



M&A
Challenges and
opportunities in Brazil

Luis Oroval
EMEA M&A Latin America Specialist



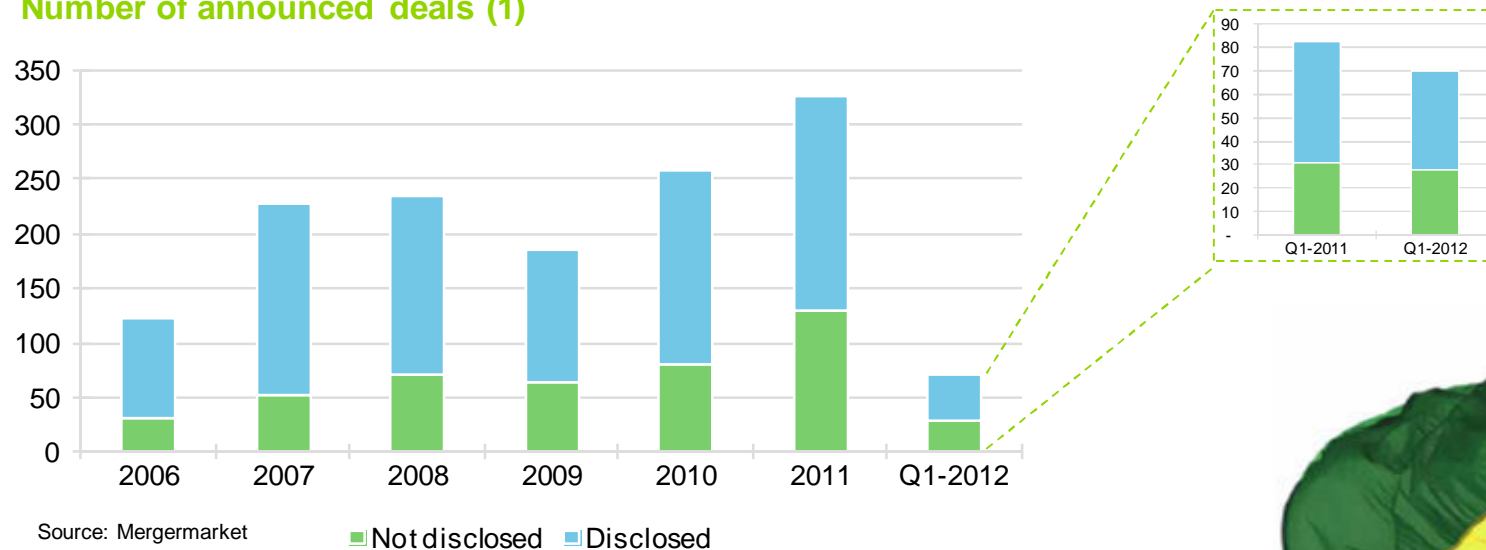
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Brazil M&A market

Brazilian M&A market recovered in 2010 and grew strongly in 2011

Number of announced deals (1)



- M&A activity in Brazil has been growing strongly over the last years
- 2009 was only a blip – longer trend is even more impressive
- Q411 and Q112 activity slowed – long term positive trend
- Fastest growing and biggest M&A market in Latin America

Brazil M&A market

Key drivers

- Positive macro scenario – Political stability / Liberalising economy and Macroeconomic stability



- Global interest in growing emerging markets
- Interest and investment appetite increasing as perception of Risk decreases

- Vast market opportunities



- New players in the market
- Consolidation opportunities

- Strong internal demand – Growth and consolidation of the Middle Class



- 48 million Brazilians have moved into the middle and upper classes
- Private consumption per head in Brazil is c.4 times China's and c.9 times India's in 2011

- Development of Local capital markets, Private equity presence and M&A infrastructure



- The new rules introduced with Novo Mercado gave investors more appetite for Brazilian equities
- Brazilian M&A market is probably one of the most developed in Emerging Markets

- Significant proportion of large Private companies / family controlled

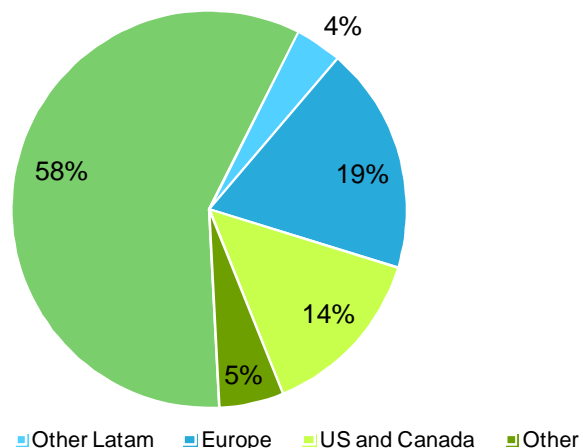


- Looking for liquidity for their investments
- Looking for diversification

Brazil M&A market

Snapshot – Local vs cross border M&A

Number of deals by geography of investor (2006 - Q1 2012)

