

TTR DATA

10 YEARS

MIDDLE-MARKET M&A IN BRAZIL

10 years of
M&A Transactions
2013 • 2023

Deloitte.



INDEX

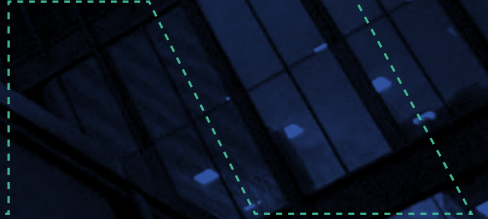
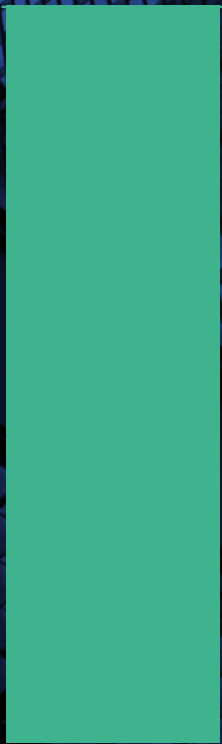
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Brazil has dominated M&A activity in Latin America over the past decade by both deal volume and aggregate value thanks to the size, stability and diversity of its economy, and the dynamism and maturity of its transactional market. The country's large population, its immense land mass and abundant natural resources, and its unique culture and language set it apart from the rest of Latin America, making it a world unto itself for Brazilian corporate entities, fund managers and international investors alike.

Indeed, the M&A market in Brazil brims with opportunity for companies at every stage of growth thanks to the strength of its financial system, the depth and dynamism of its capital markets, and the size and sophistication of its advisory community. From fledgling startups to middle market powerhouses and scaling IPO candidates, banks, venture capital (VC) investors, private equity (PE) funds and securities dealers provide a wide range of financing alternatives at each stage of growth.

Brazil's maturing VC ecosystem is one of the most telling examples of the maturity of the country's transactional market, having grown by leaps and bounds over the past 10 years. Today, domestic VCs invest alongside some of the world's most renowned VC funds in a steady stream of financing rounds providing resources to nurture and build innovative and promising startups.

VC deal volume has grown nearly sixfold since 2013, while the aggregate value of those transactions has increased by around 14x over the same period to BRL 22.85bn in 2022. The bulk of VC activity has been concentrated in São Paulo, but as the market evolves, startups in nearly every state are attracting venture financing, and it's not just telecom and technology sectors attracting VC investment: financial services, retail and distribution, healthcare, consulting, industrials, real estate and construction, natural resources, and energy deals together account for nearly as many VC transactions as tech over the past decade. Corporate venture capital, while hardly making a dent in overall VC activity, has exploded over the past four years, meanwhile, as more and more companies diversify and allocate capital to fund startups that can improve their own processes and go-to-market strategies.

The steady growth of M&A deal volume in Brazil's middle market over the past 10 years reflects the resilience and power of the country's private sector, with minimal perceivable impact on transactional activity in this segment from the swinging pendulum of the political arena and the ups and downs of the macroeconomic cycle. Middle market deal volume grew steadily from 807 deals in 2013 to a peak of 1,834 in 2021, before settling at 1,516 in 2022, while the aggregate value of middle market M&A deals increased from BRL 112.7bn in 2013 to a 10-year high of BRL 439.6bn in 2021, before settling at BRL 231.5bn in 2022. Services and distribution transactions consistently outpaced middle market deal volume in other segments over the decade, followed by technology and telecoms, energy, industrials, real estate and construction, natural resources, and infrastructure.

PE investment in Brazil has remained relatively stable in terms of deal volume over the past 10 years, with 87 deals in 2013 increasing to a peak of 110 in 2020, before dipping back down to 64 PE-related transactions in 2022. The aggregate value of PE deals has increased steadily over the same period, from BRL 17.25bn in 2013 to a high of BRL 29.17bn in 2021, before falling back to BRL 19.97bn in 2022. PE investment was distributed among the same sectors in similar proportions as those that led middle market M&A activity in the country. The stability of PE investment in Brazil, the diversity of PE funds and the consistent role PE plays in M&A activity and economic output, reflect the maturity of the PE asset class in Brazil. Just as with VC investment, however, PE has been primarily deployed in the state of São Paulo, with Rio de Janeiro a distant second and sparse transactions beyond the top five states.

Equity capital markets have been an effective avenue of financing for many Brazil-based issuers, and a viable exit alternative for PE investors, but windows of opportunity have been fleeting and intermittent over the past decade, with extended periods of little activity, followed by a flurry of IPOs, and then none whatsoever in 2022. Notwithstanding this dramatic volatility, listed acquirers have consistently brought firepower to the M&A market and have played an important role in consolidation, with a near doubling of the 234 deals worth BRL 64.4bn led by listed buyers in 2013 to 450 deals worth BRL 132.7bn in 2022. The record 27 cancelled IPOs in 2022, meanwhile, represents an important opportunity for investors and advisors to participate in upcoming resuscitated listings, or to provide alternative financing and growth options in the months and years ahead.



VENTURE CAPITAL & GROWTH

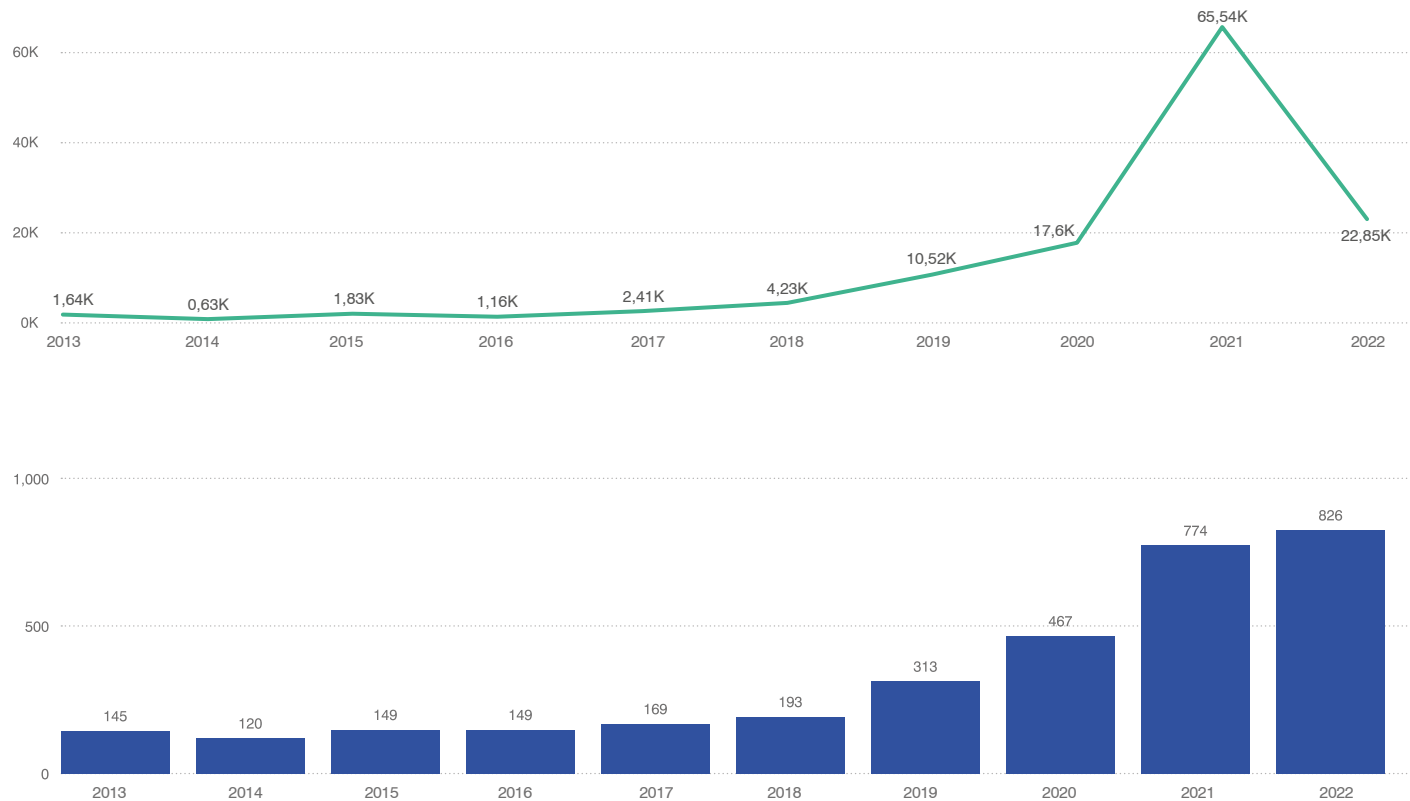
01

Ramp-up Stage Investment

How has the **Venture Capital market** evolved over the past 10 years?

BRAZIL OVERVIEW (2013-2022)

Venture Capital Investment – Deal Volume and Aggregate Value (BRLm)



VC deals increased **40% by volume** and **103% by value** since 2019

Average Annual **Growth Rate** (2013-2022)

◀ **AGGREGATE VALUE**

last 10 years
+79%

last 4 years
+103%

◀ **DEAL VOLUME**

last 10 years
+24%

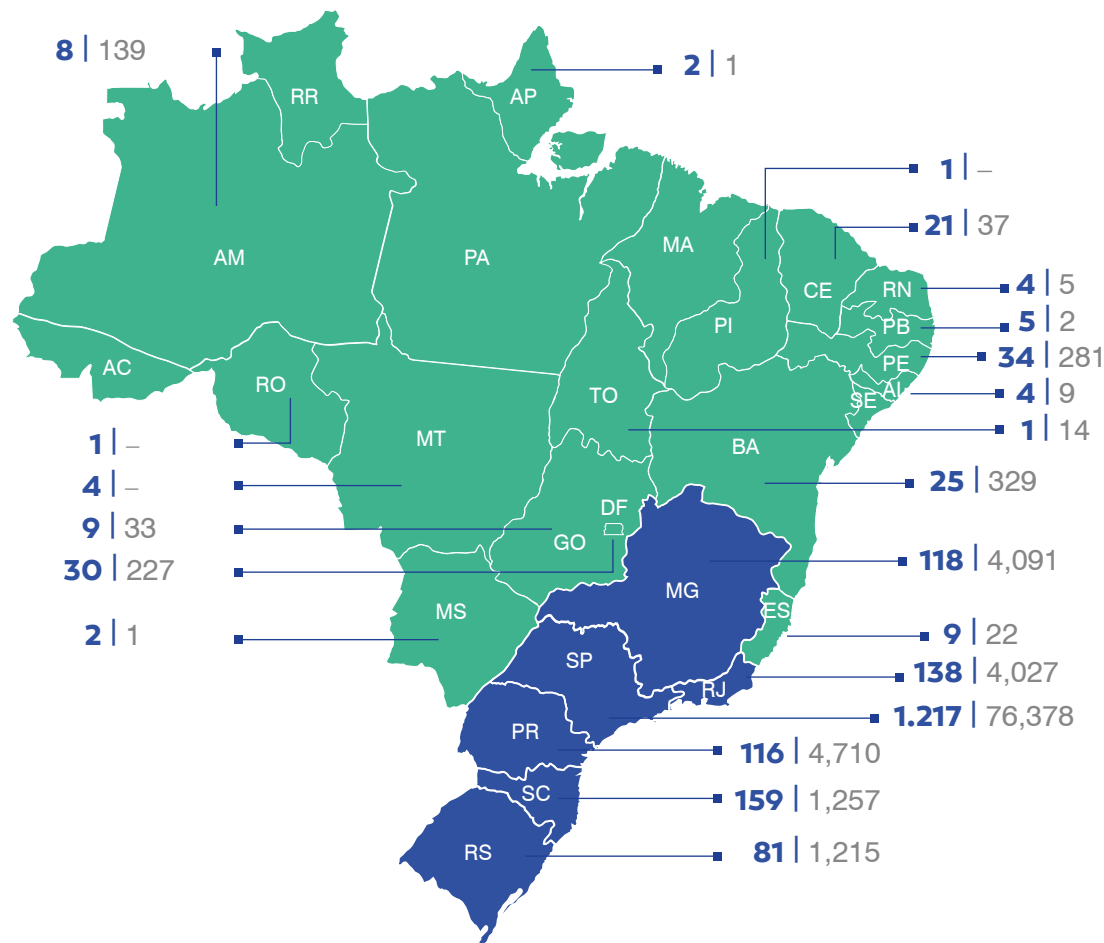
last 4 years
+40%

How has **total deal volume** and **aggregate value of VC investment** been distributed across Brazil over the past 10 years?

VC INVESTMENT BY TARGET'S HOME STATE

(2013-2022)

Deal Volume | Aggregate Value (BRLm)



TOP SIX STATES FOR VC INVESTMENT IN BRAZIL

(2013-2022)



VOLUME

São Paulo

61%

São Paulo + 5

92%

VALUE

São Paulo

82%

São Paulo + 5

99%

São Paulo alone represents **61%** of VC deal volume and **82%** of aggregate value over the past 10 years

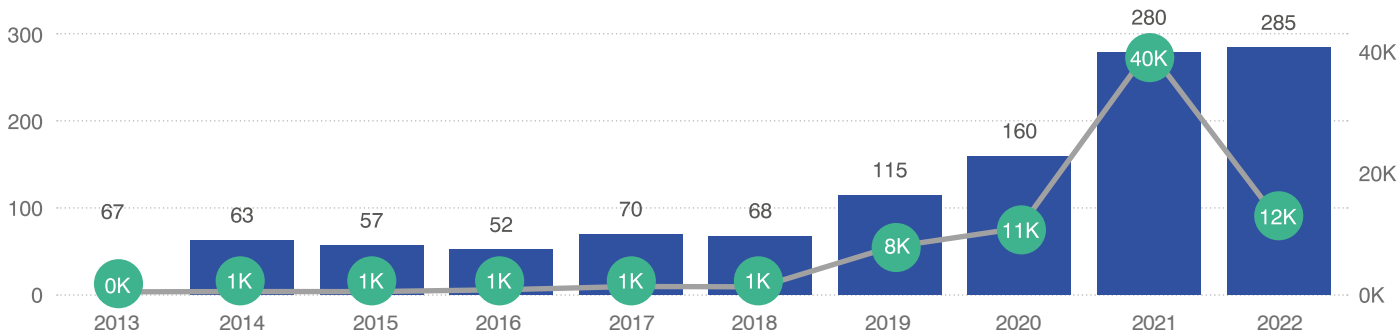
Has VC investment increased or decreased in each State?

