



Brazil Overview

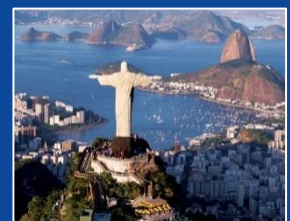
Macro and Political Landscape

December 2017

Brazil starts to show signs of economic recovery, but is still being slowed down by the political news front.

Key observations from our research:

- After 2 years of negative economic growth, rampant inflation rate, increasing public deficit and unemployment, Brazil is finally experiencing a recovery in its main financial activity indexes.
- Looking forward, the economic case for Brazil is solid. Inflation is falling rapidly (accumulated inflation between January and October is at 2.7%, and the financial market projects the inflation index – IPCA – at 3.0% by year's end), and GDP is showing signs of growth after a long period of consecutive decreases.
- The decreasing inflation opens space for additional cuts in the base nominal interest rate, lowering the cost of credit, relieving the cash flows of indebted companies and further boosting economic activity.
 - Brazil Central Bank has cut 7.0% in the Brazilian base nominal interest rate (Selic rate) in a period of 14 months, from 14.0% in October 2016 to 7.0% in December 2017.
 - Lower nominal interest rates also impact the availability of credit, which should recover its growth trajectory after a -3.5% contraction in 2016.
- Together with economy stabilization, labor market conditions are showing the first signs of recovery: Brazil is once again creating jobs (even though mostly in informal positions). Despite that, the Brazilian employment rate is still high and expected to be at a 12.8% level by the end of 2017.
- The unpredictability of the 2018 presidential elections remains a major factor preventing a faster economic recovery: in the next 11 months, the economy is likely to contribute most of the positive news, while the main source of volatility should still come from politics.



Leonardo Antunes
Managing Director
BroadSpan Capital
lantunes@brocap.com

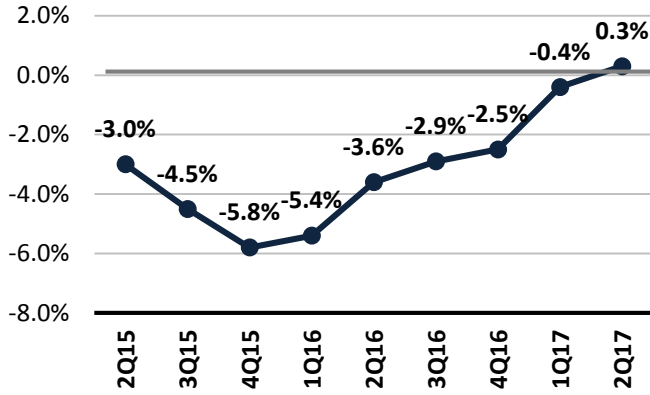
Daniel Silveira
Managing Director
BroadSpan Capital
dsilveira@brocap.com

Pedro Caldeira Pires
Analyst
BroadSpan Capital
ppires@brocap.com

Key Macroeconomic Indexes

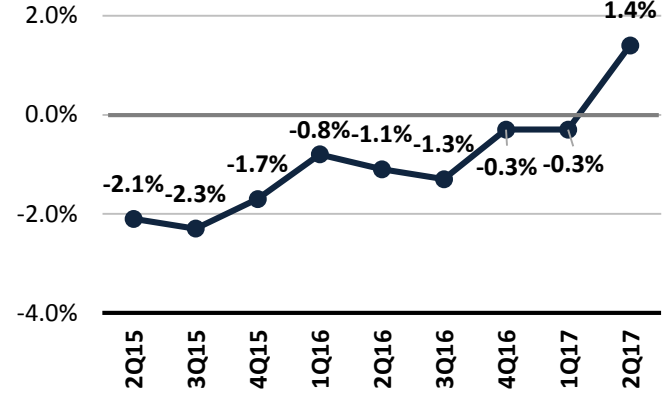
GDP Growth – Quarterly

% Quarter over Quarter



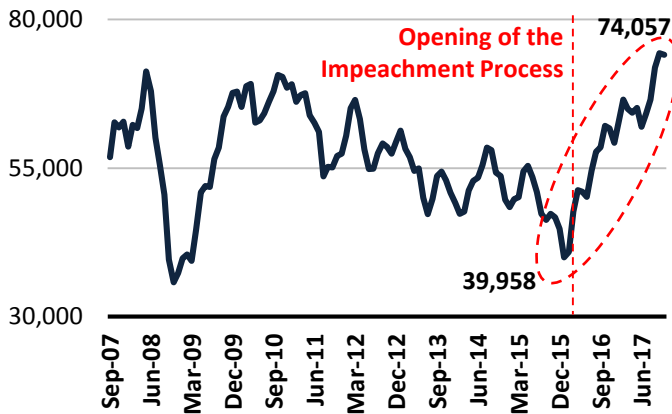
Consumption Growth – Quarterly

% Quarter over Quarter



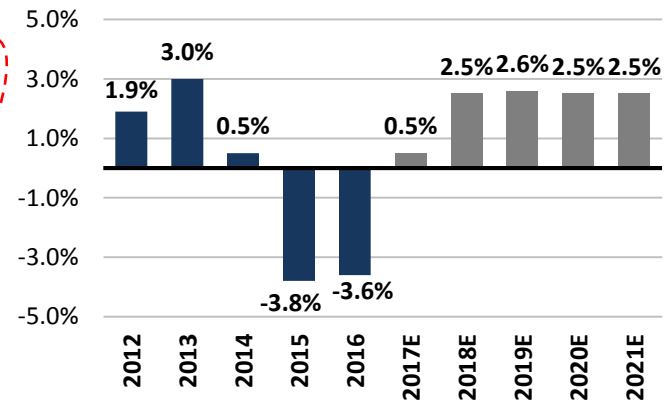
Bovespa Index

Points



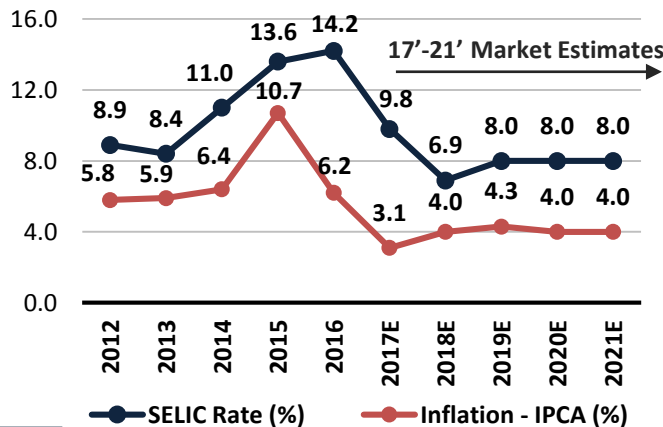
GDP Growth

% Y/Y



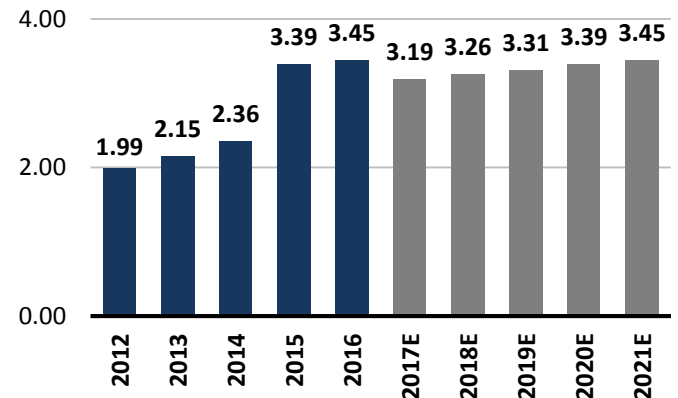
Selic Rate and Inflation (IPCA)

