

The background of the slide is a high-angle photograph of a modern cable-stayed bridge with two tall, white, A-frame pylons. The bridge spans a body of water, and a city skyline is visible in the distance under a clear blue sky. The bridge's cables are illuminated, suggesting a sunset or sunrise setting.

***M&A Outlook in Brazil: Performance, trends, risks & opportunities for UK firms***

**ADAM PATTERSON**  
REDIRECTION INTERNATIONAL

**OCT/24**  
Brazilian Chamber of Commerce for Great Britain

# REDIRECTION INTERNATIONAL

We are specialized in CorpDev and M&A advisory for local and international companies active in the middle market segment. We have successfully completed over 50 M&A transactions.

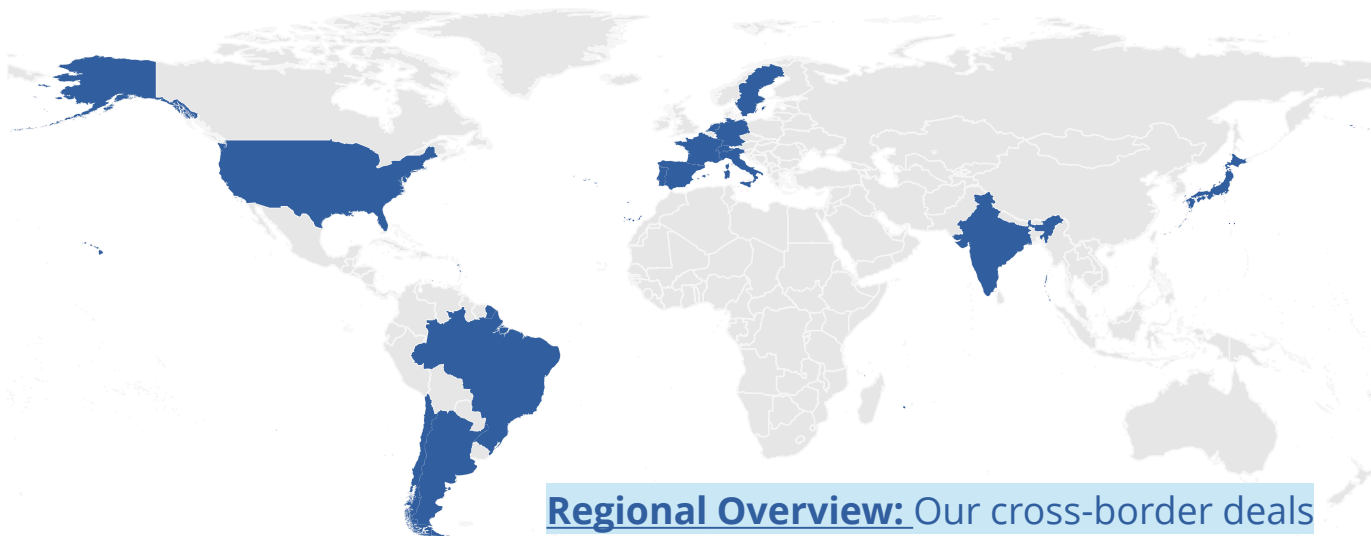
We have a broad sector focus and experienced team for delivering strategic alliances and M&A dealmaking with local expertise and global reach.

Our team has an extensive track record in multiple types of transactions, planning and executing all stages of the deal through a holistic and end-to-end approach.

## CROSS-BORDER

Redirection International has extensive experience in international corporate development, cross border transactions and global JVs. Our team operates directly in Brazil, the United States and the United Kingdom.

