



Brazil Transactions Insights

Summer 2022



Overview

The first half of 2022 was extremely challenging, with the Brazilian economy seeking out a resumption of growth, the consequences of the pandemic were made worse by the conflict between Russia and Ukraine. Adding to this, the rise of political uncertainty due to the presidential election in October, which seems to be disputed by the conservative party vs the left party (Bolsonaro vs Lula), may affect more the economy.

As a consequence, we have seen an increase in inflation and the basic interest rate, slowing the capital market activities and leading investors to allocate capital in fixed income assets. In the first half of 2022 there were no IPOs and only 11 follow-ons have been carried out during the same period in 2021 (28 IPOs and 16 follow-ons were carried at the same period in 2021).

M&A activity is slowing down, and the numbers of transactions are slightly lower than the same period in 2021, also a reflection of the instability and inability to correctly assess risk, affecting investor's mood.

With a GDP growth of 1.7% in Q2 2022, the macroeconomic outlook is hardly positive, especially considering the upcoming presidential elections. In the last 12 months, Inflation (IPCA) closed at 11.89% mainly due to the price of oil, corn and wheat, caused by the Russian-Ukrainian conflict. However, unemployment rate has decreased to the lowest level since 2016, reaching 9.8% (10.6 millions).

In an attempt to contain inflation, which has increased, the basic interest rate (SELIC) started the year at 9.25% and ended the first half of 2022 at 13.25%. The expectations are to end the year at 13.75% and decrease along the inflation in 2023.

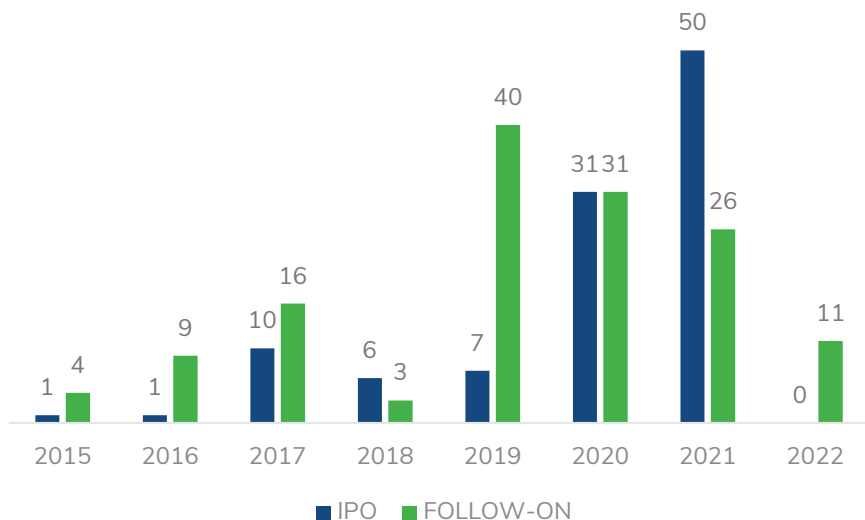
BRAZIL BY THE NUMBERS



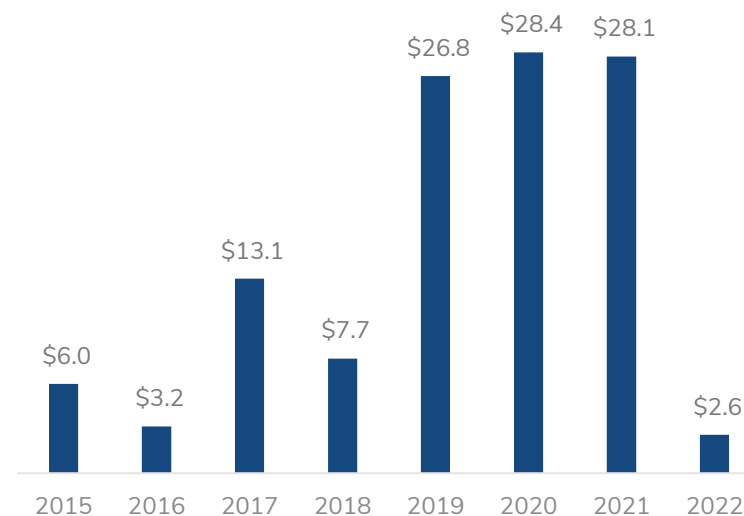
Equities Activity

Unlike the IPOs and follow-ons that took place in 2021, capital markets activities have slowed down the first half of 2022, with only 11 follow-ons totaling BRL 13 bn. There were no IPOs in Brazil in the period. With uncertain expectations about COVID-19 and the Ukrainian-Russian conflict impacting the world and supply chains, inflation in Brazil (IPCA) reached an accumulated of 12.15% in the last 12 months (LTM) and the basic interest rate (SELIC) reached 13.25%. GDP growth is expected to be 2% in 2022. In addition to all these factors, October's presidential elections bring more uncertainty and volatility to the markets, retaining new global volatility, also, re-pricing will continue to affect investments and capital markets in Brazil, as well as in other emerging markets.

