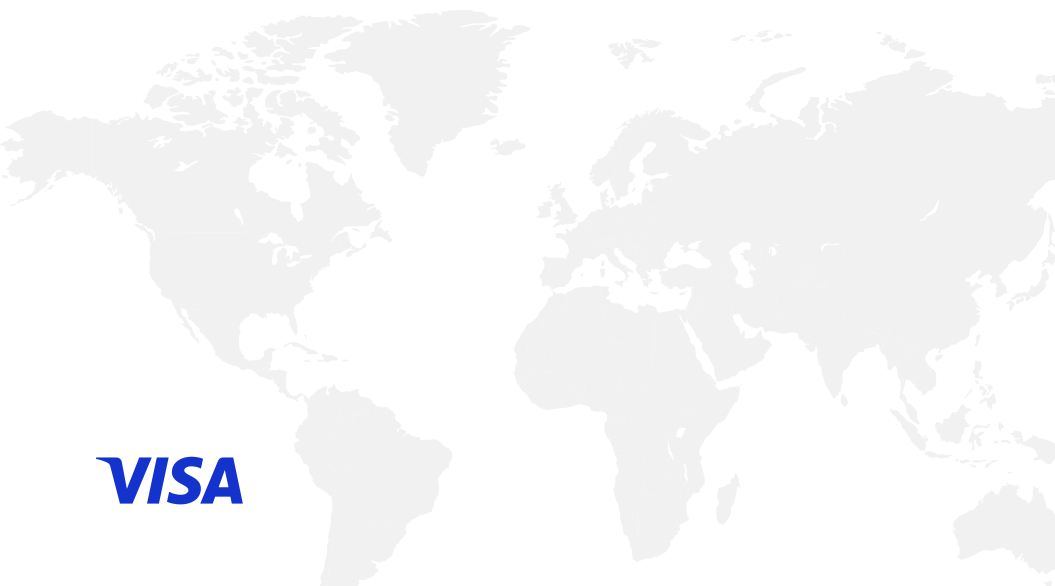


2023-2024

GROWTH CORPORATES WORKING CAPITAL INDEX

LAC Edition

VISA





WHAT IS A GROWTH CORPORATE?

The **2023-2024 Growth Corporates Working Capital Index: LAC Edition** examines the working capital needs of Growth Corporate CFOs and treasurers in Latin America and the Caribbean (LAC) whose firms generate annual revenues between \$50 million and \$1 billion in the fleet and mobility, commercial travel and agriculture sectors. Visa commissioned PYMNTS Intelligence to conduct the research and produce the report, and the underlying survey was conducted by telephone between March 9 and June 12. The Growth Corporates WCI study surveyed CFOs and treasurers of Growth Corporates, organizations with unique needs and capabilities that often fall through the cracks between small businesses and enterprises with purpose-built solutions. The 2023-2024 Growth Corporates WCI offers practical insight into how these CFOs balance the day-to-day requirements of their companies with the cash flow requirements needed to survive, thrive and scale.



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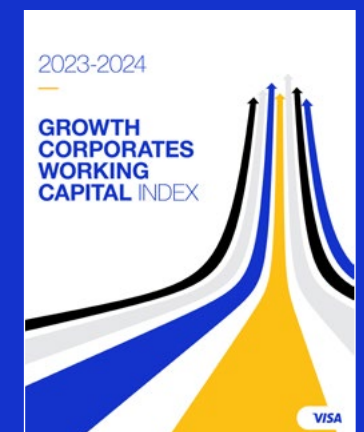
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2023-2024 GROWTH CORPORATES
WORKING CAPITAL INDEX

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EXECUTIVE SUMMARY

After experiencing a strong recovery from the peak of the pandemic, the LAC region is facing tempered growth expectations as its economic policies have pivoted to focus on neutralizing high inflation and decreasing international demand for the region’s exports. As a result, this market mirrors what other regions in the world are experiencing, and tighter monetary policies have made borrowing expensive as high interest rates have become the norm. Another economic challenge for the region is that, as a developing region, much of its economic success relies on being able to export its commodities, meaning that if the demand slows or decreases, its terms of trade weaken, and its economies slow down. This backdrop underlines how the region has successfully used external working capital to deal with the boom when the world economy reinitiated activities and opened their markets, and thus, demand for the region’s products and services increased and affected how firms plan to use working capital going forward.