Y/Y %, Year Average Selic Rate



BRL/USD Fx Rate

BRL/USD, Year Average



Sources : Brazil Central Bank, IBGE, B3-Brazil Stock Exchange

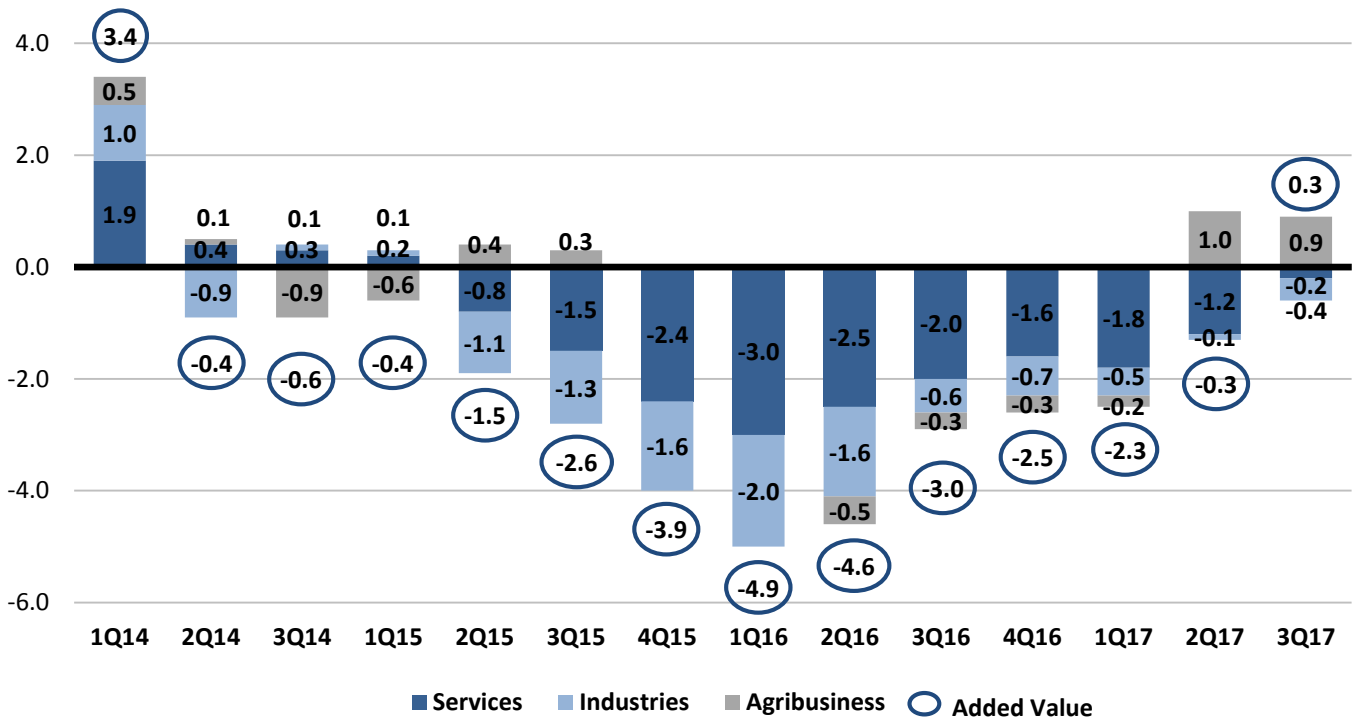
The Gross Domestic Product – GDP (Value Added)

This recent increase in GDP is being mainly driven by agribusiness, which is presenting a year with record harvest levels.

- GDP growth in the first quarters of 2017 was greatly benefited by the behavior of agricultural output. The agricultural sector accounted for 0.9% of GDP growth on the third quarter of the year, offsetting the decreases in industrial and services activities.
 - The acceleration of the agricultural GDP also generates positive externalities to segments in the industrial sector (such as capital goods) and in the services sector (such as transportation).
 - The relative stability of the services sector also contributed for the reversal of the GDP downtrend.
- Despite the still harsh environment for the industrial sector, industrial production has shown more favorable dynamics, driven by the acceleration in output of the processing industry and stability of the extractive industry.

GDP Composition - Growth in Added Value

%, Quarterly



Source : IBGE

The Gross Domestic Product – GDP (Effective Demand)

On the demand side, labor and credit availability still hinders a more expressive recovery of consumption and economy growth.

- With more than 60% of the GDP total weight, consumption should present a slight growth in 2017 of 0.8%.
 - Despite this slight increase, factors such as the high level of indebtedness of the Brazilian population, high unemployment rate and a still recovering credit market play a major role in slowing a more robust growth in the consumption account.
 - According to a recent poll from the National Confederation for the Commerce of Goods, Services and Tourism (CNC), 58.4% of Brazilian families are currently indebted, the highest level in seven years. Of these 58.4%, 10.3% are in default.
 - The impact of the recent distribution of funds from the Brazil Severance Indemnity Fund (FGTS) should not be expressive to an increment on family consumption, as Brazilian families would likely prioritize debt payments over consumption.
- Another singular aspect of the current economic context is that, when compared to previous recessions, the exports account should have a smaller impact in the recovery, due to the lower dynamism of the global economy and trade.

GDP Composition – Effective Demand

% Growth

	GDP	Consumption	Government	Investment	Exports	Imports
Weight (% of Total)	100.0%	63.8%	19.7%	18.1%	12.9%	14.1%
2010	7.5%	6.2%	3.9%	17.9%	11.7%	33.6%
2011	4.0%	4.8%	2.2%	6.8%	4.8%	9.4%
2012	1.9%	3.5%	2.3%	0.8%	0.3%	0.7%
2013	3.0%	3.5%	1.5%	5.8%	2.4%	7.2%
2014	0.5%	2.3%	0.8%	-4.2%	-1.1%	-1.9%
2015	-3.8%	-3.9%	-1.1%	-13.9%	6.3%	-14.1%
2016	-3.6%	-4.2%	-0.6%	-10.2%	1.9%	-10.3%
2017e	0.5%	0.8%	-1.6%	-3.3%	2.3%	2.8%
2018e	2.5%	2.8%	0.0%	5.0%	3.2%	4.3%

Source : IBGE

Inflation

For the first time in seven years, inflation (IPCA - Consumer Price Index) should remain below the target of 4.5% in 2017 (accumulated inflation between January and October is at 2.7%).

General Observations

Some of the main factors impacting the lower inflation in 2017 are the reduction of food inflation (mostly due to higher grain harvests), further deterioration of labor market conditions and the lagged effect of the exchange rate (BRL) appreciation on industrial goods prices.

On June 29, 2017, Brazil's government lowered its annual inflation target for the first time in more than a decade, to 4.25% in 2019 and 4.00% on the following year.

The recession period resulted in a large output gap that has left plenty of room for the economy to grow without sharp price rises.

Brazilian economists do not expect the economy to face rising inflation pressures until late 2019 even as interest rates remain at stimulative levels.