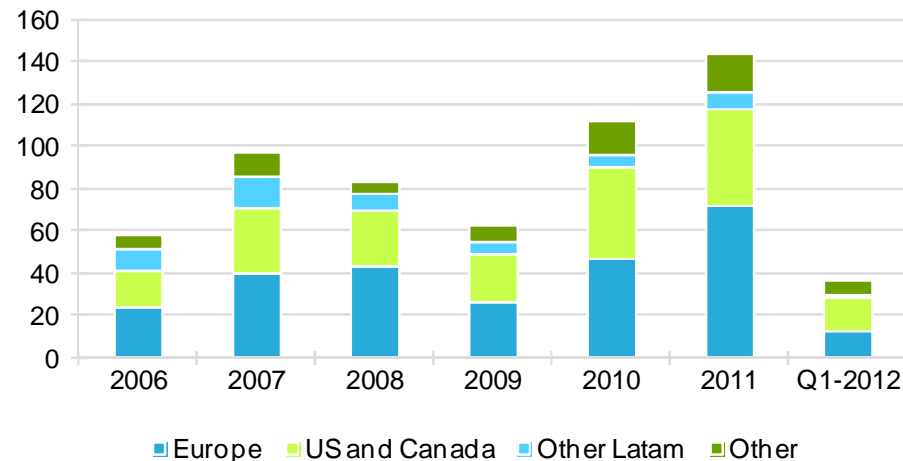


Source: Mergermarket

- Investment from Europe outpaced that from US until the last Quarter of 2011
- China, Japan and India have increased their M&A activity in Brazil during the past years.

- Local M&A activity stays ahead, both in terms of Number and Value
- Very competitive environment (particularly for foreign investors)
- Most develop M&A market in Latin America
- Level of activity is spread across sectors

Number of deals by geography of investor (1)



(1) Excludes Brazil interregional investment

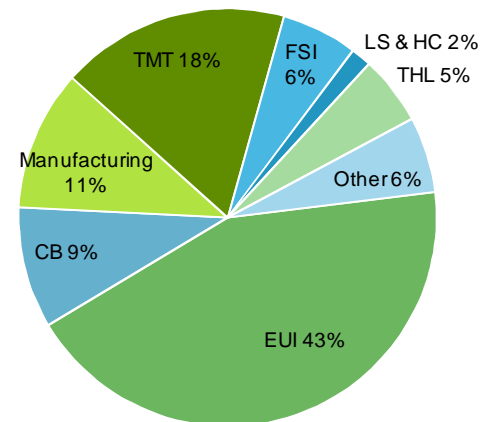
Source: Mergermarket

Brazil M&A market

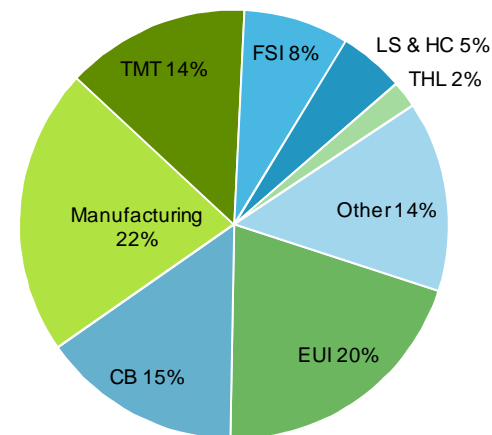
Snapshot – M&A by sector

- Energy and natural resources have accounted for most of the non-domestic investment
- Cross border investment appears to have been focused on:
 - Natural resources
 - and
 - Manufacturing and providing consumer goods to the growing middle class

Non-domestic deals in Brazil by Sector
(Value 2006-Q1 2012)



Non-domestic deals in Brazil by Sector
(Number of deals 2006-Q1 2012)



Source: Mergermarket

Challenges of doing deals

Challenges are not going to stop you

- Access to the market and identifying the right opportunities



- In-house or advisors – Brazil needs constant monitoring and presence

- Different expectation despite market developing rapidly still

- Pricing/Valuation
- Process
- Diligence
- Informal economy



- Understanding unsophisticated sellers
- Both Local insight and cross border experience are valuable to manage expectation
- Flexibility around structure of investments

- Legal labour and tax legislation



- Local insight and cross border experience to contextualised issues

- Talent – demand outweighs supply



- Be prepared to invest both to get the deal and to manage your investment



Spotlight on Brazil Q&A



Leonardo Ferreira
UK Lead Partner, Brazil Services Group

Deloitte.