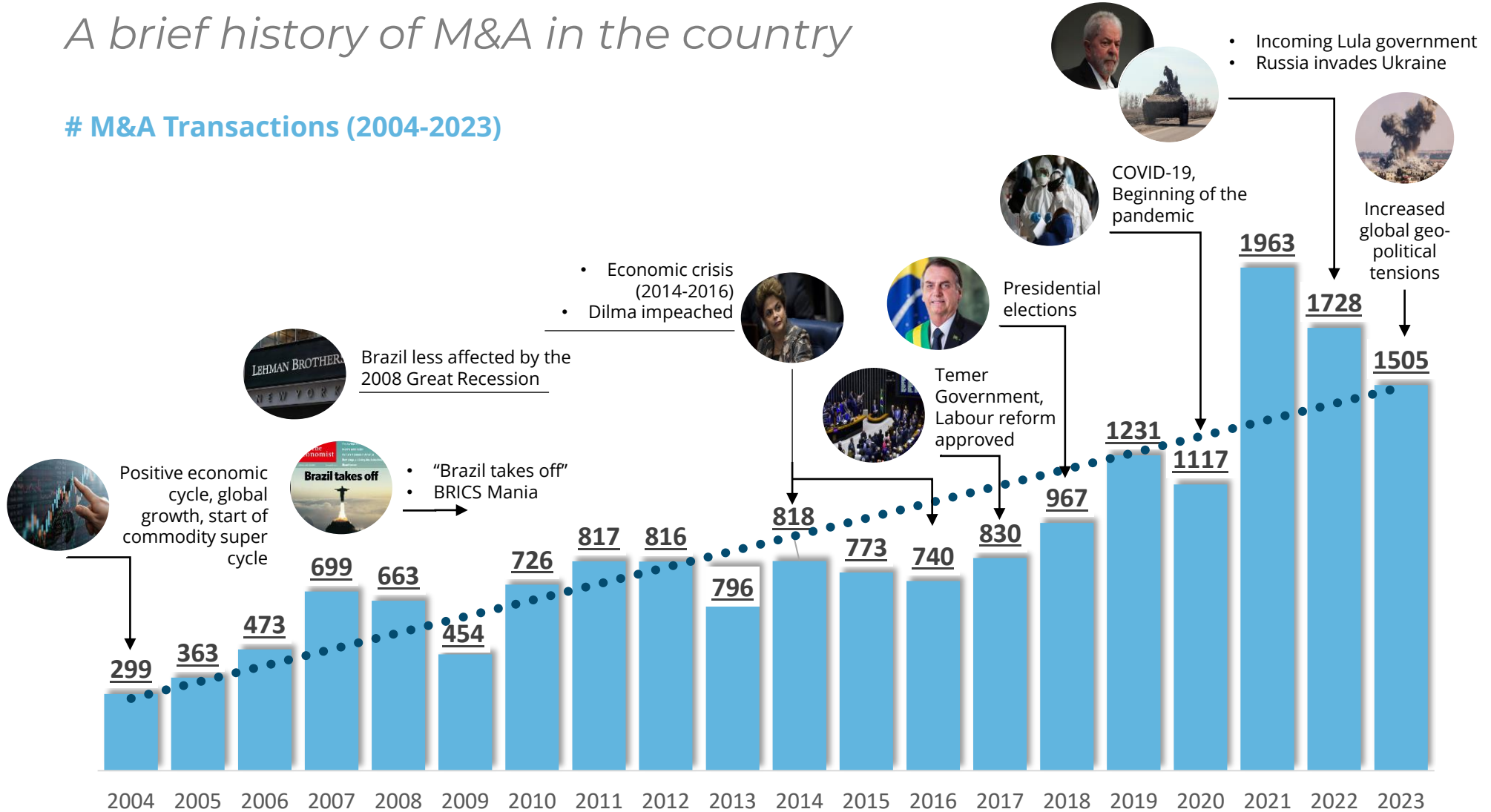
## CORPORATE DEVELOPMENT



# M&A OUTLOOK IN BRAZIL

*A brief history of M&A in the country*

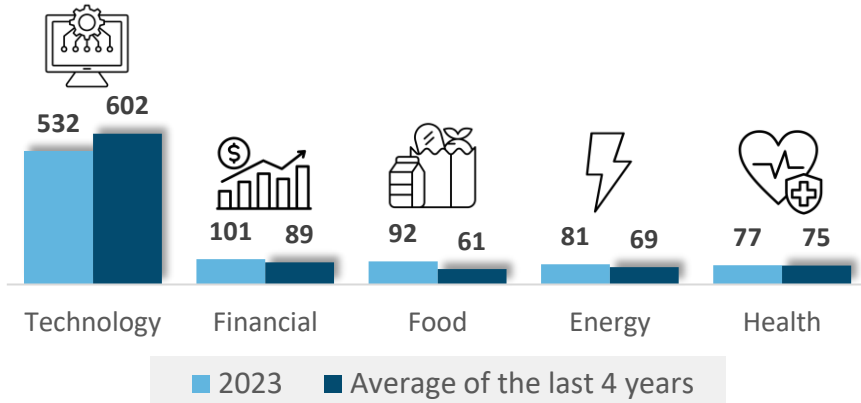
## # M&A Transactions (2004-2023)



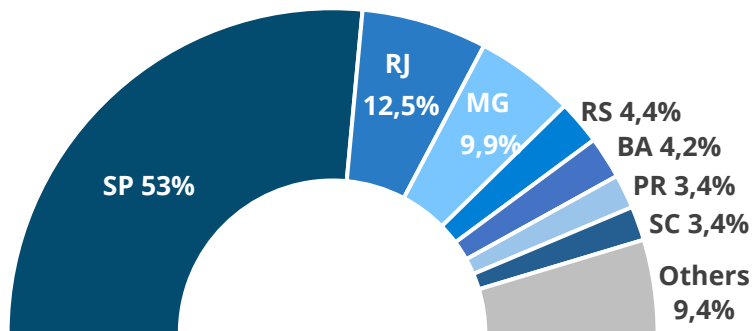
# M&A OUTLOOK IN BRAZIL

## *Breakdown: M&A Dealflow Brazil 2023*

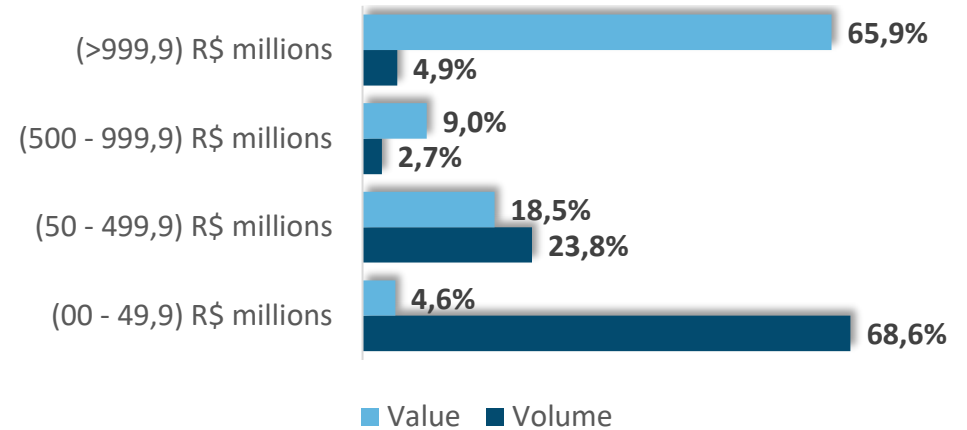
### Largest Sectors - by number of transactions