Historical and Projected Inflation

% Growth



	IPCA	Controlled Prices	Free Prices	Food	Services	Industrials
Weight (% of Total)	100.0	24.4	75.6	16.3	35.2	24.1
2006	3.1	4.5	2.5	-0.1	5.2	1.5
2007	4.5	1.5	5.6	12.4	5.6	2.1
2008	5.9	3.5	6.9	10.7	7.3	4.1
2009	4.3	4.5	4.2	0.9	6.8	3.0
2010	5.9	3.2	7.0	10.7	7.8	3.5
2011	6.5	5.6	6.8	5.4	9.7	3.6
2012	5.8	3.7	6.5	10.0	8.7	1.8
2013	5.9	1.5	7.3	7.6	8.7	5.2
2014	6.4	5.3	6.7	7.1	8.3	4.3
2015	10.7	18.1	8.5	12.9	8.1	6.2
2016	6.3	5.5	6.6	9.4	6.5	4.8
2017e	3.0	6.7	1.9	-2.5	4.6	1.3
2018e	4.5	6.5	3.8	4.7	4.4	2.1

Source : IBGE, Credit Suisse

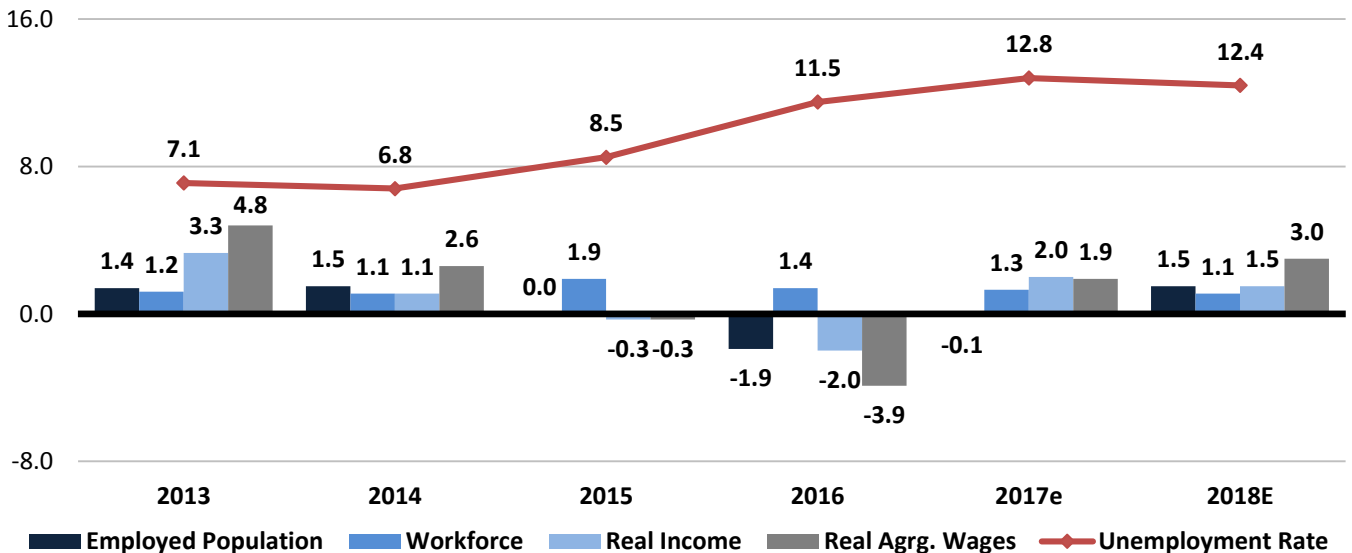
Employment Rate and Income

Labor market conditions in Brazil have deteriorated heavily for the past 4 years, due to reduction on formal jobs and the increase in the workforce. The economic recession and a strict labor legislation that penalizes employers are some of the reasons for the worsening of these conditions.

- The Brazilian economic recession led to a significant increase in the unemployment rate, which reached 13.7% in first quarter of 2017 (more than 14.2 million unemployed).
 - Since the second quarter of 2017, Brazil began to create jobs once again, reducing the unemployment rate.
- Together with economic recovery, labor market conditions are showing the first signs of recovery:
 - In 2017, the Brazilian real payroll will increase around 1.9%, after two years of decrease. The same should happen to the real income of Brazilian employees, which is expected to increase 2.0% this year. This recovery in real indicators is mainly driven by the reduction of the inflation rate.
 - The lower unemployment rate compared to the first quarter of 2017 is mostly due to informal job creation. For 2017, the unemployment rate is expected to reach 12.8%, an increase of 1.3% when compared to 2016.
- Job creation in Brazil is being boosted by informal job creation, which registered an increase of 3.6% in August 2017. Formal job creation in the private sector is still diminishing and recorded a decrease of 2.2% in the same period.

Main Employment and Workforce Indicators

% Year over Year, % of Population searching for jobs



Source : IBGE

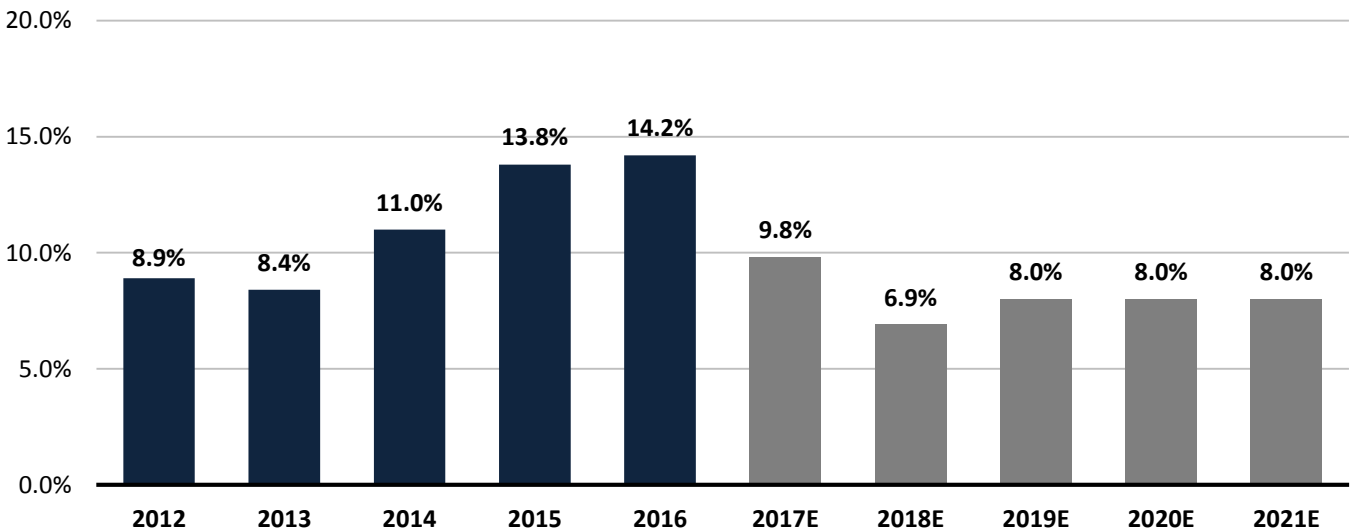
Brazil Base Nominal Interest Rate (SELIC)

The decreasing inflation opens space for additional cuts in the nominal interest rate, lowering the cost of credit, relieving the cash flow of indebted companies and further boosting economic activity.

- Brazil’s Central Bank has cut 7.0% in the Selic rate in the timespan of 14 months, from 14.0% in October 2016 to 7.0% in December 2018. The reduction of Selic rate directly affects the cost of credit, relieving indebted companies’ cash flow.
 - Together with a lower interest rate, the credit availability increases, boosting economy recovery after three years of recession.
- The favorable inflation dynamics in the short run opens space for additional cuts in the interest rate.
 - For the next year, it is expected that the Selic rate will maintain the 7.0% level (or slightly lower) until the third quarter. In the last quarter of the year, an increase of 100 basis points is expected. The 2018 Selic rate expected trajectory shows that the market agrees that a 7.0% rate is not sustainable in the long run.