LAC ranks first among all other regions — the Asia-Pacific (APAC); Central Europe, the Middle East and Africa (CEMEA); Europe; and North America — analyzed in the Growth Corporates Working Capital Index (WCI), averaging an index score of 54. This relative strength suggests that the region’s Growth Corporates experience operational efficiency advantages by using external working capital for strategic objectives rather than tactical ones.¹ Growth Corporates in LAC are poised to augment their use of working capital solutions for planned growth investments from 84% in the last 12 months to 94% next year.

¹ For the Growth Corporates Working Capital Index, PYMNTS Intelligence used regression analysis to identify the key performance indicators that have the greatest influence on firms’ operational efficiency as it relates to using external working capital solutions. The regression identifies factors associated with a higher probability of reduced days payable outstanding (DPO). Reduction to DPO is chosen as a measure of improved operational efficiency due to its connection to a firm’s ability to pay suppliers and settle debts, which access to capital directly impacts — an ability facilitated by access to external financing. Based on how well a firm combines these characteristics, they are assigned a score ranging from 0 to 100, with a higher score indicating a higher propensity for reduced DPO within the next 12 months. The firms scoring in the top and bottom 20% of the index were then classified in the respective top and bottom performance tiers.

Growth Corporates in the LAC region tap external working capital solutions to support planned growth while reducing the cost of capital when negotiating partnerships and investing in business ventures.

- 1. The LAC region is a global leader in working capital solution utilization among Growth Corporates, and 7 in 10 working capital users say they were better able to meet customer demand and take advantage of opportunities as a result.
- 2. One-quarter of LAC fleet and mobility Growth Corporates accessed overdrafts most last year, far above the corresponding share of those in the commercial travel and agriculture sectors, which hovered near 5%.
- 3. The LAC region’s Growth Corporates lead in the strategic use of working capital, with 41% using it for planned initiatives to grow the business, in turn receiving the greatest efficiency and driving the highest average index scores.
- 4. Eighty-eight percent of top performers in the region accessed working capital for planned expenses, particularly those in agriculture and commercial travel.
- 5. Ninety-four percent of LAC Growth Corporates are projected to access external working capital solutions next year. LAC top performers are 35% more likely than the average LAC Growth Corporate to access corporate virtual cards next year, representing half of projected LAC users.

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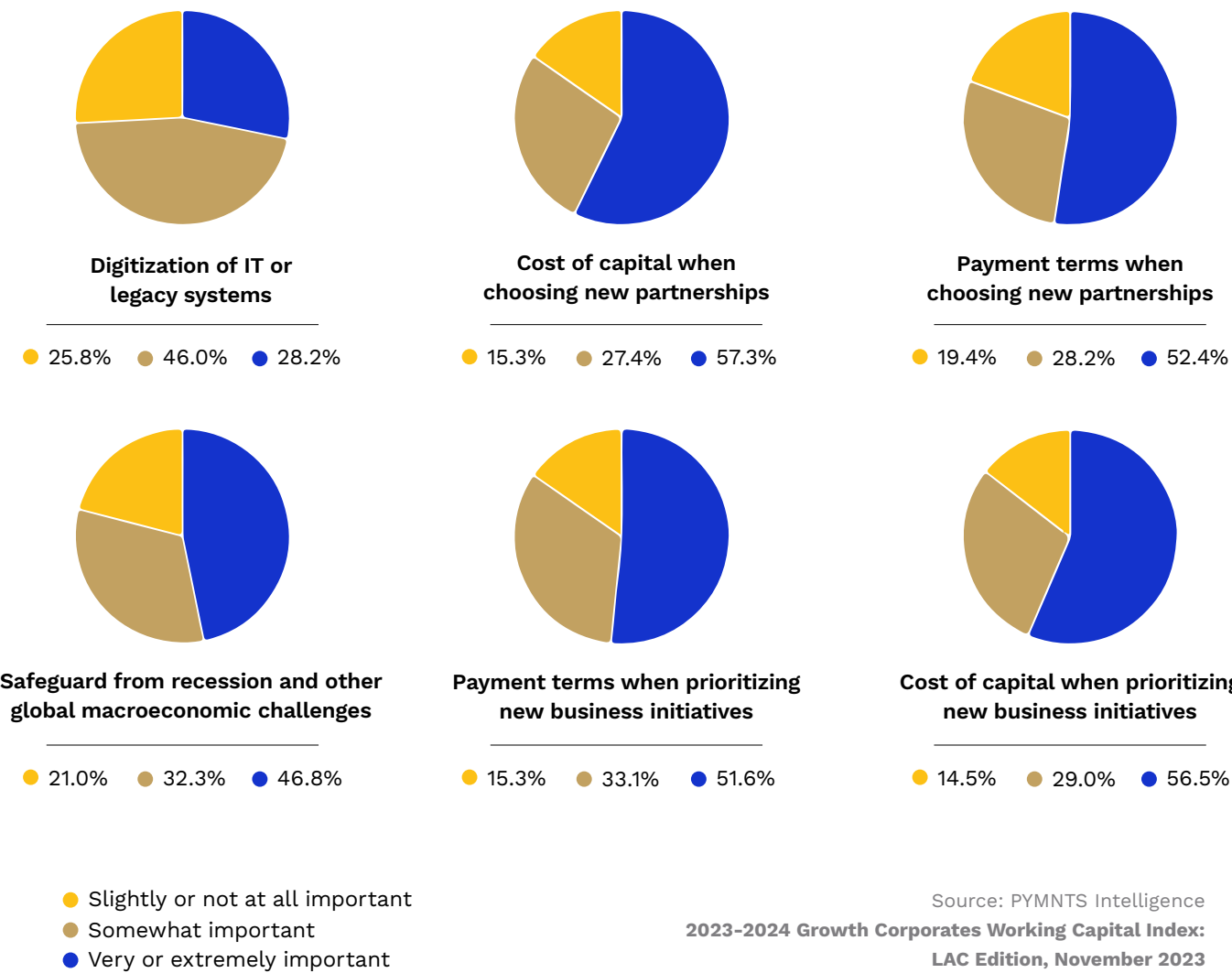