Spotlight on Brazil
Key contacts



Brazil Services Group

Panellists



Leonardo Ferreira
UK Lead Partner, Brazil
Services Group
+44 20 7303 3975
leferreira@deloitte.co.uk



Luis Oroval
Director Deloitte UK
EMEA Latin America
M&A Leader
+44 20 7007 1352
loroval@deloitte.co.uk



John Auton
Brazil Lead Partner,
Sports & Major Events
+55 213 9814 515
jauton@deloitte.co.uk



Alex Foster
Senior Manager, Tax
+44 20 7007 3531
alfoster@deloitte.co.uk



Roger Horwood
International Tax Partner
+44 20 7007 2524
rhorwood@deloitte.co.uk



Ricardo de Carvalho
Senior Partner Deloitte
Brazil, M&A Transaction
Services
+ 55 11 5186 1776
rcarvalho@deloitte.com

Brazil Services Group

Industry Leaders

Energy & Resources

Carl Hughes

Partner

+44 20 7007 0858

cdhughes@deloitte.co.uk

Financial Services

Biren Shah

Director

+44 20 7303 2879

birenshah@deloitte.co.uk

Infrastructure, Capital Programmes and PPP's

Tim Jones

Assistant Director

+44 20 7007 4338

tjones@deloitte.co.uk

Manufacturing

Jim Bloomfield

Director

+44 113 292 1837

jbloomfield@deloitte.co.uk

Technology, Media & Telecommunications

Annie Chan

Senior Manager

+44 20 7007 3503

annchan@deloitte.co.uk

Aerospace & Defense

Ian Cooper

Director

+44 2380 354 357

iancooper@deloitte.co.uk

Education and Public Sector

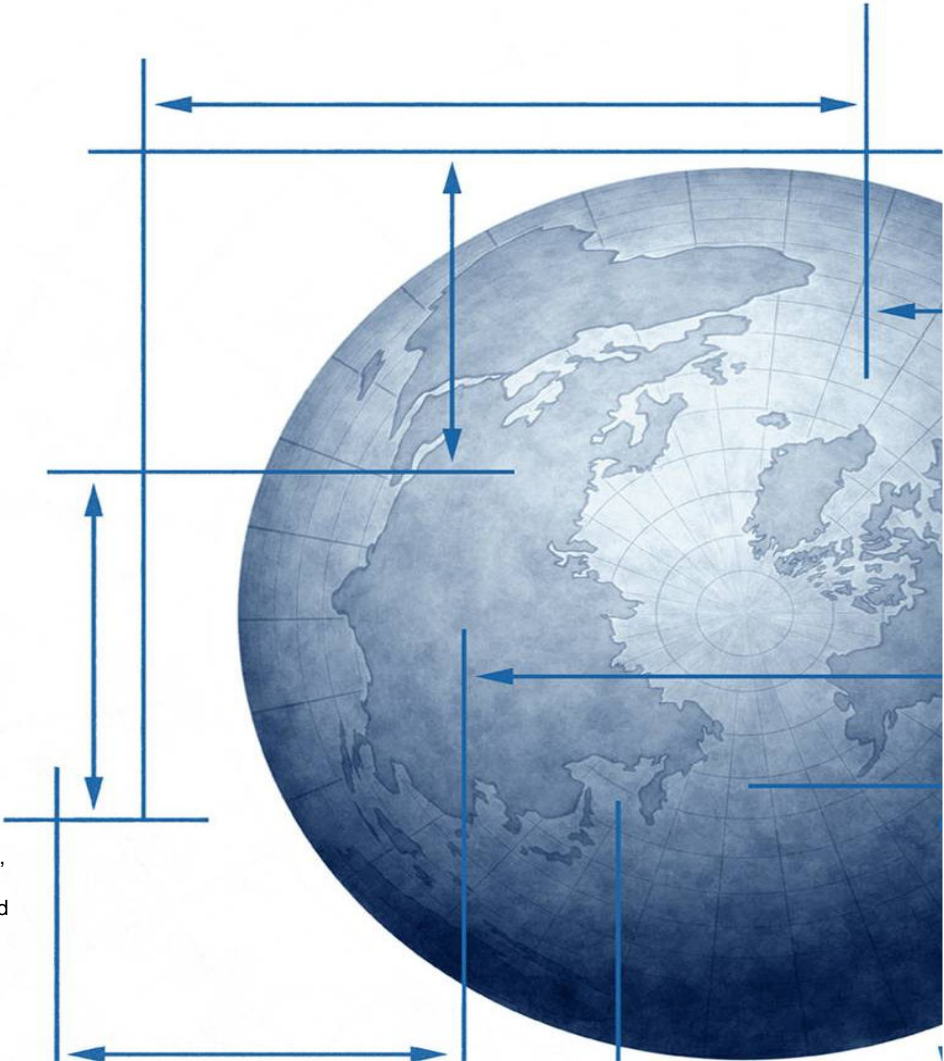
Julie Mercer

Partner

+44 20 7007 8292

julieemercer@deloitte.co.uk

Deloitte.



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