Selic Rate (Brazil Base Interest Rate)

%, Year Average



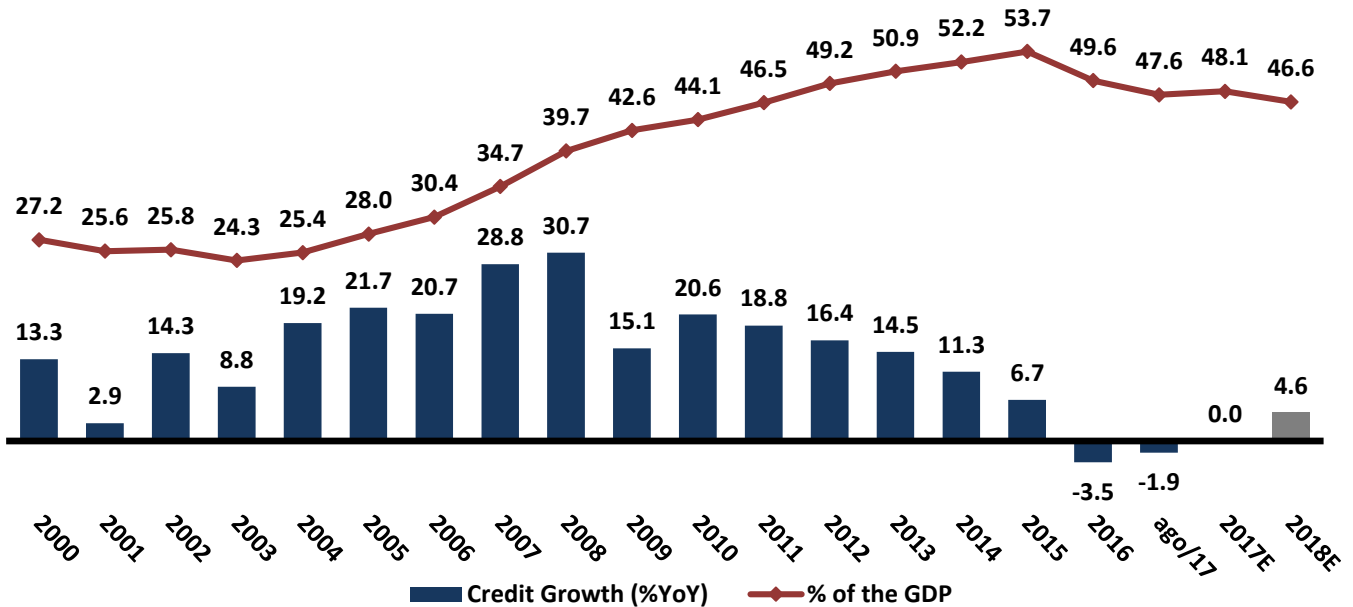
Source : Brazil Central Bank

Bank Credit Availability

After a 3.5% decrease in 2016, bank credit is expected to remain flat in 2017 and increase 4.6% in 2018. This reduced growth in the coming years will be mostly due to the high level of resource commitment in the non-financial private sector and restrictive monetary conditions.

- Bank credit as a proportion of GDP is currently on a decreasing rate, falling from 53,7% of the GDP in 2015 to 47,6% in August. 2017. A further decline is also expected, to 48.1% in 2017 and 46.6% in 2018.
- According to Brazil Central Bank, credit is following a trend of stabilization after a period of decrease that started in 2016, while interest rates and spreads keep decreasing.
- For the coming months, the Central Bank expects that the bank credit market maintains its recovery trajectory, as the Brazilian economy improves as a whole.

Bank Credit Growth And Credit Stock as % of the GDP



Source : Credit Suisse,
Brazil Central Bank

Overview of the Current Political Landscape

Current administration at a standstill due to lack of congress support.

- The continuity of Brazil’s economic recovery should slow down until the next president takes office, after the 2018 elections.
- After the impeachment of former-president Dilma Rousseff in August of 2016, vice president Michel Temer vowed to implement strict fiscal policy measures to recover fiscal equilibrium in Brazil, but has since seen **support in Brazil’s legislative houses greatly decrease following a succession of political scandals.**
 - The lack of congress and senate support, coupled with high rejection rates among the Brazilian population, has almost completely **undermined Temer’s ability to approve the much needed reforms.**
 - Due do this factor, investors are paying close attention to the **2018 elections**, which could increase the pace in the fiscal reforms, assuming a liberal president is elected.

Former President Luiz Inácio “Lula” da Silva sentenced to 10 years in prison.

- The probability of an election of a **pro-market president** only rises, with the recent financial crisis being largely attributed to the PT party and with **Lula** – the party’s (and arguably Brazil’s) main political figure – **facing an almost 10-year prison sentence** given by federal judge Sérgio Moro. The appeal trial is scheduled for January 24th, 2018.
 - This sentence deals a serious blow to Lula’s hopes of returning to frontline politics in the 2018, thus reducing an important potential downside risk to the medium-term political outlook.
 - Despite the possibility of being prevented by the courts from disputing the 2018 elections, **Lula still appears leading all of the recent polls** (but also with high rejection rates).
- Center and Center-right candidates, better seen by the markets than Lula, are well positioned in recent presidential election polls. The election of a centrist/right-wing president in 2018 should drive optimism up for liberalizing financial measures and decreasing political influence in the economy, thus help freeing investment flows to Brazil.

Timeline Until the 2018 Elections

April	July / August	September	October
2018			
<p>April 2</p> <ul style="list-style-type: none"> ▪ Deadline for party enrollment. <p>April 7</p> <ul style="list-style-type: none"> ▪ Deadline for those holding executive positions, not running for re-election, to resign in order to run for office. 	<p>July 20 to August 5</p> <ul style="list-style-type: none"> ▪ Political conventions to determine party candidates and alliances. <p>August 15</p> <ul style="list-style-type: none"> ▪ Deadline for the party and affiliates to register candidates. <p>August 16</p> <ul style="list-style-type: none"> ▪ Campaign begins. <p>August 26</p> <ul style="list-style-type: none"> ▪ TV & radio campaign begins. 	<p>September 29</p> <ul style="list-style-type: none"> ▪ TV & radio campaign ends. 	<p>October 7</p> <ul style="list-style-type: none"> ▪ First round of elections. <p>October 12 to October 26</p> <ul style="list-style-type: none"> ▪ TV & radio campaign for the Second Round. <p>October 28</p> <ul style="list-style-type: none"> ▪ Second Round of elections.

Pending Legislation Reforms

The materialization of the positive perspectives for Brazil’s economic performance in the next years depends largely on the implementation of key legislation reforms.

- Brazil’s current administration is being assisted by a team of highly credible technocrats (led by Central Bank President Ilan Goldfajn and Minister of Finance Henrique Meirelles) in the structuring and implementation of various reforms aimed at fiscal sustainability and productivity improvement.
- The profound political-economic crisis that Brazil has been going through, coupled with the strong pressure from business and society, has been decisive in forcing politicians to implement structural reforms.
- In December 2016, the government was able to approve a constitutional amendment that limits public spending for the next 20 years. This display of commitment to fiscal probity immediately broke inflation expectations and enabled the central bank to start cutting rates as inflation tumbled.
- On July 2017, the Senate approved important changes to Brazil’s labor code, aimed at making the labor market far more flexible. The reform should contribute to increase productivity in Brazil, allowing the economy to return to full employment quicker.
- Social security reform still outstanding, and one of the most important reforms to be implemented, should be approved up to the end of Temer’s term or in the beginning of the term of the next president, once the non implementation would represent an explosive trajectory of Brazilian debt to GDP ratio.

DONE

TO DO

Spending Cap
Constitutional Amendment

Freezes public spending on real terms for the next 20 years.

