



Brazil Transactions

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Industry Insights

Summer 2023



Executive Summary

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661 M&A transactions were registered in Brazil in H1 2023, an 11.8% decrease in the number of announced transactions



Total market capitalization of the Brazilian Stock Exchange (Bovespa) as of June 30, 2023, was over USD 803 billion (bn)



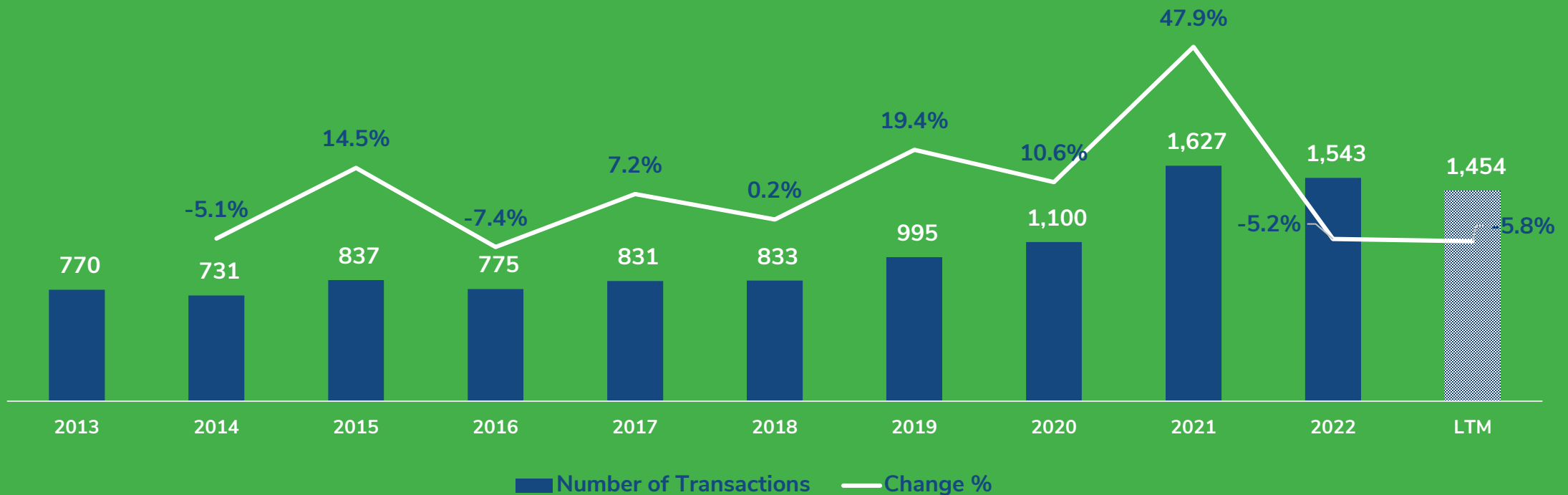
January to June 2023 period registered nine follow-ons, raising over BRL 15 bn (+USD 3 billion). There were no IPOs.

