



# BRAZIL

## Onwards and upwards

As the world's ninth-largest economy and Latin America's economic powerhouse, Brazil is set to witness one of the strongest post-pandemic rebounds in the region. Although businesses are struggling with successive waves of Covid-19 infections, the country's growth potential remains significant, following two decades of robust macroeconomic growth. Investors have flocked to the country since the turn of the century, with FDI inflows soaring from \$15.1 billion in 2005 to hit \$50 billion in 2015 and \$72 billion in 2019. Kearney reports Brazil was among the world's top 25 investment destinations in 2020.

A major producer of oil and gas, agricultural products, and manufactured goods, Brazil and its large domestic consumer market are appealing for many reasons. Efforts to reform the country's economy, spearheaded by President Jair Bolsonaro, are also playing a major role in supporting a Brazilian renaissance. As Bolsonaro explained at a 2019 investment conference:

"We are committed to change our history with the new Brazil that we are building. We are determined to open the

economy, slash red tape, and reduce taxes to transform the business environment. Investors in Brazil have legal certainty that their contracts will be honored."

Brazil has been on an upwards trajectory in part due to a sweeping reform programme undertaken by the Bolsonaro administration, which saw the country rise from 124th to 104th place on the World Bank's Doing Business 2019 survey. It scored particularly high in categories such as getting electricity, protecting minority investors, and enforcing contracts.

Improving perceptions of the country is a clear priority for stakeholders such as Jose Isaac Peres, CEO of retail real estate developer Multiplan. Having witnessed group profits double in 2020 despite the pandemic, Peres argued that investors aren't seeing the full picture of what Brazil has to offer:

"The problem is that the situation in Brazil looks worse than it is to the outside world. Right now is actually the ideal moment to invest in Brazil. We saw great prosperity during the first months of the Bolsonaro administration, and yes, we've all since been hit by the pandemic, but the trajectory was extremely

positive prior to that, and will be again."

A large-scale infrastructure investment programme and efforts to bolster financial inclusion - which included a total overhaul of the social bank Caixa Economica Federal - have also underpinned these efforts, according to Caixa president Pedro Guimarães:

"Brazil is investing in infrastructure more than ever, including roads and railroads, which will have a huge impact on transportation. We are also undertaking a robust privatization programme that has included Electrobras and Correios, the postal service. We have a good reputation and we've seen a good demand from the investor's perspective."

After a sharp contraction in 2020, in line with the rest of the region, Brazil's macroeconomic fundamentals will support a dramatic rebound this year: GDP growth is poised to rise by nearly eight percentage points in 2021 to hit 3.7%. Bolsonaro put it succinctly:

"No other country in the world has as much as we have to offer in terms of business opportunities."

# Porto Seguro

## Safe Harbour in Uncertain Times

One of the biggest economies in the world, and Latin America's largest market, Brazil has long been on the global investment map. The country was identified as one of the world's leading emerging markets by Goldman Sachs, when it coined the acronym "BRICS". And the country is moving towards fulfilling its potential; in its overview of Brazil updated in November 2020, the World Bank noted progress on structural reforms to boost productivity growth, opening markets to foreign investment, and boosting infrastructure.

Economic development and liberalisation is driving the growth of the Brazilian insurance sector, which has seen 8.3% compound annual growth in gross written premiums between 2013 and 2018, according to a 2020 report by Deloitte. Life insurance premiums grew particularly strongly, at 8.7%. Total written premiums reached \$73bn in 2018, but with life insurance penetration at just 2.1% of GDP and non-life at 1.8%, the scope for growth is substantial.

Porto Seguro, one of Brazil's leading insurance companies, has been riding this wave. In 2020, despite the impact of the covid-19 pandemic, the company posted record profits thanks to its conservative yet proactive approach. Early capital raising and careful management of portfolio meant strong growth even while the economy as a whole shrank. "We started planning before anybody else," says Porto Seguro chairman Bruno Garfinkel. "It's cheaper to plan first. All our conservative decisions paid off."