December 2016

Labor Code Reform
Chamber of Deputies Bill

Reduces labor risks by creating more flexibility between the employer-employee relationship.

July 2017

Social Security Reform
Constitutional Amendment

Sets minimum retirement age and minimum contribution period. Reduces benefits from public sector employees.

TBD

Tax Reform
Chamber of Deputies Bill & Constitutional Amendment

Simplifies and unifies various different corporate taxes, reducing resources needed to fulfill tax requirements.

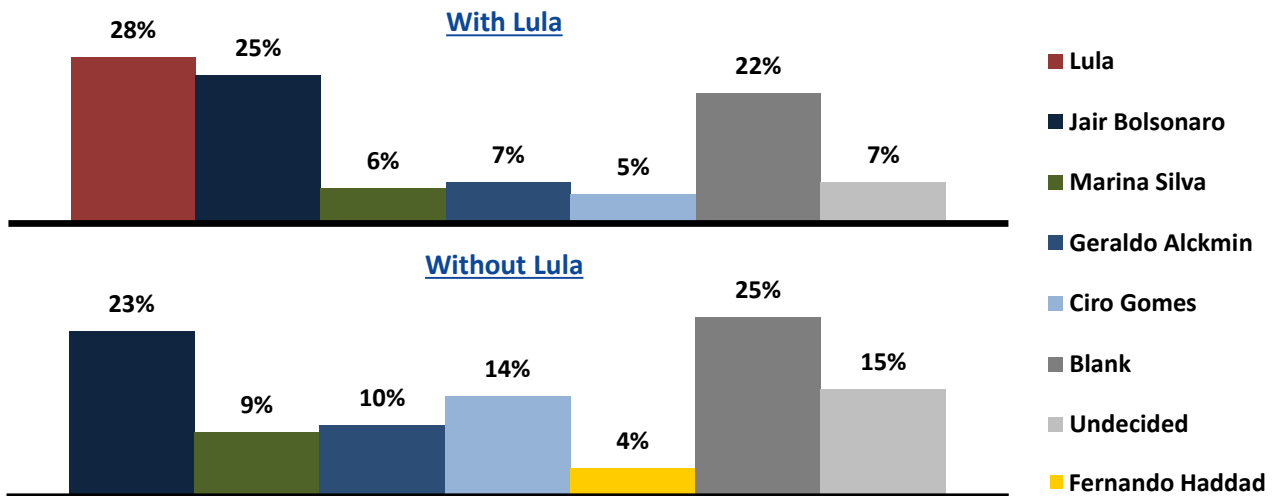
TBD

2018 Presidential Elections

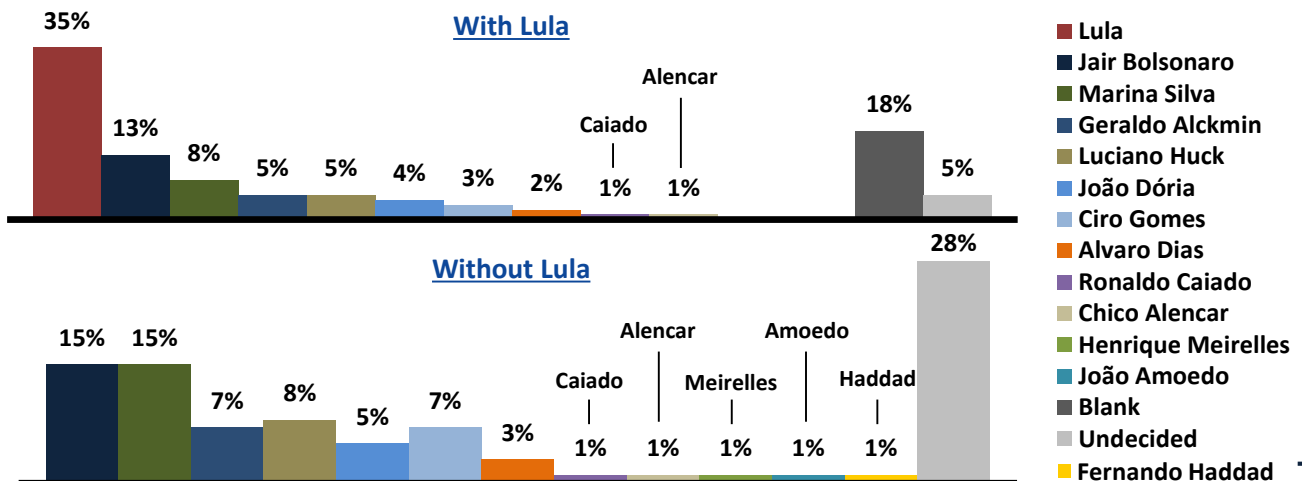
Election polls conducted by Poder 360 and IBOPE put Lula in first place (despite the possibility of conviction, which would prevent his candidacy). In a scenario without Lula running, right-wing candidate Jair Bolsonaro leads with 23% and 15% (tied with Marina Silva), in Poder 360 and IBOPE polls, respectively.

- Despite leading vote intentions, Lula also has one of the highest rejection rates among all candidates (with 51%), in addition to his 10-year prison sentence.
 - If Lula's sentence is confirmed in by the appellate court, the worker's party would run another candidate, which will most likely be Fernando Haddad, former mayor of São Paulo.
- Moreover, the center-right wing is gaining momentum with Jair Bolsonaro, who holds the second position in polls with Lula, and leads the polls when Lula is not considered.
- Besides Lula and Jair Bolsonaro, other relevant potential candidates include Marina Silva, Ciro Gomes and João Dória.

Poder360 Poll – Published on October 31, 2017



Ibope Poll – Published on October 30, 2017



Potential Presidential Candidates' Profiles



LULA

- **Political Party:** PT (Worker's Party) – Since 1980
- **Place and Date of Birth:** Caetés, PE. 1945
- **Political Highlights:** President of the Worker's Party (PT) (1980-1994), Federal Lawmaker (1987-1991). President of Brazil (2003-2006, 2007-2010).
- **Brief Summary:** A co-founder of the Worker's Party (PT), Lula has run for president five times, having won the 2002 and 2006 elections. He was originally a metalworker and trade unionist, as is currently one of the most popular political leaders in Brazil. Lula faces a series of convictions for involvement in various corruption schemes, and is currently appealing from a 10-year prison sentence. If the conviction is confirmed in the appeal trial scheduled for January 24th, 2018, Lula may be prevented from disputing the elections.



JAIR BOLSONARO

- **Political Party:** PEN (National Ecology Party) – Since 2017
- **Place and Date of Birth:** Campinas, SP. 1955
- **Political Highlights:** City Councilor of Rio de Janeiro (1989-91), Federal Lawmaker (1991 – present).
- **Brief Summary:** Jair Bolsonaro is a former Captain of the Brazilian Army with 11 years of military service. He has been in politics since 1989, and is currently serving his seventh consecutive mandate as a federal lawmaker from the Rio de Janeiro State. He was the congressman who gained the most votes in the general elections of the state of Rio de Janeiro in 2014.



MARINA SILVA

- **Political Party:** Rede Sustentabilidade (Sustainability Network) – since 2015
- **Place and Date of Birth:** Rio Branco, AC. 1958
- **Political Highlights:** City Councilor in Rio Branco (1989-1990), State Lawmaker (1991-1994), Senator (1995-2000, 2003-2011), Minister of Environment (2003-2008).
- **Brief Summary:** Marina Silva is an environmentalist and former minister during Lula's administration. She transferred from the Worker's Party (PT) to the Green Party (PV) in 2008, and has since run for president twice (2010 – 3rd place and 2014 – 3rd place). She is currently in Rede Sustentabilidade (Sustainability Network), a political party she founded in 2015 after exiting the Socialist Party.