VENTURE CAPITAL INVESTMENTS

By target's home state (2013-2022)

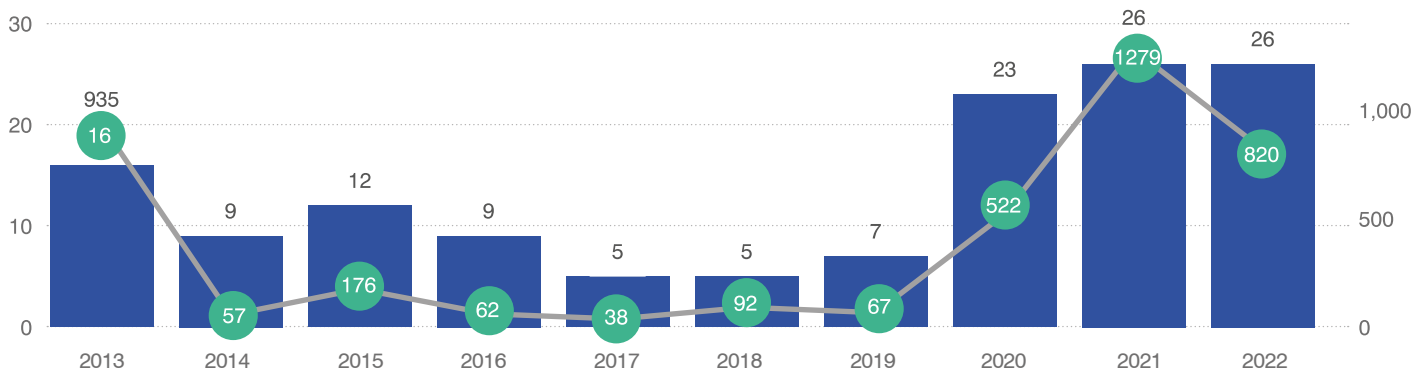
SÃO PAULO

● Deal Volume ● Aggregate Value BRLm



RIO DE JANEIRO

● Deal Volume ● Aggregate Value BRLm



Largest VC Deals of the last 10 years

NUBANK

BRLm 3,770.81

NUVEMSHOP

BRLm 2,628.51

LOFT

BRLm 2,328.55

EASYAULA

BRLm 646.18

DESCOMPLICA

BRLm 457.73

FAZENDA FUTURO

BRLm 328.45

Largest VC Deals of the last 10 years

- LIST**
BRLm 1,062.44
- MADEIRAMADEIRA**
BRLm 1 021,07
- MADEIRAMADEIRA**
BRLm 450.56
- RD STATION**
BRLm 1,861
- MOVIDESK**
BRLm 635.85
- RESULTADOS DIGITAIS**
BRLm 200

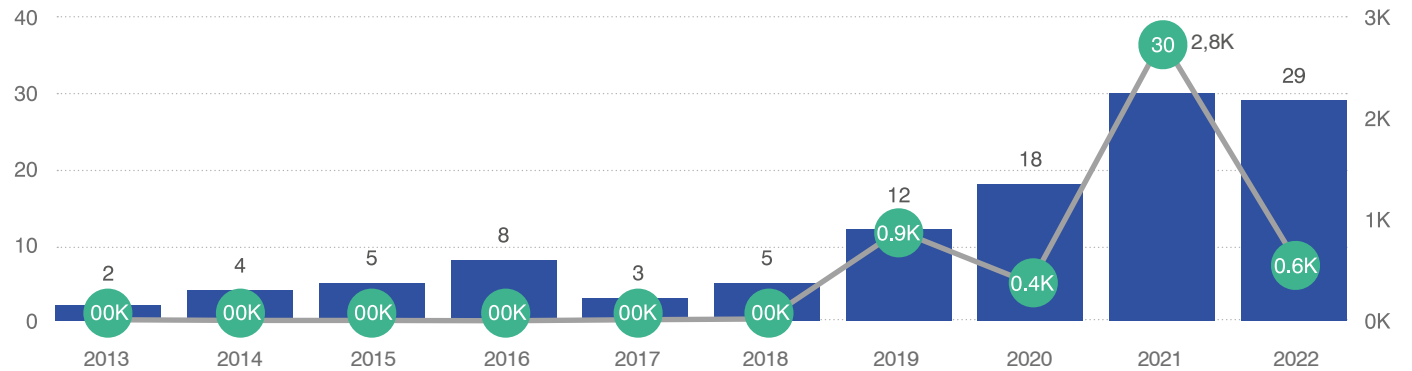
Has VC investment increased or decreased in each State?

VENTURE CAPITAL INVESTMENTS

By target's home state (2013-2022)

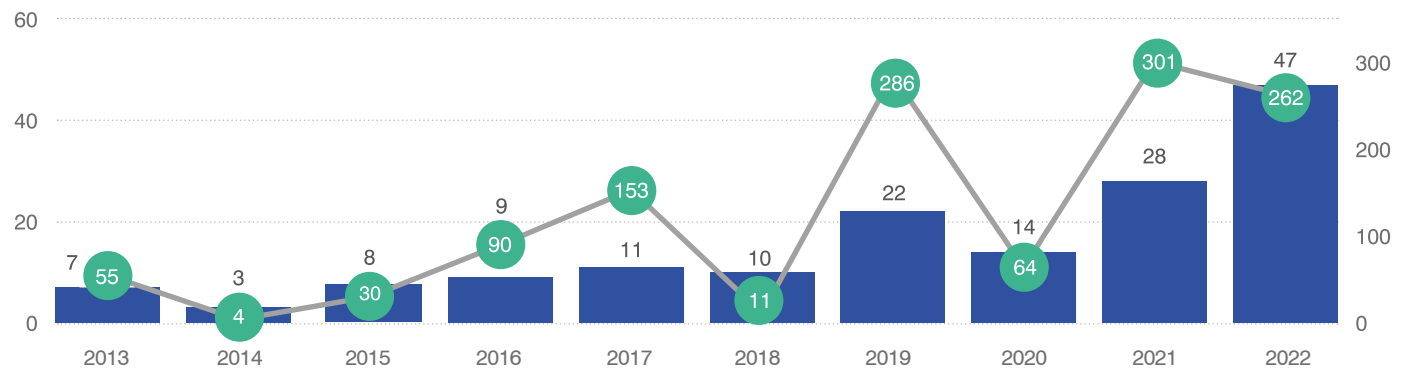
PARANÁ

● Deal Volume ● Aggregate Value BRLm



SANTA CATARINA

● Deal Volume ● Aggregate Value BRLm



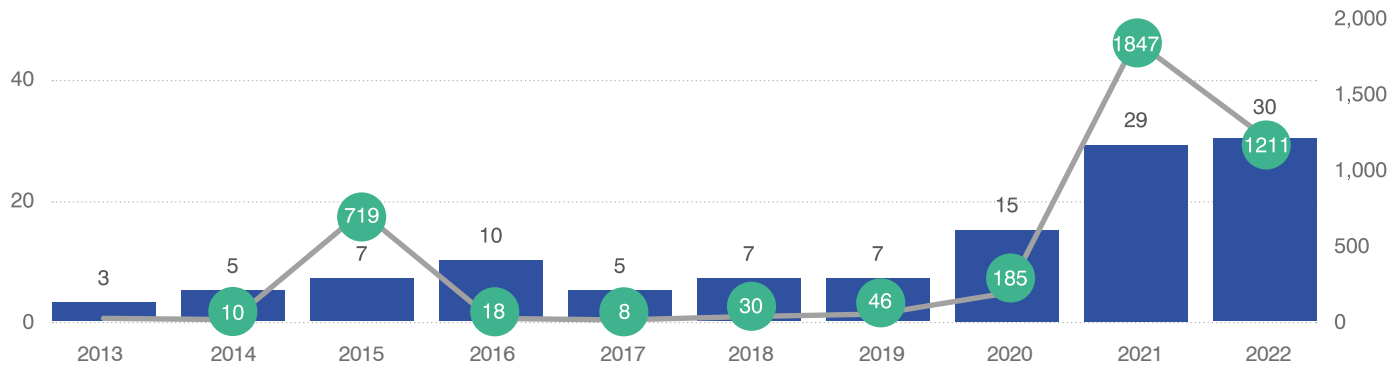
Has VC investment increased or decreased in each State?

VENTURE CAPITAL INVESTMENT

By target's home state (2013-2022)

MINAS GERAIS

● Deal Volume ● Aggregate Value BRLm



Largest VC Deals of the last 10 years

ALGAR TELECOM

BRLm 1,000

HOTMART

BRLm 750

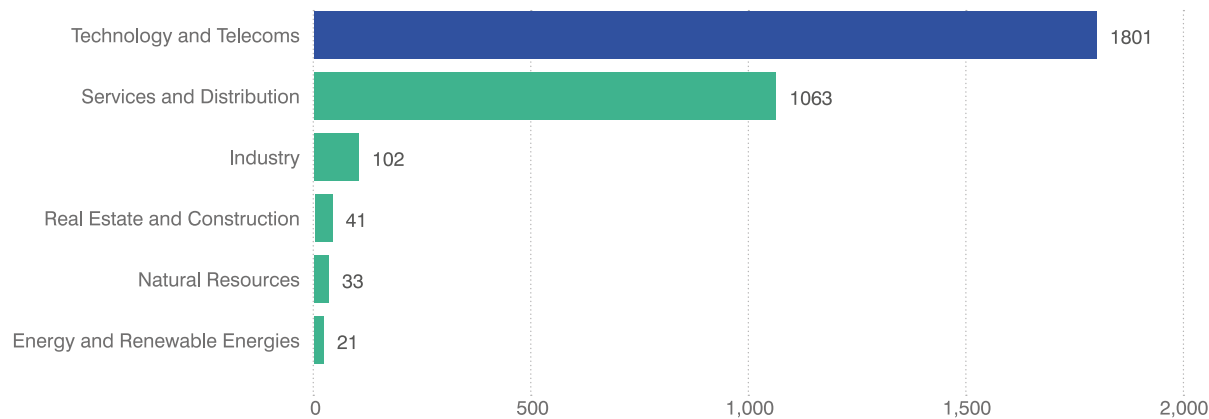
DETECHTA BIOTECNOLOGIA

Non-disclosed

Which Sectors Attracted the **Most VC Investment** over the past 10 years?

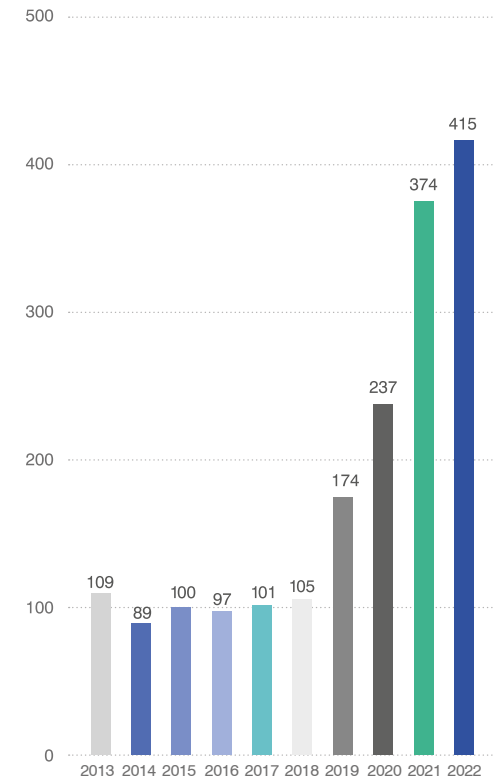
MOST ACTIVE SECTORS BY DEAL VOLUME

(2013 – 2022)



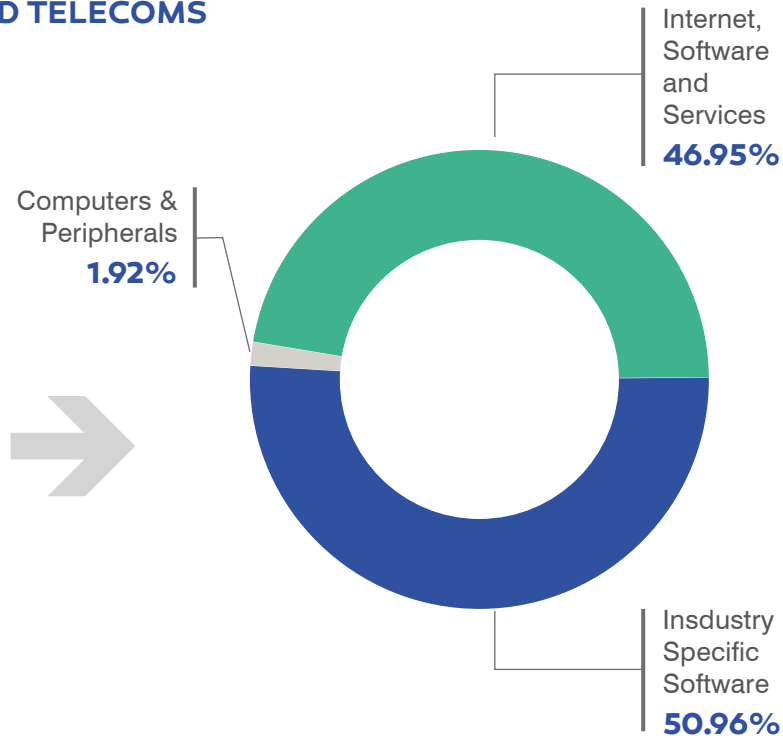
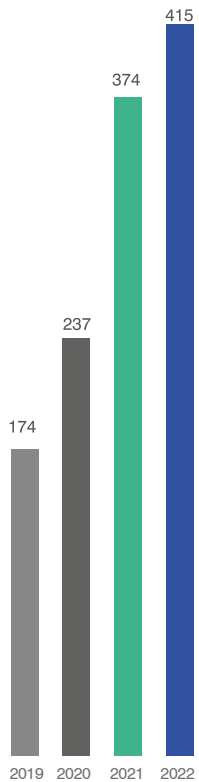
TECHNOLOGY AND TELECOMS

Deal Volume by year



TECHNOLOGY AND TELECOMS

Deal Volume
(2019 – 2022)



HOT Subsectors of the last 4 years

Largest VC investment

INTERNET, SOFTWARE AND SERVICES

BUSINESS, PRODUCTIVITY & WORKFLOW SOFTWARE

OMIE
BRLm 540

E-COMMERCE SOFTWARE

NUVEMSHOP
BRLm 2,628.51

HOSTING, DATA STORAGE & PROCESSING

LOFT
BRLm 2,328.55

INDUSTRY SPECIFIC SOFTWARE

FINANCIAL SOFTWARE

ISAAC
BRLm 694.41

SALES & MARKETING SOFTWARE

CORTEX INTELLIGENCE
BRLm 260

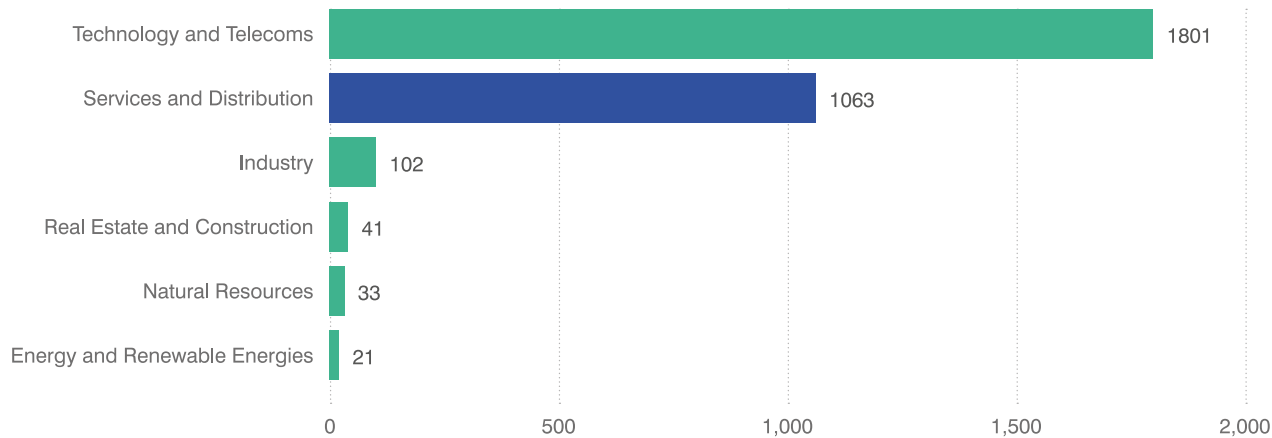
HUMAN RESOURCES SOFTWARE

SOLIDES
BRLm 516.34

Which Sectors Attracted the **Most VC Investment** over the past 10 years?