Porto Seguro achieved double-digit net income growth in 2020, up 22.3% on 2019, while its return on financial investments rose 10.7%. Total revenues rose 3.5%, with particularly strong growth of 22.7% in its service businesses, which have developed as the company as diversified and added new value to its portfolio. The company has registered profit growth over the past 30 years, and its strong cash position and size helped boost its financial performance, even while it temporarily doubled its headcount.

To respond to the economic turmoil caused by covid-19, the company rolled out a new programme called "My Safe Harbour", which hired 1500 people a month on temporary contracts to train them in insurance products and how to sell them. A total of 10,000 people participated, and were paid for the duration of the three-month



Bruno Garfinkel  
Chairman - Porto Seguro

programme. My Safe Harbour became a model for other companies in the sector. By strengthening public understanding of the benefits of insurance, the programme should help lay the foundations for long-term growth, while providing a pool of skilled insurance professionals.

Throughout, Porto Seguro has benefitted from its strong brand and corporate identity - and its core principal of protecting people in an uncertain world. "We have decided that our purpose is to serve as a safe harbor for Brazilians: for our customers and stockholders," says Garfinkel.

Early results from 2021 suggest that Porto Seguro's approach continues to reap benefits. The company is focusing on developing its service offerings, while benchmarking progress on each business

line individually, as befits a company with a unique range of product offerings from health through property insurance to financial services. While at heart a traditional family company - it is now in the hands of the third generation - Porto Seguro is investing in technology and seeking partnerships with tech companies and international investors to secure its long-term expansion.

Earlier this year, Porto Seguro acquired a 75% stake in Segfy Tecnologia, which provides technological solutions for the insurance industry, including a management and multi-calculation system for automatic calculation of insurance. "Our goal now is to become number one in the segment of service, getting to people's houses and bringing them reasonable financial solutions," says Garfinkel. "We are very optimistic, because attributes that let people trust a company that gets to their house have a lot of value, especially in developing economies. We want to continue this line of business and double the number of our clients by 2025."

The environment is certainly favourable for expansion. As Garfinkel notes, Brazil has a market of 200m people, yet less than 30% of cars and 15% of homes are insured. Banking penetration is also low, with huge scope for growth. Brazil has low levels of debt, while the government is embarking upon tax reforms to improve the business environment.

"The huge market is a gold mine of potential customers," the Porto Seguro chairman says. "There are opportunities to unlock a lot of value. Brazil is stronger than it looks, and is an attractive destination for investors."



# Caixa Econômica Federal Investing in people

As Latin America's largest economy and most-populous country, Brazil benefits from favorable macroeconomic factors including a sizeable domestic consumer base, rising urbanization, and steady recent expansion in the agriculture, commerce and industrial sectors. Although it has been battered by successive waves of the Covid-19 pandemic, the country is expecting to bounce back soon, with GDP growth forecast to hit 3.6% in 2021. A government push to liberalize the economy saw Brazil exit its worst recession in recent history just before the pandemic, and the fundamentals haven't changed: Brazil's growth outlook remains positive.

This is especially evident in the banking sector, which has already witnessed considerable growth in recent years. The industry's net income surged by 44% between 2016 and 2018 to end the year at \$16.4 billion, supported by rapid recent digitization and government efforts to bolster financial inclusion. The country's unbanked population is large - up to 55m by some estimates. But leading financial institutions such as Caixa Econômica Federal, and its visionary CEO Pedro Guimarães, see opportunities in this challenge: "We are building bridges across the country and making a real impact on financial inclusion; we have, for example, 20 million clients that don't know how to read. For the poor regions in Brazil, the presence of a bank makes all the difference. Believe it or not, we had 38 million clients who were totally outside of the system join us last year. That's why this is a large social, banking and financial inclusion program: these 38 million under or unbanked citizens were charged with rates up to 20% per month. Now, they have a regular and complete digital checking account with Caixa and are no longer unseen and untraceable to the Brazilian banking market."