M&A Market Overview

Overview

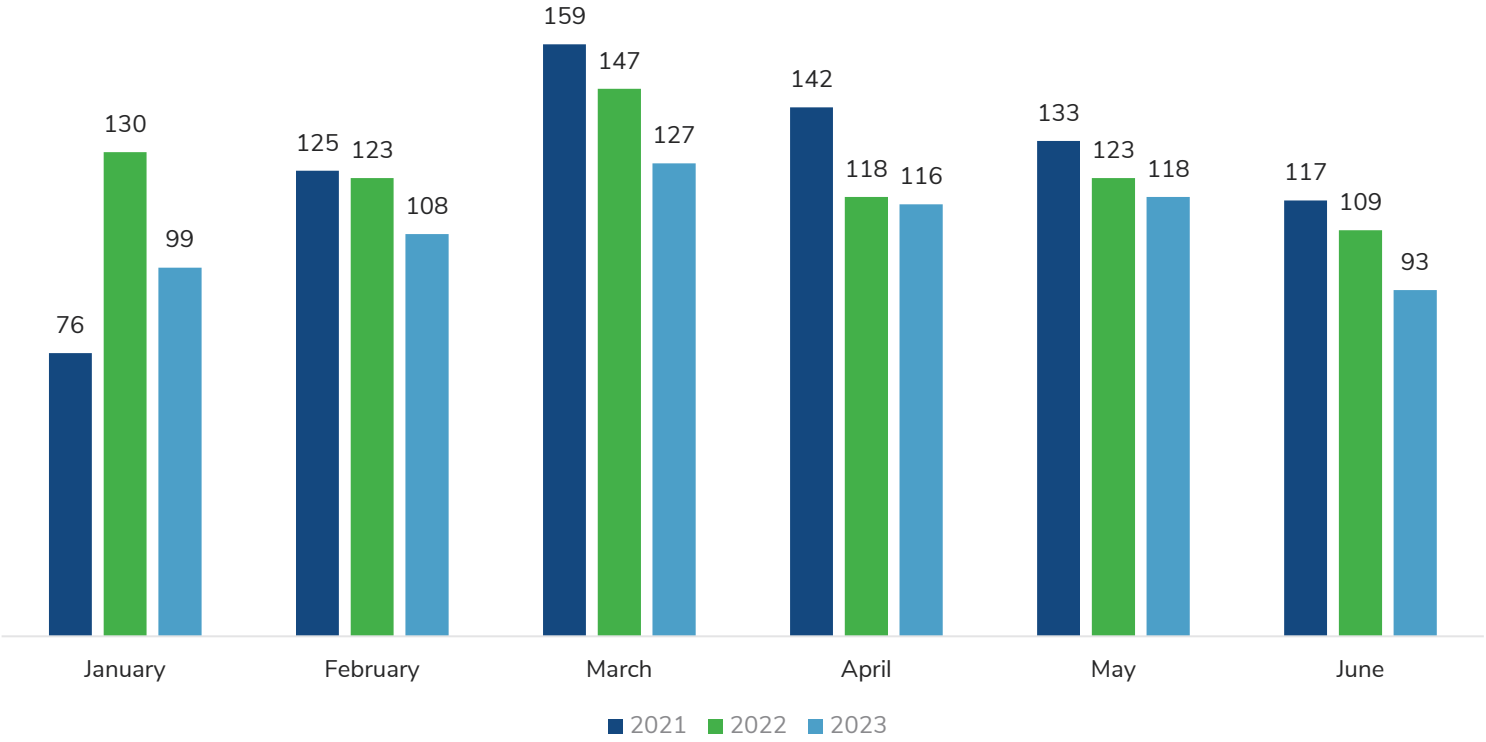
M&A activity in Brazil in the first half of 2023 reached a volume of 661 transactions, representing an 11.8% decrease compared to the same period in 2022. Last twelve months activity remained at same level, having a marginal decrease of 5.8% in the number of announced transactions. Sectors more active are the financial/ insurance (and with a tech angle), technology, health services and equipment and food and beverage.

As IPOs (0) and follow-ons (9) have decreased offers in 2023, Mergers and Acquisitions activity has taken advantage of this scenario and should remain strong. Monthly analysis demonstrates a recent ramp up of activities and that 2023 figures shall remain at same level of 2022.

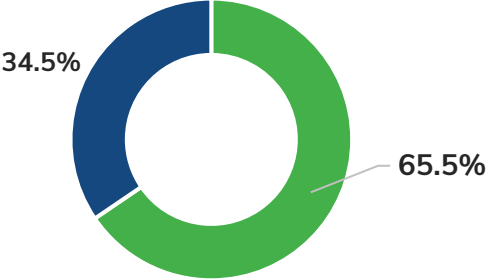


M&A Market Overview, Continued

Number of Announced Deals (Jan-Jun)



By Number of Announced Deals (June 30, 2023)



Strategic vs. Financial Buyer

Source: Kroll market research as of June 30, 2023

Strategic Buyers Selected Transactions

natura & co
Aēsop

L'ORÉAL

In April 2023, L'Oreal, Brazilian company in personal care products, has reached an agreement to acquire Aesop (Natura & Co). The deal was closed for around USD 2.5 bn.

webmotors

carsales

In March 2023, Carsales.com [ASX:CAR], an Australian automotive classified business, has announced the acquisition of an additional 40% stake in Brazilian automotive digital marketplace Webmotors for USD 232 mn.

BoaVista

EQUIFAX

In February 2023, Equifax Inc. [NYSE:EFX] announced an agreement to acquire Boa Vista Serviços [BOAS3:SAO], the second-largest credit bureau in Brazil. The agreement implies an estimated total enterprise value of USD 596 mn.