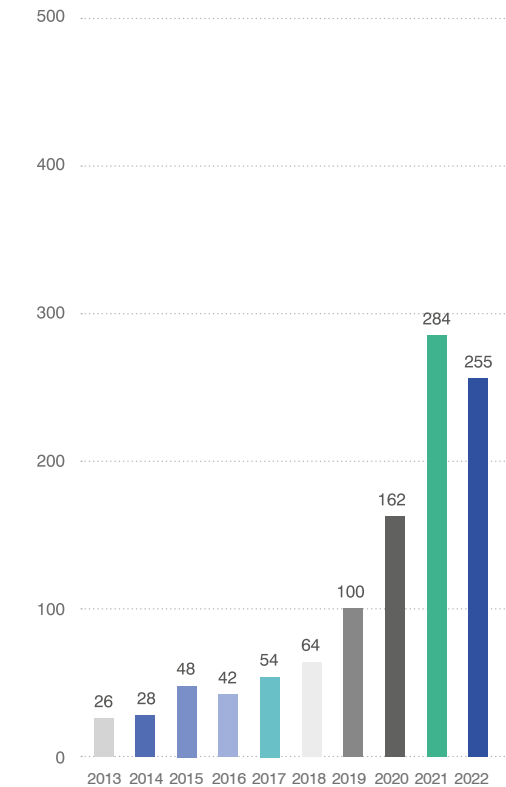
MOST ACTIVE SECTORS BY DEAL VOLUME

(2013 – 2022)



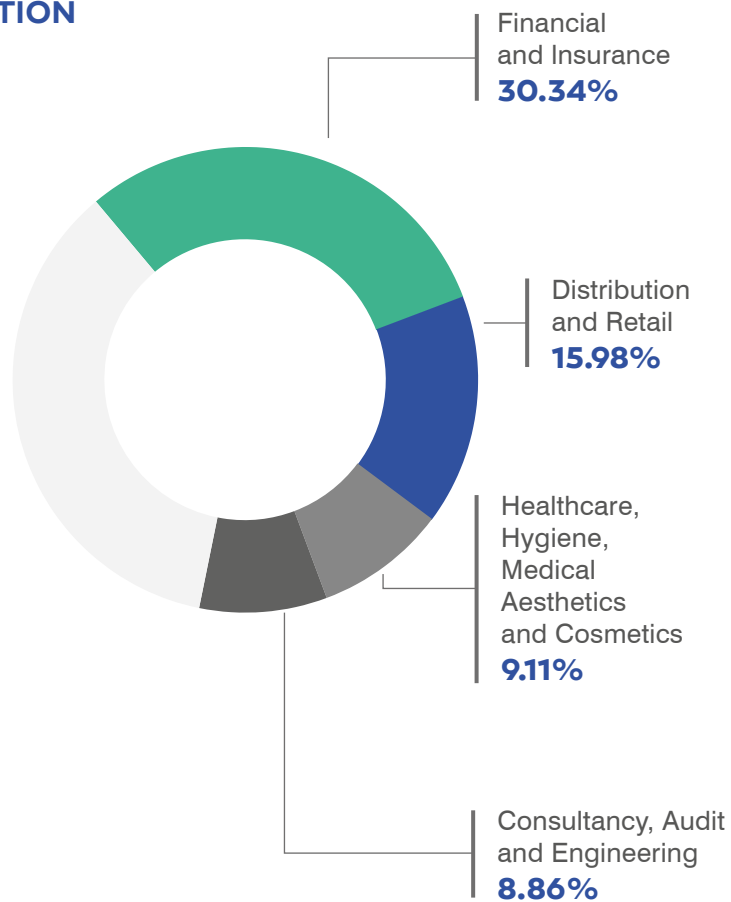
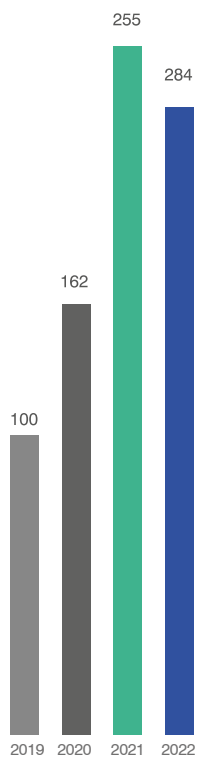
SERVICES AND DISTRIBUTION

Deal volume by year



SERVICES AND DISTRIBUTION

Deal volume
(2019 – 2022)



HOT Subsectors of the last 4 years

Largest VC deals

FINANCIAL AND INSURANCE

NUBANK

BRLm 3,770.81

DISTRIBUTION AND RETAIL

MADEIRA MADEIRA

BRLm 1,021.07

HEALTHCARE, HYGIENE, MEDICAL AESTHETICS AND COSMETICS

ALICE

BRLm 729.21

CONSULTANCY, AUDIT AND ENGINEERING

VTEX

BRLm 1,260.53

Average Annual Growth Rate (2013-2022)



AGGREGATE VALUE

last 10 years
+70%
last 4 years
+107%

DEAL VOLUME

last 10 years
+21%
last 4 years
+49%

How much have **foreign Venture Capital firms** invested in **Brazil-based Targets** — and from which countries do they come?

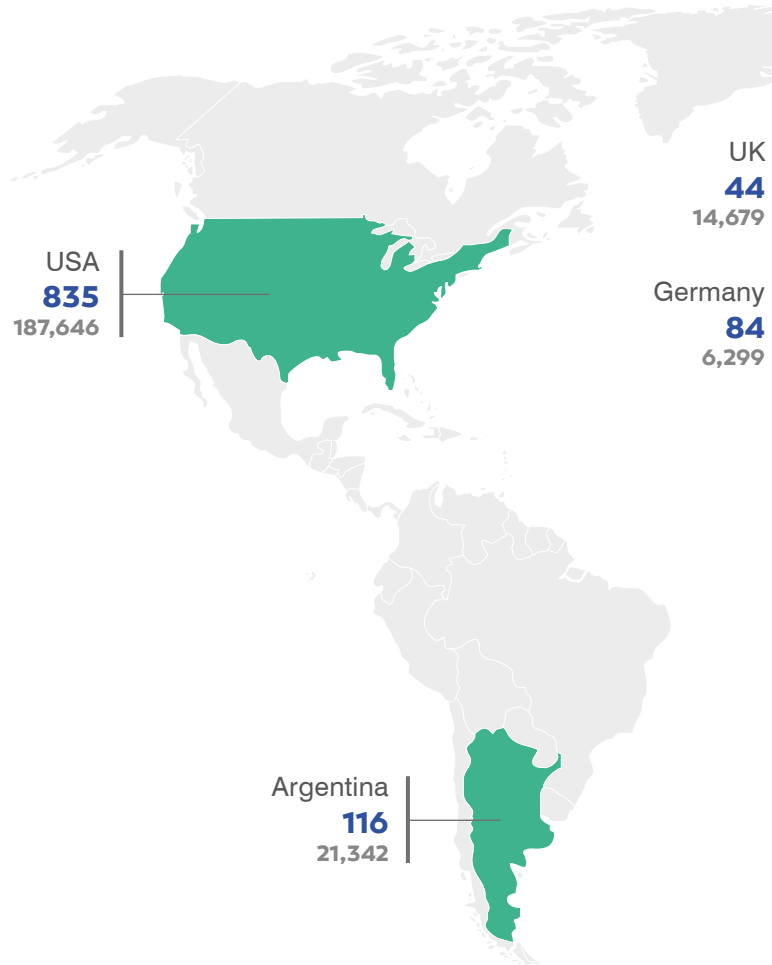
FOREIGN VENTURE CAPITAL INVESTMENT IN BRAZIL-BASED TARGETS

Inbound Cross-border investment

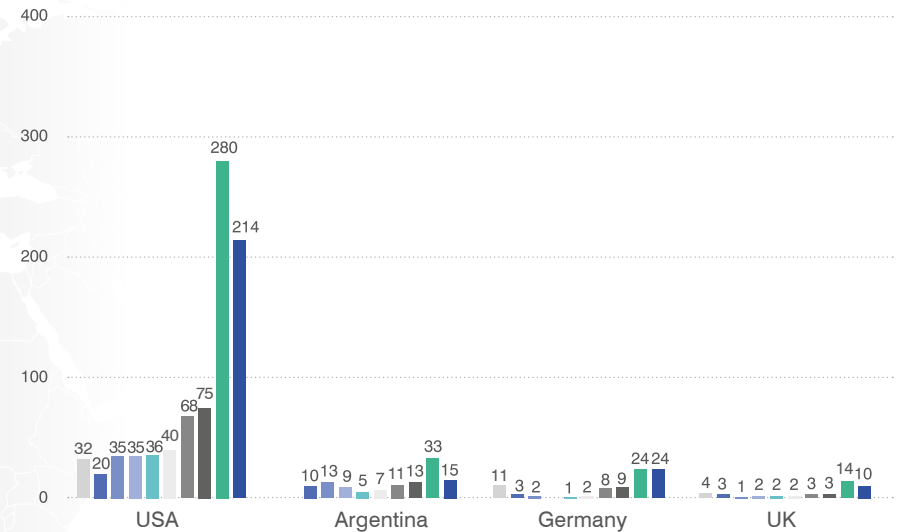


What were the top source markets for inbound Venture Capital investment over the past 10 years?

Deal Volume | Aggregate Value (BRLm)



DEAL VOLUME BY YEAR AND SOURCE MARKET (2013-2022)



US-BASED VC FIRMS INVESTING MOST IN BRAZIL-BASED TARGETS (2013-2022)

Deal Volume | Aggregate Value

VALOR CAPITAL GROUP

92 | 13,864.37 BRLm

TIGER GLOBAL MANAGEMENT

36 | 12,732.09 BRLm

RIBBIT CAPITAL

26 | 9,718.02 BRLm

How has **Corporate Venture Capital (CVC)** investment grown in Brazil over the past 10 years?

Average Annual **Growth Rate** (2013-2022)



