **next**  
**startups** to receive  
**investments**

Get to know  
practical cases

**DIST****rito**

MAY  
**20**  
**21**



# Data driven

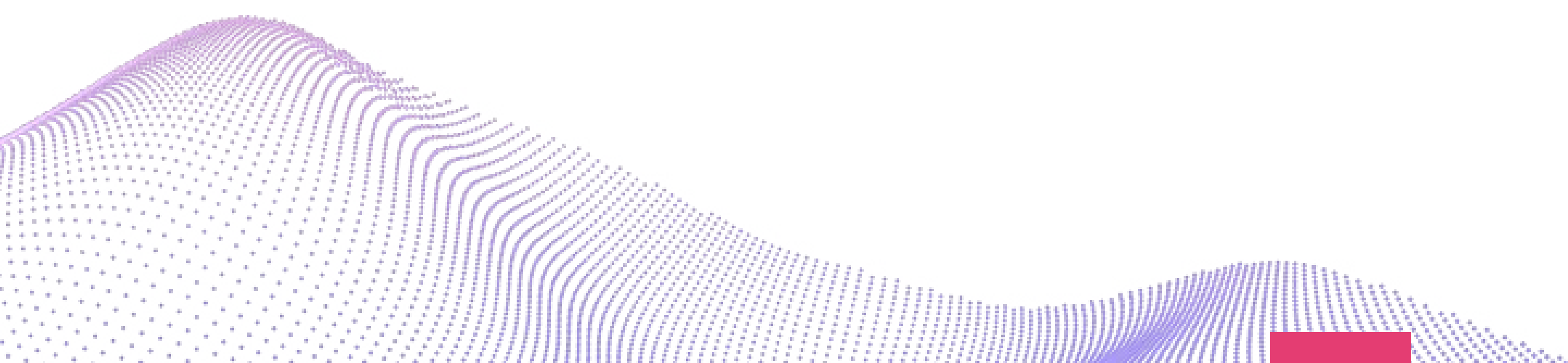


Answering the **main**  
**ecosystem questions**

**1. Which startups will be able to acquire financial products? Which startups are more probable to scale? Which startups has a fit with a particular investment thesis? How can we build a passive deal flow structure? Those are some of the questions we try to answer every time we look at our database.**

In order to help us within this process we have created throughout the years some indexes, models and algorithms that help us to see what is happening with Brazilian startups, how each sector is consolidating itself and who are the main market players.

**This report's goal is to explain how we structure these data collection processes, treatment, construction and data presentation** and how we are able to elaborate some predictive models which allow us to foresee trends in the sector.



Everything we have built comes from our goal to make more strategic decisions in innovation and data driven. We have perceived a huge need the ecosystem has for strong information and data that allows a more efficient performance from all players.

**So, in 2017, we started structuring our databases and today we already have more than 40 thousand verified startups and about 13.5 thousand active and daily monitored startups, 6000 registered deals and more than 1 million data points, consolidating us as one of the main players in national startups information.**

On the following pages we present some cases we have carried out over the years, showing how we have built each project and the benefits that data-based decisions can result in.

**Enjoy your reading.**



# The importance of a data history



A data history properly sorted, standardized and cleaned is probably one of the most important factors, if not the most important one, in developing any predictive algorithm, whether it is to calculate the possible amount to be invested in a sector or to classify the possibility of a startup receiving an investment.

This importance is due to the way a prediction algorithm works in order to be successful in its function, it must work with the largest amount of data and accuracy as possible, creating predictions based on information that reflects reality.

This data will be constantly imputed into the algorithm, in order to start analysing the behaviors of the data and understanding ongoing trends, in a way to comprehend which other startups fit into these trends based on the similarities with events that have already taken place.

Another relevant factor to be mentioned is the need that, besides standardized and trustworthy data, the right data be chosen for the algorithm to use as input.

All the information was individually examined to verify its suitability for the product. The selection criteria for it are:

- Being a startup, defined as having innovation at the business's core, be it technology-based, business model-based, or value proposition-based.

- Having independent operation.

- Being from and operating in Brazil.

- Having received investment and/or having been acquired within the analysed periods.





# How Distrito performs its analysis



**By analysing the Brazilian innovation ecosystem, we look for indications that show certain factors and characteristics of a startup, trying to understand** how certain characteristics and decisions reverberate to the visible market.

So over the past five years we have tried to understand what the visible information from startups told us about their cash flow, their growth potential, their governance, their income, and the possibility of turning themselves into an exponential business.

In a startup searching process we adopt the following steps:

## 1. We define filters

Minding the minimum criteria needed to consider a startup for that model, we filter Distrito's complete database using measurable or recognizable baselines.

## 2. We apply a Score

We apply a scoring system to the list of approved startups in order to directly compare the performance of each one of them. By observing the companies' metrics and distribution, we define cut-off criteria depending on the goal of the selection.

## 3. We analyse one by one

Finally, we perform an individual analysis of the startups whose scores were within the stipulated range. Here we run some other filters that help the composition and the robustness of the model.

With the model results we obtain a list of startups geared towards our specific goal, whether it is to help a corporation find a startup to buy out, help an investor get ahead in the ecosystem, or generate statistics that allow us to see the Brazilian ecosystem more clearly.



# How can we find potential investments and acquisition opportunities?

Another application of the models and algorithms is in the search for investment opportunities and acquisitions. In the following, we briefly expose one of the elaborated models to find favorable situations for contributions and prospections.

Here, the base to find investment opportunities are two indexes made by Distrito: Dataminer Score and TREL. Both indexes showed the distribution of startups that were put through a performance model.



# Building an index/score

In order to be able to compare startups and sectors we must have a guide which can be built in several ways depending on our goal and the project scope. One of the first guides we have developed was Dataminer Score, an index that helped us measure the maturity of startups. For the development of this score, 7 indicators were selected:



Linkedin followers

Total value of raised investments

Presumed income

Number of employees

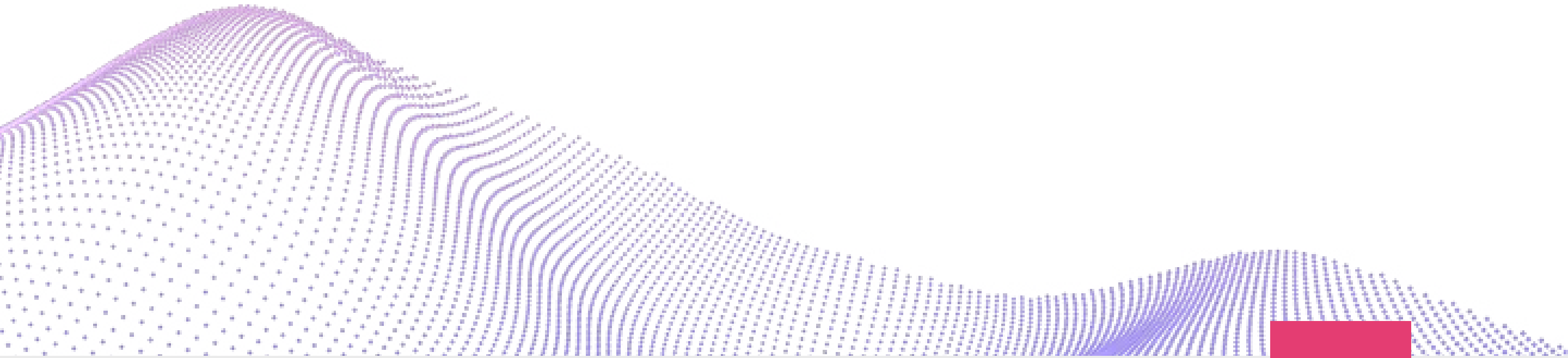
Growth in the number of employees

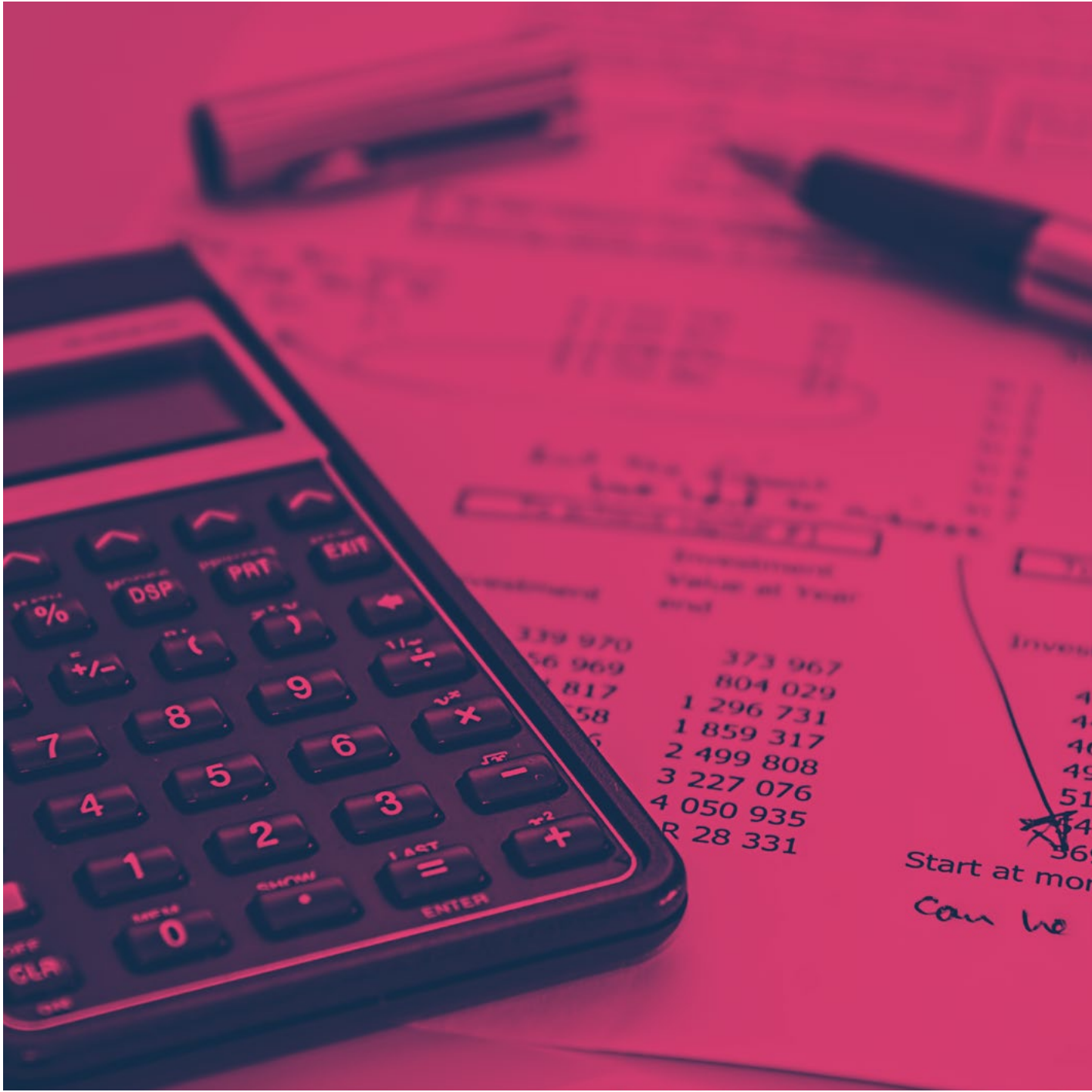
Access on the website

Growth in the access on the website

Considering the universe of startups, we calculated the weighted average of each indicator and checked how much each startup deviates from this average (standard deviation). The final score is the standard deviation average of the selected variables.

Therefore, we were able to compare all the startups selected in the sample.





# What is TREL: How do we structure the speed index?

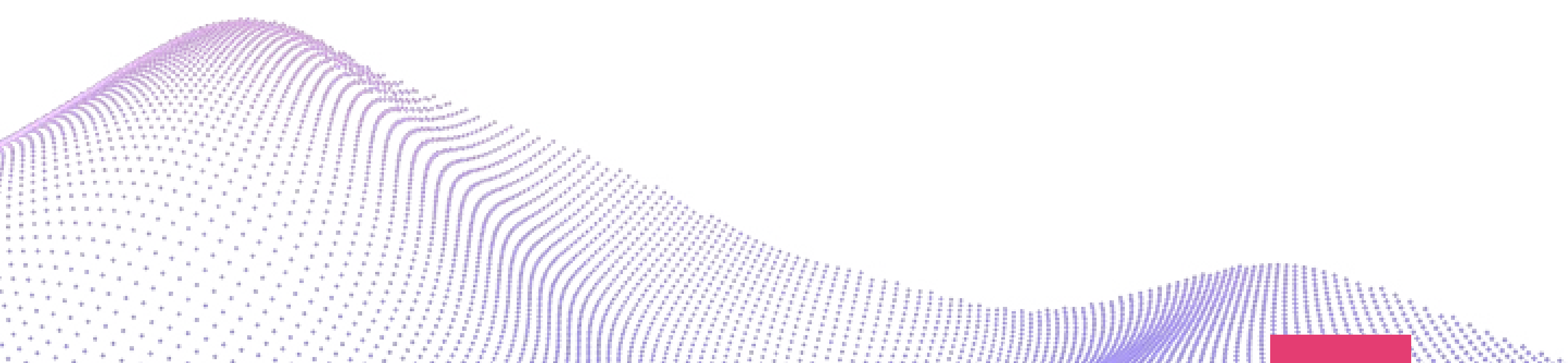


To evaluate the possibility of a startup receiving funds or being acquired, we have developed an indicator that measures the time it takes for a startup to progress through stages of investment. So it works very similar to the average startup speed in the ecosystem. This indicator is called relative time, or TREL (this acronym stands for: Tempo Relativo, in Portuguese).

To elaborate it we take into account the average time, in months, which startups take to move on to the next phase. For this calculation, going deep into our bases we obtained a global average progression, for the entire ecosystem, and a sectoral average, with finer adjustments depending on the sector which the startup operates in.

With this value we are able to compare each one of the 13.5 thousand startups monitored by us with their respective competitors in the same stage and sector, being able to see the speed of progression of each startup and creating one of the bases for more robust burn rate and growth models.

Below we present the results that can be obtained by crossing TREL with DM Score.