InterCement
BRASIL

华新水泥
HUAXIN CEMENT

In June 2023, Huaxin Cement [HKG:6655, SHA:600801], a Chinese cement maker, announced that it has agreed to acquire Natal Portland Cement Company from Brazil's InterCement Group for an estimated USD 231.6 mn.

Nabiax

actis

In March 2023, PE firm Actis LLP acquired 100% of the capital of DHF, the holding company that controls Nabiax's portfolio of data centers in Latin America, in a deal valued in USD 500 mn.

Hypera
pharma

Votorantim

In May 2023, Votorantim S.A. acquired the pharmaceutical Hypera [BOVESPA:HYPE3] for an estimated enterprise value of USD 231 mn.

S. I. N.
Sistema de Implante

HENRY SCHEIN

In May 2023, Henry Schein [NASDAQ:HSIC], a Melville, New York-based health care company acquired 100% of Brazilian manufacturer of dental implant S.I.N. Implant System for an enterprise value of USD 301.6 mn

Carrefour

Barzel
PROPERTIES

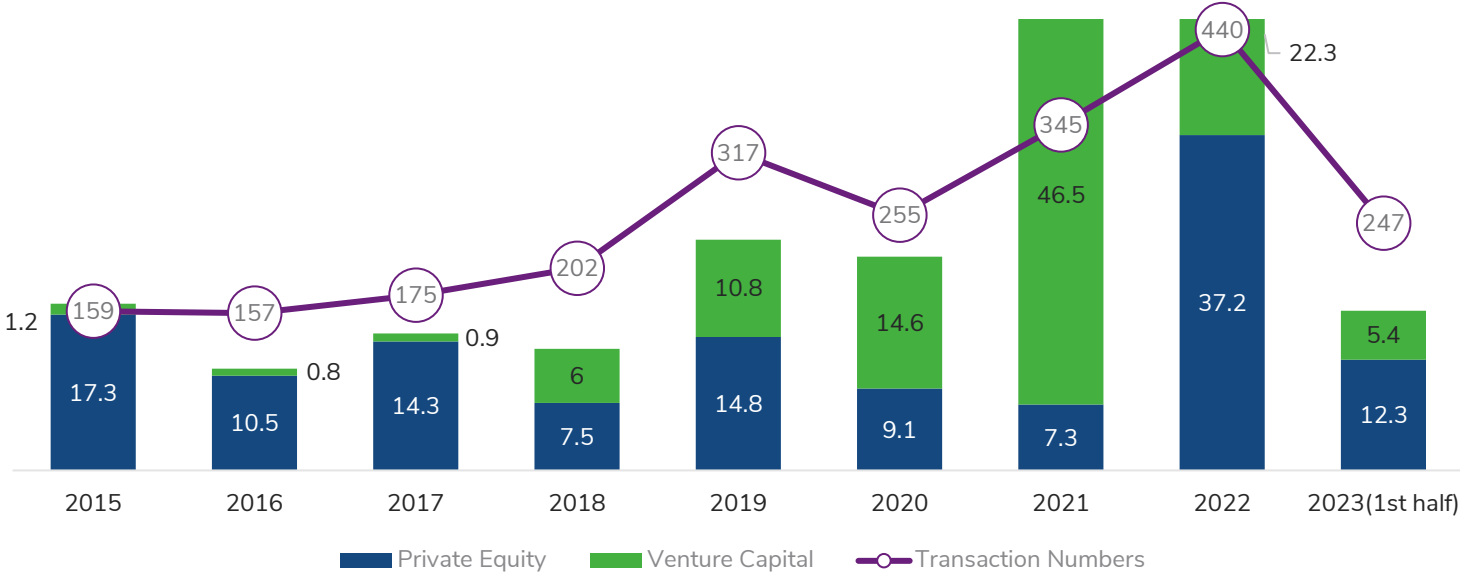
In March 2023, Barzel LOG announced a purchase of four distribution centers and five stores from Carrefour Brasil for an enterprise value of USD 231 mn.

Sources: S&P Global Market Intelligence and Mergermarket
Note: All trademarks, trade names or logos referenced herein are the property of their respective owners.

Private Equity and Venture Capital


In 2022, financial investors invested more than BRL 50 bn in Brazil and VCs (given investments in tech verticals) significantly outperformed PEs investment. In the first half of 2023, financial sponsors were present in 34.5% of the transactions, with investments of BRL 17.5 billion (similar to the same period in 2021).