Number of IPOs (Brazilian companies)



IPOs Funds Raised (USD bn)



Sources: Company press releases, B3 (Bovespa) and S&P Global Market Intelligence as of June, 2022
The IPOs do not include Brazilian Depository Receipts (BDR)

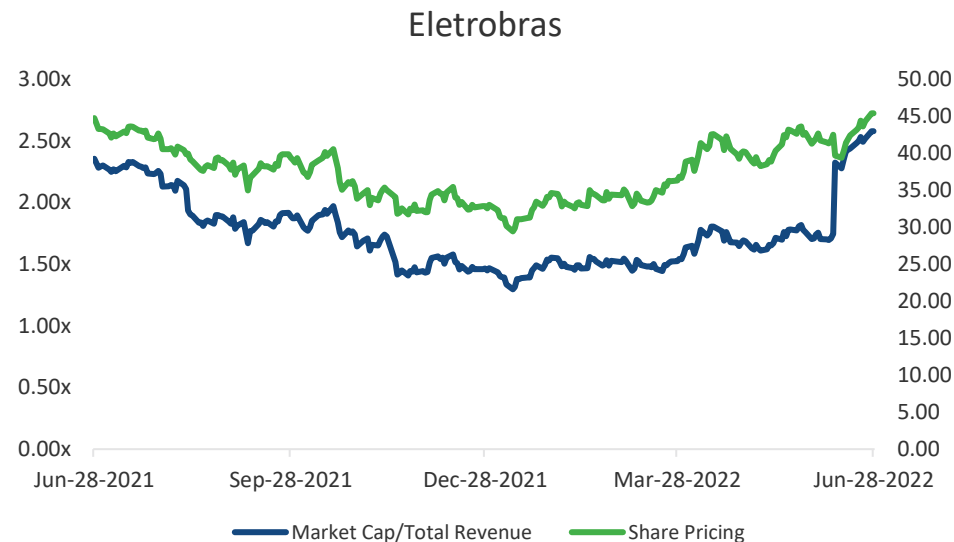
Eletrobras Privatization

Eletrobras (Bovespa:ELET6), the largest company in the electric sector in Latin America, was privatized on June 13, 2022, a great milestone for Bolsonaro Government. The offer was fixed at a price of BRL 42.00 per share and an approximate proceeds of BRL 33.7 bn.

The Guarantee Fund for Length of Service (FGTS) was of paramount importance for the shares placed on the market, since it was the first opportunity in a long time for workers to seek greater profitability for their "frozen" money.

By being privatized, Eletrobras is no longer controlled by the government and becomes a corporate company that has several shareholders, none of whom have more than 50% of the control, with a board and direction defined by the council formed by the shareholders.

The expectation is for operational changes, capital allocation costs and an improvement in profitability, making Eletrobras an important name in energy transition with greater investments, mostly in sustainable and renewable energy sources.



52-week Price	(BRL)
High Price	47.03
Low Price	29.12
Average Price	37.12



Date	Company Name	Ticker	Incorporation	Industry Group	Gross Proceeds (USD mn)	Offer Price	Market Capitalization (USD mn)	Price to LTM Earnings Multiple
06/13/2022	Centrais Elétricas Brasileiras	BOVESPA:ELET6	Brazil	Electric Utilities	\$7,717.82	\$8.4	\$11,593.01	10.63x