GERALDO ALCKMIN

- **Political Party:** PSDB (Brazilian Social-Democratic Party) – Since 1988
- **Place and Date of Birth:** Pindamonhangaba, SP. 1952
- **Political Highlights:** Mayor of Pindamonhangaba (1977-82), State lawmaker (1983-87), Federal Lawmaker (1987-95), Governor of São Paulo (2001-06 and 2011 – present).
- **Brief Summary:** Geraldo Alckmin is a co-founder of the Brazilian Social-Democratic Party (after starting his political career in MDB, currently PMDB) and is serving his third mandate as Governor of São Paulo (2002, 2012 and 2016). He has run for president once, in 2006, and obtained 39% of the valid votes (losing to Lula's 61%).

Potential Presidential Candidates' Profiles (cont'd.)



CIRO GOMES

- **Political Party:** PDT (Democratic Labor Party) – Since 2015
- **Place and Date of Birth:** Pindamonhangaba, SP. 1957
- **Political Highlights:** State lawmaker (1983-88), Mayor of Fortaleza (1989-90), Governor of Ceará (1991-94), Finance Minister (1994-95), Minister of National Integration (2003-06).
- **Brief Summary:** Ciro Gomes began his political career in 1983, as a state lawmaker for Ceará. In 1989, at age 32, he became the Mayor of Fortaleza, and Governor of Ceará State in 1991. He also served as Minister twice, under Itamar Franco's (1994) and Lula's (2003) mandates. Ciro Gomes has run for president twice (1998 - 3rd place, 2002 - 4th place), both for the Popular Socialist Party.



JOÃO DÓRIA

- **Political Party:** PSDB (Brazilian Social-Democratic Party) – Since 2011
- **Place and Date of Birth:** São Paulo, SP. 1957
- **Political Highlights:** Secretary of Tourism of São Paulo (1983-1986), Mayor of São Paulo (2017 – present).
- **Brief Summary:** João Dória is a Brazilian politician, businessman and journalist. He headed the federal tourism agency Embratur from 1986 to 1988. In 1992, he founded Grupo Dória, comprised of six companies. Dória also hosted a business TV program. He is the current Mayor of São Paulo.



LUCIANO HUCK

- **Political Party:** None
- **Place and Date of Birth:** São Paulo, SP. 1971
- **Political Highlights:** None
- **Brief Summary:** Luciano Huck is one of the most popular TV celebrities in Brazil, and hosts a Saturday afternoon show in Rede Globo network since 2000, with an audience of about 18 million people per episode. In addition to his career in the entertainment industry, Huck founded Joá Investments, an investment fund focused in technology and lifestyle start-up companies.



JOÃO AMOÊDO

- **Political Party:** NOVO (New Party) – Since 2011
- **Place and Date of Birth:** Rio de Janeiro, RJ
- **Political Highlights:** Co-founder of the Partido NOVO (New Party), New Party's President (2011-17).
- **Brief Summary:** João Amoêdo is a Brazilian executive with a long career in finance, having worked in Citibank, BBA-Creditsalt, Fináustria and Unibanco, and served on the board at Banco Itaú BBA in 2011. He is currently is on the Board of Directors at João Fortes Engenharia. In 2011, he co-founded New Party and became its president from 2011 to 2017.

Impacts of the Macro and Political Context on M&A Deals and IPOs

Initial Public Offerings: a record year for IPO operations in Brazil.




- IPO and follow-on volumes in Brazil are the highest in more than 6 years, totaling BRL31.2 billion (approx. USD9.5 billion) between January and October of 2017.
- After at least three years with no positive perspectives for the Brazilian economy, coupled with sub-par performance of Brazil's Stock Exchange, high base interest rates and an ongoing impeachment process, some of the largest Brazilian private companies are taking advantage of the current good mood in the financial markets to conduct their IPOs.
- In addition to the eight companies that have conducted Initial Public Offerings in the first eleven months of 2017, two additional offerings took place in December 2017, representing a volume of BRL7.2 billion (approx. USD4.3 billion). Neoenergia IPO was canceled due to lack of demand.
 - IPO activity is expected to remain high in the beginning of 2018, with 5 IPOs scheduled to happen in the first quarter of the year.

Mergers and Acquisitions: investors still waiting for more predictability on the political front.



- M&A activity is still on a downward trend in Brazil, as investors and consolidators wait for a more predictable political scenario to consider longer-term commitments.
- Although a few larger transactions were announced and/or completed, both the total number of M&A deals and deal volumes decreased in the first semester of 2017, when compared to the same period of 2016.
- Most of the largest transactions involved stressed targets, either because of high indebtedness or by involvement of its controllers in corruption schemes.
 - Three of the largest ten transactions of 2017 were from former subsidiaries of J&F Holding, controller of meat producer JBS and involved in the Lava-Jato corruption scheme.
- The recent successful wave of IPOs should contribute to an increase in M&A activity, as re-capitalized companies with stronger balance sheets may consider new acquisitions.

IPOs in 2017 (Sector, IPO Volume)

Successful IPOs – Jan/17 to Nov/17

 Carrefour Retail BRL5,126MM	 Azul Airline BRL2,021MM	 IRB Brasil RE Financials BRL2,004MM	 GBT Grupo Biotoscana Pharma BRL1,342MM
 Camil Food Production BRL1,319MM	 HERMES PARDINI Healthcare BRL878MM	 Omega energia Power BRL844MM	 movida rent a car Car Rental BRL645MM

Successful IPOs - Dec/17

 BR PETROBRAS DISTRIBUIDORA S.A. Fuel Distribution BRL5,024MM	 BURGER KING Food Service BRL2,200MM
---	---

Cancelled IPO

 neoenergia Power BRL4,200MM (est.)
--

Top 3 Largest M&A Transactions in 2017

- 


In January of 2017, China-based State Grid announced the acquisition of 54.6% of electric power company CPFL Energia for BRL14.2 billion.
- 


In September of 2017, Brazil-based Itaú-Unibanco announced the acquisition of 49.9% of brokerage firm XP Investimentos for BRL6.3 billion.
- 


In October of 2017, Mexico-based Lala Group acquired 99.9% of dairy producer Vigor Alimentos for BRL5.8 billion.

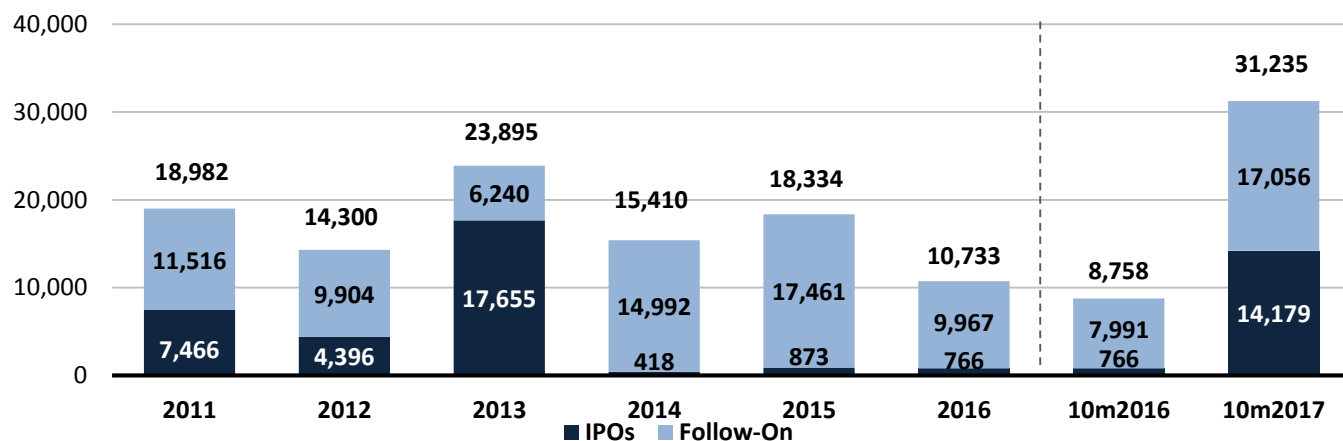
Recent IPO Activity in Brazil

With BRL31.2 billion (approx. USD9.5 billion) in IPO and follow-on volumes between January and October of 2017, Brazil is having the highest level of public offering activity in more than 6 years.