PART I:
**THE
IMPORTANCE
OF ACCESS**

The LAC region is a global leader in working capital solution utilization among Growth Corporates, and 7 in 10 working capital users say the capital made them more able to meet customer demand and take advantage of opportunities.

In the past 12 months, 84% of Growth Corporates in the LAC region accessed working capital solutions — the highest utilization rate across all five regions in this study. The 4% of firms that could not access any solutions identified cost and lender requirements as barriers, and the remaining 12% of firms that did not access external working capital solutions reported this was because they did not need them. Among Growth Corporates in this region, more than 8 in 10 CFOs state that these solutions help companies achieve better costs of capital and payment terms when venturing into new partnerships and business initiatives.

FIGURE 1:
Improvements enabled by working capital
Share of LAC Growth Corporates that report select levels of importance in having access to working capital solutions to achieve select objectives



Source: PYMNTS Intelligence
2023-2024 Growth Corporates Working Capital Index:
LAC Edition, November 2023
N = 124: Whole sample of LAC CFOs,
fielded March 9, 2023 – June 12, 2023

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PART II:
STATE
OF PLAY
2023


One-quarter of LAC fleet and mobility Growth Corporates used overdrafts most last year — roughly five times the corresponding shares in the commercial travel and agriculture sectors.

External working capital solution choice in the LAC region depends more on industry than geography. LAC stands out as a heterogeneous region in market dynamics — in other words, all market segments behave independently of others — and reflected in the type of external working capital solutions used in each segment. For example, fleet and mobility Growth Corporates in the region primarily accessed overdrafts and corporate cards in the last 12 months. On the other hand, commercial travel Growth Corporates relied primarily on working capital loans and bank lines of credit.

Furthermore, across all three segments, LAC Growth Corporates also exhibited above-average utilization of invoice factoring solutions relative to other regions, with 11% accessing this solution most often. For comparison, just 3% of Growth Corporates in CEMEA primarily accessed invoice factoring solutions. Further analysis of invoice factoring users shows that commercial travel firms in LAC use the solution the most, with 19% of companies in the sector saying they tapped this solution the most in the last 12 months. When it comes to the region using corporate virtual cards — a solution particularly primed for growth — survey data shows there is potential for growth in LAC commercial travel, where 8.3% of Growth Corporates accessed this solution, lower than the 25% seen among fleet and mobility Growth Corporates and the 16% in agriculture.²


² Virtual cards provide businesses with an extra level of security for online transactions from many places around the world, preventing fraudsters from stealing companies’ credit card information or hacking into their online purchases. Regular virtual card users point to ease, speed and automation as the most important benefits of turning to this working capital solution.