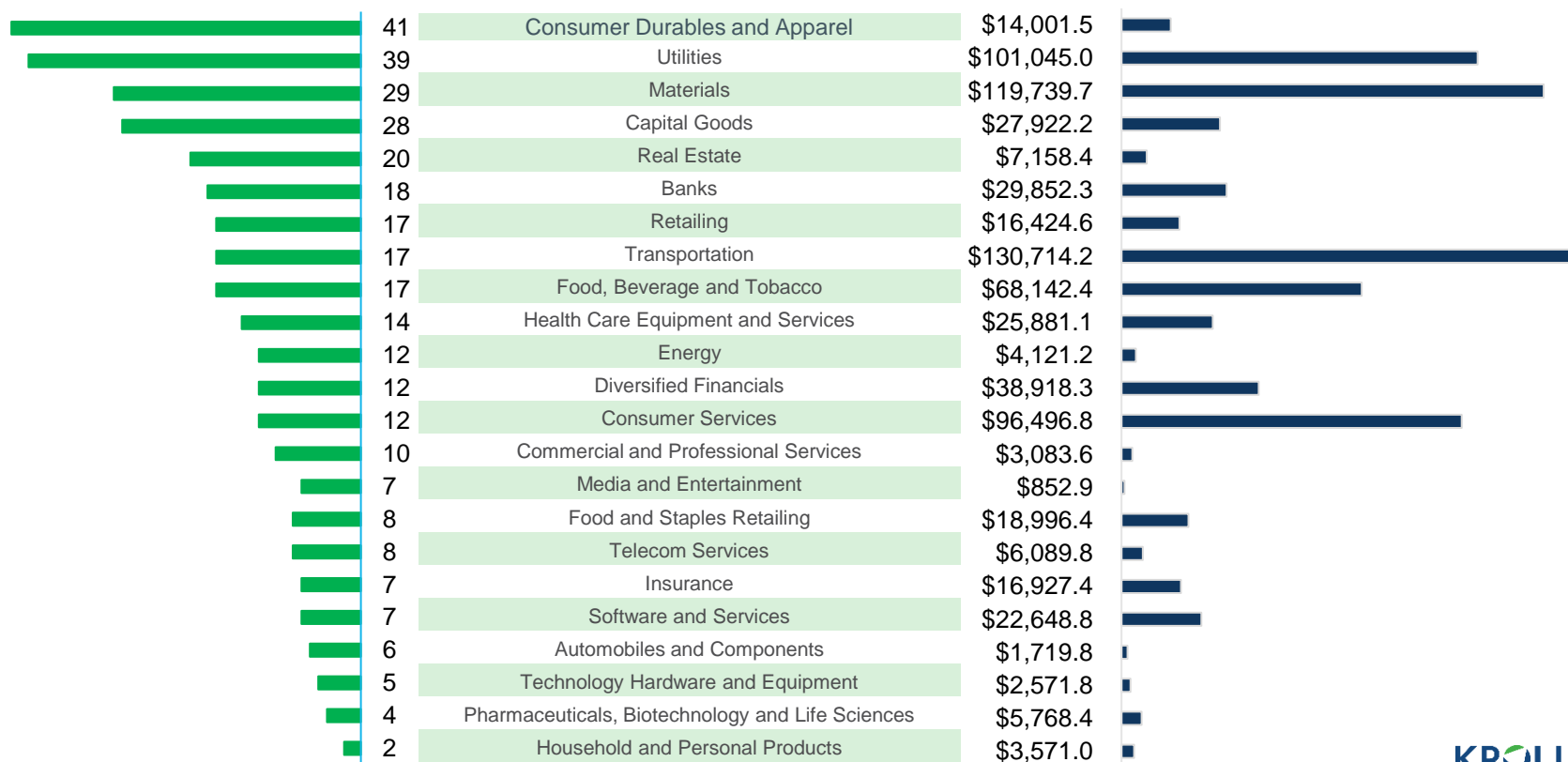
Listed Brazilian Companies

As of June 30, 2022, there were 342 Brazilian companies listed on B3. With recent new listings (at a record level in 2021), the exchange experienced considerable sector diversification. The consumer durables and apparel sector accounts for the highest number of companies (41 companies), but only 2% of the total market capitalization. Utilities (39 companies) account for 12% of the total market capitalization, followed by materials (29 companies), accounting for 16%.

Summary of Listed Companies

Number of Companies

Market Cap (US\$ bn)



Brazil B3: Top 10 Companies by Market Capitalization

Company Name	Incorporation	Industry Group	Business Description	Market Capitalization (USD mn)	% of 52-Week High	Price to LTM Earnings Multiple
Vale S.A. (BOVESPA:VALE3)	Brazil	Energy	Operates in the oil, natural gas and energy industries	\$96,773.85	115.12	3.00x
Petróleo Brasileiro S.A. - Petrobras (BOVESPA:PETR4)	Brazil	Materials	Produces and sells iron ore and iron ore pellets for use as raw materials in steelmaking in Brazil and internationally	\$70,748.68	31.75	2.45x
Ambev S.A. (BOVESPA:ABEV3)	Brazil	Food, Beverage and Tobacco	Produces, distributes, and sells beer, draft beer, carbonated soft drinks (CSD), other nonalcoholic beverages, malt, and food products in the Americas	\$51,415.79	18.88	16.00x
Itaú Unibanco Holding S.A. (BOVESPA:ITUB4)	Brazil	Banks	Provides a range of financial products and services to individuals and corporate clients in Brazil and internationally	\$51,394.75	34.21	8.08x
Banco Bradesco S.A. (BOVESPA:BBDC4)	Brazil	Banks	Provides a range of financial products and services to individuals and corporate clients in Brazil and internationally	\$41,644.13	25.46	7.66x
WEG S.A. (BOVESPA:WEGE3)	Brazil	Capital Goods	Engages in the production and trade of capital goods in Brazil and internationally	\$31,032.63	46.84	29.51x
Banco Santander (Brasil) S.A. (BOVESPA:SANB4)	Brazil	Banks	Engages in the production and trade of capital goods in Brazil and internationally	\$28,890.86	24.99	7.43x
Banco BTG Pactual S.A. (BOVESPA:BPAC3)	Brazil	Diversified Financials	Provides financial products and services in Brazil and internationally	\$28,807.03	24.38	20.02x
Rede D'Or São Luiz S.A. (BOVESPA:RDOR3)	Brazil	Health Care Equipment and Services	Operates a network of hospitals in Brazil.	\$25,672.85	75.89	40.48x
Magazine Luiza S.A. (BOVESPA:MGLU3)	Brazil	Retailing	Engages in the retail sale of consumer goods.	\$24,176.39	28.13	90.58x