AGGREGATE VALUE

last 10 years
+347%

last 4 years
+103%

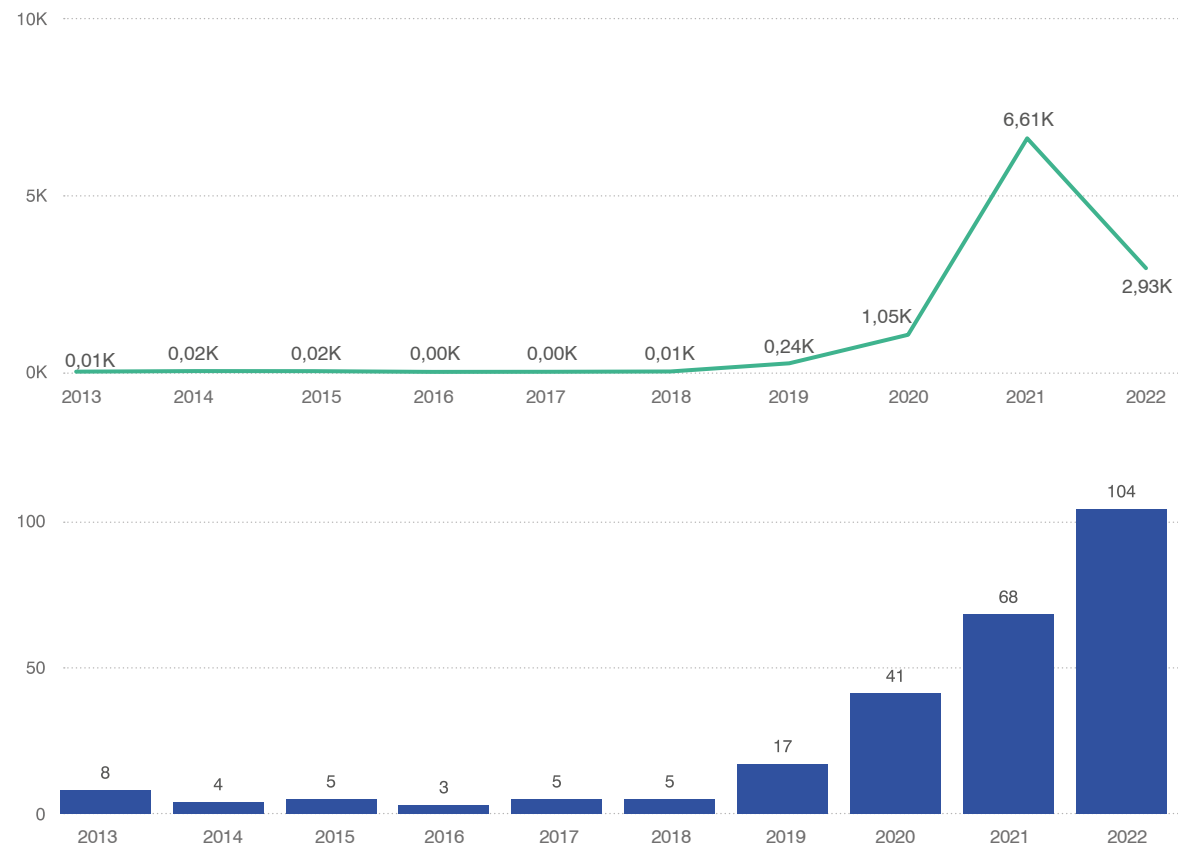
DEAL VOLUME

last 10 years
+56%

last 4 years
+100%

CORPORATE VENTURE CAPITAL INVESTMENT

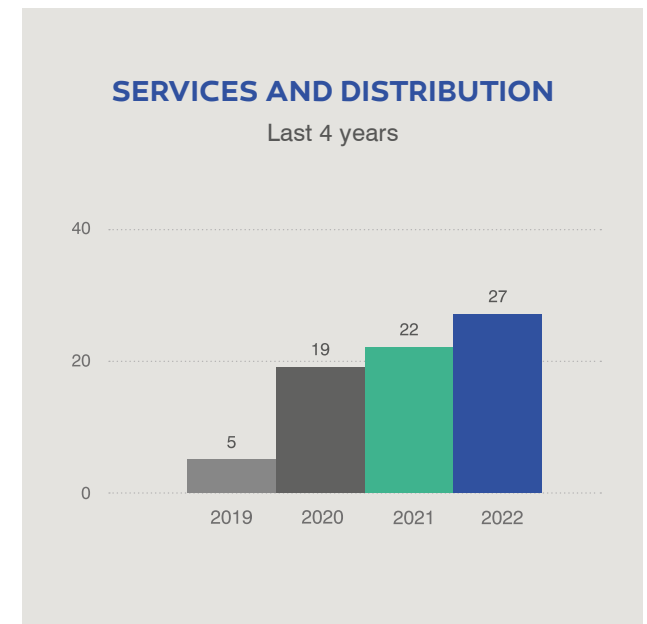
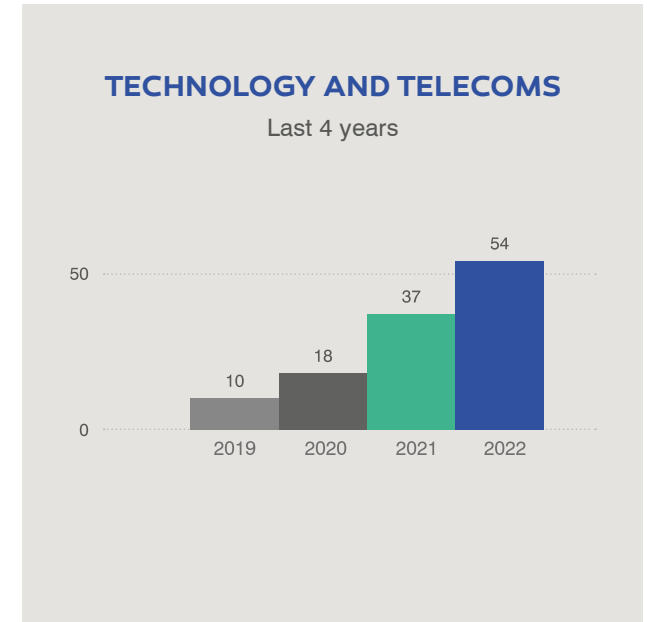
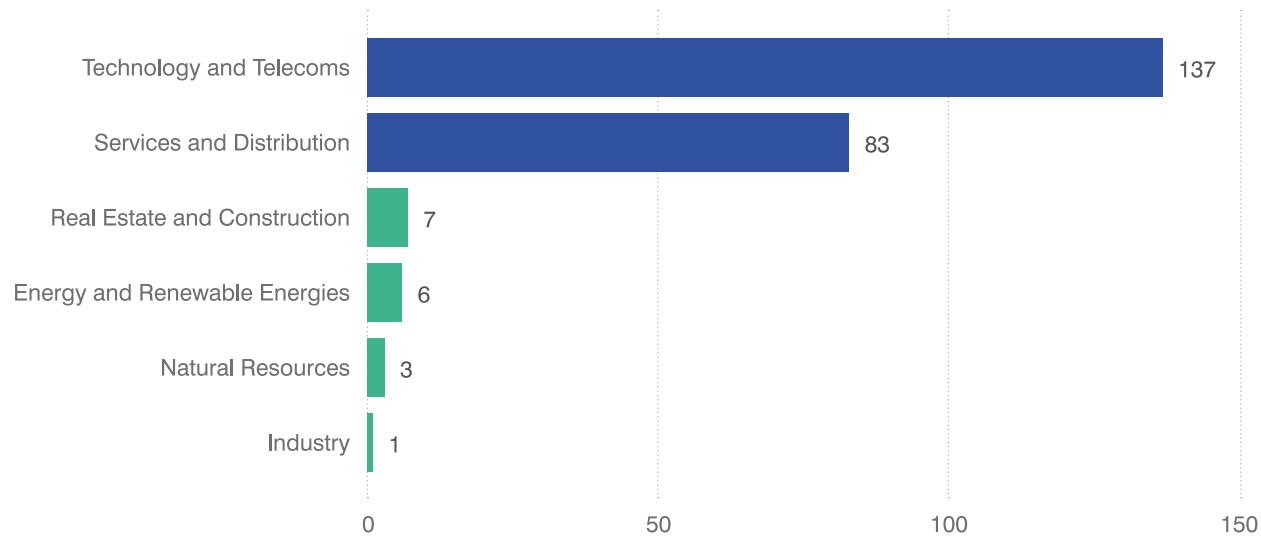
Deal Volume and Aggregate Value (BRLm) by year



Which Sectors Attracted the most CVC Investment over the past 10 years?

CORPORATE VENTURE CAPITAL INVESTMENT

Most Active Sectors by Deal Volume



Hot Subsectors of the last 4 years

Largest CVC Deals

INDUSTRY SPECIFIC SOFTWARE

BUSINESS, PRODUCTIVITY
& WORKFLOW SOFTWARE

TRACTION
BRLm 77.09

E-COMMERCE SOFTWARE

OLIST
BRLm 1,062.44

INTERNET, SOFTWARE AND IT SERVICES

FINANCIAL SOFTWARE

ZIPPI
BRLm 78.05

FINANCIAL AND INSURANCE

ALICE
BRLm 729.21

DISTRIBUTION AND RETAIL

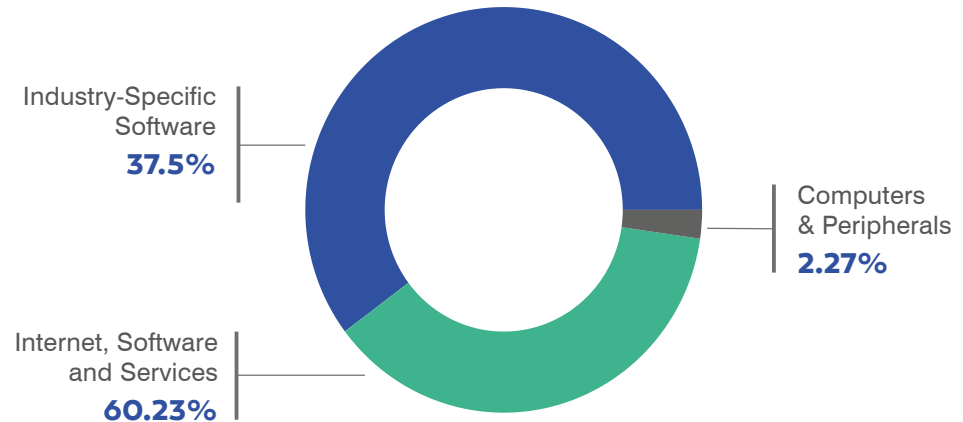
SMART BREAK
BRLm 36

TRANSPORT, AVIATION AND LOGISTIC

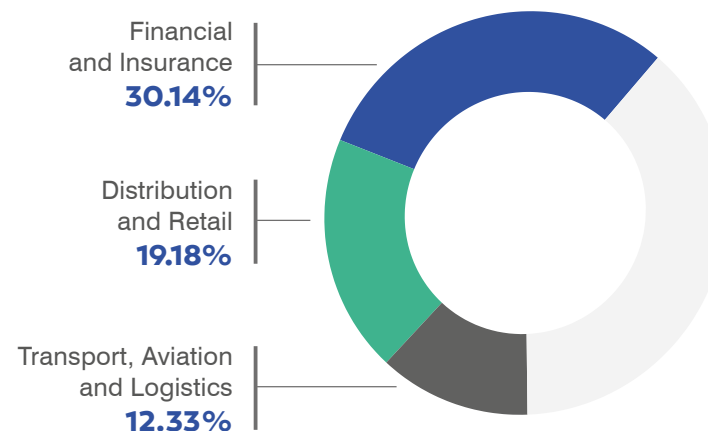
VOLTZ
BRLm 100

Which Sectors Attracted the most CVC Investment over the past 10 years?

TECHNOLOGY AND TELECOMS



SERVICES AND DISTRIBUTION



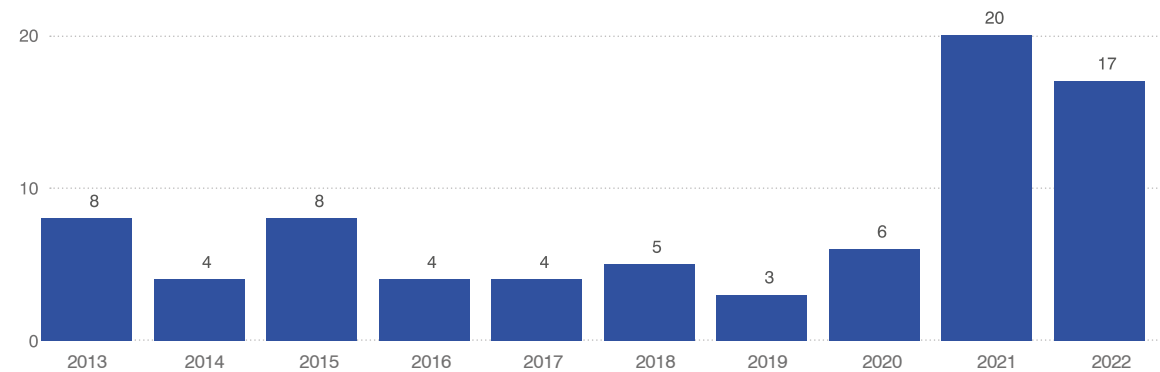
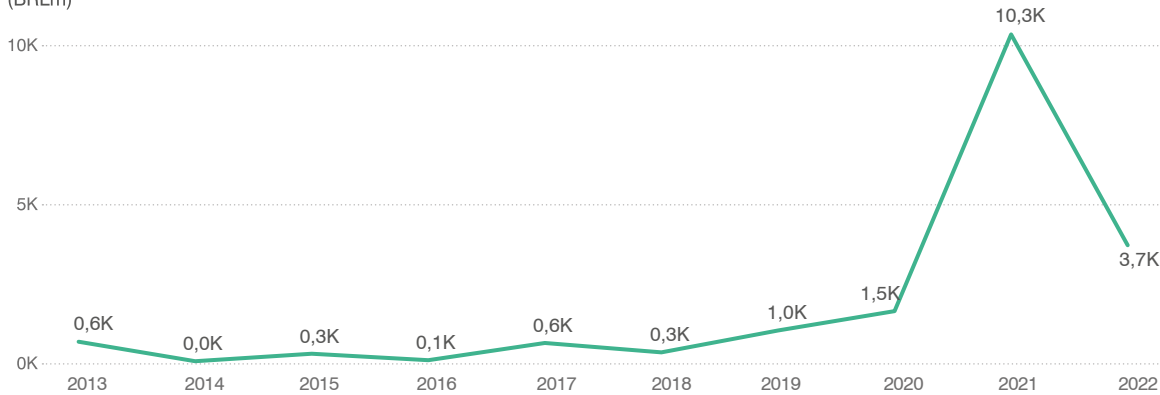
How much have foreign CVC funds invested in Brazil-based Targets?

BRAZIL – CORPORATE VENTURE CAPITAL

Inbound Cross-border CVC Acquisitions

(2013-2022)

(BRLm)



Average Annual Growth Rate (2013-2022)



DEAL VOLUME

last 10 years

+151%

last 4 years

+145%

AGGREGATE VALUE

last 10 years

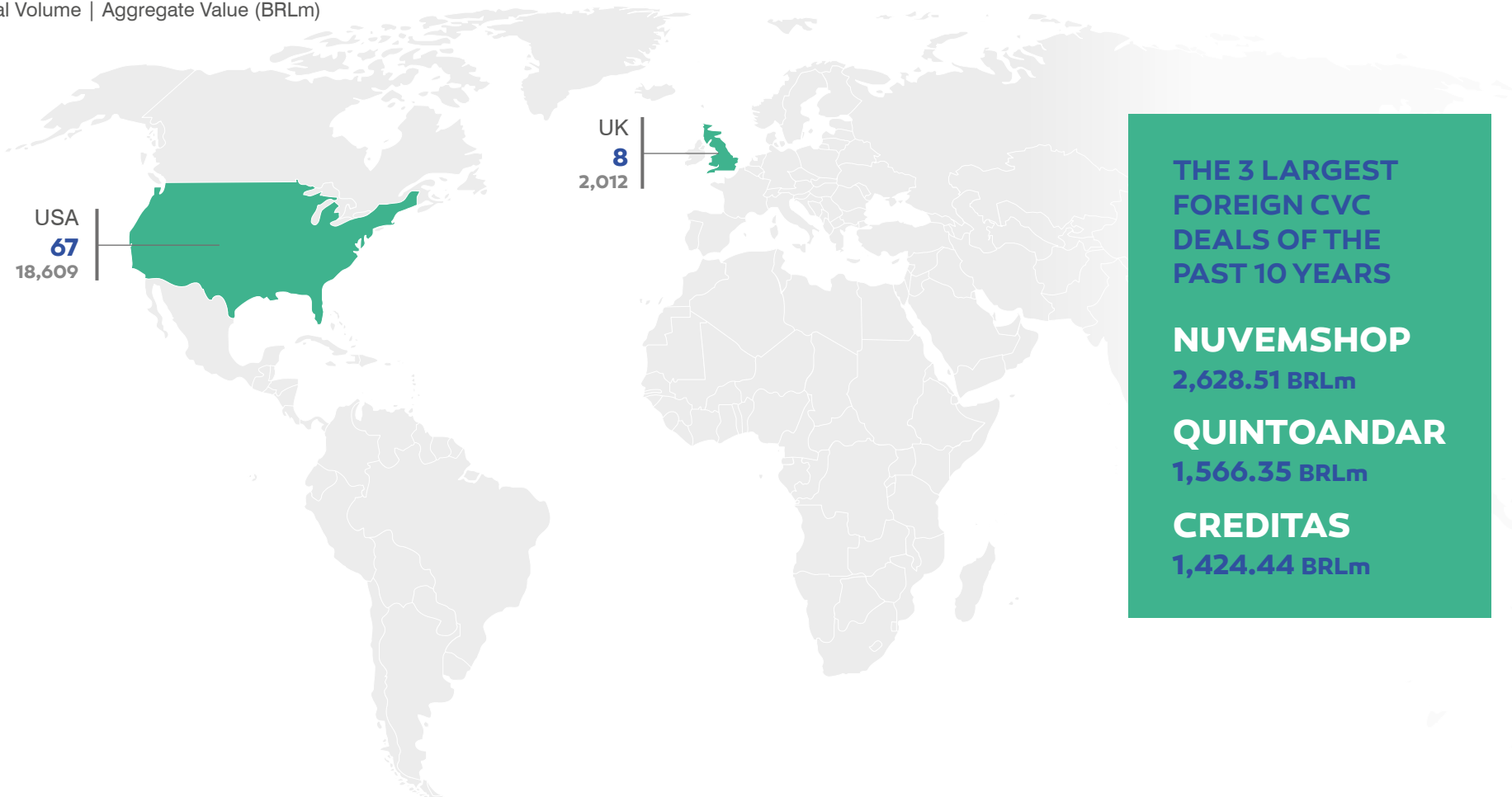
+34%

last 4 years

+61%

What were the **top source markets for inbound Corporate Venture Capital investment** over the past 10 years?

Deal Volume | Aggregate Value (BRLm)



SUSTAINING GROWTH OF CVC'S IN BRAZIL

Clarisse Cordeiro

Representing only 10% of the value of venture capital investments, corporate venture capital has grown substantially in our country

Corporate funds have evolved and many of them are completing their first investment cycles. There are two important learnings from this. The first one is to define and measure the strategic objectives of the CVC, without losing sight of the financial returns. It's important to connect specialists and business leaders in investment decisions and in the value creation phase. The second learning is to connect the CVC to the innovation strategy to have a qualified and consistent pipeline.

Challenges with startups, for example, can strengthen and expand the dealflow. Also, events in ecosystem can be useful for companies positioning and communicating their value proposition. M&A's can be an offshoot of successive investments. In other words, the CVC is not an island.

Technology, telecommunications and services sectors, leaders in corporate venture capital in Brazil, should continue to invest consistently in the coming years. Besides that, investments in energytechs and cleantechs should increase motivated by new diversification strategies and pressures for decarbonization. The maturity of startup ecosystem as well as the enhancement of governance models for investments are fundamental for sustaining growth of CVC's in Brazil.



CLARISSE CORDEIRO
Innovation & Ventures Partner

Clarisse is Partner at Deloitte Ventures and an expert in corporate innovation, corporate venture, open innovation and new business. She supports her clients – growth focused, innovative technology businesses and larger companies – in building their own business structures to harness external and internal innovation. Clarisse sits on several innovation committees, act as a professor at FDC and has published in books and conferences. She recently co-founded Metalab, an innovation laboratory in USP focused on emerging technologies.



PRISCILA BROLIO GONÇALVES

(PhD, 2008, University of São Paulo),
MARIANA VILLELA (PhD, 2012, University of
São Paulo) and **CAMILA PIRES DA ROCHA**
(Master of Laws, 2022, University of São
Paulo) are partners and associate at BGA

ANTITRUST CHALLENGES IN VENTURE CAPITAL

**Priscila Brolio Gonçalves, Mariana Villela
and Camila Pires da Rocha**

From 2017 to 2021, the amount of venture capital transactions in Brazil surged impressive 383% (Source: TTR). Not by chance, discussions regarding this type of investment became a hot topic addressed in papers and conferences.

Just as M&A, venture capital transactions require pre closing notification to the Brazilian Antitrust Authority (CADE) when at least two involved economic groups meet the financial thresholds in Brazil, currently established at BRL 750MM and 75MM. Even after a decade of enforcement of the premerger system, preventing the closing ahead of antitrust clearance, the identification of the economic groups is not a trivial task.