FIGURE 2A:
Working capital solution usage
Share of commercial travel LAC Growth Corporates that used select working capital solutions last year

	TOTAL	Most used	Used, but not the most
COMMERCIAL TRAVEL			
• Working capital loan	19.4%	19.4%	0.0%
• Bank line of credit	19.4%	13.9%	5.6%
• Third-party revolving credit facility	13.9%	11.1%	2.8%
• Corporate/virtual credit card	8.3%	8.3%	0.0%
• Invoice financing/factoring	19.4%	19.4%	0.0%
• Overdraft from corporate bank account	8.3%	5.6%	2.8%
• Letter of credit/bank guarantee	0.0%	0.0%	0.0%
• Draw against unused corporate credit line	2.8%	0.0%	2.8%


Source: PYMNTS Intelligence
2023-2024 Growth Corporates Working Capital Index:
LAC Edition, November 2023
N = 124: Whole sample of LAC CFOs,
fielded March 9, 2023 – June 12, 2023

FIGURE 2B:
Working capital solution usage
Share of fleet and mobility LAC Growth Corporates that used select working capital solutions last year

	TOTAL	Most used	Used, but not the most
FLEET AND MOBILITY			
• Working capital loan	40.6%	28.1%	12.5%
• Bank line of credit	21.9%	9.4%	12.5%
• Third-party revolving credit facility	15.6%	3.1%	12.5%
• Corporate/virtual credit card	25.0%	12.5%	12.5%
• Invoice financing/factoring	15.6%	6.3%	9.4%
• Overdraft from corporate bank account	25.0%	25.0%	0.0%
• Letter of credit/bank guarantee	9.4%	3.1%	6.3%
• Draw against unused corporate credit line	6.3%	3.1%	3.1%

Source: PYMNTS Intelligence
2023-2024 Growth Corporates Working Capital Index:
LAC Edition, November 2023
N = 124: Whole sample of LAC CFOs,
fielded March 9, 2023 – June 12, 2023

FIGURE 2C:
Working capital solution usage
Share of agriculture LAC Growth Corporates that used select working capital solutions last year

	TOTAL	Most used	Used, but not the most
AGRICULTURE			
• Working capital loan	37.5%	26.8%	10.7%
• Bank line of credit	23.2%	16.1%	7.1%
• Third-party revolving credit facility	19.6%	14.3%	5.4%
• Corporate/virtual credit card	16.1%	3.6%	12.5%
• Invoice financing/factoring	12.5%	8.9%	3.6%
• Overdraft from corporate bank account	7.1%	5.4%	1.8%
• Letter of credit/bank guarantee	12.5%	8.9%	3.6%
• Draw against unused corporate credit line	1.8%	0.0%	1.8%

Source: PYMNTS Intelligence
2023-2024 Growth Corporates Working Capital Index:
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PART III:
HOW CFOs
DEPLOY
SOLUTIONS

The LAC region’s Growth Corporates lead in the strategic use of working capital: 41% use it for planned initiatives to grow their businesses, in turn receiving the greatest efficiency and driving the highest average index scores.

Survey data shows a strong correlation between the strategic use of external working capital solutions and WCI scores across regions and industries, illustrating mature operational efficiency. More specifically, utilization of external working capital solutions by Growth Corporates in LAC for the explicit purpose of business growth via planned initiatives is especially high among LAC fleet and mobility companies, with nearly 6 in 10 citing this as the primary driver for their use — the largest share across industries and regions in our analysis.

Conversely, LAC Growth Corporates in the agriculture sector are not following this trend, as just 27% of these companies are accessing solutions for planned growth initiatives. This share is not unusual for agricultural firms around the globe, which tend to use working capital at higher rates to smooth out expected cash flow gaps.

STRATEGIC UTILIZATION OF WORKING CAPITAL IN THE LAC REGION



COMMERCIAL TRAVEL

49%

accessed working capital to support strategic growth initiatives.

27%

accessed working capital to smooth out expected cash flow gaps.



FLEET AND MOBILITY

57%

accessed working capital to support strategic growth initiatives.

8%

accessed working capital to smooth out expected cash flow gaps.



AGRICULTURE

27%

accessed working capital to support strategic growth initiatives.

36%

accessed working capital to smooth out expected cash flow gaps.