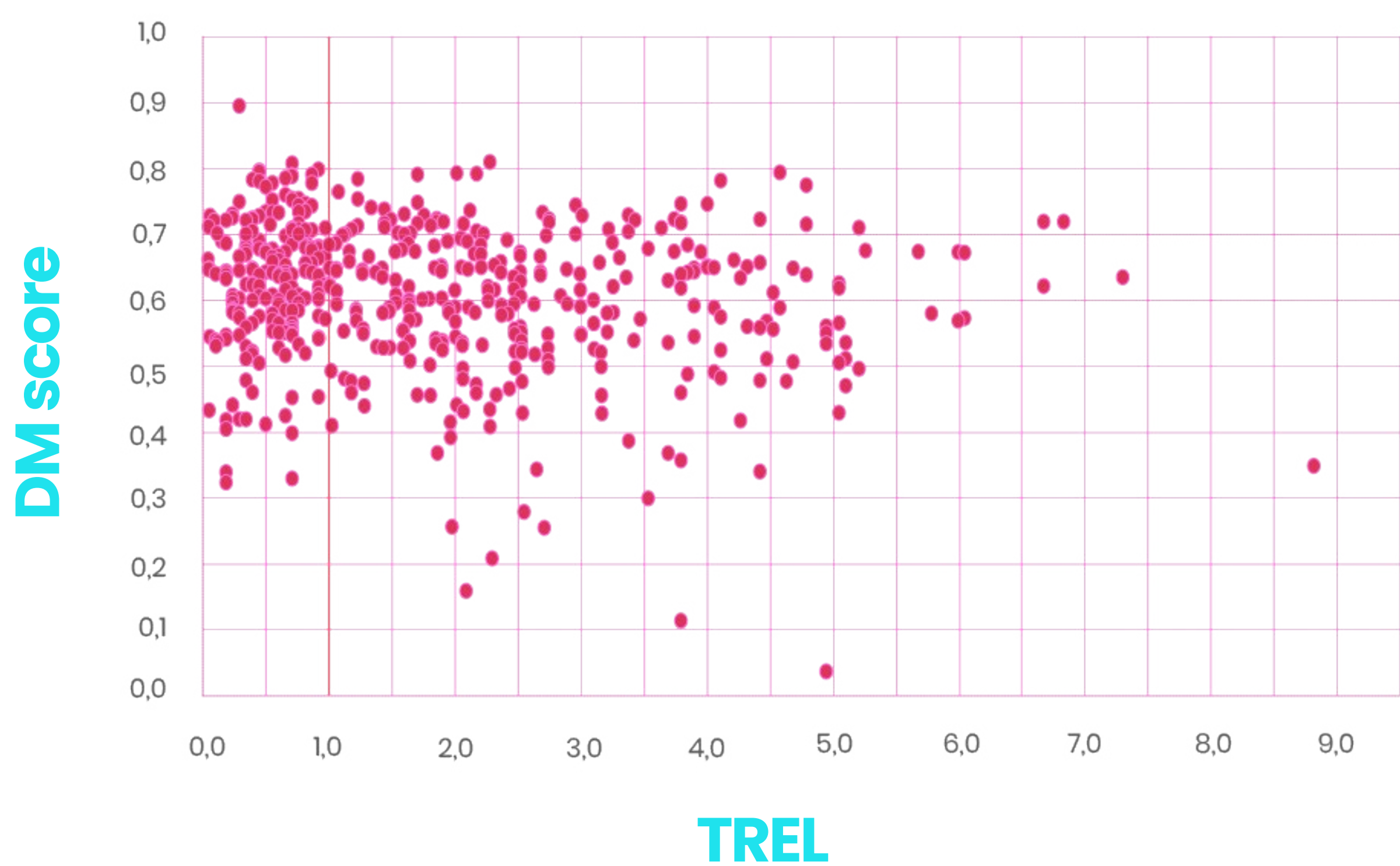
# Startups distribution: DM Score x TREL



# Distribution

## TREL vs DM Score

Zoom in to see the graph



- DM Score is a normalized index created by Distrito Dataminer that aims to rank how much each startup is above average in its industry, given some variables and some applied weights.
- TREL is a variable which compares fundraising time since its last round raised by the startup with the sector average.

Source: Distrito Dataminer



# How can we find potential investments and acquisition opportunities?



On the distribution presented above, we applied a performance and clustering model, allowing us to observe twelve clusters with distinct behaviors and profiles.

**The main input models:**

## 1. Average fundraising time

Progression evaluation between stages for the Brazilian ecosystem with data from the last ten years.

## 2. Fundraising time between stages for each startup

An index through where we calculate the fundraising ‘speed’ of a specific startup.



### 3. Maturity index

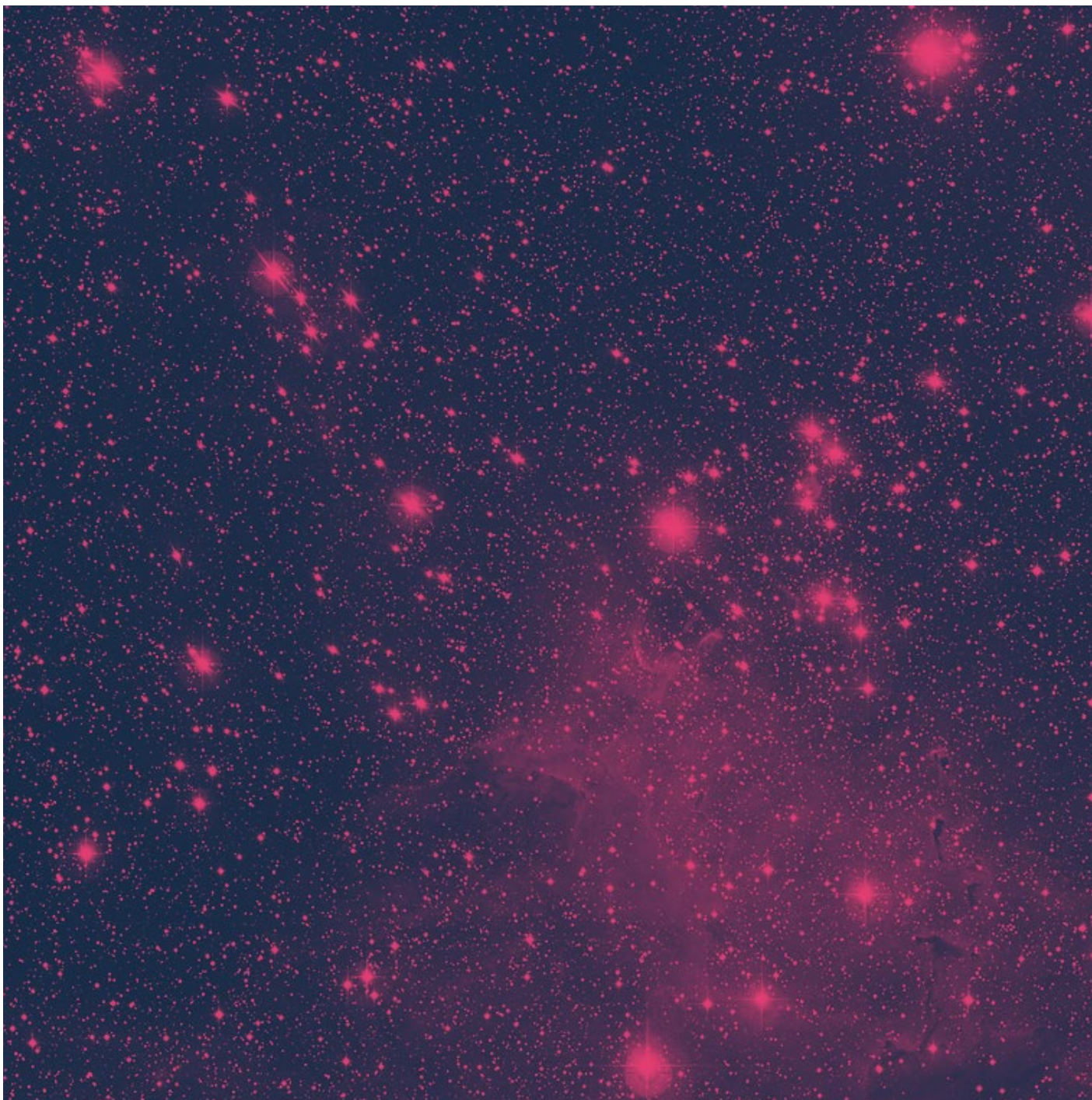
A score that considers seven inputs and when linearized gives us a maturity index for national startups.