- In July 2017, four companies held initial public offerings on Brazil’s Stock Exchange B3, for a total volume of BRL9.3 billion.
 - The largest of these operations was the IPO of Carrefour, with a volume of BRL5.1 billion.
 - Other relevant IPOs were held by IRB – Brazil Reinsurance Institute (BRL2.0 billion), Biotoscana (BRL1.3 billion), Camil Alimentos (BRL1.3 billion) and Omega Geração (BRL844 million).
 - The monthly volume is the highest since April 2015, when there was a single follow-on offerings by Telefonica Brazil, of BRL16.1 billion.
- In December 2017, two additional IPOs were held: Petrobras subsidiary and fuel distributor BR Distribuidora (BRL5.0 billion) and Brazilian Burger King operator BK Brasil (BRL2.2 billion).
 - Neoenergia, one of the largest Brazilian electric power generator, transmitter, distributor and trader, also tried to held a BRL4.2 billion IPO in December 2017, which was ultimately cancelled due to lack of demand.
- Despite still unfavorable economic activity indicators, the acceleration of the interest rate cuts and the good performance of the Ibovespa in november (which increased 4.8%), are encouraging companies to carry out their offerings.
 - 5 IPOs in 4 different sectors are expected to happen in the first quarter of 2018, including Blau (pharma), Banco Inter (financial institution), Centauro (sports apparel retailer), Algar Telecom (telecom) and Ri-Happy (toy retailer).

Evolution of IPOs and Follow-Ons in Brazil

BRL billions



Number of Operations

	2011	2012	2013	2014	2015	2016	10m2016	10m2017
IPOs	11	3	10	1	2	1	1	8
Follow-Ons	12	10	8	1	4	9	8	13

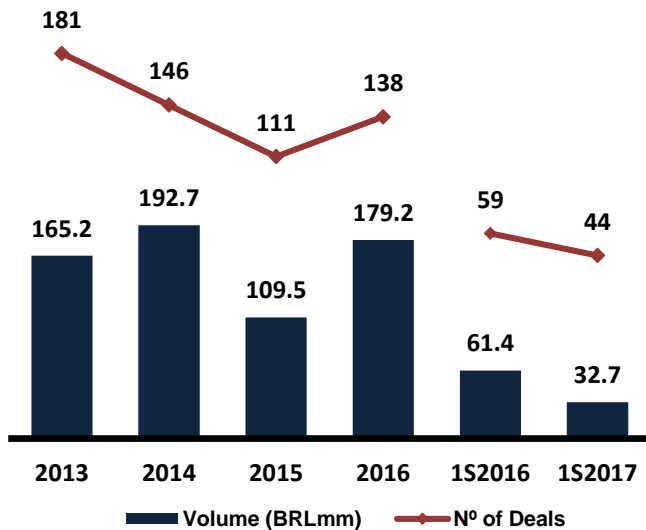
Source: Anbima

Overview of M&A Activity in Brazil – First Semester of 2017

The M&A deal activity in Brazil decreased in the first semester of 2017, both in number of transactions and total transaction volume. There were 44 announced transactions adding up to BRL32.7 billion of total volume, compared to 59 and BRL61.4 billion, respectively, in the same semester of 2016.

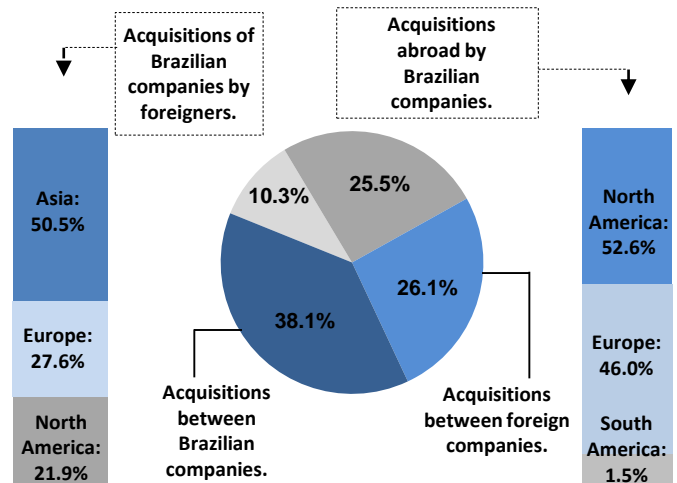
Announced Deals

BRL billion, # of deals in 1H2017



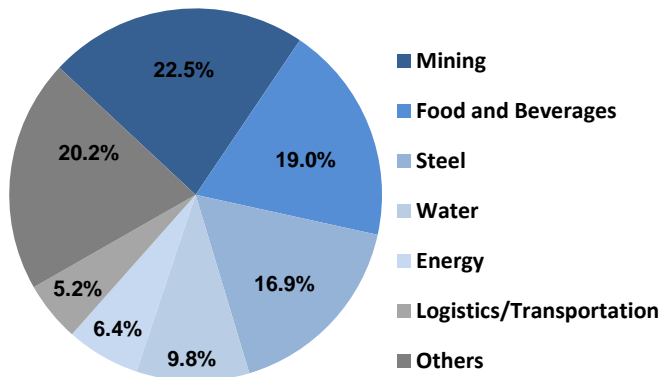
Origin of the Capital

% of Total Transaction Value in 1h2017



Deal Volume Breakdown by Sector

% of total transaction value in 1H2017



Largest Announced Deals

January 2017 to November 2017

Target	Buyer	Trans. Value (BRL billion)
CPFL Energia	State Grid (China)	14.2
XP Investimentos	Itaú Unibanco (Brazil)	6.3
Vigor Alimentos	Grupo Lala (Mexico)	5.8
Alpargatas	Itaúsa (Brazil)	3.5
Vonpar	Cola-Cola FEMSA (Mexico)	3.5
Liquigás Dist.	Ultragaz (Brazil)	2.8
Eldorado	Paper Excellence (Canada)	2.6
Celg Distribuição	Enel Brasil (Italy)	2.2
Brasil Kirin	Heineken (Netherlands)	2.2
Renova Energia	Brookfield (Canada)	1.4