Caixa's history runs deep. Founded in 1861 as the Caixa Econômica da Corte, the bank's growth story has mirrored Brazil's development path through the years, from changes in political regimes to urbanization and industrialization. By 1931 the bank was offering its first mortgages, later incorporating the National Housing Bank to become the country's primary provider of home financing. A public company since 1969, Caixa has concurrently developed a robust portfolio of in-demand financial services and products to support the Brazilian people, from savings accounts, and administration of unemployment insurance, to wealth management and consumer lending. The bank has undergone many evolutions



Pedro Guimarães  
CEO - Caixa Econômica Federal

over the past 160 years, but one of the most dramatic on record took place only a couple years ago. Guimarães adopted a radical approach to reforms when he took over in 2019. Under his leadership, the bank launched a sweeping programme aimed at improving leadership and efficiency, expanding and diversifying financial product offerings, and boosting financial inclusion for millions of unbanked Brazilians.

His efforts have resulted in a stunning turnaround that is all the more impressive because it is taking place in the midst of a global pandemic.

"The past two years were record-breaking in terms of profits. The profits we earned in 2019 and 2020 were more than the profits of the last eight years together; our profits

have been larger than Banco do Brasil itself. In a parallel way, what happened was that I knew I had to change the way Caixa was being managed, which started with a leadership reshuffle and sales of some of our assets. Our first sale of assets was in February 2019 and since then we sold over R\$100bn (\$18bn)" Guimarães recounted.

Mortgages, for example, were one area where Guimarães saw new opportunities in the middle-income segment of the market. Since he took over, Caixa has grown from Brazil's fourth-largest mortgage provider to take top spot nationwide, with a market share that is fast-approaching 50%. The bank issued \$20.3 billion of new home loans in 2020, a 29% increase over 2019. SME lending was another area with



high potential for growth, and Guimarães' efforts to expand this segment have paid off - today the bank's SME loan portfolio is valued at \$5.6bn spread across 350,000 Brazilian companies. When he started, two of the bank's largest corporate borrowers accounted for the same amount. By the end of 2020, Caixa's total loan portfolio had risen by 13.5% y-o-y to hit \$148 billion.

Geographic diversification has been another key priority under Guimarães' stewardship, with the bank expanding beyond its traditional market - which was concentrated in and around Brasília - to establish operations in all 27 Brazilian states. It's all part of an overhaul that brought the bank back to its founding principles - supporting Brazilian society with economic development. Employee engagement is also hitting record highs after Guimarães made it his personal mission to visit hundreds of bank branches and speak with staff members. His reasoning was simple:

"We want to increase the corporate governance in Caixa and we want to know Brazil better. The next CEO should continue to travel around like I'm doing. Today the employees demand that, they want to see their CEO working and travelling, even on the weekends. Same for the vice presidents and directors. Since January 2019, we travelled 99 weekends. We plan to reach 160 weekends by December 2022. As for results, we've never had such strong financial results from the employees as we have these days. We have everyone's support."

Guimarães' transformation strategy has also entailed significantly reducing overdraft charges and interest rates, making it one of

the first banks in recent memory to adopt such a strategy. The consequence was record profitability and a far larger customer base. Today the bank has more than 26,000 physical branches, 4,000 bank branches, 13,000 local branches and nearly 9,000 consumer branches serving 146 million customers. Guimarães' has also played a critical role in spearheading efforts to expand Caixa's digital service offerings. Indeed, nearly 110 million Brazilians use the bank's digital app today, with Caixa reporting 271% y-o-y growth in digital transactions in 2020.

Much of this growth was underpinned by its role as a conduit for government pandemic support packages to Brazilians who were impacted by the crisis. In 2020 alone, the bank distributed \$51.3bn of government assistance to nearly 68m people, in addition to launching a host of lending schemes offering digital credit access to a broad swathe of society. This included digitally lending to millions of low-income residents and the unemployed, returning the bank at the forefront of socio-economic support efforts in Brazil.