### 4. Investor and acquirer behavior profile

Which clusters investors and acquirers are used to operate in.

### 5. Growth index

Score that estimates the growth of each startup over the last six months and the last year.



# Interpreting clusters

–

The **framework** below shows us the **main clusters** found by the model



0 < TREL < 0,7

0,7 < TREL < 1

1 < TREL < 4

4 < TREL

DM Score < 0,3

0,3 < DM Score < 0,5

0,5 < DM Score < 0,7

0,7 < DM Score

Startup is below the market, but has just raised capital and has a growth potential.

Startup not very prominent, at the beginning of the scale phase. Neutral zone.

Outstanding startup, it is already able to distinguish itself in the market and, moreover, has dry powder to grow.

Leader, a fast-track growing startup, high chances of raising capital before the average market time.

Yellow zone. Startup hasn't found PMF yet and capital from its last investment is running low.

Startup doesn't stand out from other players, and needs to fix a few points before opening a round.

Scaling, startup with good potential and high burn rate, getting close to an opening round. Ideal moment for an approach and start a relationship.

Startup has great fundraising chances.

Red zone, startup has many theses to be validated and there is no more invested capital left.

Neutral startup, with low fundraising potential.

Investment zone, usually the Brazilian startups raise capital here.

Rising Star, Prospection Zone to VCs.

Zumbi Startup, active CNPJ (Employer Identification Number) but it doesn't present any scaling potential.

Startup with a very low scale potential, careful evaluation for M&A. High-risk of becoming a Zumbi startup.

Startup with an outstanding PMF and team, but with a below-market growth rate.

Fading Star, favorable prospection zone for M&A





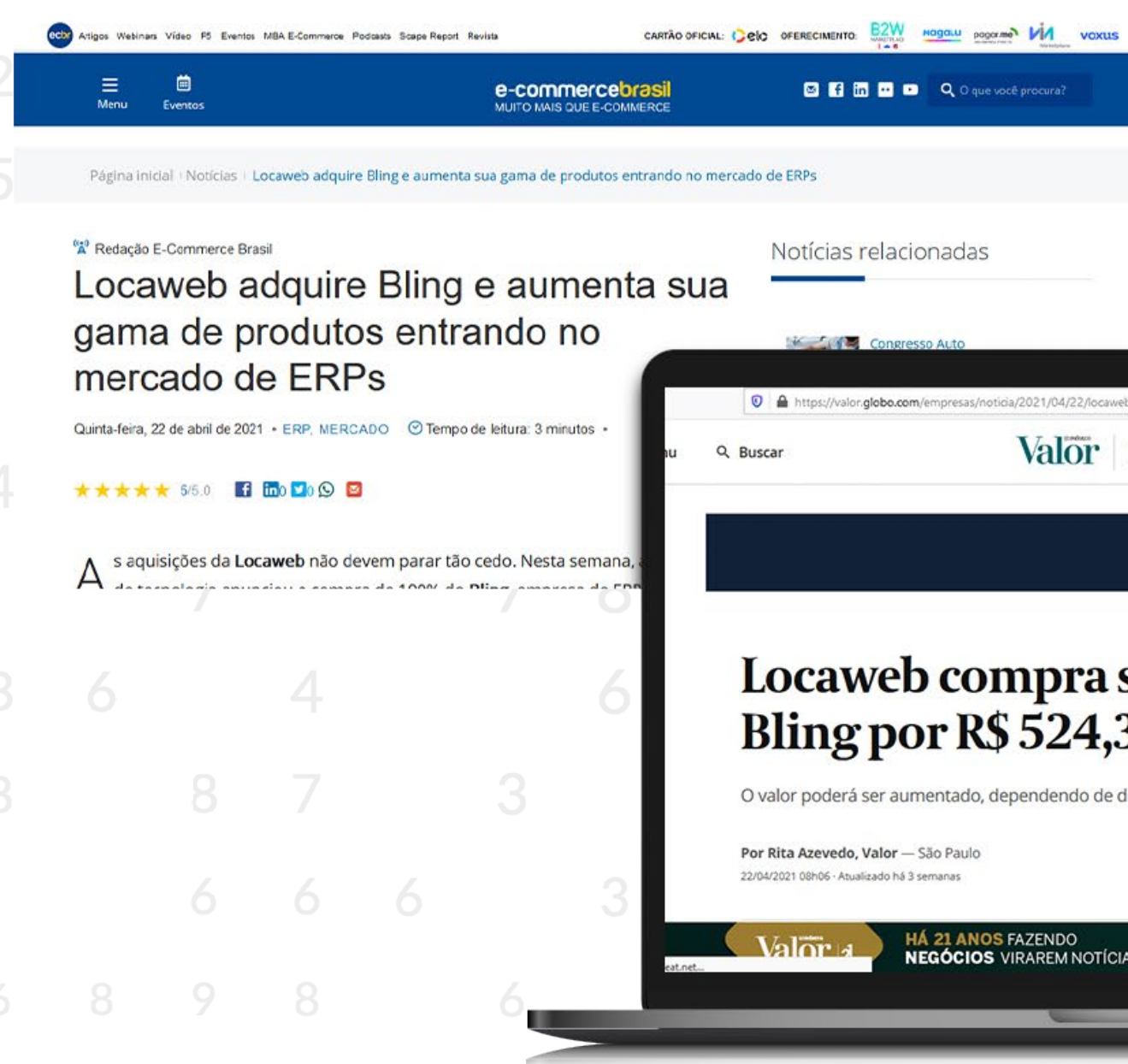
Cases

—

We predicted it  
and we **got it right**

# Case Bling

Click here to access



[1] Locaweb acquires Bling and increases its product range by entering the ERP market.

[2] Locaweb buys the management system Bling for R\$524.3 million. This value can increase, depending on the established financial goals.

On December 10th, 2020 we published in the Inside VC Newsletter a list of startups which we believed were in the right spot to raise an investment. Among them was Bling, acquired by Locaweb for R\$524 million this April.