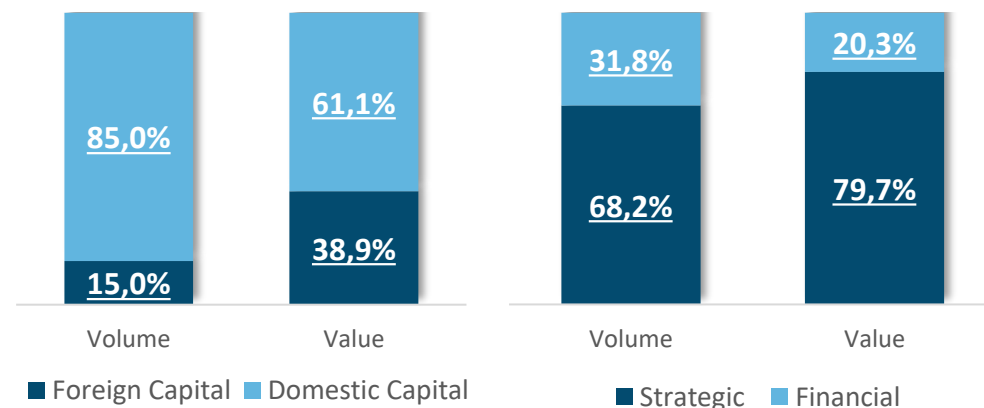
### # Transactions by State



### Transaction Size



### Investor Profile

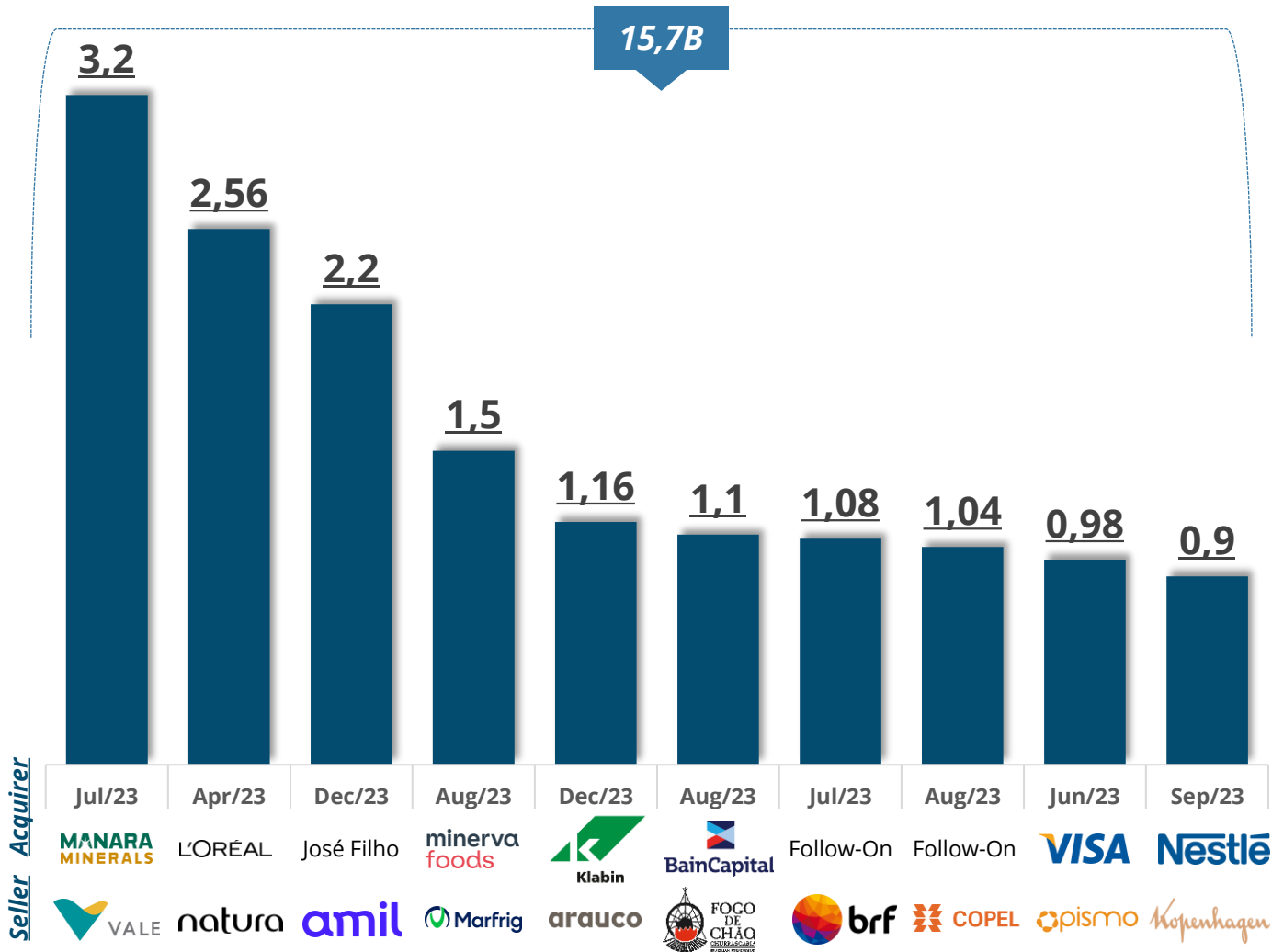




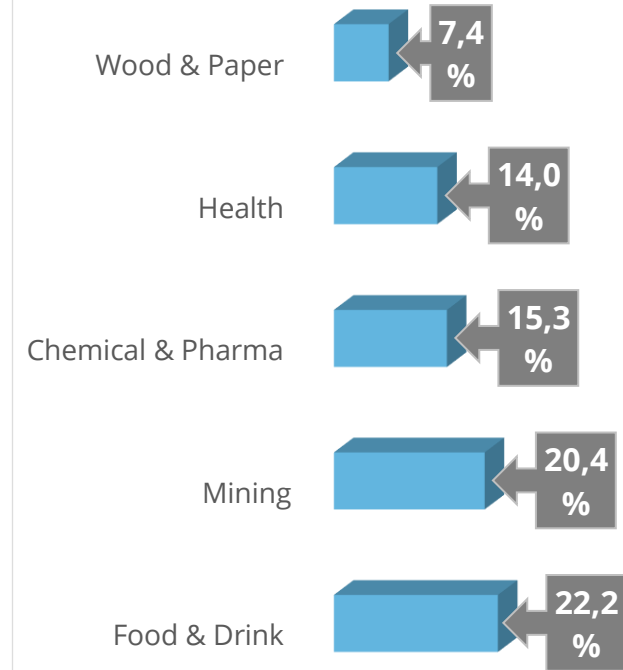
# M&A OUTLOOK IN BRAZIL

## Largest Deals - 2023

### Top 10 Transactions - BUYER/SELLER in USD B



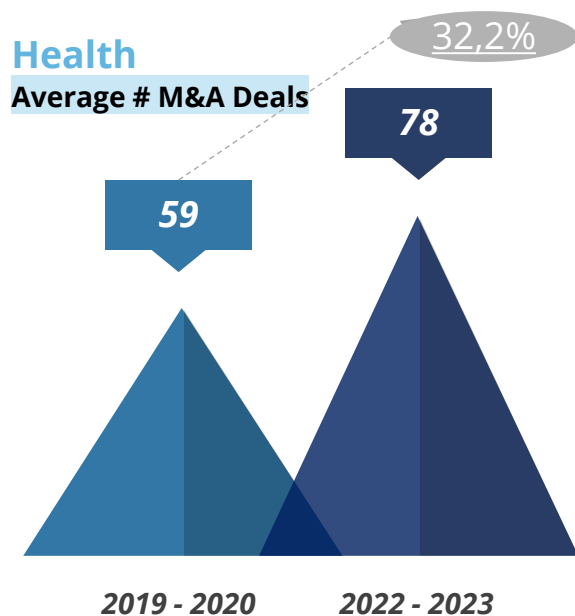
### Largest Mega Sectors TOP 5 (%BRL)