Beyond the usual discussions related to control, fueled by innovations in corporate governance and management models, it has been particularly challenging to adequately apply the existing regulation to venture capital. That is because such transactions, in general, involve multiple agents, playing different roles,

whose obligations and responsibilities are intrinsically related. In some cases, CADE seems to regard as irrelevant the fact that venture capital consists of a bundle of codependent investments and there is not a solid interpretation of which groups should be deemed as direct participants of a particular VC transaction. Despite the rapid increase of this kind of investment, CADE still has not a definite standing concerning these structures, and there is uncertainty not only regarding the assessment of the necessity of a premerger notification but also with respect to the way such transactions will be examined once submitted to CADE.

On top of that there are other aspects that add complexity to the antitrust assessment, even in fast-track proceedings, such as the exchange of sensitive information before the closing (during due diligences or after the signing), and the limits to non-compete and non-solicitation clauses.

Another important topic refers to cross-ownership and interlocking directorates, particularly when targets compete in the same economic sectors. These matters are getting a lot of attention from USA antitrust authorities, a trend that is likely to be replicated in Brazil, where CADE has a historical concern towards them, especially when private equity funds are involved. To sum up, venture capital transactions require a meticulous antitrust assessment, to avoid turning them from relevant drivers of economic growth, with an essential role in the development of startups into a considerably less appealing instrument due to completely avoidable obstacles and delays.



SCALE-UP AND CONSOLIDATION

02

Middle-Market M&A and Private Equity

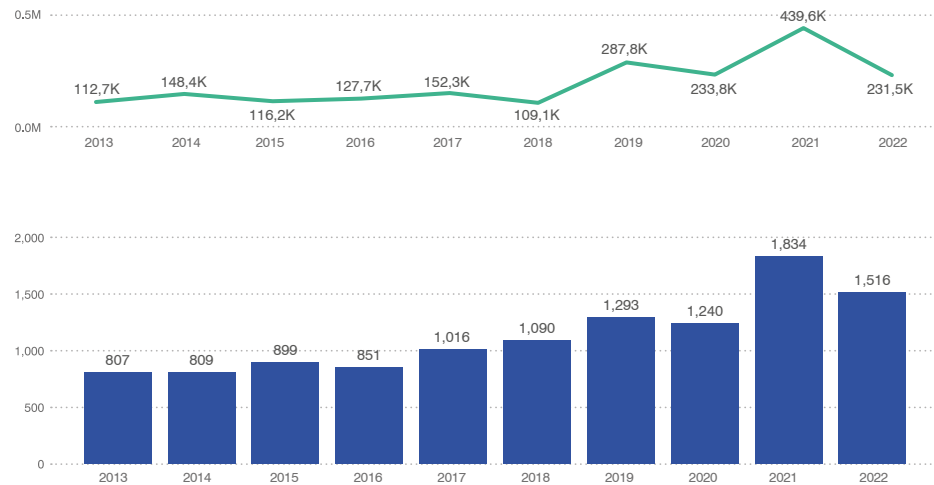
MIDDLE-MARKET M&A AND PRIVATE EQUITY

How has **M&A Targeting Brazil-based target companies** evolved in the **Middle-Market** over the past 10 years?

DEAL VOLUME AND AGGREGATE VALUE OF MIDDLE-MARKET M&A

(2013-2022)

(BRLm)



Average Annual
Growth Rate
(2013-2022)



DEAL VOLUME

last 10 years
9%
last 4 years
10%

AGGREGATE VALUE

last 10 years
24%
last 4 years
31%

Private Equity

How has **Private Equity investment in Brazil-based target companies** evolved over the past 10 years?

BRAZIL - PRIVATE EQUITY INVESTMENT

Deal Volume and Aggregate Value (BRLm)



Average Annual
Growth Rate
(2013-2022)



DEAL VOLUME

last 10 years
-2%
last 4 years
-4%

AGGREGATE VALUE

last 10 years
42%
last 4 years
12%

ASSESSING ESG WITHIN AN M&A TRANSACTION

Denise Saboya

The spectrum of ESG factors' impact varies from compliance risk mitigation through gender and ethnic diversity, to new business model opportunities

The ESG diligence 'exercise' should start by the evaluation and understanding of the business's operations and value chain (both upstream and downstream) to identify potentially material ESG risks. Once the context and activities associated with the business's value chain are understood, it is possible to define the material issues and set a strategy to assess performance against these issues.

Effective diligence, evaluation, and management of ESG considerations within a transaction can help mitigate risks, improve financial performance, and accelerate growth. However, determining the impact of ESG factors on a target company is not straightforward. Some of the challenges in the context of an M&A transaction are explained by lack of awareness at the board level; lack of data and poor data quality; difficulties on the quantification of risks and opportunities; lack of integration of ESG objectives in the business; and greenwashing/unrealistic target setting.



DENISE SABOYA

Director at Deloitte Brazil responsible for ESG and Sustainable Finance solutions with focus on ESG Value Due Diligences, Carbon Credits projects and Impact Investments (green bonds, social bonds, sustainability-linked bonds).

She is an accountant with Master's Degree in Business Administration, major in Corporate Finance, at University of Dallas, Texas, US and specialization on Environmental Engineering at UNICAMP. She is also the Sustainability Executive Director at ANEFAC - Association of Executives in Finance, Mgmt. and Accounting.

Denise has more than 20 years of professional experience in ESG and Sustainability Assurance and Consulting, most in Big4 Firms, leading multidisciplinary teams on sustainability projects in Brazil, Chile, Peru, Mexico, United States of America and Canada. On her former job, Denise was on a secondment in US for 5 years working on sustainability projects.

ESG diligence typically follows the steps below:

- Gathering and reviewing information available
- Assessing the maturity and effectiveness of the target's ESG management
- Benchmarking performance against peers and stakeholder expectations
- Assessing the positive contribution of a business to the SDGs (Sustainable Development Goals from United Nations)
- Quantifying value of ESG

The spectrum of ESG factors' impact varies from compliance risk mitigation through gender and ethnic diversity, to new business model opportunities. Other ESG factors can be blended into profit margin or growth, or customer

loyalty and retention and their identification and quantification depend on the existence of data points and benchmarks. As data availability improves and value becomes more explicitly linked to EBITDA performance and valuation multiples, it is possible to identify the financial lever which ESG could impact, and through analysis or proxies to estimate the quantum of such impact.

To date, as the ESG agenda gains increasing focus and momentum, there appears to be slightly more emphasis on the "E" and/or the "S". And yet the "G" is just as important in terms of corporate social responsibility and overall commercial strategy. Governance issues go to the heart of an organization. Non-compliance and related misconduct issues regarding governance areas can be indicators of the culture and mindset of a company and its leadership. This can impact brand, reputation and value. Crucially, it can affect whether a buyer, employee, stakeholder, or wider society regards a company as a responsible corporate citizen.

ESG and responsible investment considerations are profoundly reshaping business models. The companies at the leading edge of this change are already on their way to securing purpose-d.

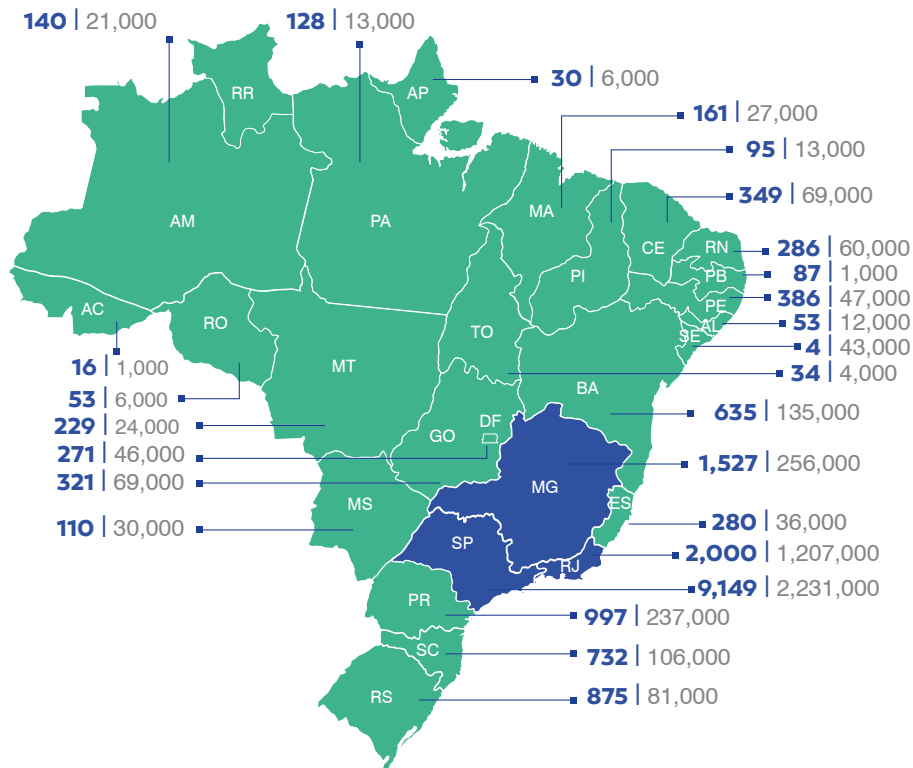
MIDDLE-MARKET M&A AND PRIVATE EQUITY

How has **total deal volume** and **aggregate value of Middle-Market target companies** been distributed across Brazil over the past 10 years?

MIDDLE MARKET M&A BY TARGET'S HOME STATE

(2013-2022)

Deal Volume | Aggregate Value (BRLm)

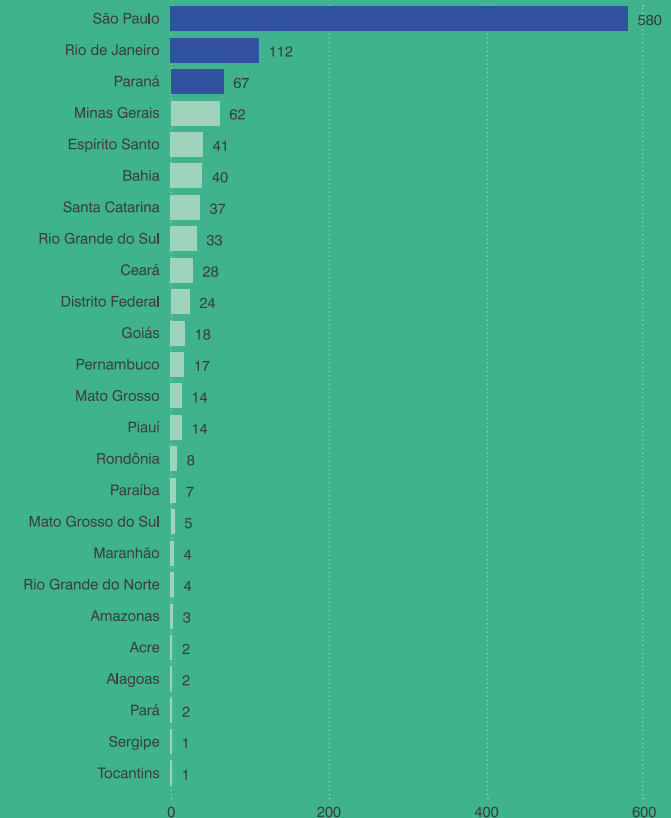


Private Equity

How has **total deal volume** and **aggregate value of Private Equity investment** been distributed across Brazil over the past 10 years?

BRAZIL – PRIVATE EQUITY INVESTMENT

Volume by Target's home State

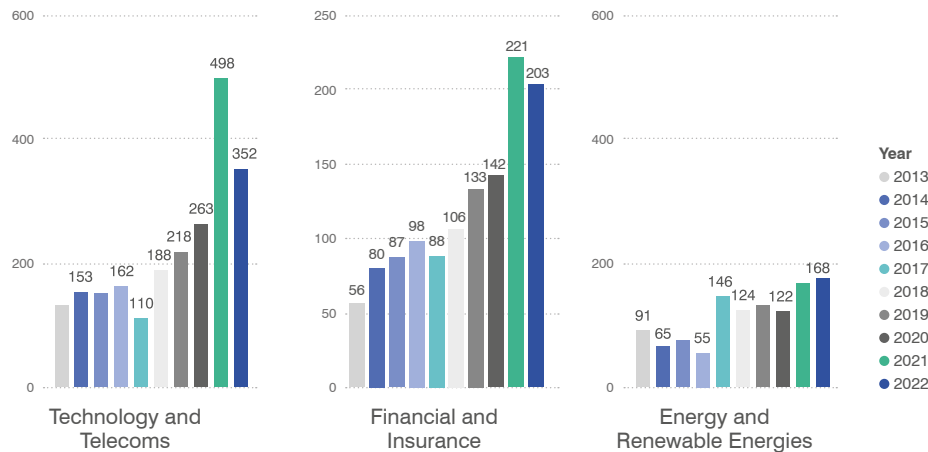


MIDDLE-MARKET M&A AND PRIVATE EQUITY

Which were the **most active Sectors for Middle-Market M&A** in Brazil over the past 10 years?

TOP SECTORS BY MIDDLE MARKET M&A DEAL VOLUME

Deal Volume by year



The Two Largest Deals in the Top 3 Sectors

TECHNOLOGY AND TELECOMS

SYNTONIC BRASIL
TECNOLOGIA,
SYNTONIC US,
SYNTONIC WIRELESS
BRLm 6,750.48

SEMANTIX
BRLm 5,555.92

FINANCIAL AND INSURANCE

HSBC SERVIÇOS, HSBC
BANK BRASIL
BRLm 16,000

CLAVE CAPITAL
BRLm 3,698.99

ENERGY AND RENEWABLE ENERGIES

CAMPO DE BÚZIOS
BRLm 68,194

TAG -
TRANSPORTADORA
ASSOCIADA DE GÁS
BRLm 31,590

Private Equity

Which were the **most active Sectors for Private Equity investments** in Brazil over the past 10 years?

BRAZIL – TOP SECTORS BY PRIVATE EQUITY DEAL VOLUME

Deal Volume by year



The Two Largest Deals in the Top 3 Sectors

HEALTHCARE, HYGIENE AND COSMETICS

REDE D'OR SÃO LUIZ
BRLm 1,750

INTERODONTO, NOTRE
DAME INTERMÉDICA
SAÚDE, NOTRE DAME
SEGURADORA
BRLm 1,500

DISTRIBUTION AND RETAIL

B2W COMPANHIA
DIGITAL
BRLm 2,380

WALMART BRASIL
BRLm 1,900

FINANCIAL AND INSURANCE

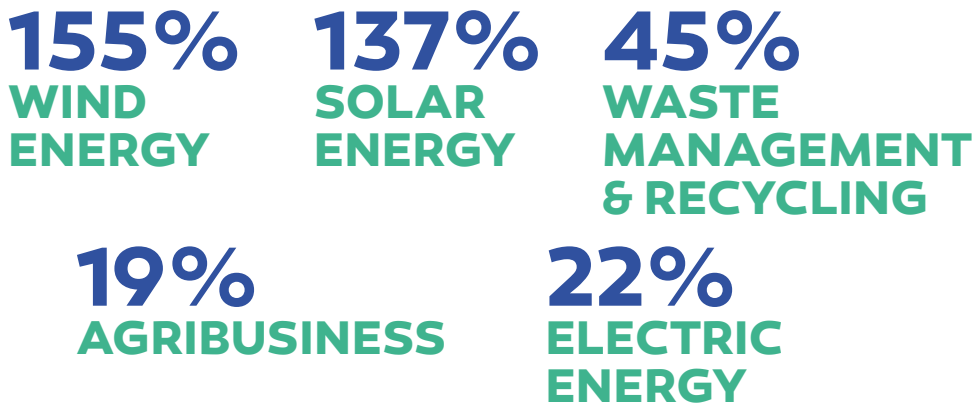
EBANX
BRLm 2,188.91

XP
BRLm 509.49

MIDDLE-MARKET M&A AND PRIVATE EQUITY

Which **Sectors** had the **highest annual growth rate in deal volume** over the past 10 years?