**Why did Bling catch our eyes in December 2020?**

Some factors drew our attention to Bling: its robust product leading to a DM Score of 0.81 (on a scale ranging from 0 to 1), a TREL of 2.2 indicating a likely need for capital to continue expanding its growth, the company kept a steady number of employees last year, indicating a possible stagnation in its growth rate, having significant corporations among its clients, and being invested in by a large fund.

Adding a robust product, a good team and a possible growth stagnation, our algorithm identified Bling as an excellent opportunity for funding or acquisition.



# Case Rocket.Chat

Click here to access



[1] Rocket.Chat receives a fundraising of R\$100 M to afford its global ambition.

The fundraising was led by Valor Capital. Resources will be used to boost the Brazilian startup international recognition, owner of an open-source communication platform used by Credit Suisse, in Asia, and by the US marines.

In the same list published in the Newsletter where Bling was named, we also listed Rocket.Chat as a strong candidate for funding. Two months later, this March, the startup announced a R\$100 million round led by Valor Capital Group.

SOURCE: NEOFEED

DATE: FEBRUARY 3rd, 2021

Why did Rocket.Chat catch our eyes at the beginning of this year?

Rocket.Chat was already one of the algorithm’s strong indications for a fundraising since October 2020. With an outstanding team, a robust product and great customers, the startup was rated with a DM Score 0.82. Besides that, it had important investors in its Cap Table and it already had an offshore structure, which widened significantly the chances of a fundraising, especially a Series B that depends, in 70% of the cases, on an international investor.

# Case Provi

Click here to access



[1] The student funding startup Provi received a fundraising of R\$50 M

Aimed to students and education institutions, Provi has already been part of more than 60 thousand students funding in 2 years.

On March 1st of this year we published in the Inside Venture Capital report a list of startups that had a high fundraising potential for the next three months. One of them was the student funding FinTech Provi.



Why did Provi catch our eyes at the beginning of this year?

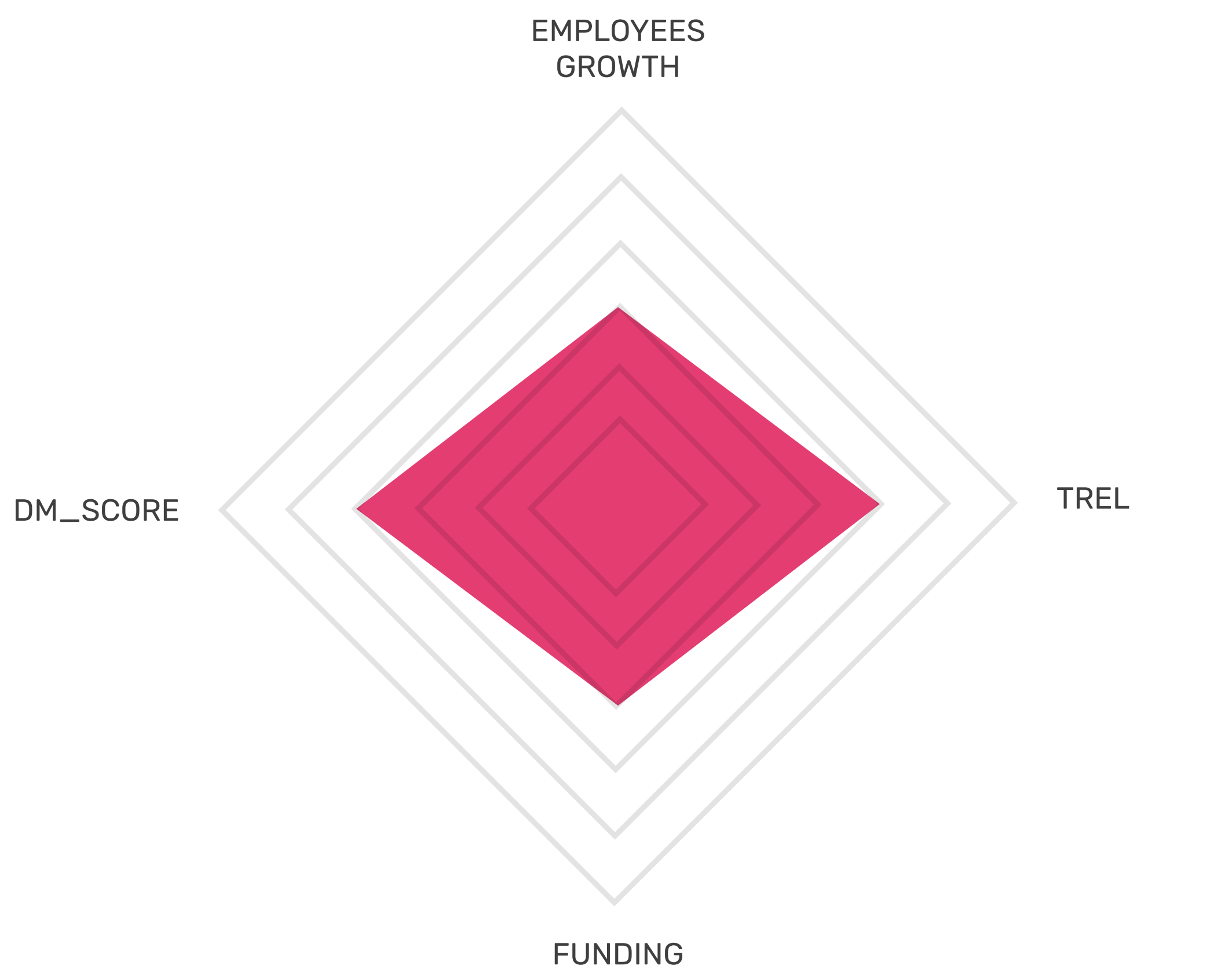
With the new educational reality imposed by the COVID-19 virus pandemic, we started to closely monitor the startups that were related to the sector. Thus, by applying the prediction algorithm to the EdTechs, Provi was one of the strong nominees for a fundraising. With good traction, a robust product and having received a good Seed round, the startup was among the sector leaders for the Seed stage with a DM Score 0.78. Moreover, presenting an employee growth of 264% in the last year and having announced major partnerships, its TREL of 0.91 indicated to us that in order to continue its high growth rate the startup would need a new round. So, the algorithm indicated Ed-FinTech as a strong candidate to receive funding.