Source: F&A

# M&A OUTLOOK IN BRAZIL

*Examples of recent sector consolidation*

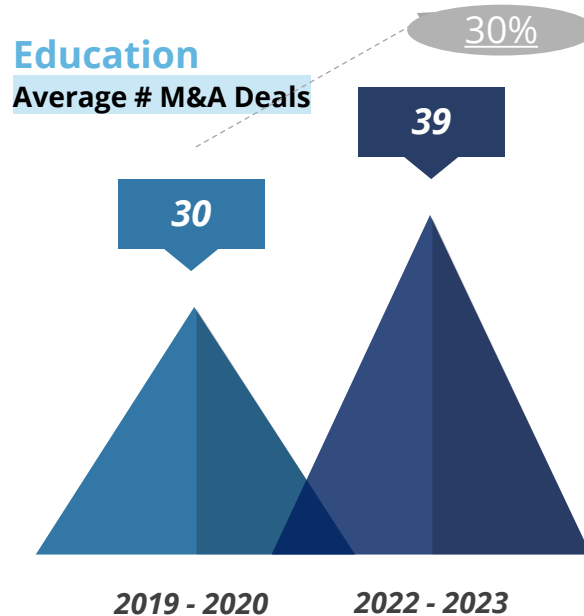


Verticalization

Consolidation of the Consolidators

Tactical M&A:  
Clinics/Diagnostics

Private Equity Theses

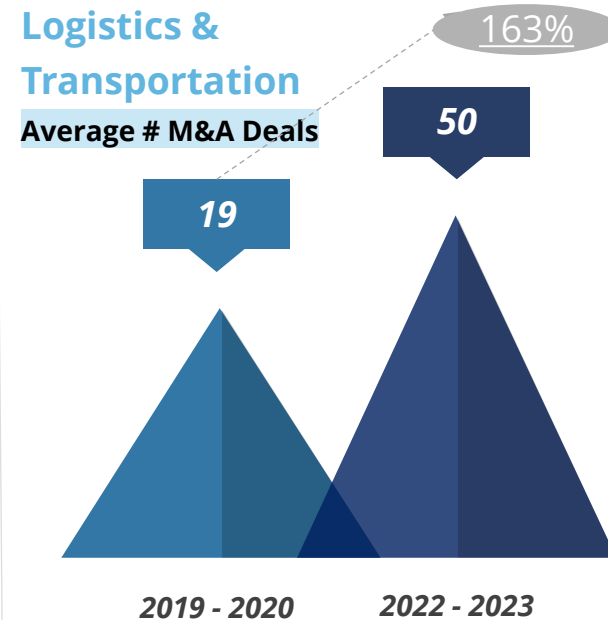


Consolidation in SE & HE

Premium/Bilingual

EdTech & Digital Transformation

International Groups



Fragmentation

Middle-Market M&A

Scaling up / Regionalization

Diversification

# M&A OUTLOOK IN BRAZIL

*2024 – where are we?*

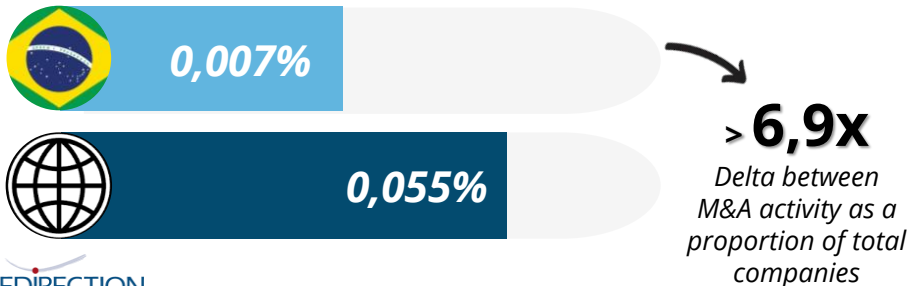
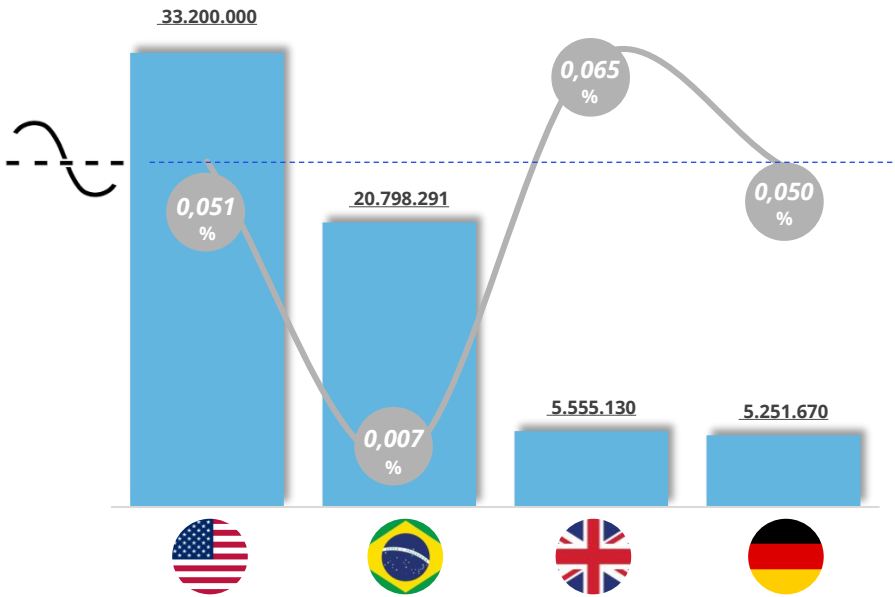
- ❑ At EOY '23, the market was expecting a gradual recovery of M&A activity through 2024, with a consensus of ~15% growth in deal flow y-o-y led by improvements in the macro environment and investor confidence.
- ❑ Performance YTD ambiguous, varies based on data source. Also lag in data releases;
- ❑ Potential weak performance concentrated in small cap deals (<R\$50M);
- ❑ To July, middle and upper market deals saw growth of ~17% in volume and ~40% in deal value;
- ❑ Cross-border deals expected to increase deal share.



# M&A OUTLOOK IN BRAZIL

## The Growth Opportunity

### NUMBER OF M&A DEALS PER COMPANY TOTAL (2023)



### Comparative forecasts

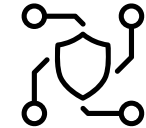
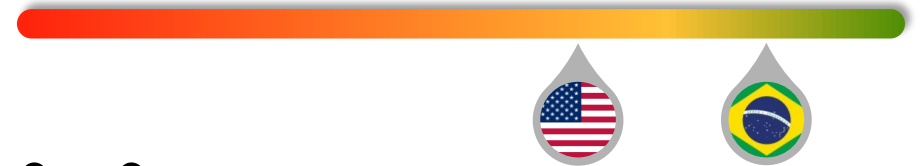
CAGR ~7% BR / ~5% Global



### Third-Party Logistics Market

Consolidated

Fragmented



### Cybersecurity Market

CAGR ~13% BR / ~8% Global

Consolidated

Fragmented

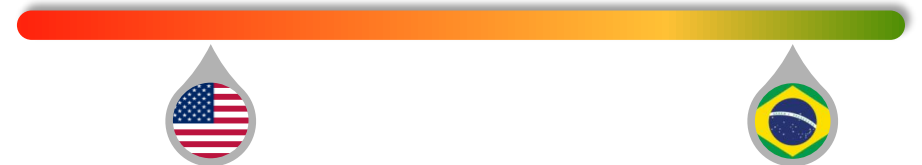


### Fertilizer Market

CAGR ~9% BR / ~3% Global

Consolidated

Fragmented





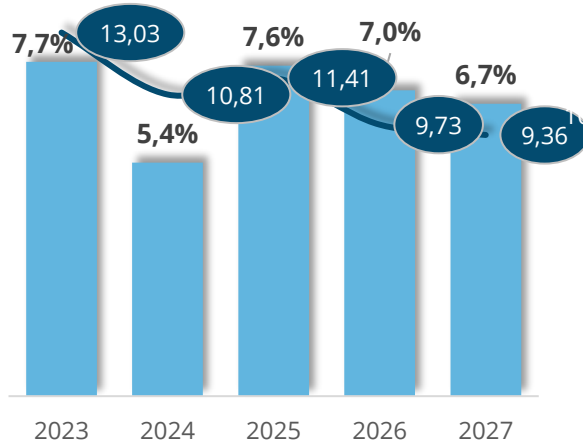
# M&A OUTLOOK IN BRAZIL

## M&A Macro Drivers in Brazil (1/2)

### GDP Growth

GDP/M&A  
~70% R2/R

- GDP has been growing above consensus. Forecasts for 2024 have been increasing. Nominal growth projected at ~6-7% to 2027.
- Interested rates reductions still expected.