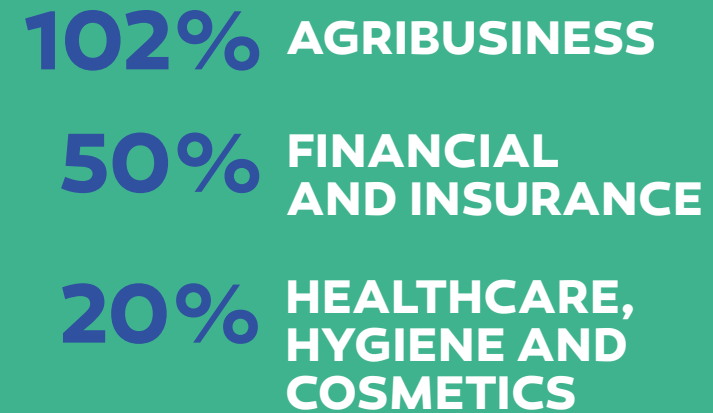
ANNUAL AVERAGE GROWTH IN TOP SECTORS



Target Name Value	
WIND ENERGY COMPLEXO EÓLICO VILAS BRLm 1086.90	ELECTRIC ENERGY CEBARRA, CELSE - CENTRÁIS ELÉTRICAS DE SERGIPE, CELSEPAR BRLm 6,100
SOLAR ENERGY GUAIMBÊ SOLAR HOLDING BRLm 885	AGRIBUSINESS FASA BRLm 2,800
WASTE MANAGEMENT & RECYCLING UPI ATERROS BRLm 516	

Private Equity

Which **Sectors** had the **highest annual growth rate in Private Equity deal volume** over the past 10 years?



Target Name Value		
AGRIBUSINESS CULTIVAR AGRÍCOLA BRLm 71.50	FINANCIAL AND INSURANCE EBANX BRLm 2,188.91	HEALTHCARE, HYGIENE AND COSMETICS APORTE NUTRICIONAL, FAMAP, HOSPSHOP, LIFE PHARMA, PHD PRODUTOS BRLm 365.50

DEALMAKER Q&A

with **João Rabelo**

1 | **What were the leading drivers of consolidation in Brazil over the past decade in the sectors with most transactional activity, and what forces will propel M&A in the decade ahead?**

Health and education have, along with financial services, led consolidation plays over the past decade. But while the later has been significantly driven by the necessity to incorporate new technologies and service offers (with the rise of so many fintechs), health and education M&A have followed more traditional reasons (i.e.: top line and cost synergies, access to new geographies, etc.).

Ahead of us I believe ESG (driven by decarbonization needs), digital transformation (impacted by the democratization of AI) and 5G will remain as the most common underlying drivers for M&A in general along with the traditional consolidation drivers.

2 | **Private equity investment grew steadily from the bottom of the cycle in 2015 to a 10-year high in 2020, followed by a sharp decline in both deal volume and aggregate value since. In 2022, private equity deal volume hit a 10-year low, while aggregate deal value hovered above 2019 levels. Why are fewer good buys becoming more expensive, and where are the countercyclical opportunities today?**

I'd argue a case that perhaps it's not necessarily about fewer and more expensive good buys, but rather a shift in market competition amongst capital offer towards potential sellers.



JOÃO RABELO

Lead Partner of the Brazilian M&A practice in Financial Advisory.

With over 17 years of buy-side/sell-side due diligence and audit experience with Deloitte, he has coordinated over 400 projects.

During this period, he has been serving a wide array of private equity and strategic investors in financial and accounting due diligences, focusing on consumer business, health care, manufacturing and technology.

Prior to joining the M&A TS team, João worked in the audit practice in projects of financial statement audits in compliance with BR GAAP, CVM (Brazilian Securities and Exchange Commission), International Financial Reporting Standards (IFRS) and BACEN (Brazilian Central Bank).

Over the past decade, a combination of multiple IPO's, inbound M&A and the proliferation of M&A boutiques brought the presence of Corporate Acquirers (both domestic and cross boarder) to a whole different level. The past dynamic in which PE's would come-in earlier, help companies improve governance and create value and later Corporate Acquires would step-in (if an IPO wasn't a better route), is certainly less prevailing.

Ten years ago, every PE would have a greater mix of deals being negotiated under exclusivity, most of them directly with founders (without interference from financial advisors), which increased rates of successfully negotiating good terms. Today this scenario has changed and PEs are not running the tracks as alone as before, facing strong competition from Corporate Acquirers and not so long ago, dual track to IPO strategies.

But as we face a countercyclical scenario driven by deterioration of the macroeconomic environment across the board, private equity may face once again a window of opportunity to serve as a better capital alternative for companies facing overleverage (as IPO's are not an option for the moment and selling to Corporate Acquires likely results in leaving value on the table). Private equity may also take benefit of the undervalued moment certain public companies may be experiencing and negotiate minority stakes or public to private deals. Lastly, as companies also faces unfavorable macro dynamics, they will in general need to increase efficiency, focus on core and create value, all things PE's are commonly known for to drive across their portfolio.

3

Public listings have historically created a lot of fire power for M&A transactions in Brazil, but the IPO market completely collapsed in 2022 after a listing frenzy the previous year. What financing alternatives are companies pursuing to scale their operations and fund acquisitions, and what will it take for Brazil's equity capital market to attract new issuers again?

Other than improving it's own operational cash generation as a source to finance growth/investment plans, companies are once again seeing private equity as better alternative to debt and the lack of IPO viability. Less common in Brazil, the use of SPAC's could also serve companies that meet certain requirements.

4

What accounts for such steady and resilient growth in M&A deal volume among medium size privately held companies in Brazil over the past 10 years, notwithstanding the volatility in the macroeconomic and political arenas that has led to such swings in capital markets transactions?

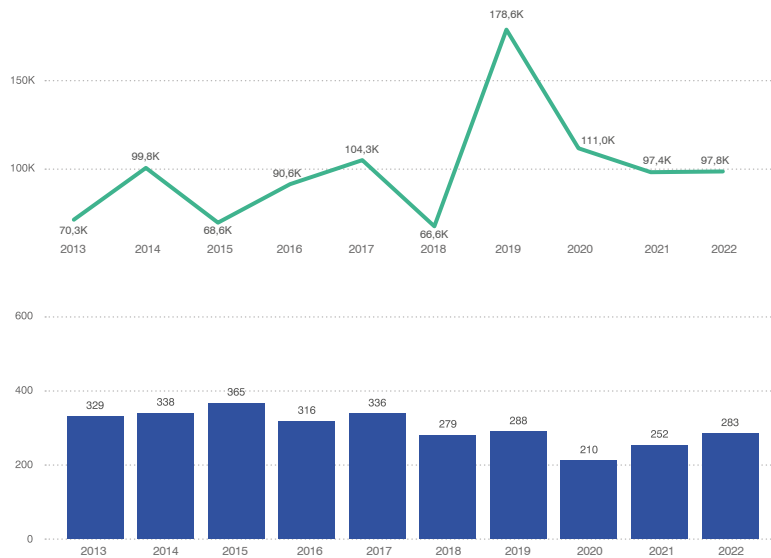
Brazil is largely known for its dependency on small- and medium-sized entities, which goes from social-economical factors (i.e.: employment) up to M&A activity. Despite an increasing presence of what we could call "mega-deals" for Brazilian standards, there are just not enough factors present to change this dynamic (i.e.: the presence of a robust and populated public company market) and only sustainable economic growth may slightly change the scale.

MIDDLE-MARKET M&A AND PRIVATE EQUITY

How much have foreign buyers invested in Brazil-based Targets, over the past 10 years?

MIDDLE MARKET BRAZIL INBOUND CROSS-BORDER TRANSACTIONS

Deal Volume and Aggregate Value (BRLm)



Average Annual
Growth Rate
(2013-2022)



DEAL VOLUME

last 10 years

-1%

last 4 years

-2%

AGGREGATE VALUE

last 10 years

+16%

last 4 years

+16%

Private Equity

How much have foreign Private Equity firms invested in Brazil-based Targets, over the past 10 years?

BRAZIL – PRIVATE EQUITY CROSS-BORDER INBOUND ACQUISITIONS

Deal Volume and Aggregate Value (BRLm)



Average Annual
Growth Rate
(2013-2022)



DEAL VOLUME

last 10 years

+89%

last 4 years

+150%

AGGREGATE VALUE

last 10 years

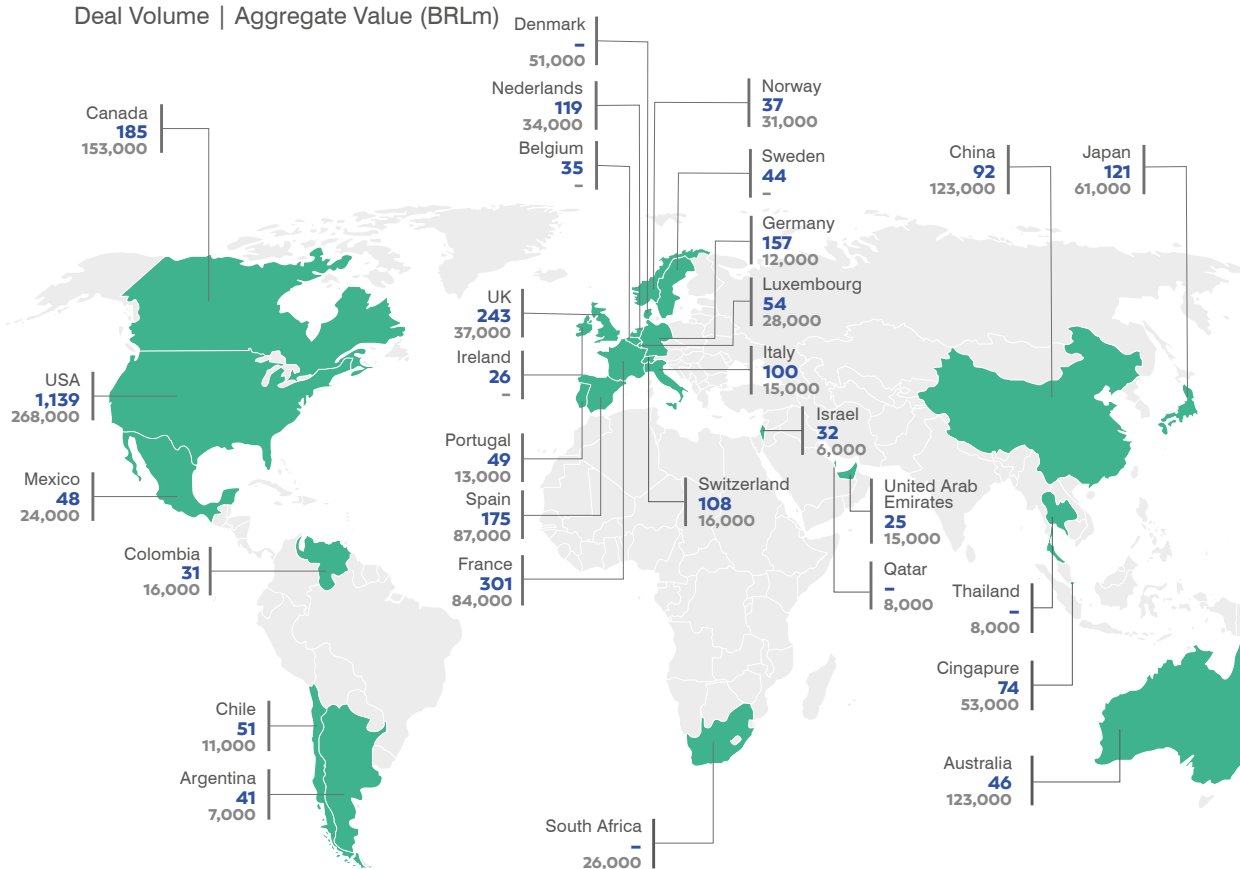
+185%

last 4 years

+330%

MIDDLE-MARKET M&A AND PRIVATE EQUITY

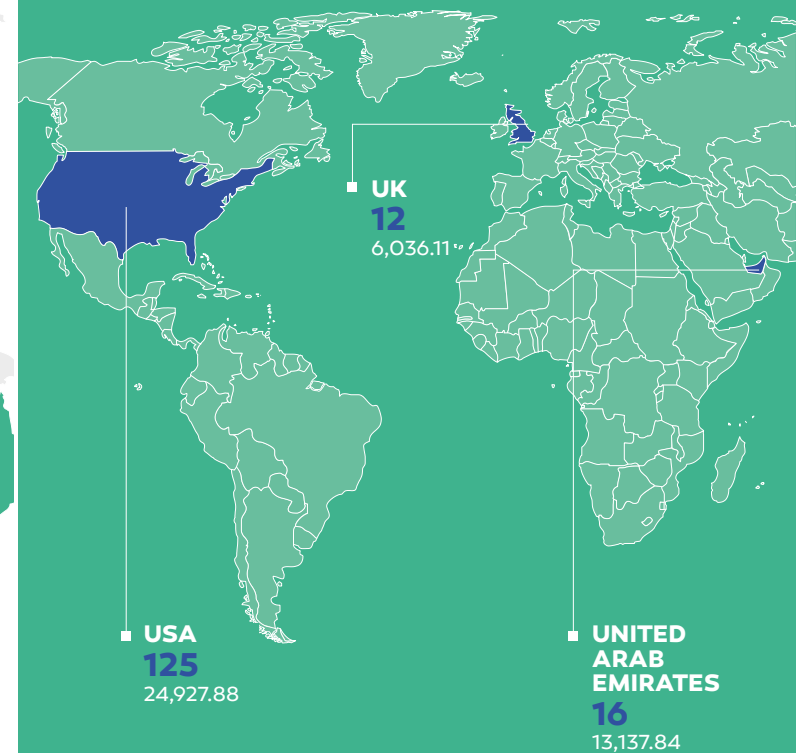
What were the **top source markets of foreign investment in Middle-Market M&A** over the past 10 years?



Private Equity

What were the **top source markets of foreign Private Equity investment** over the past 10 years?

Deal Volume | Aggregate Value (BRLm)



MIDDLE-MARKET M&A AND PRIVATE EQUITY

Top 15 source markets of inbound middle-market M&A of the past 10 years by Deal Volume

	Deal Volume
1 USA	1,139
2 FRANCE	301
3 UK	243
4 CANADA	185
5 SPAIN	175
6 GERMANY	157
7 JAPAN	121
8 NEDERLANDS	119
9 CHINA	108
10 ITALY	23
11 SWITZERLAND	22
12 SINGAPORE	21
13 LUXEMBOURG	21
14 CHILE	21
15 PORTUGAL	20

THE LARGEST DEAL FROM EACH OF THE TOP 3 SOURCE MARKETS OF THE PAST 10 YEARS

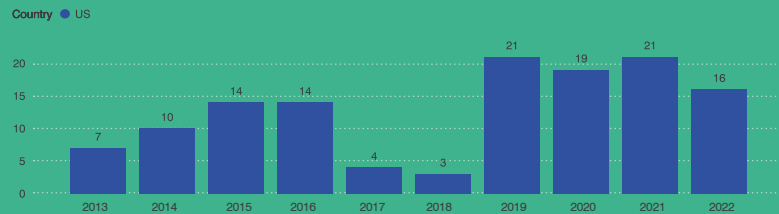
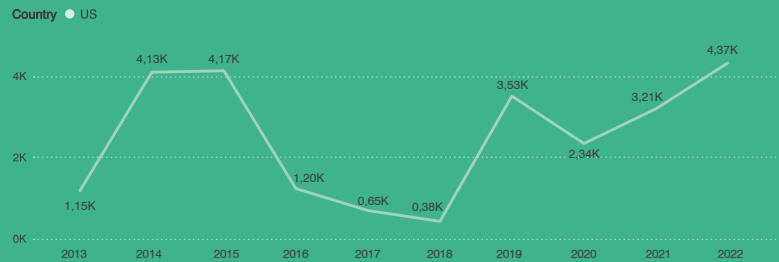
1	USA	BRLm
	■ Golar Power, Hygo Energy Transition	12,906.80
2	France	
	■ Campo de Lapa, Concessão Petrolífera de Iara, Usina Térmica Celso Furtado, Usina Térmica Rômulo de Almeida	7,112.60
3	United Kingdom	
	■ Polo Enchova, Polo Pampo	5,693.46

Private Equity

How much have **US-based Private Equity firms** invested in Brazil over the past 10 years?