# Startups to keep an eye on

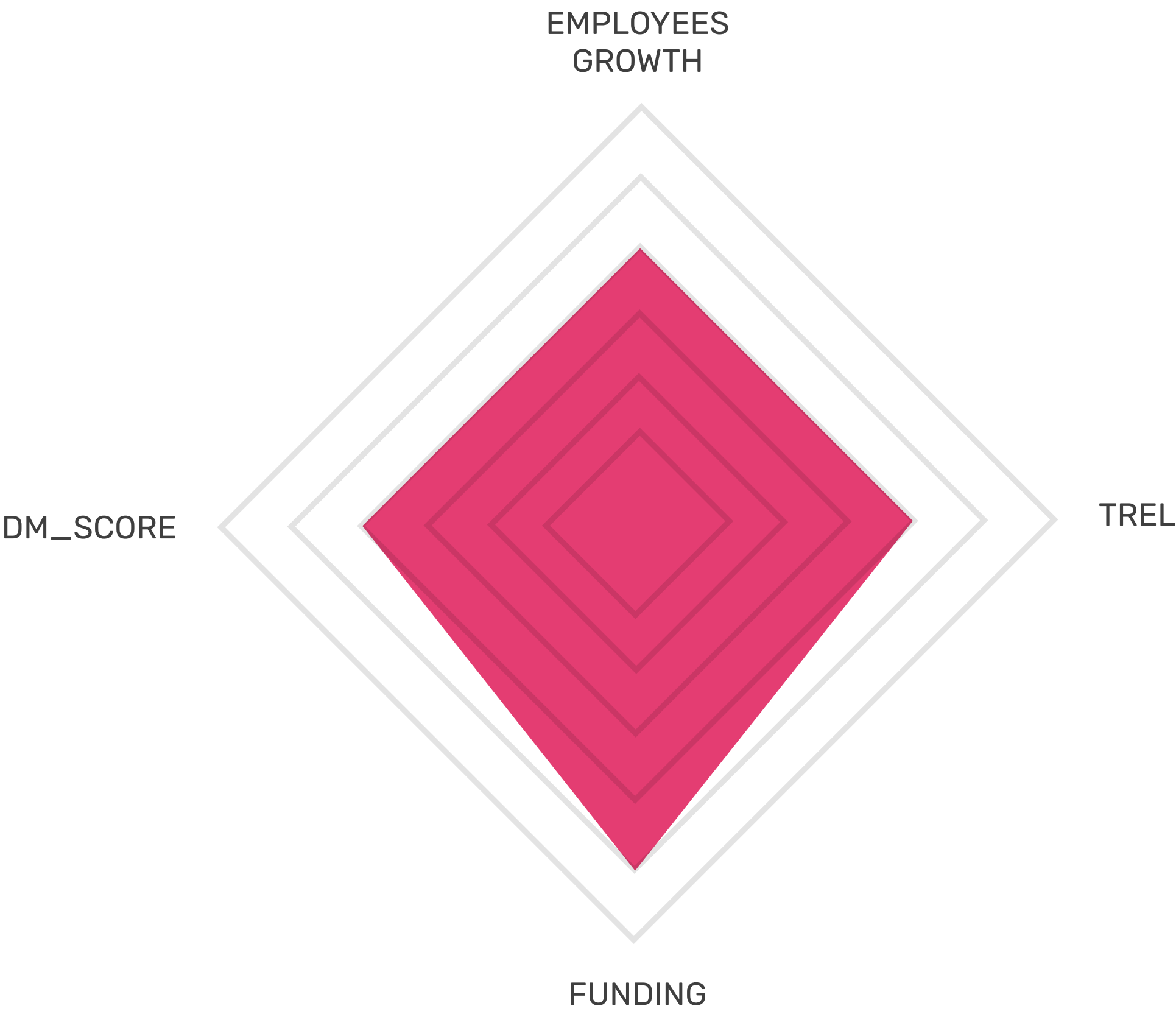
—

Check out  
our list below



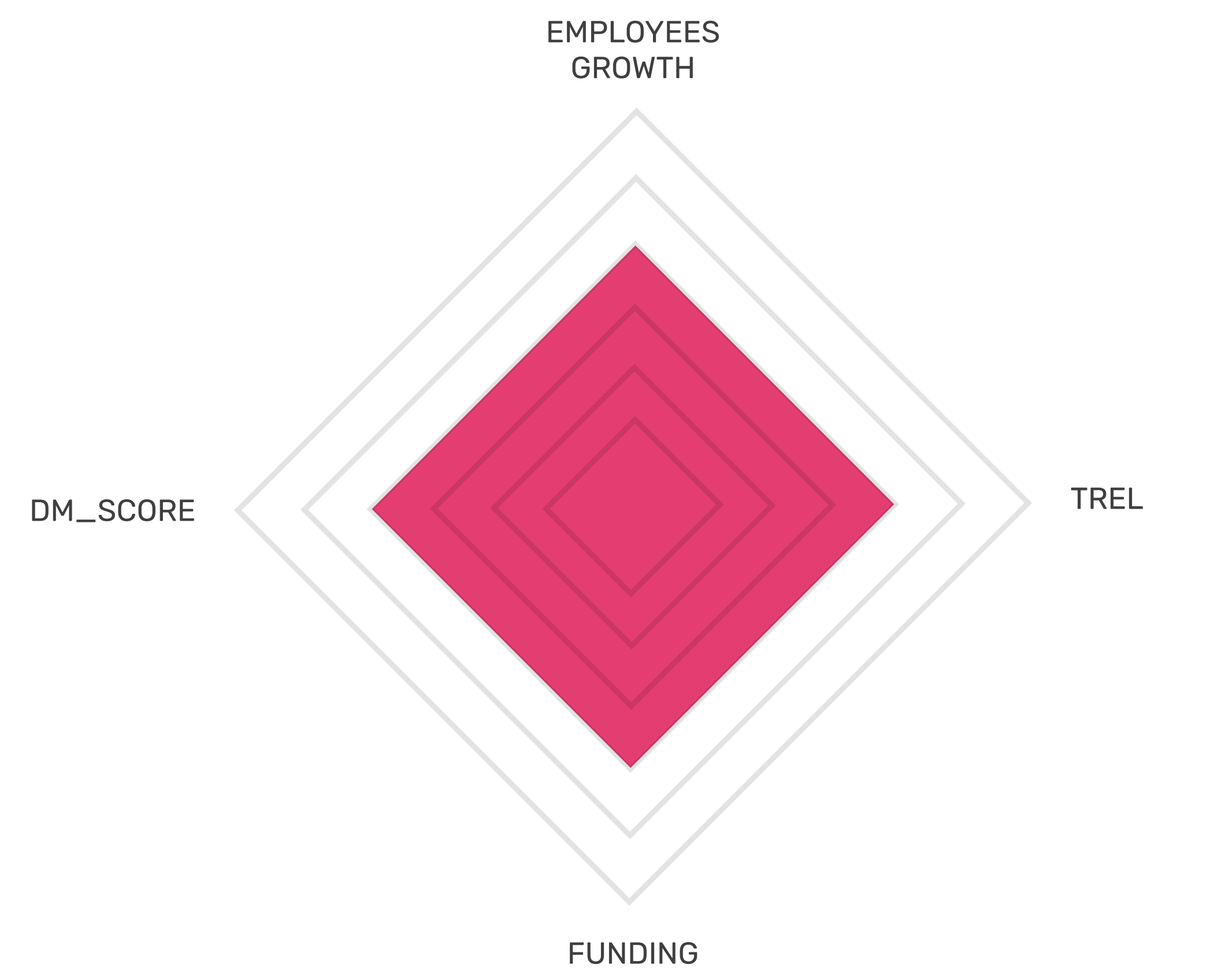
TREL	1,65	★ ★ ★ ★ ☆ ☆
DM_SCORE	0,74	★ ★ ★ ★ ☆ ☆
FUNDING	US\$ 79.253	★ ★ ★ ☆ ☆ ☆
EMPLOYEES GROWTH	31.48%	★ ★ ★ ☆ ☆ ☆