"In 2020 we did the largest transfer of income in Brazil's history, and we paid for large social benefits from the government to 121 million people. Everything was online, mostly on mobile phones. We created the second largest digital bank in the world for over 100 million people, in only 20 days! And so Caixa is now recognized as a digital bank too."

While other leaders might have been staggered by the enormous task of being Brazil's most important social support net during unprecedented time, Guimarães argued that the pandemic presented one of the best opportunities in the bank's history to

truly serve the people - and to demonstrate the positive effects of his reforms. As he asserted, this strategic shift has had a tremendous impact on the bank's reputation:

"Caixa transformed itself because the people who benefitted were poor, they didn't have an income and we would have had a social crisis in Brazil if we were not able to pay them in a fast way. It was a tough time, but also the year where Caixa showed we were the social bank of Brazil. We did an amazing job in this case and became the most inclusive bank in the country as a result. Several of these lending programs will be renewed in 2021, increasing the GDP of the country by improving credit access for SMEs, home buyers and consumers."

Further underpinning long-term profitability, the bank is set to launch four additional IPOs this year, with the goal of using new capital to further invest in expanding and improving its operations. For Guimarães, the past two years were only the beginning - he has his sights set on growing the bank's insurance business, expanding wealth management activities, and as ever, supporting growth through financial inclusion:

"Before, instead of helping the poor we were helping the richest, so this had to be changed. And this is what we did in 2019. We are now seen as a bank that supports Brazil in a social way. People in Caixa feel that we're an institution that helps the smallest companies, the poorest people, and that's the difference. We will continue to build on this," he concluded.





## LARGEST DISTRIBUTION NETWORK IN BRAZIL

### BRANCH NETWORK



**4.2 k**  
BANK BRANCHES



**13 k**  
LOCAL BRANCHES



**9 k**  
CONSUMER  
BRANCHES



**2**  
FLOATING AGENCIES



**10**  
MOBILE UNITS (TRUCKS)



**28 k**  
ATM

### INCLUSION BANK

**146M**  
CLIENTS

**107M**  
DIGITAL  
ACCOUNTS

**38M**  
UNBANKED PEOPLE INCLUDED IN  
THE FINANCIAL SYSTEM (2020)

**BRL 735 BN**  
EMERGENCY AID AND  
OTHER SOCIAL BENEFITS

**+7M ACRES**  
FOREST  
PRESERVATION

**TOP 3**  
MOST VALUABLE  
BRAND\*



## COMMERCIAL BANK

**BRL 38,8 BN**

ACCUMULATED PROFIT SINCE JANUARY 2019  
LARGER THAN THE SUM OF 4 PREVIOUS YEARS  
(2015 TO 2018)