■ Nominal GDP growth    — SELIC base rate

Source: BBradesco

### Business Confidence

Confidence/  
M&A  
~35% R2/R

- In September 2024, the Business Confidence Index (ICEI) increased by 1.6 points to 53.3, the second consecutive monthly increase, up y-o-y.

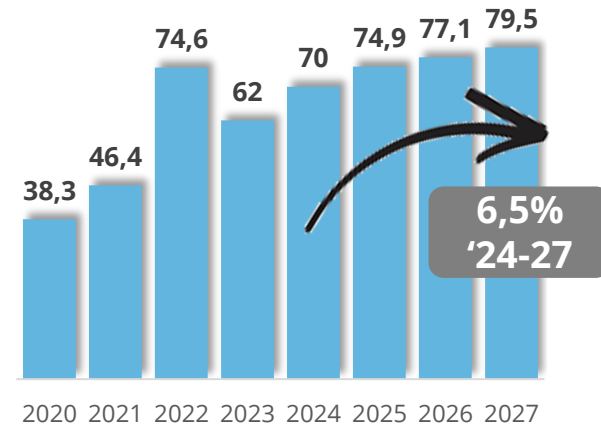
### Sector Competitive Advantages

- A growing Energy Powerhouse
  - Agribusiness Leader
- Mining and Natural Resources
- Growing Tech & Innovation Sector

### FDI

FDIM&A  
~40% R2/R

- Brazil ranks 5<sup>th</sup> among the world's top destinations for foreign investment,
- US\$ 28,5B in 1H24, 30% growth y-o-y.
- Average growth of ~6,5% expected to 2027.



Source: CNI, Redirection

Source: UNCTAD, Bradesco

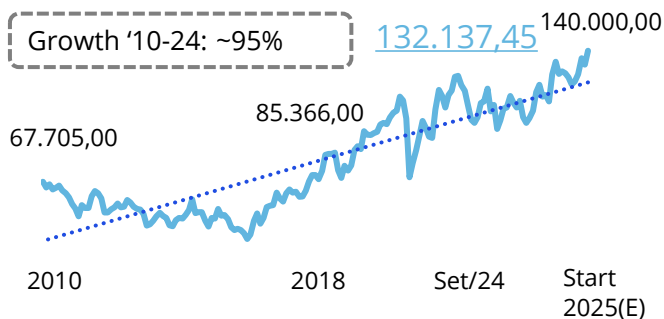
# M&A OUTLOOK IN BRAZIL

## M&A Macro Drivers in Brazil (2/2)

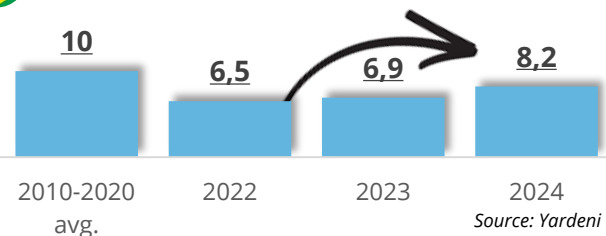
### Bovespa / Valuations

FDIM/∆A  
~60% R2

Despite volatility, the long-term trend of the main Brazilian stock exchange (BOVESPA) is positive. The market currently projects the IBovespa at ~140K points by EOY '24. 5-year growth of ~30%.

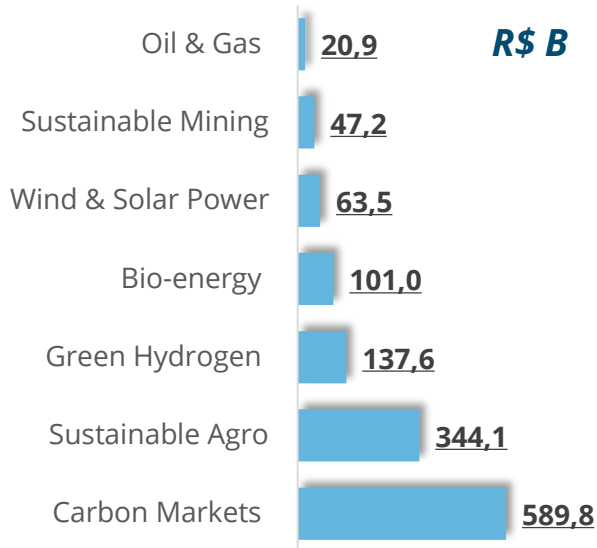


### Forward P/E Brazil Stocks



### Huge ESG opportunity

- A secular opportunity for Brazil to become a global sustainability powerhouse.
- Redirection estimates a total Green Economy opportunity of **US\$277B by 2030**.



### Broader Socio-Economic, Geopolitical & Financial Factors

- Relative geo-political isolation;
  - Self-sufficiency in key commodities;
- Minimal Dollar Debt: Brazil's U.S. debt closed 2023 at 16.6% of GDP. Large forex reserves (\$~335B in Aug/24);
- Large Population and Growing Consumer Market: With over 200 million people, Brazil boasts a vast and diverse domestic consumer base;
- Investment grade: In Oct/24, Moody's upgraded Brazil's sovereign rating to Ba1, one step away from investment grade.