Sources: S&P Global Market Intelligence and B3 as of June 30, 2022

U.S.-Listed Brazilian Companies

Of the 90 Brazilian-listed companies on major U.S. exchanges as of June 30, 2022, approximately half of them trade over-the-counter (OTC), nearly one-third trade on the NYSE and 12 companies trade on Nasdaq. There is large diversification in terms of sectors for U.S.-listed Brazilian companies, with the banking/ financial (including some private equity players) sector accounting for 23% of the total market capitalization. Most of the companies are incorporated in Brazil, highlighting that Brazilian companies are frequently targeting the U.S. market.

Summary of Listed Companies

Industry Sector	No. of Companies	Total Market Cap (US\$ mn)	Exchange	No. of Companies	Total Market Cap (US\$ mn)
Utilities	11	\$76,153	Nasdaq	12	19,643
Materials	10	\$105,185	NYSE	34	532,736
Food, Beverage and Tobacco	9	\$63,968	OTC	44	162,127
Banks	7	\$160,964	Total	90	714,506
Software and Services	6	\$9,888			
Consumer Services	6	\$4,145			
Energy	5	\$156,903			
Diversified Financials	5	\$25,442			
Retailing	5	\$13,713			
Transportation	4	\$14,697			
Telecommunication Services	4	\$22,275			
Food and Staples Retailing	4	\$16,890			
Capital Goods	3	\$23,277			
Consumer Durables and Apparel	3	\$947			
Real Estate	2	\$1,310	Incorporation	No. of Companies	Total Market Cap
Commercial and Professional Services	2	\$141			(US\$ mn)
Media and Entertainment	1	\$589	Cayman Islands	16	\$41,603
Insurance	1	\$9,909	Brazil	71	\$672,582
Pharmaceuticals, Biotechnology and Life Sciences	1	\$4,593	Nevada	1	\$35
Household and Personal Products	1	\$3,514	Marshall Islands	1	\$6
Total	90	\$714,506	United Kingdom	1	\$281
			Total	90	\$714,506

Sources: CVM filings, company press releases and S&P Global Market Intelligence as of June 30, 2022

IBOVESPA Index ...

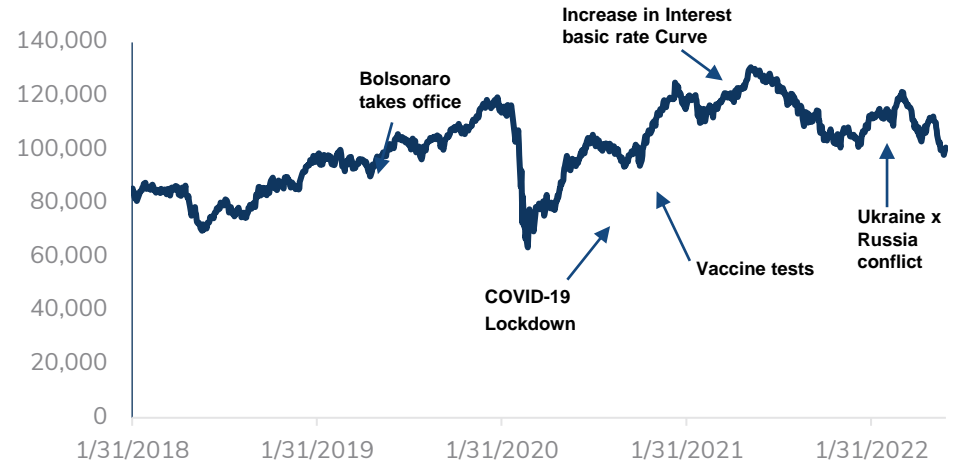
In 2021 the Brazilian Stock Exchange B3 Index dropped 11.81% and record its worst performance since 2015 (when fell by 13.31%).

Macro internal factors, such as increasing inflation and interest rates, a decreasing institutional stability and the fiscal scenario in Brazil, contributed to the devaluation of the index. External factors concerning U.S. monetary policy and the effects of the Omicron variant on the global economy's recovery also contributed to the index underperformance.

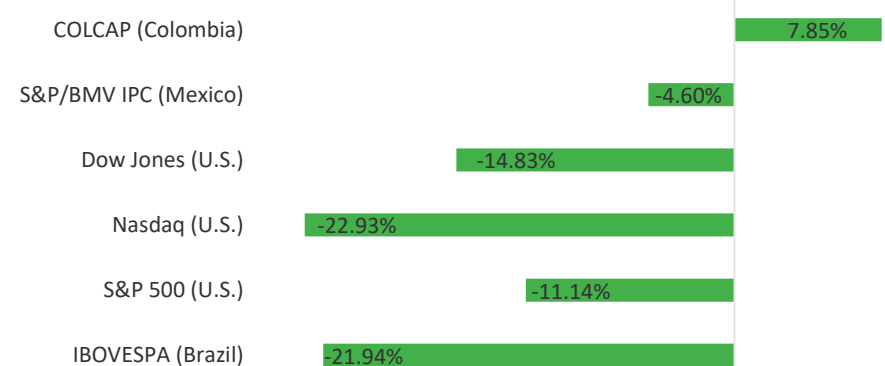
First three months of 2022 were positive for the index, but the first half of 2022 ended with an index of 98.541 points and a -6% drop. In the year (only in June 2022 was -11%).