BRAZIL – PRIVATE EQUITY INVESTMENTS CROSS-BORDER INBOUND ACQUISITIONS – US-BASED PRIVATE EQUITY

Deal Volume | Aggregate Value (BRLm)



Average Annual
Growth Rate
(2013-2022)

DEAL VOLUME

last 10 years

+63%

last 4 years

+110%

AGGREGATE VALUE

last 10 years

+108%

last 4 years

+165%

TOP 5 US-BASED PRIVATE EQUITY FIRMS INVESTING IN BRAZIL

(2013-2022)

Deal Volume | Aggregate Value (BRLm)

HIG CAPITAL

37 | 3,460

ADVENT INTERNATIONAL

36 | 602

WARBURG PINCUS

14 | 5,929

GENERAL ATLANTIC

10 | 3,381

CARLYLE (GLOBAL)

10 | 1,064

ESG IN DEALS AND INVESTMENTS

Julia Freitas

Environmental, Social and Governance provides relevant insights either opportunities or risks to companies' valuation

The role that Environmental, Social, and Governance (ESG) plays across the mergers and acquisitions (M&A) lifecycle has increased in the past ten years.

In a survey¹ conducted by Deloitte Global and Forbes Insights on the impact of sustainability efforts of 350 executives from the Americas, Asia and Europe, more than half of respondents indicated a positive impact on revenue growth and overall corporate performance, since these issues are intrinsically linked. It revealed that 48% of respondents reported increased customer satisfaction, while 38% indicated that embracing strong ESG values enhanced their ability to attract and retain talent.

Companies that provide a positive environmental or social impact through their operations can tap into the vast tranches of capital looking for ESG-positive assets and are more likely to demand a premium on their value.

¹ Deloitte, Climate check: Business' views on environmental sustainability, April 2020



JULIA FREITAS

ESG Senior Manager in M&A Transaction Services Group at Deloitte, emphasizes the relevance of Environmental, Social and Governance across M&A operations

She has been acting as a consultant for the private sector for more than 10 years, with special focus in supporting private equity firms and industries. Julia is specialist in sustainability and ESG with solid background in environmental and social aspects. As a consultant for private equity firms, she served companies in different ESG maturity level, allowing her to sophisticate her experience and enhance her knowledge in environmental and social assessment and financial reporting standards, including a short-term secondment on a former employer in USA. Currently, Julia is responsible for ESG and Sustainable Finance solutions in Financial Advisory with focus on ESG Value Due Diligences, Carbon Market and Impact Investments.

Julia has a major in Environmental Engineering with a Professional Master Degree in Biodiversity Conservation and Sustainable Development. She has attended to international courses in the matters of sustainability and related subjects, such as the International Program on the Management of Sustainability (IPMS) provided by TIAS School for Business and Society and the Behavioral Economics by Chicago Booth School of Business of the University of Chicago.

ESG conscious has been growing rapidly in the new generations. It is worth to consider that those people will be most of the workforce in ten years and are coming with new mindset that strongly considers ESG on their decision-making process related to lifestyle and business point of view.

A business's M&A response to ESG trends will largely depend on a) the level of impact ESG has, or is expected to have, on the business model, and b) the ability of the business to actively respond using M&A. These parameters demonstrate a set of defensive and offensive deal archetypes that are required to build resilient business models, accelerate transformation, unlock the potential of ecosystem alliances, and capture market leadership. Defensive and offensive M&A strategies are typically applicable to corporate M&A and resulting acquisitions or disposals can be described as "ESG Motivated" transactions.

There are implications at the various stages of strategy development through to resulting M&A and its execution.

There have also been instances where deals have been abandoned because of ESG issues: a 2021 report indicates that 60% of survey respondents have walked away from an investment due to a negative assessment on ESG issues of a potential target, therefore, there is little conceivable way businesses can build a stable long-term future without ESG embedded throughout strategic processes, including their favored M&A growth engine.

Undoubtedly, ESG provides relevant insights either opportunities or risks to companies' valuation. Consequently, it is mandatory to include the ESG aspects assessments in the M&A lifecycle to support the success of the transactions.



IPO-READY

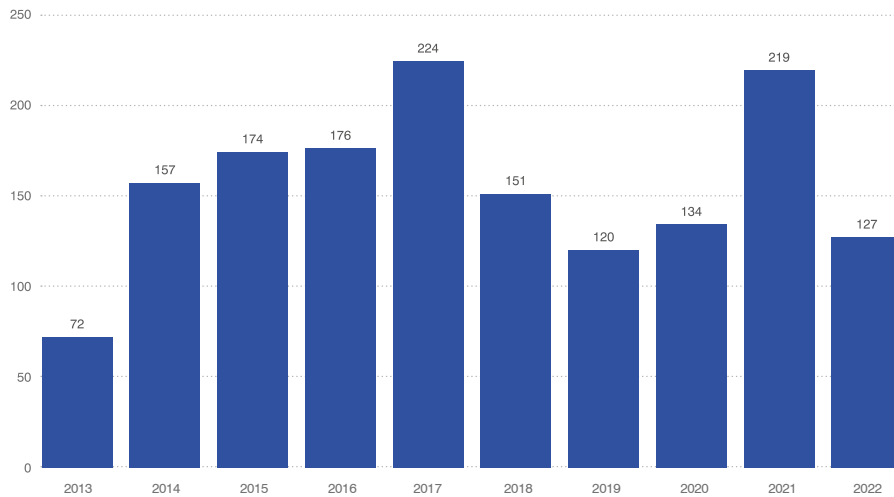
ECM-related M&A

03

RADAR: How many companies disclosed intentions to list, or were rumored to be planning an IPO?

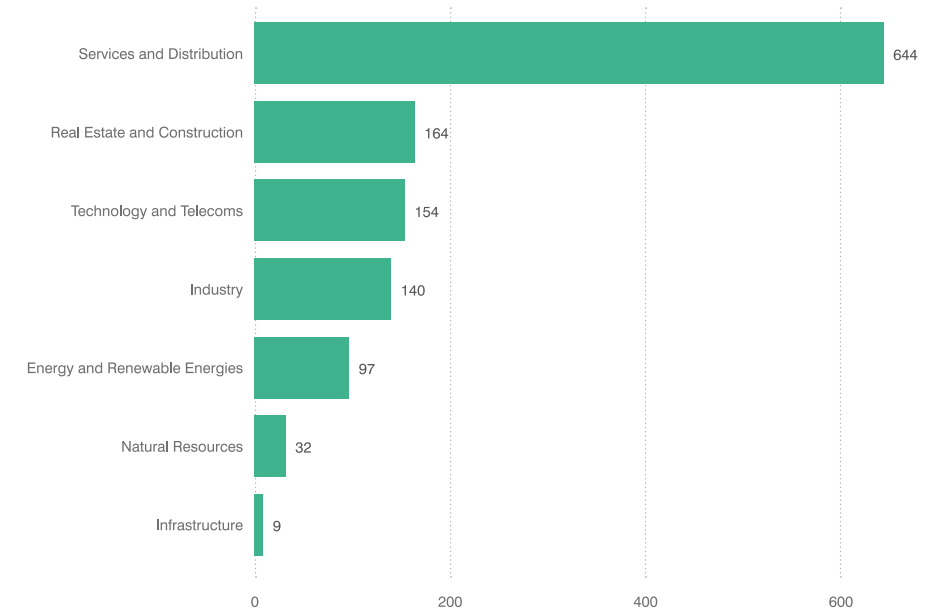
NUMBER OF COMPANIES CONFIRMED OR RUMORED TO BE PLANNING AN IPO

(2013-2022)



NUMBER OF COMPANIES CONFIRMED OR RUMORED TO BE PLANNING AN IPO, BY INDUSTRY SECTOR

(2013-2022)



'Radar' is a TTR Data product which provides subscribers with both Proprietary and Aggregated intelligence, differentiated as follows:

- Proprietary Intelligence:** Company strategy reports based on interviews with leading c-level executives covering growth strategy, corporate finance, and continuity planning conducted by TTR Data's team of international correspondents.
- Aggregated Intelligence:** Market Intelligence collated from thousands of local and international sources, including newspapers and business journals, corporate press releases, regulatory filings and stock exchange announcements, highlighting new opportunities and developing situations.

Average Annual Growth Rate (2013-2022)



DEAL VOLUME

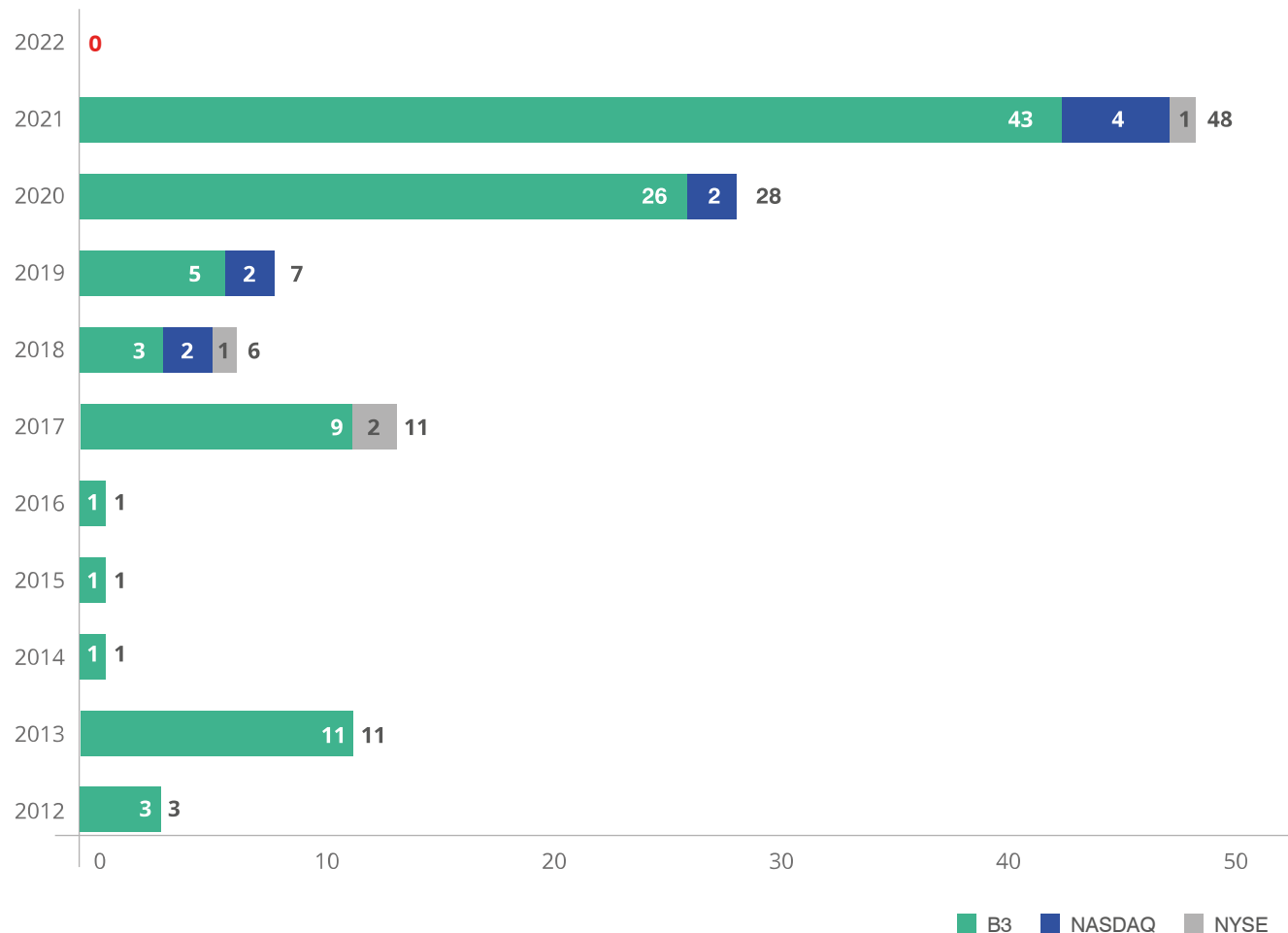
last 10 years +128%

last 4 years +49%

How many IPOs of Brazil-based companies were there over the past ten years?

IPOs OF BRAZIL-BASED COMPANIES

(2013 – 2022)

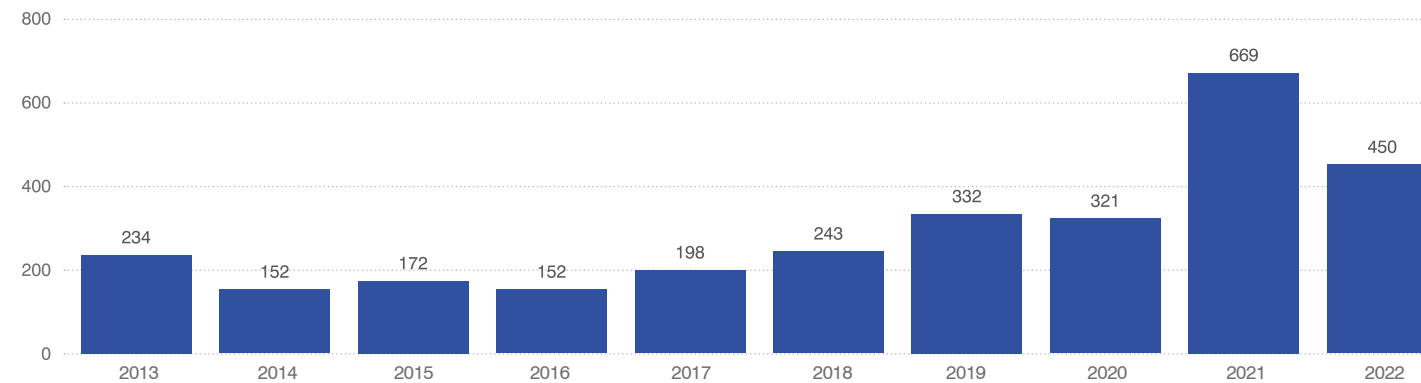
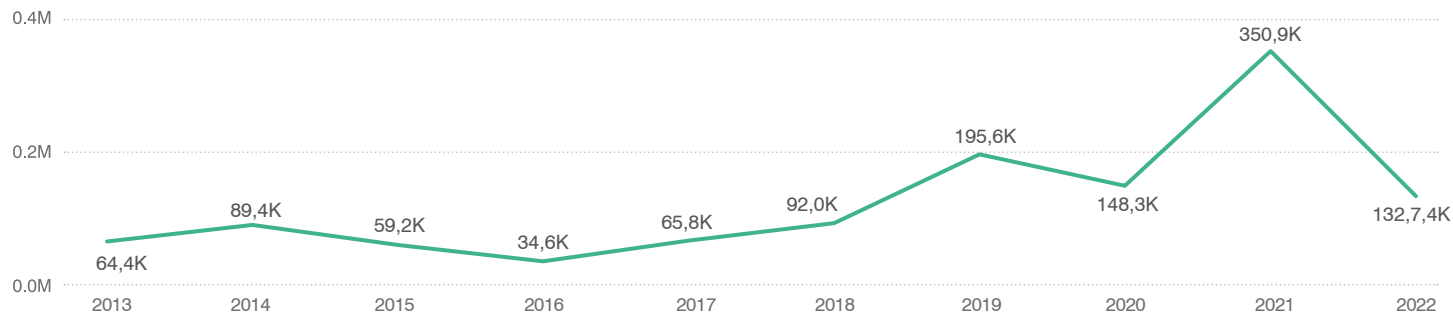


How many **acquisitions** were carried out by **listed companies** based in Brazil over the past 10 years?