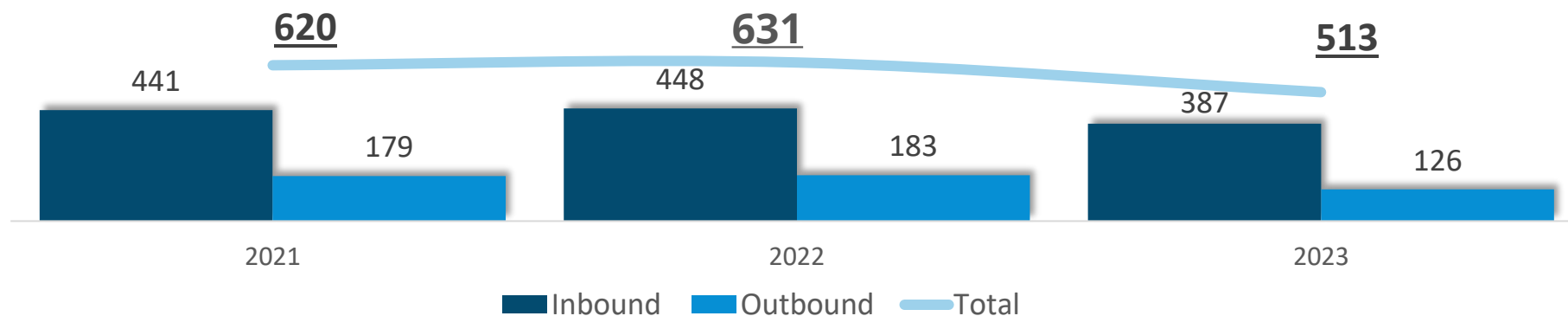
# M&A OUTLOOK IN BRAZIL

*Potential risks on the horizon - volatility x long term play*



# M&A OUTLOOK IN BRAZIL

*Cross-Border Brazil (inbound e outbound)*



## INBOUND

Bidder Country	# deals	Total value (BRLm)
United States	161	25.622,80
<b>United Kingdom</b>	<b>53</b>	<b>7.090,98</b>
Spain	23	3.040,46
Germany	18	8.273,58
Canada	18	3.409,20
France	18	828,75
Singapore	17	2.110,59
Portugal	13	4.757,99
Argentina	13	1.033,87
Netherlands	11	828,10

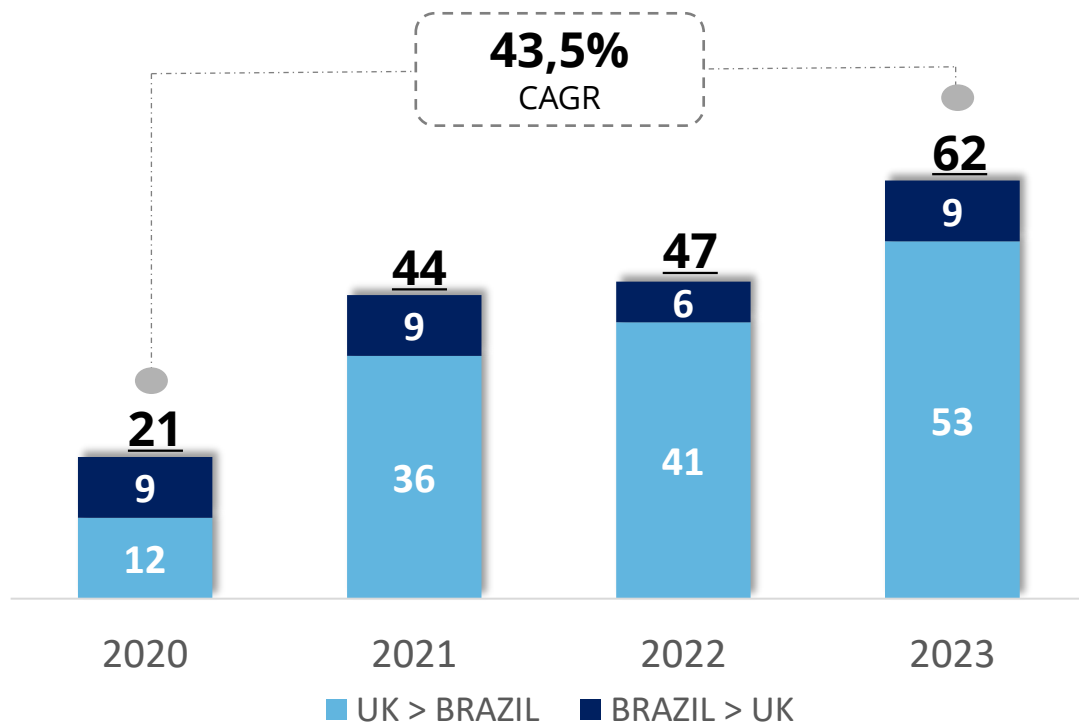
## OUBOUND

Target Country	# deals	Total value (BRLm)
United States	36	5.348,64
Chile	9	4.316,30
<b>United Kingdom</b>	<b>9</b>	<b>648,17</b>
Portugal	9	334,49
Argentina	7	29,89
Colombia	6	1.864,80
Mexico	6	544,58
Uruguay	5	306,60
Italy	4	138,16
Israel	3	81,27

# M&A OUTLOOK IN BRAZIL

## UK-BR M&A Dealflow

### NUMBER OF DEALS UK - BRAZIL (2020-2023)



**244**

Total Mapped  
Transactions  
2012-2022  
by Redirection

**24.7**

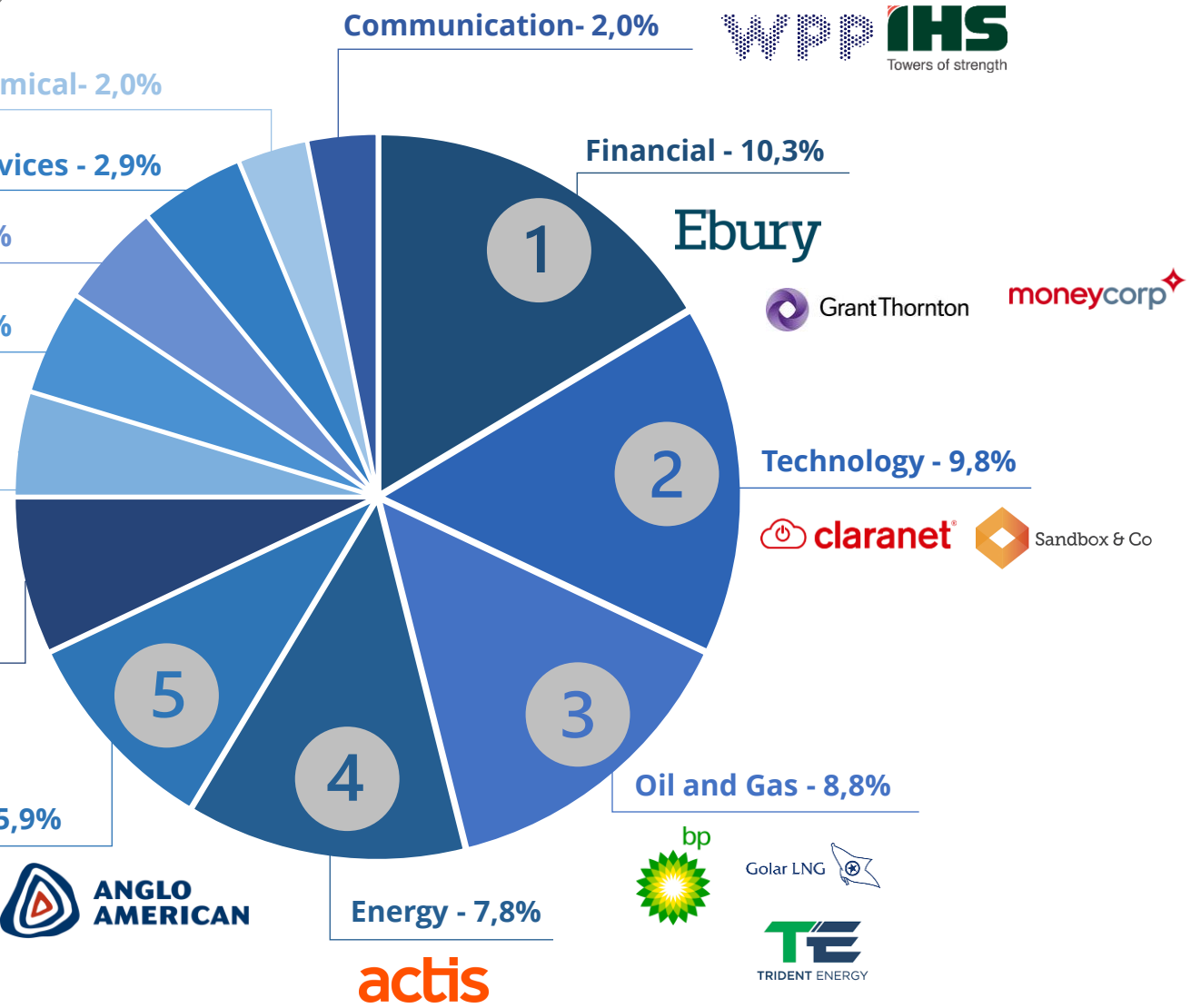
USD Billion  
in Total Announced  
Transactions  
2012-22