Investments and No. of Deals per Year (BRL bn)





Source: ABVCAP
Investments and no. of deals per year 2022: Jan to Sep period


Financial Buyers Selected Transactions




In May 2023, Talanx Group [ETR:TLX], a German insurance group, acquired the businesses in Brazil, Chile, Colombia and Ecuador from Liberty Mutual Insurance Inc., a Boston, Massachusetts-based insurance giant, for USD 1.48 bn.



In March 2023, Eurofarma, a Brazilian drug manufacturer, acquired Genfar, a Colombia-based pharmaceutical company, from Sanofi [EPA:SAN] for USD 345 mn.







In March 2023, Pismo Solucoes Tecnologicas, a venture capital-backed Brazilian cloud-native core banking and payments platform, has received a USD 1.4 bn acquisition offer from Visa [NYSE:V].



In April 2023, Warrington Investments acquired 50% of Neoenergia Transmissora 15 [BVMF:NEOE3] for an enterprise value of USD 238.2 mn.


In June 2023, ACG Acquisition Company Limited [LSE:ACG], a special purpose acquisition company (SPAC), announced that it is to acquire the Atlantic Nickel mine and the Mineração Vale Verde copper mine in Serrote for an enterprise value of USD 1 bn.

In May 2023, Brazilian PE-firm TreeCorp has signed an agreement to acquire a 90% stake in Coritiba Foot Ball Club, a Brazil-based soccer club for an enterprise value of USD 225 mn.

In March 2023, Itaú Unibanco [B3: ITUB4], a Brazil-based bank, has secured a 20.83% stake in Equatorial Distribuicao, the electricity distribution unit of Brazilian energy company Equatorial [B3: EQTL3], by making an investment of USD 400 mn.




In June 2023, Log CP announced that it completed the sale of three logistics warehouses to a real estate fund managed by BTG Pactual. The enterprise value was valued in USD 141 mn for 51% stake.



Sources: S&P Global Market Intelligence and Mergermarket
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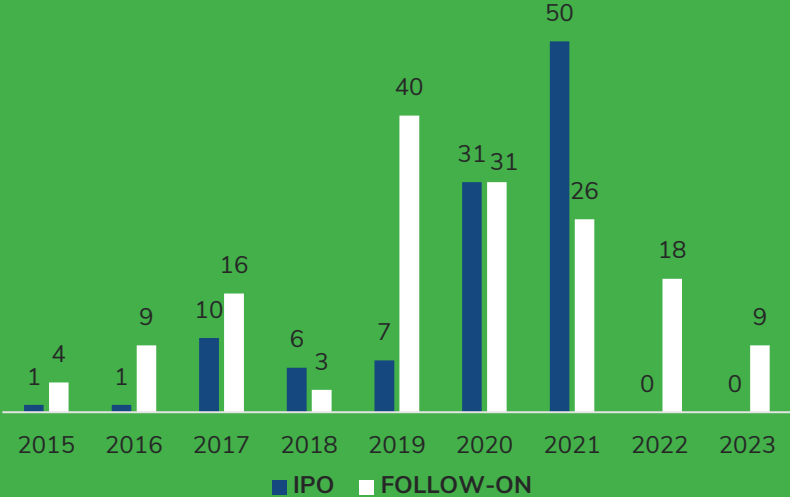
Equities Activity

Overview

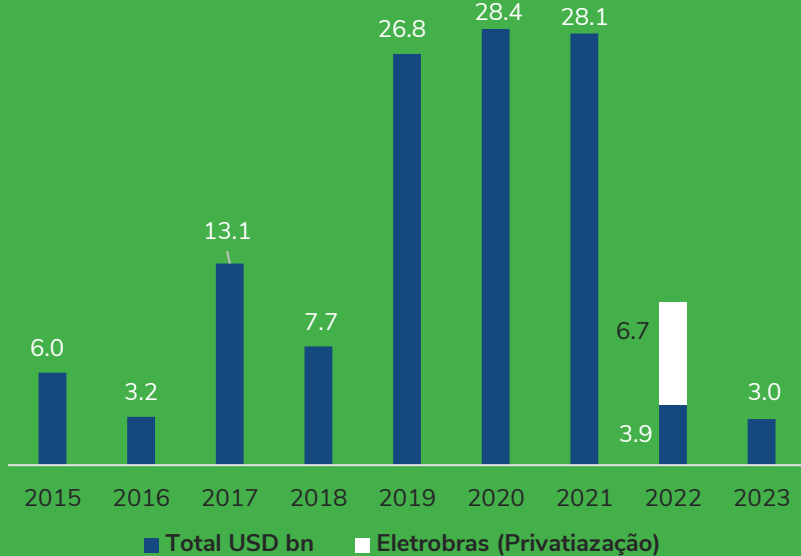
Activities in the capital market H1 2023 kept the same level as 2022, with only nine follow-ons totaling BRL 15 bn. Since January 2022, Brazil Capital Markets has no IPO's.