Source : ANBIMA, Capital IQ

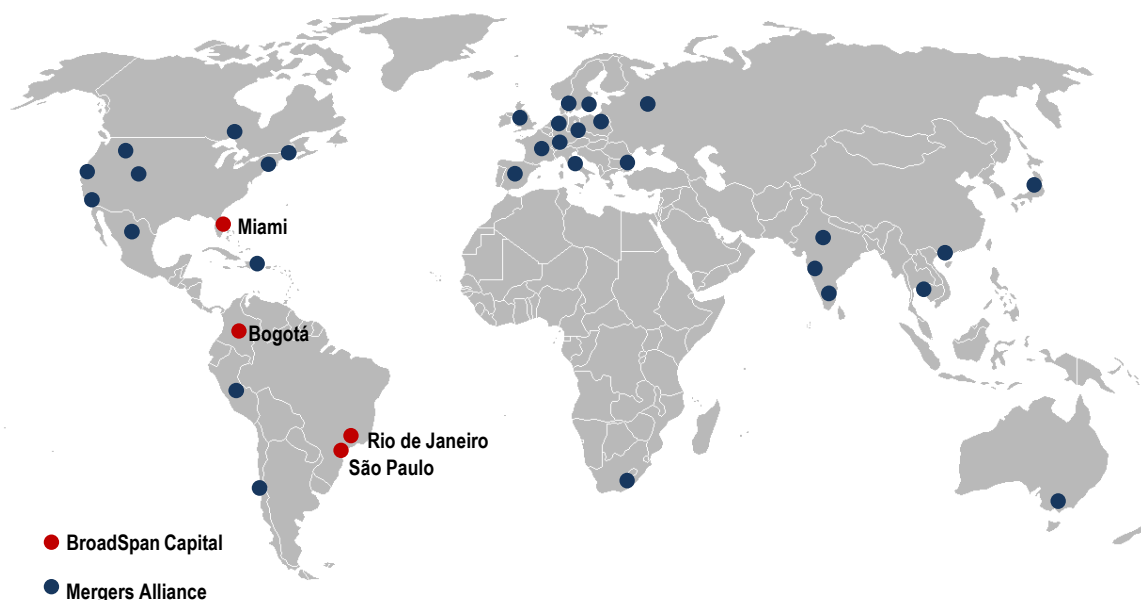
BroadSpan Capital Credentials

BroadSpan is an independent investment banking and asset management firm that specializes in Latin America, the Caribbean and certain segments of the U.S.

- BroadSpan was founded in 2001 with the objective of addressing increasing demand for high quality investment banking services among emerging middle-market companies in Latin America, the Caribbean and the U.S.
- The BroadSpan team is comprised of accomplished professionals who have dedicated their careers to emerging markets and spent many years in major international financial firms.
- With offices in Miami and Rio de Janeiro, along with collaborative agreements in selected markets, the BroadSpan team covers Latin America, the Caribbean and certain segments of the U.S. market across all major industries.

- Complementing its proprietary structure, BroadSpan is the representative of Mergers Alliance for Latin America (ex. Mexico, Peru and Chile). This global partnership allows BroadSpan to offer its clients global reach in the execution of cross-border transactions.
- Additionally, in selected cases BroadSpan has entered into strategic partnerships with global players such as Bank of America Merrill Lynch, Morgan Stanley and Banco Sabadell to provide investment banking expertise regionally.

BroadSpan Miami	BroadSpan Rio de Janeiro
1450 Brickell Avenue, Suite 2620 Miami, FL 33131 Tel: (305) 424-3400	Av. das Américas, 3434, Bl. 4, Sl 406 Rio de Janeiro, RJ, Brasil - 22640-102 Tel: (5521) 2543 5409
10 Professionals	10 Professionals
BroadSpan São Paulo	BroadSpan Bogotá
Av. Brig. Faria Lima, 1.461 – 4º Andar São Paulo, SP, Brasil – 01452-002 Tel: (5511) 4113 0033	Carrera 7 N° 99 – 53/21 – 14º Andar Bogotá, Colômbia – 01452-002 Tel: (571) 646 6809
Mergers Alliance	
35 Offices	
250 Professionals	



BroadSpan Capital Selected Experience

Mergers and Acquisitions



has acquired 100% of the shares of Balboa Bank & Trust



October 2017
BroadSpan Capital acted as exclusive financial advisor to Banco BCT.



has sold its shares in the Dreggen-Koch consortium to



November 2016
BroadSpan Capital acted as exclusive financial advisor to Koch



has acquired 100% of the shares of Caribe Hospitality of Trinidad and Tobago Limited



September 2016
BroadSpan Capital acted as exclusive financial advisor to Guardian Group.



has acquired 100% of



August 2016
BroadSpan Capital acted as exclusive financial advisor to Global Packaging Group.


Mergers and Acquisitions



has sold its interest in Grand Pineapple Antigua to

Elite Island Resorts
CARIBBEAN

June 2016
BroadSpan Capital acted as exclusive financial advisor to Sandals Resorts.



has sold 10,0% of its shares to



June 2016
BroadSpan Capital acted as exclusive financial advisor to Moving.

Financial Restructuring

Commonwealth of Puerto Rico



Ongoing
BroadSpan Capital is acting as exclusive financial advisor to one of the Creditors.

The Cap Cana Creditors' Committee




US\$ 250,000,000

July 2017
BroadSpan Capital acted as exclusive financial advisor to the Creditors' Committee.

Financial Restructuring

The Coordinating Committee of Belize Bondholders




US\$ 526,502,100
Dollar 4.9375% Bonds due 2038
April 2017
BroadSpan Capital acted as exclusive financial advisor to the Committee.



Debt Restructuring

December 2016
BroadSpan acted as exclusive advisor to Abril Group in the restructuring of its debt with the financial creditors.

The Coordinating Committee of Grenada Bondholders




has completed the restructuring of
US\$ 183,679,200 and EC\$ 84,973,567
Dollar 7.0% Bonds due 2030
November 2015
BroadSpan Capital acted as financial advisor to the Coordinating Committee.




US\$ 275,000,000
Perpetual Bonds
September 2014
BroadSpan Capital acted as exclusive financial advisor to the Steering Committee of Bondholders.

Debt and Equity Private Placements



Equity and Convertible Debt Raise with Undisclosed Private Equity Firm.

R\$70.0MM
January 2016
BroadSpan Capital acted as exclusive financial advisor to Provale.



Equity, Convertible Debenture and Debt Raise with Undisclosed Private Equity Firm.

R\$100.0MM
February 2016
BroadSpan Capital acted as exclusive financial advisor to White Solder.



Senior debt raise with BNDES to develop the Wind Farm Eurus II

BNDES R\$94.5MM
December 2014
BroadSpan Capital acted as co-advisor to Atlantic Energias Renováveis.



Senior debt raise with BNDES to develop the Wind Farm Renascença V

BNDES R\$88.9MM
December 2014
BroadSpan Capital acted as co-advisor to Atlantic Energias Renováveis.

Relevant Information

Disclaimer

This report aims at providing macroeconomics, financial markets and Brazilian politics information, and even though the information herein is believed to be reliable as of the date on which this report was issued and has been obtained from public sources believed to be reliable, BroadSpan Capital does not make any express or implied representation or warranty as to the completeness, reliability or accuracy of such information, nor does this report intend to be a complete statement or summary of the markets or developments referred to herein. Opinions, estimates, and projections expressed herein constitute the current judgment of the analyst responsible for the substance of this report as of the date on which it was issued and are, therefore, subject to change without notice. BroadSpan Capital has no obligation to update, modify or amend this report and inform the reader accordingly

BROADSPAN


C A P I T A L

Company Contact

BROADSPAN CAPITAL LLC


UNITED STATES

MIA: 1450 Brickell Avenue, Suite 2620 | 33131 | Miami |


 +1.305.424.3400

BRAZIL

RJ: Av. das Américas, 3434, Bloco 4, Sala 406, Barra da Tijuca | 22640-102 | Rio de Janeiro | RJ |


 +55.21.2543.5409

SP: Av. Brigadeiro Faria Lima, 1461, Torre Sul 4º Andar | 01452-002 | São Paulo | SP |

 +55.21.2543.5409

COLOMBIA

BOG: Edificio QBO, Piso 5, Calle 93A, No 13-24 | 110221 | Bogotá |

 +57.1.667.2554