# M&A OUTLOOK IN BRAZIL

































## UK-BR Dealflow by Sector

More recently, the education sector has seen a lot of active UK players



# M&A OUTLOOK IN BRAZIL

## Highlighted Transactions - LTM

Date	Buyer	About	Target
aug/24		 Experian, through Serasa Experian, signed an agreement to acquire the Minas Gerais-based startup SalaryFits, which operates as a HR marketplace for benefits and payroll-deductible loans.	<b>SalaryFits</b> 
aug/24		 The British group Nord Anglia Education has acquired Escola Móbile, located in Moema, a high-end neighborhood in the southern zone of São Paulo. The financial details were not disclosed.	 
jun/24		 BP reached an agreement to purchase Bunge's 50% stake in the Brazilian sugar and ethanol joint venture BP Bunge Bioenergia, in a \$1.4 billion deal.	 
jun/24		 OV Entertainment Group, a UK-based global multimedia entertainment company, focused on games, film/TV, and the advertising industries, finalized a strategic acquisition in Latin America. The company has emerged as a significant player in the global cross-media market with its recent purchase of Brazil and Portugal-based Kokku.	  
may/24		 MDS Brazil, a subsidiary of Ardonagh-owned MDS Group ("MDS") and one of the country's major brokers in the insurance, reinsurance, benefits management and risk consulting segments, today announces it intends to acquire D'Or Consultoria ("D'Or"), a health, dental, life insurance and pensions broker from Rede D'Or Sao Luiz. S.A. ("Rede D'Or").	 
oct/23		 The British foreign exchange fintech Ebury, part of the Santander Group, announced the acquisition of Bexs, betting on the growth of international transactions by small and medium-sized businesses in Brazil. The value of the transaction was not disclosed.	 
oct/23		 Pátria Investimentos acquired the private equity arm of the British asset manager Abrdn for £100 million (~R\$ 600 million), marking its first acquisition outside Latin America as part of its strategy to establish its global product offering.	 
aug/23		 Claranet, a multinational technology company focused on cloud computing and cybersecurity, announced the acquisition of 100% of the equity capital of ADTsys, a Brazilian cloud computing and data management company.	 

# M&A OUTLOOK IN BRAZIL

Examples of theses and leading UK players active in Brazil M&A

## Distribution and Outsourcing



- **Footprint Expansion in Key Sectors:** strengthen and consolidate its presence in still fragmented, growing and resilient markets and B2B segments such as healthcare, hygiene and cleaning products ( PPE) and food-service items. **Strategic Acquisitions** focused on “own label” products in key local markets that generate consolidation and synergies. A “One-Stop-Shop” approach to product offering.
- **Growth Strategy:** Focus on companies with attractive financial returns (ROIC etc.) with low % of total customer spend.

E.g.



REDIRECTION

## Education



- **Acquisition of Premium Private Schools:** Inspired focuses on acquiring high-quality private schools, targeting institutions with strong reputations for academic excellence, and international curriculums.
- **Regionalization:** Expand in major regional cities, outside of the SP-RJ axis for example.
- **Synergies and Global Integration:** Integration, local independence and improving profitability.

E.g.