The inflation in Brazil (measured by the IPCA - Índice de Preços ao Consumidor Amplo) reached an accumulated of 3.16% year to date and 3.40% last twelve months. Brazil's Central Bank (BACEN) started a review and the country's basic interest rate (named SELIC) was reviewed to 13.25% in June 21, 2023 (was 13.75% since the end of 2022). Market expectations are 12% by end of 2023 and 9.5% until the end of 2024. On July 26, 2023, Fitch reviewed Brazil rating, upgrading to BB.

Number of IPOs and Follow-Ons (Brazilian Companies)



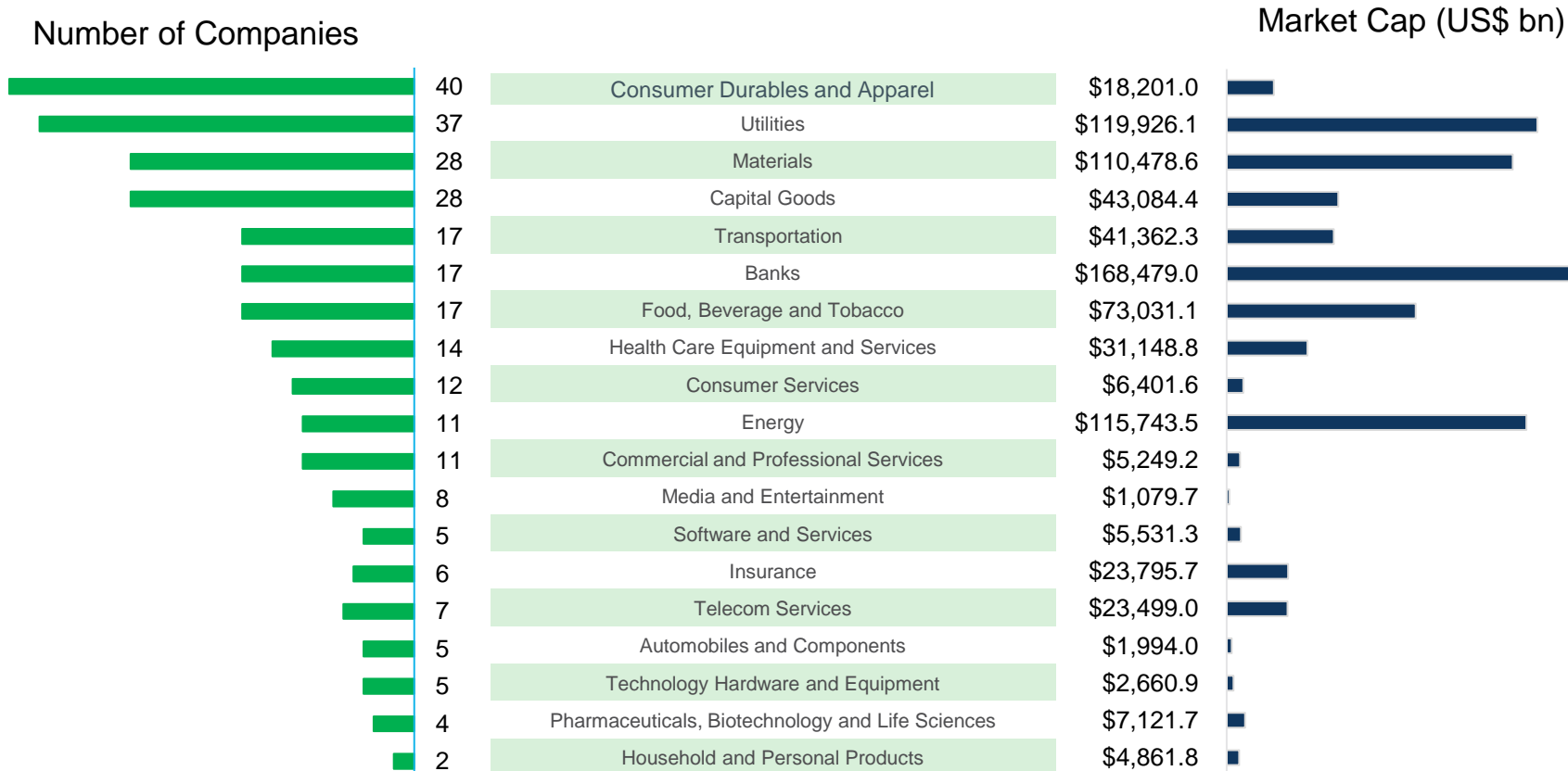
IPOs and Follow-Ons Funds Raised (USD bn)