### INTEREST RATES REDUCTION

**↓76%**  
OVERDRAFT

**↓71%**  
PAYROLL LOAN

**↓43%**  
CREDIT CARD

**↓21%**  
MORTGAGE

### LOAN GROWTH\*

**+149%**  
SME

**+70%**  
AGRIBUSINESS

**+40%**  
PAYROLL LOAN

**+29%**  
MORTGAGE

### +BRL 100 BN IN CAPITAL MARKET DEALS

CAIXA seguridade				
BRL 5 BN** APR/21 – IPO				
BRL 420 M Prepaid Card Agreement – MAY/21 FLEETCOR	Credit Card Acquiring Agreement – APR/21 fiserv.	Increased Participation 41.41% APR/21 – M&A celo	BRL 550 M APR/21 – Debentures movida	BRL 897 M APR/21 – Follow-on Alupar
BRL 3.7 BN APR/21 – M&A BANCO PAN	BRL 180 M MAR/21 – M&A Icatu	BRL 250 M MAR/21 – M&A CNP ASSURANCES	BRL 404 M MAR/21 – Real Estate Investment Fund CAIXA	Brokerage Agreement FEB/21 alper MDS
BRL 4.97 BN FEB/21 – IPO CSN	BRL 1.52 BN JAN/21 – M&A TOKIOMARINE SEGURADORA	BRL 70 M JAN/21 – M&A tempo	BRL 348 M DEC/20 – M&A CAIXA	BRL 7.80 BN DEC/20 – M&A CNP ASSURANCES
BRL 2.50 BN OCT/20 – Receivables-Backed Investment Funds stone	BRL 1.10 BN OCT/20 – Debentures BRK Ambiental	BRL 633 M SEP/20 – IPO PLANO&PLANO	BRL 978 M SEP/20 – IPO CURY	BRL 744 M AUG/20 – Follow-on BANCO PAN
Preferential Card Brand Deal – MAR/20 VISA	BRL 1.10 BN FEB/20 – IPO MD mourois dubouche	BRL 1.50 BN 2019 – Sale of Shares BR PETROBRAS	BRL 8.35 BN DEC/19 – Hybrid Capital Prepayment TESOURO NACIONAL	BRL 5.84 BN OCT/19 – Follow-on BANCO DO BRASIL
BRL 30.19 BN SEP/19 – Sale of Brazilian Treasury Notes TESOURO IPCA + NTN-B	BRL 1.04 BN SEP/19 – Follow-on BANCO PAN	BRL 405 M SEP/19 – Follow-on TRISUL	BRL 3.00 BN JUL/19 – Hybrid Capital Prepayment TESOURO NACIONAL	BRL 7.39 BN JUL/19 – Follow-on IRE BrasilRE
BRL 446 M JUL/19 – Follow-on TECNISA	BRL 1.25 BN JUL/19 – Follow-on inter	BRL 7.30 BN JUN/19 – Follow-on BR PETROBRAS	BRL 256 M MAR/19 – Options BANCO PAN	BRL 2.52 BN FEB/19 – Follow-on IRE BrasilRE

\*According to Brand Finance.

\*New loans YoY 2020/2019. \*\* Considering the Base Offering and the Greenshoe.

# Multiplan Scaling new heights

Brazil's economic success story has seen personal incomes and consumer purchasing power surge in recent years, with GDP per capita rising by 15% over the previous decade to end 2019 at \$15,300. Rising personal incomes in a 211-million-strong domestic market have supported soaring retail growth, with the country's consumer market more than doubling in value over the same period to hit \$90bn. Retail sales growth is forecast to hit 4% in 2021, supporting a strong rebound that will set the country's leading retail real estate developer, Multiplan, on a robust long-term growth trajectory.

Founded in 1974, Multiplan owns and manages one of the largest shopping center portfolios in Brazil, with 19 separate developments currently in operation across Rio de Janeiro, São Paulo, Minas Gerais, Rio Grande do Sul, Paraná, the Federal District, and Alagoas. These developments total more than 2 million sq m of installations and more than 800,000 sq m of total gross leasable area. Multiplan leases space to more than 5,800 stores, with 190 million shoppers visiting its malls annually.

Much of the company's stellar growth has been driven by its charismatic CEO, Jose Isaac Peres. As he explained, the early successes that paved the way for Multiplan's expansion came from an outside-the-box approach to strategy and business.

"The concept was that I didn't only sell real estate buildings or assets, I was going to launch them from scratch and promote them myself. I understood that there was a feeling that we have in ourselves which is to be grateful and to deliver more than people expect. With each project that I developed, I was betting everything I had, so I couldn't afford to make mistakes."