## Energy



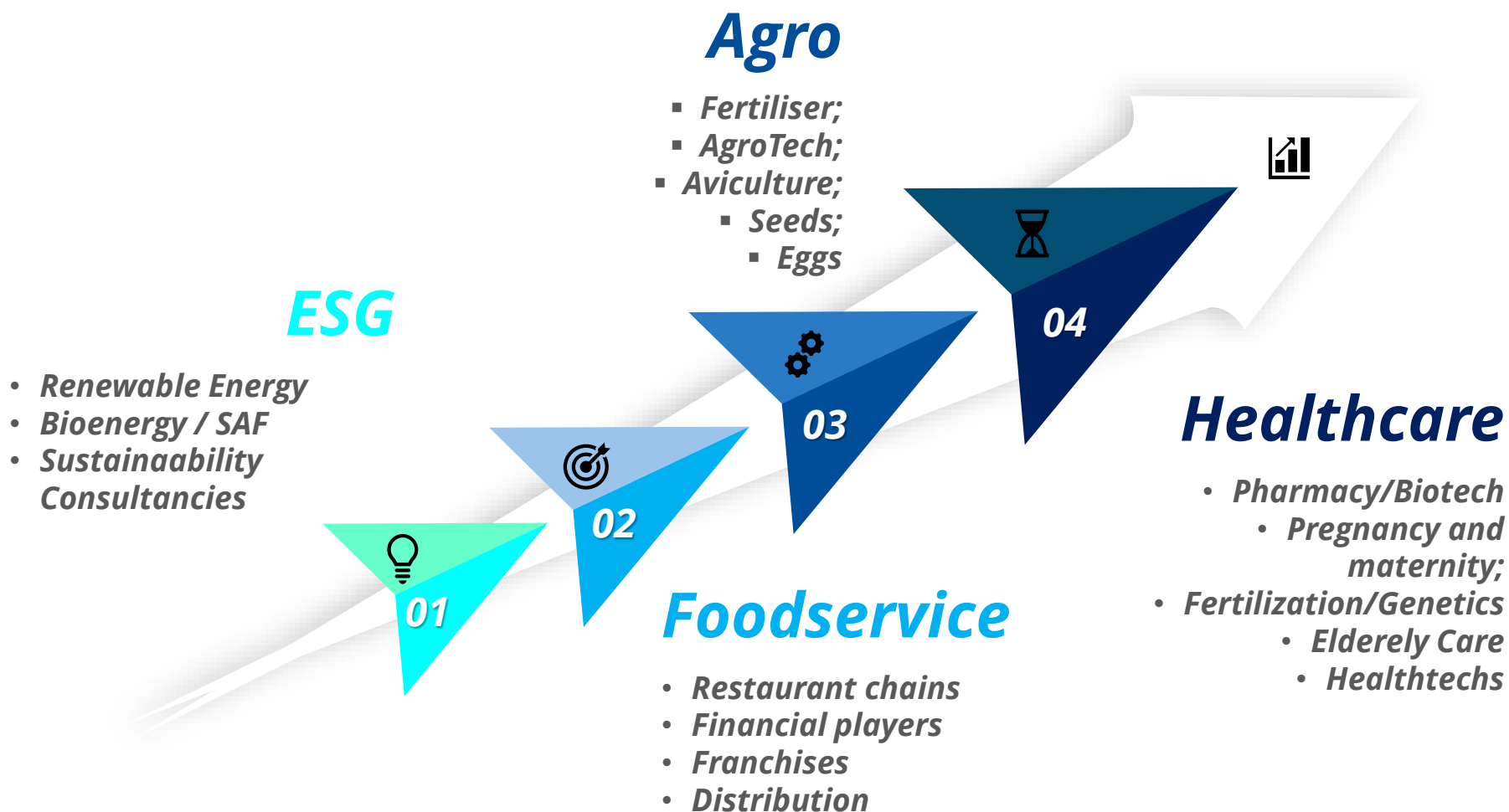
- **Targeting Infrastructure and Renewable Energy:** Actis has focused on investing in Brazil’s infrastructure and energy sectors, particularly renewable energy such as solar and wind projects.
- **Platform Creation and Expansion:** Create or scale platforms by consolidating several smaller acquisitions within its focus areas (such as transmission *et al*).
- **Long-Term, Value-Creation:** A long-term perspective, focusing on creating operational efficiencies and post-acquisition value. “Values Drive Value”: focus on investing on the “right assets and right markets” to generate “alpha”.

E.g.



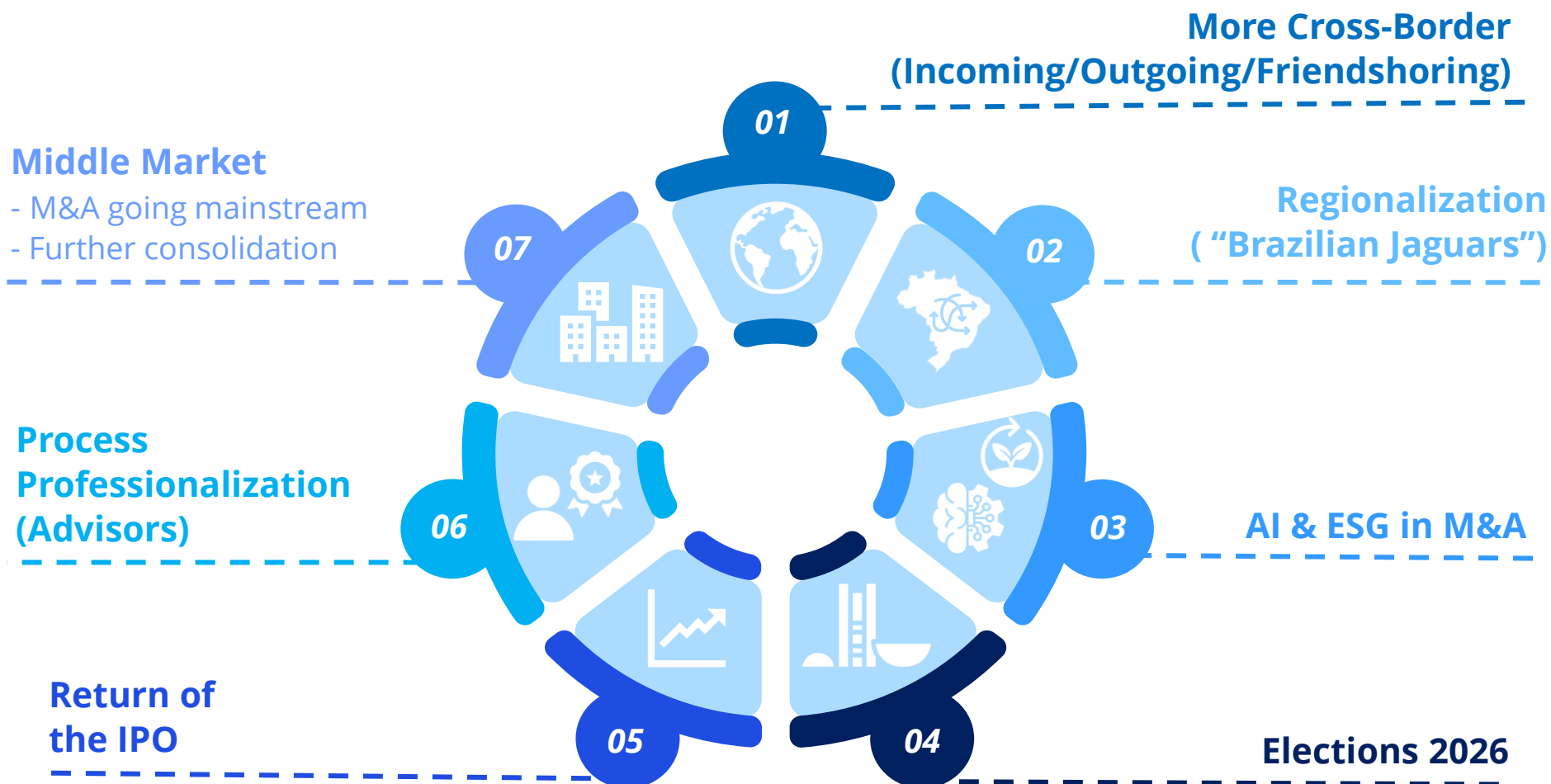
# M&A OUTLOOK IN BRAZIL

Moving forward: Key theses to keep track of



# M&A OUTLOOK IN BRAZIL

## M&A Trends & Talking Points







REDIRECTION

***Thanks!***

*Get in touch:*

*[adam@redirection.com.br](mailto:adam@redirection.com.br)*