For the rest of the 2022 fiscal year, market specialists' projections are, at year end, an Index of 120k points and a potential valuation of 20% in nominal and local currency terms.

Main Brazilian Index – IBOVESPA (Last Five Years)



Index Returns in Local Currency LTM



IBOVESPA Index

Main Brazilian Index – IBOVESPA (First Half of 2022)



Sources: S&P Global Market Intelligence\Capital IQ as of June, 30, 2022
 XP inc. Projections (IBOVESPA)
¹ - Proposed amendment to the constitution

Brazil's Ministry of Economy Review

Infrastructure and 5G Technology

Brazil is one of the countries that has invested least in infrastructure in proportion to GDP. Between 2000 and 2013, the contribution rate in the country was 2% of GDP, while South Africa and Russia invested 4%, India, 5%, and China, 9%.

To reach the top of the competitiveness ranking in infrastructure, Brazil would have to invest around BRL 0.9 trillion in sanitation, R\$1.4 trillion in telecommunications, R\$2.3 trillion in electricity and R\$4.1 trillion in logistics, totaling over BRL 8.7 trillion. Prospects for 2022 and 2023 are still positive and will continue to attract national and international investors due to a well-presented portfolio of projects.

5G technology implementation on a nationwide basis is priority for the government. In Brazil, the technology will allow deeper and more stable connections, reaching remote areas that cannot count with a stable and fast network coverage. For the agribusiness sector this is particularly important. In November 2021 the 5G auction, ended with BRL 42 billion in investment commitments by the winning carriers. In July 2022 5G started to be implemented in Brazil.



PPI Portfolio 2022 - per Sector

Transportation	Energy/Technology	Sanitation	Others
Ports (30)	Oil & Gas (1)	Parks & Forests (9)	Regional Development (1)
Airports (25)	Electricity (2)	Fishery (7)	Tourism (3)
Highway (9)	Mining (10)	Security (1)	Privatization (13)
Railway (4)	ESG Licensing (7)	Supply (2)	Subnational (30)