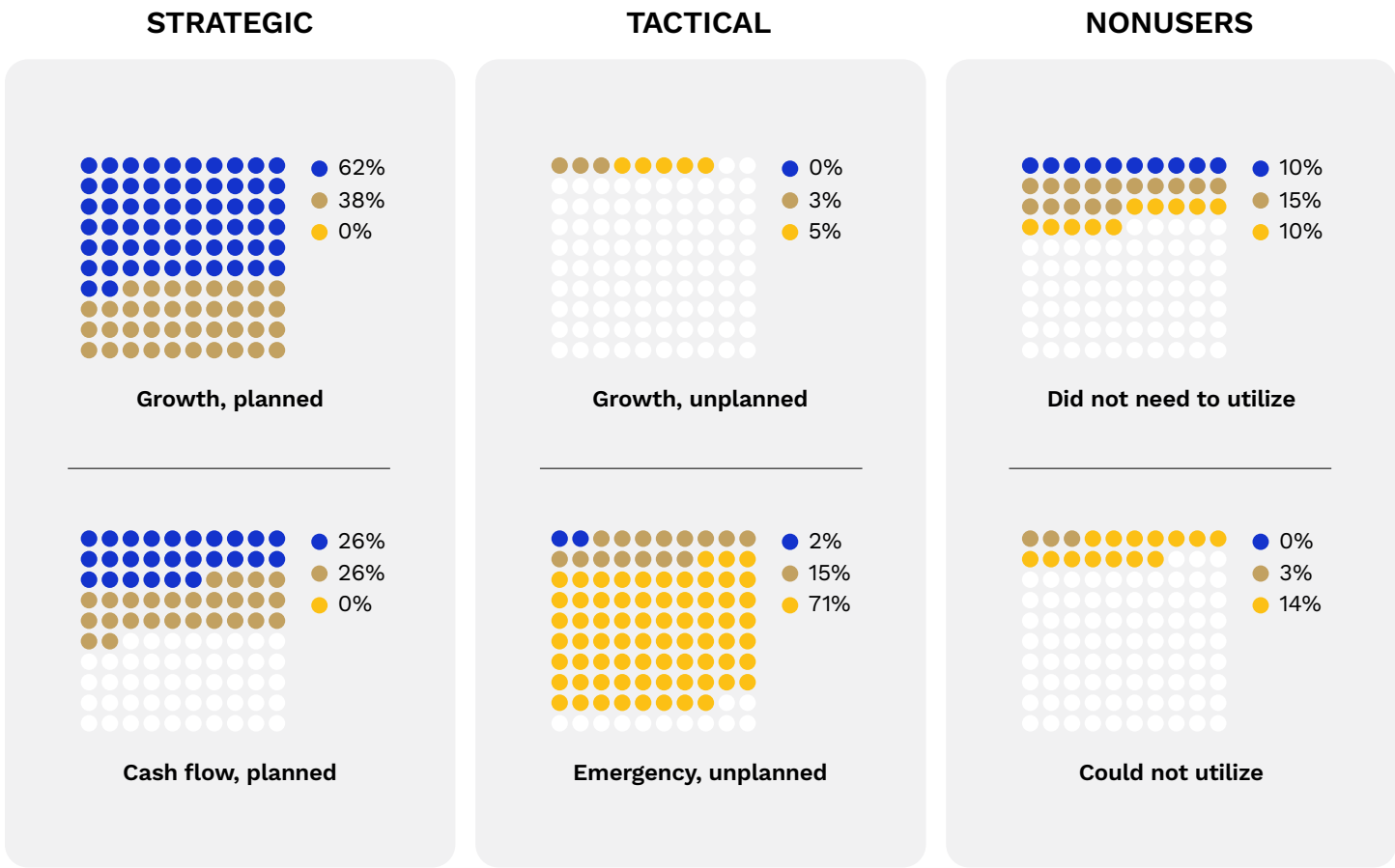
In the region, 88% of top performers accessed working capital for planned expenses, particularly those in the agriculture and commercial travel sectors.

Growth Corporates in LAC tend to be top performers, and for a reason. Approximately 34% of agricultural companies in LAC were top performers, far higher than the corresponding 18% of North American and 14% of European Growth Corporates in the sector. Why? One reason is that Latin America has a uniquely developed agriculture sector based on large-scale commercial farming; for example, it is the world’s largest net food-exporting region.³ In contrast, European Growth Corporates in agriculture rely heavily on European funding programs, specialized agriculture credit institutions and financial instruments provided by the Common Agricultural Policy.