Sources: Company press releases, B3 (Bovespa) and S&P Global Market Intelligence as of June 2023. The IPOs do not include Brazilian Depository Receipts (BDR).

Listed Brazilian Companies

As of June 30, 2023, there were 274 Brazilian companies listed on B3 (Brazilian stock exchange). With no recent new listings (no IPOs in 2022 and 2023 so far), the exchange experienced considerable sector diversification. The consumer durables and apparel sector accounts for the highest number of companies (40 companies) but only 2.06% of the total market capitalization. Utilities (37 companies) account for 14.85% of the total market capitalization, followed by materials (28 companies), accounting for 17.67%.



Ibovespa/ B3 Key Sectors EBITDA Valuation Multiples

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Ibovespa/ B3 Key Sectors EBITDA Valuation Multiples

Healthcare: 12.0x

IT/ Related Services: 10.0x

Logistics: 8.4x

Retail: 6.8x

Industrials: 6.3x

Education: 5.4x

As of August 2nd 2023
Source : Economática
Considers only positive EV/EBITDA multiples

Brazil B3: Top 10 Companies by Market Capitalization

Company Name	Incorporation	Industry Group	Market Capitalization (USD mn)	% of 52-Week High	Price to LTM Earnings Multiples
Petróleo Brasileiro S.A. - Petrobras (BOVESPA:PETR4)	Brazil	Materials	\$84,602.93	36.34	2.11x
Vale S.A. (BOVESPA:VALE3)	Brazil	Energy	\$75,754.59	114.39	4.16x
Ambev S.A. (BOVESPA:ABEV3)	Brazil	Food, Beverage and Tobacco	\$46,677.70	18.78	16.03x
Itaú Unibanco Holding S.A. (BOVESPA:ITUB4)	Brazil	Banks	\$46,608.87	32.61	9.50x
Banco Bradesco S.A. (BOVESPA:BBDC4)	Brazil	Banks	\$36,168.06	23.91	9.55x
WEG S.A. (BOVESPA:WEGE3)	Brazil	Capital Goods	\$26,264.20	42.26	33.46x
Banco BTG Pactual S.A. (BOVESPA:BPAC3)	Brazil	Diversified Financials	\$23,140.79	22.36	0.00x
Banco Santander (Brasil) S.A. (BOVESPA:SANB4)	Brazil	Diversified Financials	\$23,043.42	22.32	8.74x
Banco do Brasil S.A. (BOVESPA:BBAS3)	Brazil	Banks	\$20,370.13	40.36	4.28x
Itaúsa - Investimentos Itaú SA (BOVESPA:ITSA4)	Brazil	Diversified Financials	\$17,004.30	10.34	7.37x

Brazil: Follow-Ons

Company Name	Industry Classification	Date	Value (USD Million)
Assaí	Food Retailers	March 20, 2023	812.8
Hapvida	Med Hosp Serv. Anal and Diagnostics	April 14, 2023	211.8
Dasa	Med Hosp Serv. Anal and Diagnostics	April 20, 2023	334.7
Orizon	Water Utilities	May 2, 2023	73.9
Smart Fit	Sports	May 31, 2023	118.3
Oncoclínicas	Med Hosp Serv. Anal and Diagnostics	June 22, 2023	179.4
CVC Brasil	Travel and Tourism	June 26, 2023	110.0
Localiza	Car rental	June 28, 2023	900.0
Vamos	Car rental	June 30, 2023	260.5
Total			3,001.4

Ibovespa and Base Rate

IBOVESPA X SELIC (Interest Base Rate)