PPI Portfolio – No. of Assets and Expected Value/ Investments

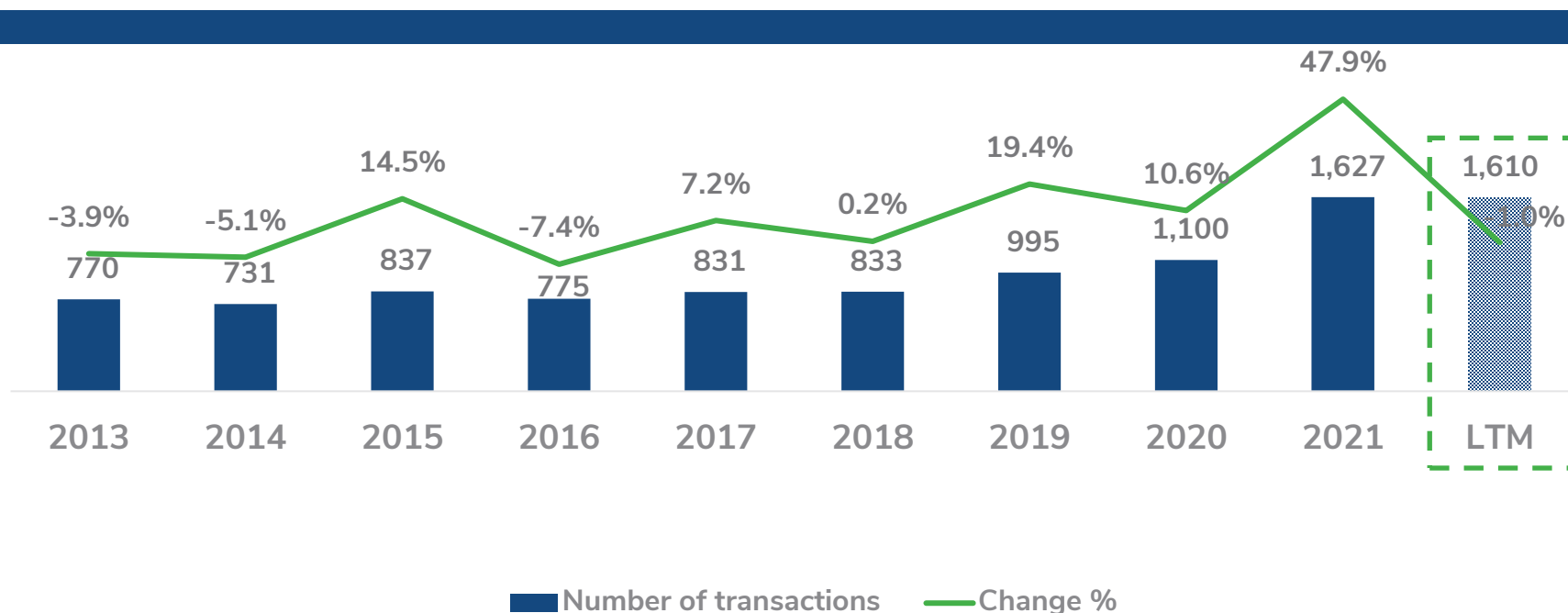
154
Assets

BRL 340.7bn
Value/ Investments

M&A Activity

M&A Activity in Brazil in the first half of 2022 reached a volume of 735 transactions (based on Kroll market research), representing a 2.3% decrease compared to the same period in 2021. The sectors with the highest representation are technology, financial institutions and energy. The decrease is due to conservatism, also, cash preservation returned to the main agenda of investors, in a context of greater investments selection with the basic interest rate in Brazil of 13.25% - and without a reduction bias in the medium term.

As IPOs (0) and follow-ons (11) have decreased offers in 2022, M&A activity has taken advantage of this scenario and should remain strong, but with significant challenges from the political scenario.



Strategic Buyers Selected Transactions




In February 2022, Rede D'Or [B3:RDOR3], the Brazilian hospital operator, has reached an agreement to acquire Brazilian insurance company SulAmerica [B3: SULA11] via a share exchange deal. The deal was closed for around USD 3.1 bn.




In June 2022, Fleury [BVMF:FLRY3], a Brazilian medical diagnostics firm, and Hermes Pardini [BVMF:PAR3], a Brazilian medical diagnostic clinics operator, have reached an agreement to merge for USD 500 mn.




In June 2022, Eneva [BVMF:ENEV3], a Brazilian energy company, signed a to acquire Celse power. The company will pay USD 1.2 bn in cash for the target, plus the assumption of USD 840 mn, totaling an enterprise value of USD 2.1 bn, according to the statement.




In February 2022, Energisa [BVMF: ENGI11], a Brazil-based energy company, has reached an agreement to acquire Gemini Energy, a Brazilian company that holds the concessions of several electricity transmission assets in Brazil, for USD 497 mn.




In May 2022, Darling Ingredients Inc (NYSE: DAR), Texas-based provider of rendering, recycling and recovery services and solutions to the food industry, has entered into a definitive agreement to purchase Brazil's largest independent rendering company, FASA Group, for approximately USD 560 mn.




In May 2022, PetroChoice, a Brazil producer and distributor of lubricants, was acquired by Moove, a Brazil-based producer and distributor of lubricants, and a subsidiary of Brazilian conglomerate Cosan [B3:CSAN3] for USD 479 mn.




In January 2022, XP Inc.(investment management) announced an agreement to purchase Banco Modal (owner of modalmais plataforma), incorporating 100% of the bank for around USD 530 mn.



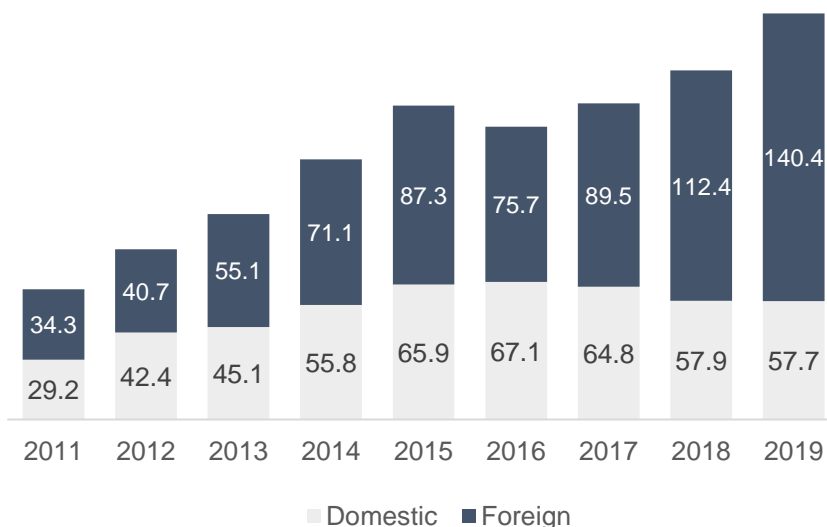

In April 2022, Aliansce Sonae Shopping Centers [B3: ALSO3] announced an agreement to merge with peer BR Malls [B3: BRML3]. BR Malls will own 55.1% of the new company and pay USD 250 mn in cash.