As for commercial travel Growth Corporates in LAC, 39% were top performers, leading the four other regions, especially compared to CEMEA, where just 5.6% were top performers.

² Author unknown. Welcome to the Latin America and the Caribbean (LAC) Regional Office. 2022. <https://www.ifpri.org/division/latin-america-and-caribbean-lac>. Accessed October 2023.

FIGURE 3:
Drivers of working capital use
Share of LAC Growth Corporates that cite select reasons why they accessed external working capital in the last year (2022–2023), by index performance tier



● Top
● Middle
● Bottom

Source: PYMNTS Intelligence
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PART IV:
**2024
OUTLOOK**

In LAC, 94% of Growth Corporates are projected to access external working capital solutions next year. Top performers are 35% more likely than the average LAC Growth Corporate to access corporate virtual cards next year and represent half the projected LAC users.

Growth Corporates in LAC are geared to face the headwinds of economic uncertainty with gravitas. For example, 8.1% of companies in LAC are planning on accessing virtual cards next year. Additionally, 13% of top-performing companies in the region plan on accessing virtual cards next year, and top performers make up 50% of projected users in 2024. Virtual cards streamline payments and help improve vendor relations by eliminating payment delays when users submit an invoice via procurement systems and paper checks that need to be processed. Finally, 31% of all Growth Corporates and 30% of top performers in the region plan on using working capital loans — a roughly 4% increase from the past 12 months.

As for the sources of external working capital solutions and advice, LAC will default to the traditional sources: banks. Approximately 61% of Growth Corporates in LAC seek advice from bankers and roughly 37% turn to working capital consultants.

FIGURE 4:
Working capital gains
Share of LAC Growth Corporates citing the working capital solutions they are most likely to use in the next 12 months

	Share of LAC Growth Corporates very or extremely likely to use a respective solution the most next year	Share of top-performing LAC Growth Corporates very or extremely likely to use a respective solution the most next year	Share of top performers in LAC among firms planning to use a respective solution
• Draw against unused corporate credit line	1.6%	2.5%	50.0%
• Letter of credit/bank guarantee	7.3%	2.5%	11.1%
• Corporate/virtual credit card	8.1%	12.5%	50.0%
• Invoice financing/factoring	9.7%	10%	33.3%
• Third-party revolving credit facility	10.5%	10%	30.8%
• Overdraft from corporate bank account	8.9%	7.5%	27.3%
• Bank lines of credit	16.9%	15%	28.6%
• Working capital loan	30.6%	30%	31.6%

Source: PYMNTS Intelligence
2023-2024 Growth Corporates Working Capital Index:
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fielded March 9, 2023 – June 12, 2023



CONCLUSION

The current economic backdrop in LAC — tight monetary policies and weakening terms of trade — moderates the growth of the region’s economy and affects how industries react to current and future external working capital solution needs. That the three LAC Growth Corporate segments analyzed in this report — commercial travel, fleet and mobility and agriculture — have prioritized strategic use of external working capital solutions rather than tactical bodes well for both current and prospective performance. As the highest-ranked region in the Growth Corporates WCI, with a 54 rating, LAC shows market maturity and operational efficiency.⁴ Next year, LAC Growth Corporates plan to increase their use of external working capital solutions for planned growth by an average of 10% in agriculture and fleet and mobility and will keep the same level for commercial travel from the last twelve months. As such, Growth Corporates in LAC are poised to continue to improve their operational efficiency and likely will remain the highest-ranking region next year.

⁴ These markets typically have a clear group of competitors, a market leader and an audience segmented into different demographics and firmographics. These markets are also competitive, with many companies vying for the same market share, making it easy for one company to get lost in the noise if it does not differentiate itself from the competition.



METHODOLOGY

The 2023–2024 Growth Corporates Working Capital Index: LAC Edition is based on a telephone survey conducted between March 9 and June 12 of 124 respondents holding the position of corporate CFO or treasurer at companies that Visa calls Growth Corporates — those generating revenues between \$50 million and \$1 billion. The report examines the working capital solutions available to Growth Corporates to raise short-term cash or credit, the preferred use of these proceeds and the impact these solutions can have on their operational efficiency and business performance.

ABOUT



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