DEAL VOLUME AND AGGREGATE VALUE OF ACQUISITIONS CARRIED OUT BY LISTED COMPANIES BASED IN BRAZIL

(2013-2022)

(BRLm)



Average Annual **Growth Rate** (2013-2022)



AGGREGATE VALUE

last 10 years

+28%

last 4 years

+41%

DEAL VOLUME

last 10 years

+14%

last 4 years

+26%

Top 15 most acquisitive listed companies based in Brazil, of the last 4 years

1	BTG PACTUAL	82
2	AMBIPAR	48
3	VINCI PARTNERS	41
4	DASA	36
5	REDE D'OR SÃO LUIZ	33
6	ITAÚ UNIBANCO	31
7	MPM CORPÓREOS (Espaçolaser)	28
8	MAGALU	24
9	WIZ SOLUÇÕES	24
10	VIVEO	23
11	PETROBRAS	22
12	GRUPO HAPVIDA	21
13	LOCAWEB COMPANY	21
14	ONCOCLÍNICAS	21
15	BANCO BRADESCO	20

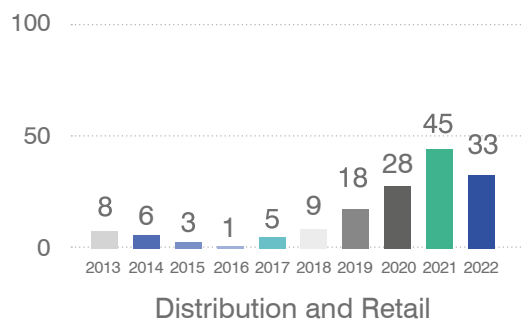
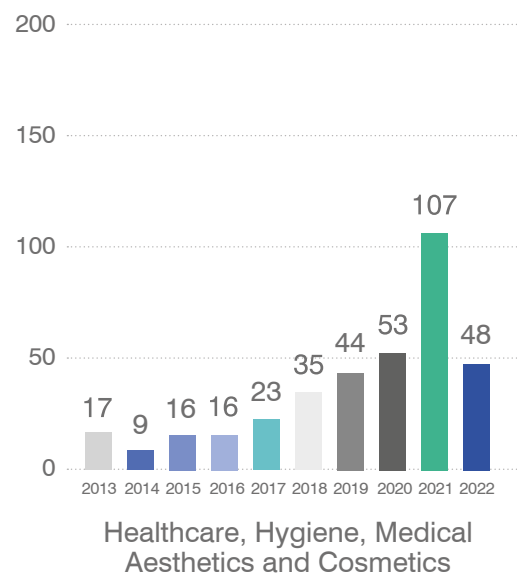
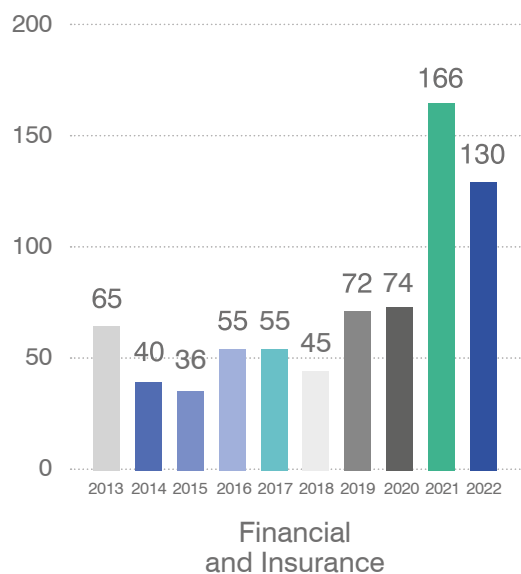
FIVE LARGEST ACQUISITIONS OF THE TOP 3 BUYERS

		BRLm
1	■ UPI Infra Co. Brazil	12,923.30
	■ BSI Bank Switzerland	4,954.66
	■ Banco Pan Brazil	3,700
	■ Clave Capital Brazil	3,698.99
	■ Petrobras Oil & Gas Netherlands	3,369.33
2	■ Emergência Participações, HPX Corp Brazil, United States	1,503.99
	■ Witt O'Brien's United States	836.15
	■ Disal Ambiental Holding Chile	ND
	■ Inversiones Disal Emergencias, Suatrans Chile Chile	129.27
	■ Ambipar Environmental	ND
3	■ Rede Energia Brazil	2,800 (Approx.)
	■ Equatorial Pará Brazil	2,325 (Approx.)
	■ Assevim, Fac Educacional, Fair Educacional, Famesul, Sevita, Sociedade Lageana Educacional, Uniasselvi Brazil	1,134.87
	■ North Shopping Maracanaú Brazil	659.50
	■ Evino Brazil	650

Which sectors were targeted most by Brazil-based listed buyers?

SERVICES AND DISTRIBUTION

Deal Volume by year



Largest deals led by Brazil-based listed buyers

FINANCIAL AND INSURANCE

**HSBC SERVIÇOS,
HSBC BANK BRASIL**

BRLm 16,000

SULAMÉRICA

BRLm 15,507.20

HEALTHCARE, HYGIENE, MEDICAL AESTHETICS AND COSMETICS

**NOTRE DAME INTERMÉDICA
PARTICIPAÇÕES**

BRLm 50,500

AVON

BRLm 16,748.60

DISTRIBUTION AND RETAIL

LOJAS AMERICANAS

BRLm 10,940.30

GRUPO ÉXITO

BRLm 9,467.19

Largest deals led by Brazil-based listed buyers

FOOD INDUSTRY

**EXCELSIOR ALIMENTOS,
ZENDA LEATHER**

BRLm 5,849.99

TENEDORA CND

BRLm 2,975.02

STEEL, METALLURGY INDUSTRIAL PRODUCTION

NEW STEEL

BRLm 1,879.81

GERDAU

BRLm 920.70

ELECTRIC ENERGY

**CEBARRA, CELSE – CENTRAIS
ELÉTRICAS DE SERGIPE, CELSEPAR**

BRLm 6,100

ELEKTRO HOLDING

BRLm 4,260

OIL AND GAS

**NEGOCIO DE REFINACIÓN Y
VENTA ARGENTINA**

BRLm 3,680.58

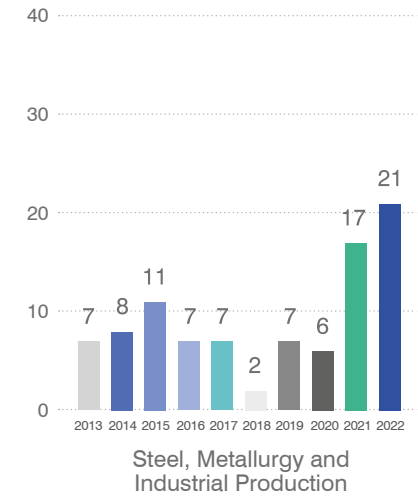
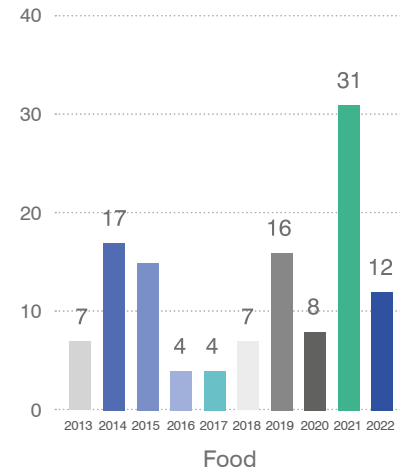
CAMPO DE ITAPU

BRLm 1,766

Which sectors were targeted most by Brazil-based listed acquirers?

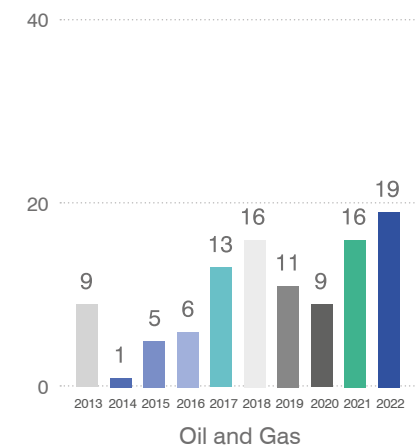
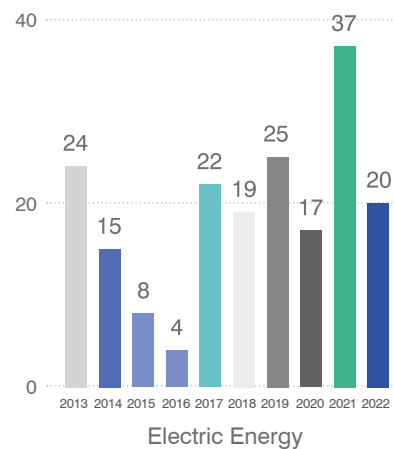
INDUSTRY

Deal Volume by year



ENERGY AND RENEWABLE ENERGIES

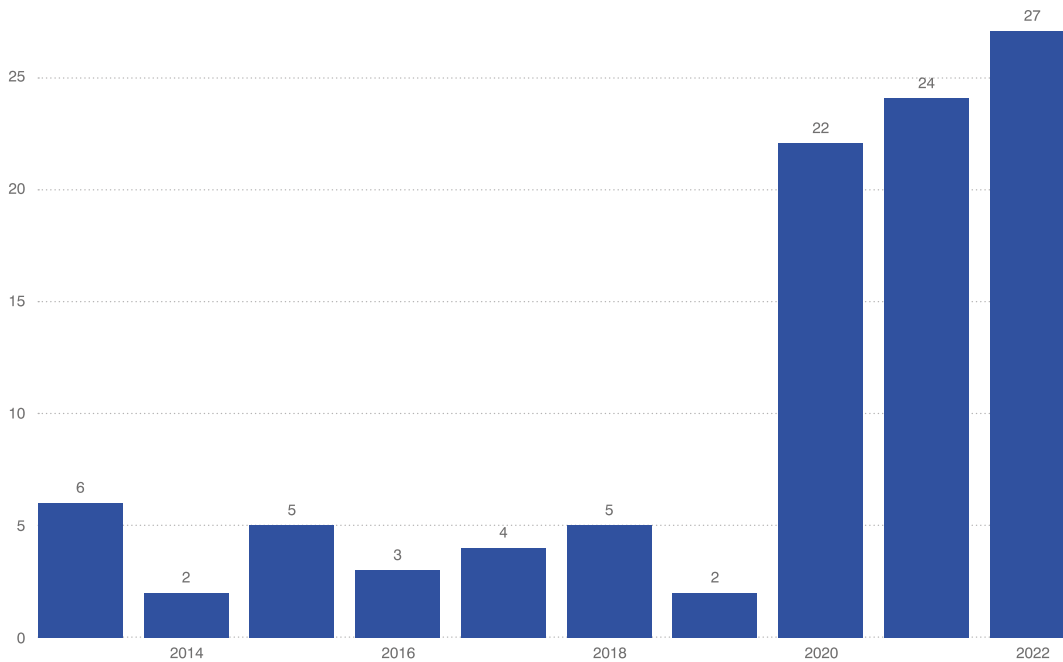
Deal Volume by year



How many **cancelled IPOs** were there over the past 10 years in Brazil?

CANCELLED IPOs AMONG BRAZIL-BASED COMPANIES

(2013-2022)



FIVE LARGEST CANCELLED IPOs

- 1 VOTORANTIM CIMENTOS**
6,399.99
- 2 BANCO VOTORANTIM**
5,000
- 3 INTERCEMENT**
3,809.56
- 4 COMPASS GÁS E ENERGIA**
3,705.88
- 5 ENVIRONMENTAL PARTICIPAÇÕES**
3,031.20

How acquisitive were the Brazil-based companies that cancelled their IPOs?

TOP 10 BUYERS AMONG COMPANIES THAT CANCELLED IPOs

1	ENVIRONMENTAL PARTICIPAÇÕES 2021*	20
2	BANCO VOTORANTIM 2021*	13
3	ELFA 2020*	12
4	VAMOS LOCAÇÃO DE CAMINHÕES, MÁQUINAS E EQUIPAMENTOS 2019*	10
5	SENIOR 2022*	8
6	BIONEXO 2021*	7
7	ATHENA SAÚDE BRASIL 2021*	6
8	TIVIT 2017*	6
9	HOSPITAL CARE 2021*	4
10	VERO INTERNET 2022*	4

* Year of cancelled IPO

ENVIRONMENTAL PARTICIPAÇÕES

1	■ Disal Ambiental Holding Chile	ND
	■ Ambipar Environmental Mining Brazil	ND
	■ Blz Recicla Brazil	68(Approx.)
	■ Ambipar Environmental Brazil	40
	■ AFC Soluções Ambientais Brazil	40.00

BANCO VOTORANTIM

2	■ Parati Brazil	2,074.65
	■ Neon Brazil	400
	■ Companhia de Águas do Brasil – CAB Ambiental Chile	255.91
	■ Bankly Brazil	210
	■ Lupatech	179.39

ELFA

3	■ Descarpack Brazil	1,012.76
	■ Nacional Comercial Hospitalar Brazil	ND
	■ Dupatri Hospitalar Brazil	185
	■ Biodente Brazil	66.20
	■ Biohosp, Help Farma Brazil	60

THE CHALLENGING SCENARIO FOR IPOs IN BRAZIL

Felipe Minelli

The IPO journey may take longer for Brazilian companies given the current scenario.

Due to the consequences of the COVID-19 pandemic, which in the first year and a half we witnessed a boom in the M&A market and new IPOs, last year was challenging for the Brazilian economy and its population.

The Brazilian market ended 2022 without any IPO's. However, the secondary market did see activity, for example, a Brazilian power company raised US\$6.9 billion, becoming the world's second-largest equity deal of 2022, and Latin America's largest utility company completed a privatization process.

Brazilian private companies face big challenges relating to their finance, reporting and governance processes when evaluating the possibility of an IPO. During this season, many companies may rethink their business plan, whether to accelerate their digital transformation or to invest in diversified segments that are part of their core business. Additionally, companies may focus on preparing their finance functions, back offices and corporate governance structure to be ready for an IPO.



FELIPE MINELLI

Audit and Assurance Services Partner

He is a partner of Deloitte Brazil and member of Assurance and Global Capital Markets Group (GCMG) in Rio de Janeiro. Over than 15 years experience in Auditing and now providing advisory services to clients ranging from large infrastructure companies and mid-size private organizations. Business oriented person and team work player with good understanding of finance function activities and processes (e.g. P&L and BS reporting, month end closing, accounting). As a member of Capital Markets has involved in a large and mid companies IPO transactions in many diverse industries.

Felipe has degree in Accounting and Business administration and international courses related to IFRS.



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