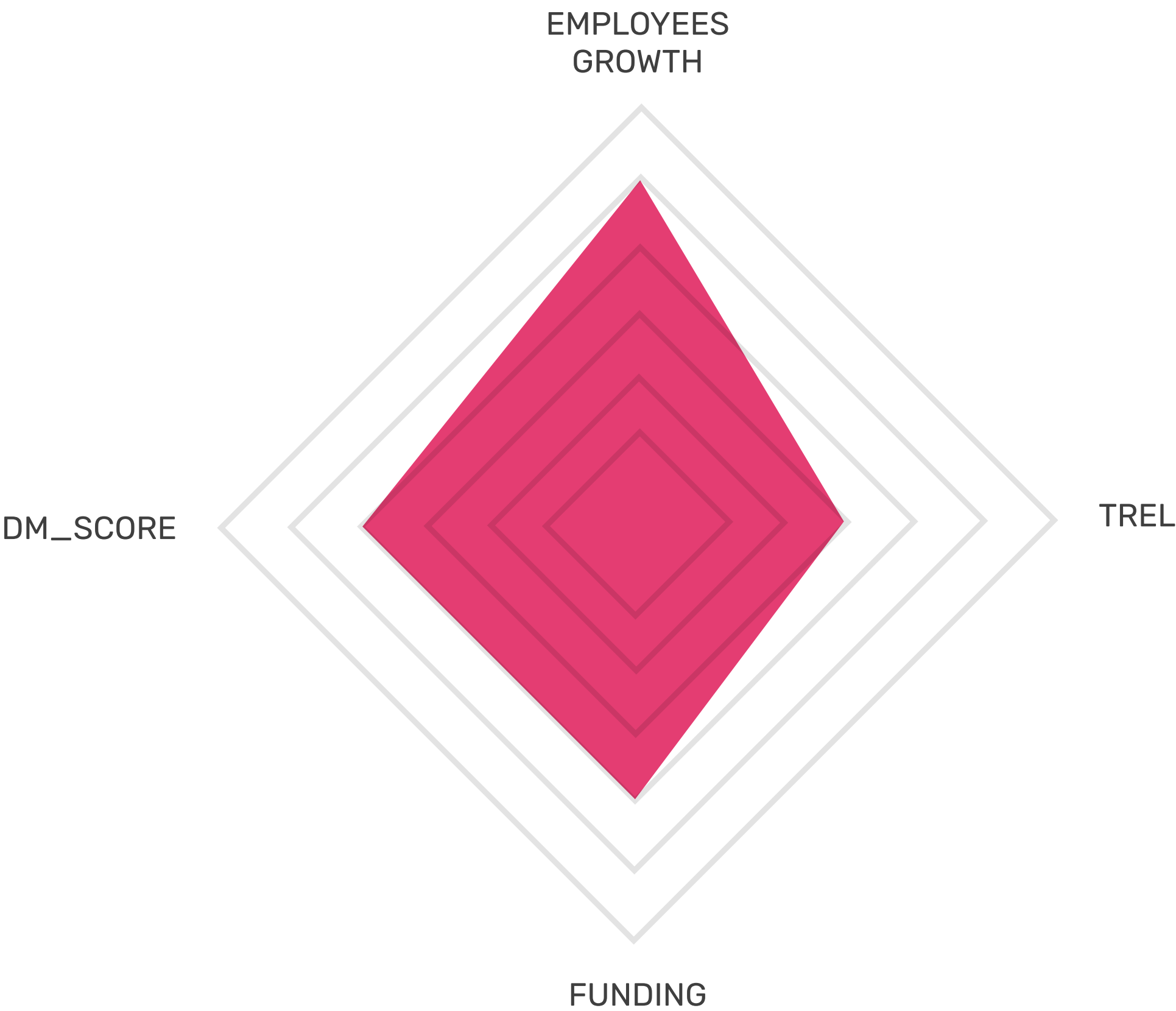
Docway

TREL	3,5	<div><div></div><div></div><div></div><div></div><div></div><div></div></div>
DM_SCORE	0,74	<div><div></div><div></div><div></div><div></div><div></div><div></div></div>
FUNDING	US\$ 1.500.000	<div><div></div><div></div><div></div><div></div><div></div><div></div></div>
EMPLOYEES GROWTH	70%	<div><div></div><div></div><div></div><div></div><div></div><div></div></div>



goFluXX

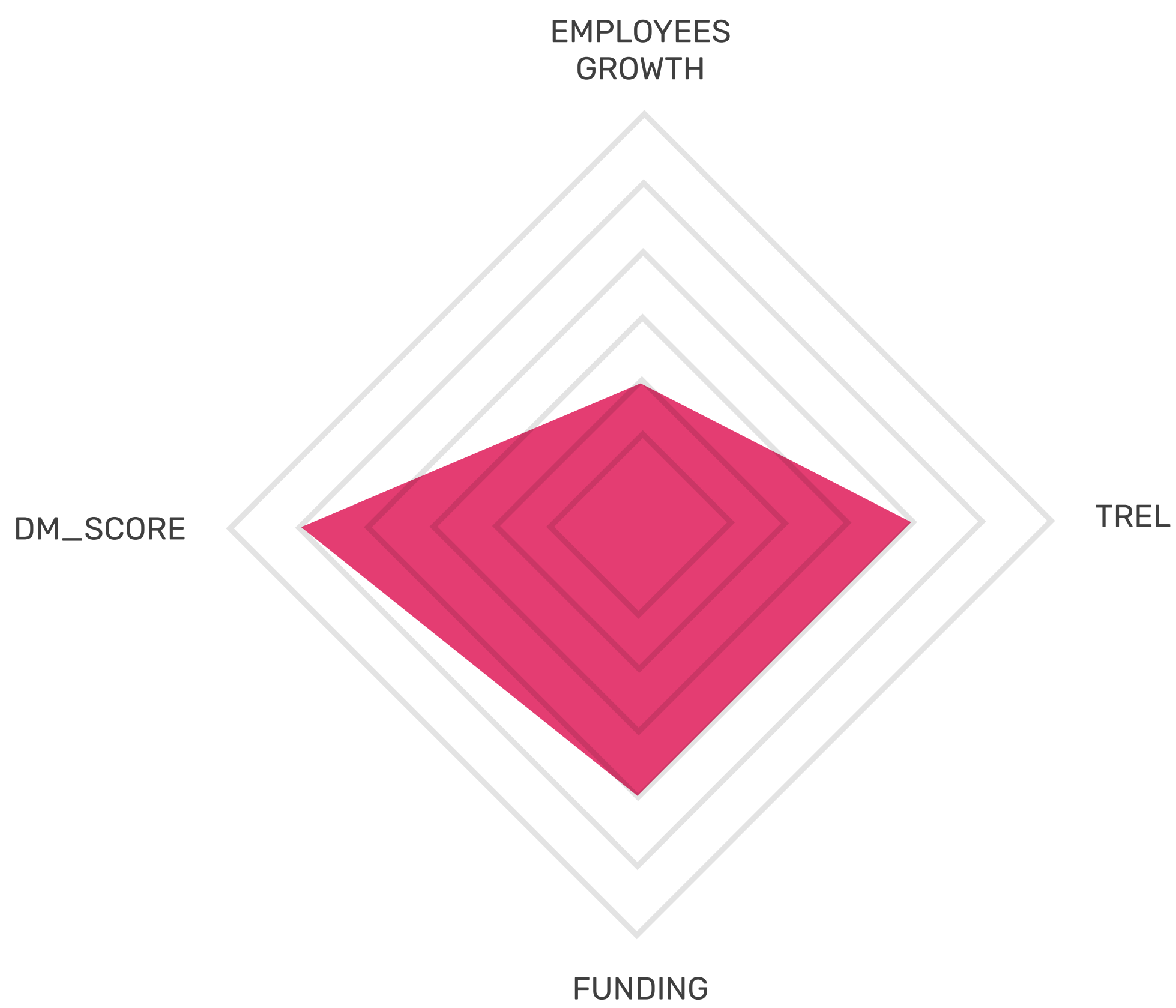
TREL	2,24	<div><div>★ ★ ★ ★ ★ ★</div></div>
DM_SCORE	0,72	<div><div>★ ★ ★ ★ ★ ★</div></div>
FUNDING	US\$ 450.000	<div><div>★ ★ ★ ★ ★ ★</div></div>
EMPLOYEES GROWTH	79.71%	<div><div>★ ★ ★ ★ ★ ★</div></div>