Index	Jun-22	Jun-23	Δ%
Brazil Ibovespa	98.608	116.681	18.3%

Index	Jun-22	Jun-23	Δ%
Interest Base Rate	13.25%	13.75%	0.5%

52-Week	Ibov Points
High	119.928
Low	96.551
Δ%	24.2%%

52-Week	Ibov Points
High	13.75%
Low	13.25%
Δ%	0.5%

Sources: S&P Global Market Intelligence as of December 2022
 XP inc. Projections (IBOVESPA)

Ibovespa 2022 and 2023 Review, and some Key Facts

Period	Selected Comments			# of	BRL to 1 US\$	%Var.	
	Month	2022	LTM				FY 2023
jul/23	3,27%	11,34%	11,12%	. Tax Reform Congress approval (subject to Senate and President Lula review) . Arcabouço Fiscal Senate approval (subject to Congress review and tax rates definition) . Agency risk Fitch upgrades Brazil to BB and 19 companies (including Petrobras, Sabesp, Cesp, Comgás, MRS Logística, Energisa Minas Rio, Energisa Paraíba, Energisa Sergipe, Aché, TAG, Rumo, Localiza, Engie Brasil, Rede D'or, Energisa, Taesa, BR Malls and Allupar . +30 companies announced plans to list/ f-ons for Q3/Q4 and early 2024. . Brazil Basic Interest base rate (SELIC) expected to be reduced to 13.25% in early August	IPO: none F-ons: 3 M&A: 127	4,82	-1,83%
jun/23	9,00%	14,46%	7,61%	. Current inflation and inflationary expectations are subsiding	IPO: none F-ons: 4 M&A: 93	4,91	-0,61%
mai/23	3,74%	9,94%	-1,28%	. Data about good performance of the Agribusiness and Food & Beverages sectors	IPO: none F-ons: 1 M&A: 118	4,94	-6,62%
abr/23	2,50%	-6,21%	-4,83%	. Arcabouço Fiscal improving discussions and submission to Congress are positive news and indicate potential improvement in the primary results.	IPO: none F-ons: 3 M&A: 116	5,29	1,34%
mar/23	-2,91%	-5,56%	-7,16%		IPO: none F-ons: 1 M&A: 127	5,22	2,15%
fev/23	-7,49%	-12,56%	-4,38%	. Turbulente beginning of new Lula government - review of some recent reforms and discussions about fiscal deficit.	IPO: none F-ons: 0 M&A: 108	5,11	-3,77%
jan/23	3,37%	0,26%	3,37%	. President Lula takes office for a 4 years period (his third term)	IPO: none F-ons: 0 M&A: 99	5,31	0,19%
dez/22	-2,45%	4,69%	4,69%	. President Lula wins second round of Brazilian Presidential elections (over President Bolsonaro)	IPO: none F-ons: 0 M&A: 154	5,30	0,38%

Brazil by the Numbers

	2017	2018	2019	2020	2021	2022	2023P	2024P
Inflation IPCA (%) Median	2.9%	3.7%	4.3%	4.5%	10.1%	5.8%	5.1%	4.4%
Exchange Rate EOP (BRL/USD)	3.31	3.88	4.03	5.19	5.57	5.28	5.00	5.25
Nominal Interest Rate SELIC (%) EOP	7.00%	6.50%	4.50%	2.00%	9.25%	13.75%	12.00%	9.50%
Nominal GDP (USD bn)	2,063	1,916	1,872	1,475	1,649	1,920	2,131	2,212
Real GDP Growth (% – Market prices)	1.3%	1.8%	1.2%	-3.3%	5.0%	2.9%	2.3%	1.5%
Trade Balance (USD bn)	56	47	35	50	61	62	70	60
Direct Investments (% GDP)	3.3%	4.1%	3.7%	3.0%	2.8%	4.8%	3.8%	3.2%
International Reserves (USD bn)	382	387	367	356	362	325	330	340
Gross Public Debt (% GDP)	69.9%	73.7%	75.3%	74.4%	86.9%	78.3%	72.9%	75.4%
Primary Result (% GDP)	-2.5%	-1.7%	-1.5%	-0.8%	-9.2%	0.7%	1.3%	-1.0%
Unemployment – IBGE % EOP	12.8%	12.5%	12.3%	11.7%	14.8%	11.8%	8.5%	8.0%

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 July 2023, XP Investimentos December 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
A KROLL BUSINESS

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




AUSTIN POWDER

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



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