Private Equity and Venture Capital Activity

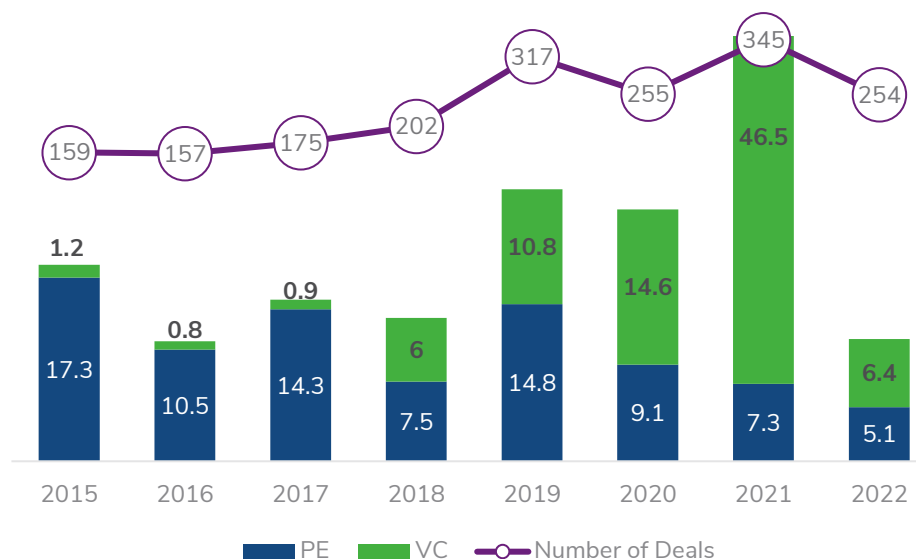
Brazil's deal activity continues to be boosted by financial sponsors. In 2021 they invested more than BRL 40.0 billion in Brazil and, according to ABVCAP an additional BRL 40 billion is available for investments. For the first time, VCs (given investments in tech verticals) significantly outperformed PEs investment. In the first quarter of 2022, financial sponsors were present in 34.6% of the transactions, with investments of BRL 11.5 billion (similar to the same period in 2021) - 65% of this value directed to VC investments.

Private Capital

Committed Capital and Origin (BRL bn)



Investments and Number of Deals per year (BRL bn)



Source: ABVCAP
Investments and No. Of Deals per year 2022: Jan to Mar period

Financial Sponsors Selected Transactions



Global Infrastructure Partners (GIP) reached an agreement in May 2022 to acquire Atlas Renewable Energy, a renewable energy company focusing on Latin America. The deal value was USD 2 bn.



In January 2022, the Brazilian fintech Credits announced a round led by Fidelity Investments and Greentrail Capital of USD 260 mn.



In January 2022, The investments management firm Pátria announced the purchase of nine hydroelectric plants from ContourGlobal Brazil. The deal value was USD 318 mn.



J&F, a Brazilian holding company, has reached an agreement to acquire Vale's iron ore and manganese ore mines in the Brazilian state of Mato Grosso do Sul for USD 215.6 mn in April 2022.



Payments company Cielo announced in February 2022 that it signed a contract to sell its stake in U.S. company Merchant e-Solutions to a unit of Integrum Holdings for up to USD 290 mn.



E-Vino Comercio de Vinhos, a Brazilian online retailer of wine, secured USD 128.4 mn in a round led by Vinci Partners in March 2022.



In February 2022, Advent International secured a 25% stake in Tigre, a Brazil-based producer of plastic tubes and connections, through a capital injection of USD 262 mn, according to a regulatory filing.



Vila 11, a Brazilian start-up that develops and manages residential buildings for lease, in May 2022 raised USD 50 mn in a round led by M3 Capital Partners.

Brazil by the Numbers

	2016	2017	2018	2019	2020	2021	2022P	2023P
Inflation IPCA (%) Median	6.3	2.9	3.7	4.3	4.5	10.1	7.0	5.0
Exchange Rate EOP (BRL/USD)	3.26	3.31	3.88	4.03	5.19	5.57	5.00	5.30
Nominal Interest Rate SELIC (%) EOP	13.75	7.00	6.50	4.50	2.00	9.25	13.75	9.25
Nominal GDP (USD bn)	1,88	2,06	1,92	1,88	1,44	1,61*	1,87	1,96
Real GDP Growth (% – Market prices)	(3.3)	1.3	1.8	1.2	(3.9)	4.6	2.2	0.5
Trade Balance (USD bn)	40.0	56.0	47.0	35.0	50.0	61.0	67.0	48.0
Direct Investments (% GDP)	4.1	3.3	4.1	3.7	3.1	2.9	2.9	3.3
International Reserves (USD bn)	372	382	387	367	356	362	362	362
Gross Public Debt (% GDP)	69.9	73.7	75.3	74.3	88.8	80.3	80.6	84.5
Primary Result (% GDP)	(2.5)	(1.7)	(1.5)	(0.8)	(9.4)	0.7	(0.1)	0.0
Unemployment – IBGE % EOP	12.8	12.5	12.4	11.8	15.0	11.9	9.0	9.2