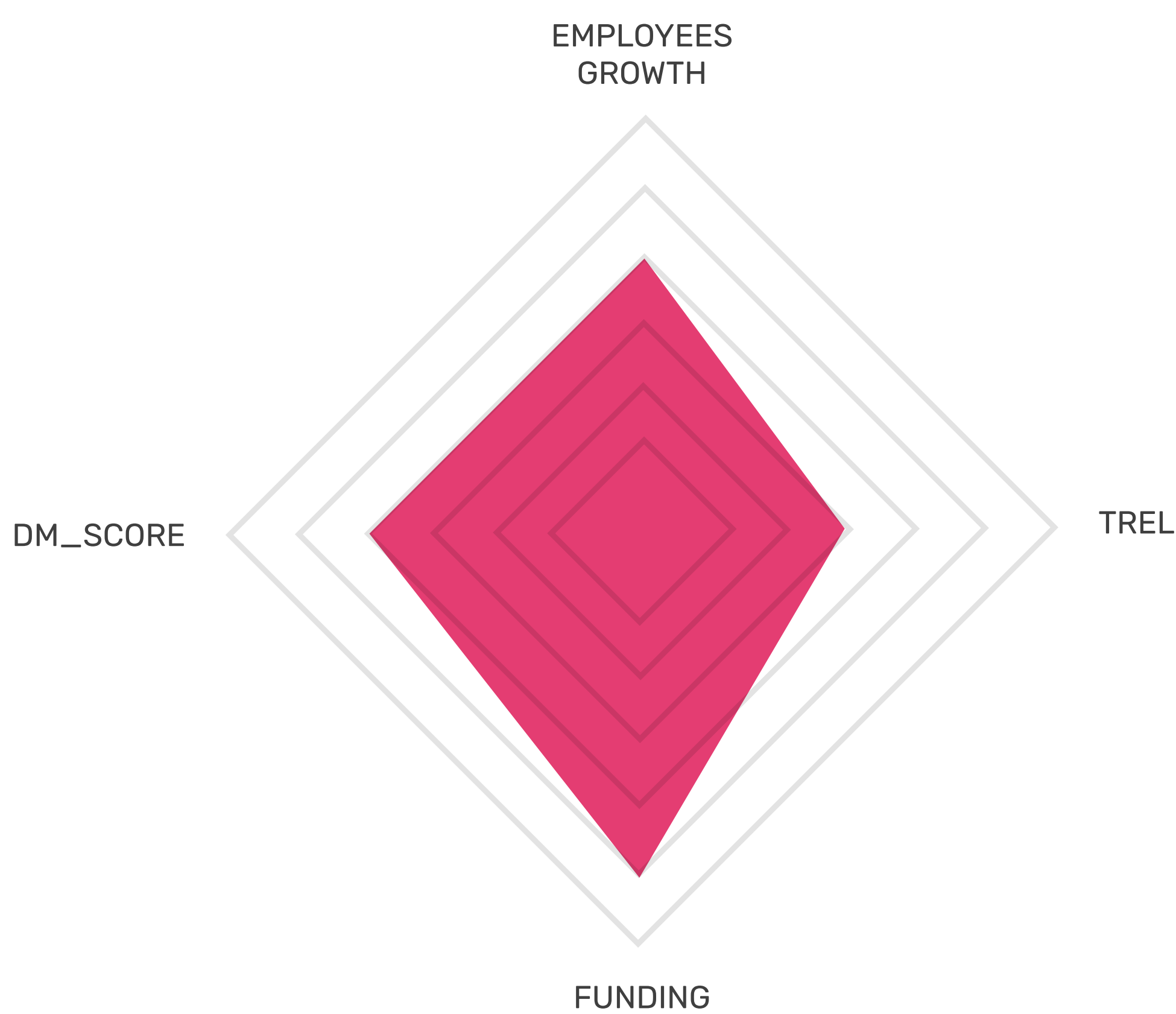
NEONODE

TREL	1,23	★ ★ ★ ★ ★ ★
DM_SCORE	0,70	★ ★ ★ ★ ★ ★
FUNDING	US\$ 847.897	★ ★ ★ ★ ★ ★
EMPLOYEES GROWTH	180.95%	★ ★ ★ ★ ★ ★





TREL	2,42	★ ★ ★ ★ ★ ★ ★
DM_SCORE	0,79	★ ★ ★ ★ ★ ★ ★
FUNDING	US\$ 763.895	★ ★ ★ ★ ★ ★ ★
EMPLOYEES GROWTH	Constant size	★ ★ ★ ★ ★ ★ ★



Arvore

TREL	1,17	★ ★ ★ ★ ★ ★ ★
DM_SCORE	0,74	★ ★ ★ ★ ★ ★ ★
FUNDING	US\$ 2.500.000	★ ★ ★ ★ ★ ★ ★
EMPLOYEES GROWTH	64.18%	★ ★ ★ ★ ★ ★ ★

# Deal forecasting algorithms conclusion

The Distrito DataMiner Deals Forecasting

Algorithm has shown very positive results, and it will continue improving, as it is being constantly enhanced. The algorithm accuracy is of utmost importance for us to provide reliable information that can help the ecosystem and, mainly, Angel Investors and Venture Capital managers.

We believe in the algorithm's potential to ease the analysis process and the startup selection for funding, placing them ahead of the competition and analysing the startup, probably, before opening a fundraising round. Inside of Distrito DataMiner, we are committed to being Data-Driven and we believe in changing the ecosystem through data use.



Do you want to understand how you and your company or investment manager can benefit from and have access to the Distrito's data intelligence?

**Subscribe to Inside Venture Capital**, the Distrito's monthly report that brings the main hot topics in the market, exclusive interviews with investors and founders, startups to keep an eye on, investment statistics, data from the VC market in Brazil, and much more.



Contact our Dataminer team to get to know how we can help you with a Data-Driven solution in your M&A strategy and/or Venture Capital investments.

**Contact us**

**[dataminer@distrito.me](mailto:dataminer@distrito.me)**

**or via WhatsApp Business: +55 11 93704-1487**

**get to know  
more about  
us**

click and learn more



**DIST**  
**DIST** **Я** **ITO**