Definitions:

BRL: Brazilian Real (currency unit)

EOP: End of period

IBGE: Brazilian Institute of Geography and Statistics

IPCA: Brazilian inflation index

SELIC: Sistema Especial de Liquidação e Custódia (Brazilian basic interest rate)

(*): Projected

Sources: Itaú BBA Projeção Macro June 2022, XP Investimentos June 2022, IMF, Bloomberg and Bacen

Selected Kroll Brazil Corporate Finance Transactions



companies of



have been acquired by




Duff & Phelps served as exclusive financial advisor to Grupo JD



February, 2020

DUFF & PHELPS
Protect, Restore and Maximize Value

Corporate Finance team advised



in its financing and debt restructuring negotiations

Duff & Phelps served as exclusive financial advisor to Multicoisas

May, 2020




Duff & Phelps act as the Judicial Administrator and Sell Side Advisor to the Thermal Management Division of Arlington Industries Group to Cartesian Capital Group.

Company revenues are +€150 million, with operations in Brazil, China, Germany, France, the UK and the US.



DUFF & PHELPS
A KROLL BUSINESS

February 2021



A company of



has been acquired by



An investment of the controlling shareholders of Marfrig S.A.



Duff & Phelps served as exclusive financial advisor to Grupo JD



September 2020



Duff & Phelps served as the exclusive financial advisor to Gualapack Brasil on the Acquisition of Teruel Embalagens.



Gualapack is the world leader in pre-made spouted pouches and a global player in the flexible packaging industry. Gualapack is headquartered in Italy, has manufacturing sites worldwide to attend clients in the food, pharma/medicals, cosmetics/ beauty, homecare and industrial sectors.

With two factories and +50 years of operation, Teruel has a leading position in flexographic printing and packaging in Brazil. Innovation, ethics and sustainability are drivers of Teruel businesses.




DUFF & PHELPS
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September 2021

Duff & Phelps served as the lead financial advisor to Piemonte Holding on the Acquisition of Five Data Centers of Oi S.A. - Em Recuperação Judicial in Brazil. Operations are in São Paulo, Brasília, Curitiba and Porto Alegre, and attend large telco companies and financial institutions.



DUFF & PHELPS
A KROLL BUSINESS

March, 2021




Project Stars

Duff & Phelps served as the financial advisor to Piemonte Holding on the Acquisition of Globo Comunicação e Participações S.A. Data Centers (Tier III) in Brazil.



DUFF & PHELPS
A KROLL BUSINESS

July, 2021




Project Saturn

Duff & Phelps, A Kroll Business, served as the financial advisor to Piemonte Holding in their transaction with Goldman Sachs to expand its Data Centers operations in Brazil. Platform of this investment is the acquisition of Oi S.A. Data Centers, completed in March 2021 by Piemonte Holding.



DUFF & PHELPS
A KROLL BUSINESS

July 2021





Kroll Corporate Finance team served as the exclusive financial advisor to Nitrosul Indústria e Comércio de Explosivos Ltda. in their transaction with Austin Powder Company.

The Companies are traditional manufacturers of explosives and initiation systems for industrial blasting operations.

Nitrosul was founded in 2004 and is a market leader in Brazil. Austin Powder is one of the oldest manufacturers of explosives in the world, serving today the American, European and Asian markets.




January 2022




Kroll Brazil Corporate Finance team served as the exclusive financial advisor to Viajanet in their transaction with Despegar.

Viajanet is a leading online travel agency in Brazil. Founded in 2009 the Company sells airline tickets, pre-assembled travel packages, hotel stays, travel insurance, and other facilities linked to tourism.

Despegar.com (NYSE: DESP) is the leading online travel company in Latin America. Operating across 20 countries, Despegar provides a broad suite of travel products. The Company owns and operates Despegar, its global brand, and Decolar, its Brazilian brand.



June 2022

We Help Clients Manage Risk, Build Good Governance and Grow

VALUATION

Valuation of businesses, assets and alternative investments for financial reporting, tax and other purposes.

COMPLIANCE AND REGULATION

End-to-end governance, advisory and monitorship solutions to detect, mitigate and remediate operational security, legal, compliance and regulatory risk.

CORPORATE FINANCE AND RESTRUCTURING

Comprehensive corporate finance, investment banking and restructuring support to clients, investors and stakeholders.

CYBER RISK

Incident response, digital forensics, breach notification, managed detection services, penetration testing, cyber assessments and advisory.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Solutions include policies and procedures, screening and due diligence, disclosures and reporting and investigations, value creation, and monitoring.

INVESTIGATIONS AND DISPUTES

World-wide expert services and tech-enabled advisory through all stages of diligence, forensic investigation, litigation and testimony.

BUSINESS SERVICES

Technology-enabled legal and business solutions for corporate restructurings, notice and claims agent services, settlement administrations, issuer services, agent and trustee services, and other complex support needs.



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About Kroll

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