In addition to its retail developments, Multiplan is also a significant player in the real estate development business, with a portfolio comprising residential and commercial projects, and since the mid 80's, mixed-use developments. Recognizing that consumer preferences are shifting towards the latter, the company is benefiting from having invested since its early stages in projects combining

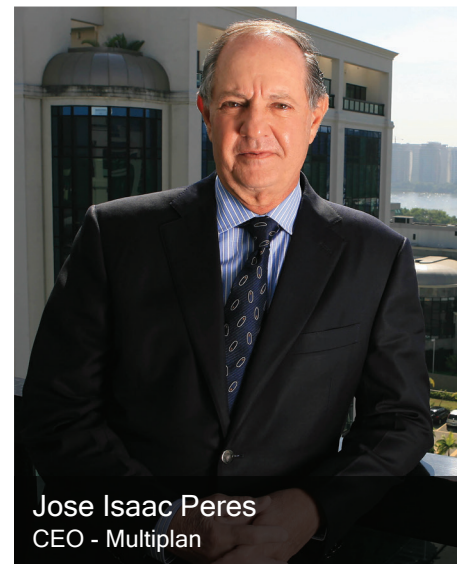
housing, employment, leisure and service options to add value to its assets.

Since its foundation Multiplan has taken advantage of its unique locations, in the growth vectors of each city, integrating its malls to the lives of the surrounding customers. The Company adapted its malls' mix, offering clients more services (including the first medical center inside a shopping mall, opened almost 30 years ago), conveniences, experiences and gathering places, and changing the architecture of its projects, by adding more parks, green decks, entertainment, petfriendly areas and other amenities. As a result, added to the economies of scale offered to tenants, this consumer-focused long-term strategy based upon premium locations makes Multiplan's malls true fortresses to deal with current retail's challenges.

This forward-thinking strategy has brought significant benefits to Multiplan shareholders, and the company performed extremely well in 2020 despite a dramatic decline in footfall during the peak of the pandemic.

"2020 was a worst-case scenario, and similar to the rest of the world, Brazil didn't do very well. However, by making many important adjustments, we were able to realize a very strong performance last year. Our profit in 2020 doubled compared to the previous year. From a foreign viewpoint, the situation in Brazil looks worse than really is. Now is actually a very good time to invest in Brazil because the country is currently very 'cheap'."

The numbers support Peres' assertion,



Jose Isaac Peres  
CEO - Multiplan

and Multiplan's recent annual reports tell strong success story. Tenant sales rose by 5.4% in 2019 to hit R\$16.30 billion, and occupancy rates remained at close to 100% throughout the year. Rental revenues simultaneously rose by 5.9%, and Multiplan's shares generated a 38.9% return in 2019, while investments more than doubled to reach R\$787 million.

Although tenant sales and rental revenues were down in 2020, EBITDA rose by 47.7% to hit a record R\$1.37 billion last year. The company also continued to invest in construction of a new shopping center, ParkJacarepaguá, which is now more than 70% leased. It also invested to refurbish and revitalize projects including BarraShopping and BH Shopping, as well as launching important new digital initiatives to support retailers and create even more convenience to consumers, especially in the post-pandemic economy.

As always, Peres is looking to the future, which will include heavy investment in hybrid retail models to maximize sales for tenants and support tens of thousands of jobs in a hard-hit sector:

"We are working with technology. My objective is to deliver to the tenant two things: a physical store and a virtual store. I want to be a channel for the tenant to sell. To that end, we've already become partners in a logistics company capable of rapid deliveries. I use an expression that better defines our company. It is an elephant that does not know the strength that it has. We always underestimate ourselves, but life is dynamic. Things change all the time."



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# Albert Einstein Hospital Complex care in troubling times

Brazil has been severely impacted by the Covid-19 pandemic, although new challenges have also brought new opportunities. With the public health system under unprecedented strain, demand for private healthcare is soaring, supported by shifting demographics: the proportion of the population aged more than 65 years is set to more than double by 2030 to hit 25%, and Brazil's \$197bn private healthcare sector will boom in the coming years as a result. The country's top hospital, Hospital Israelita Albert Einstein (HIAE), will play an important role in this growth.

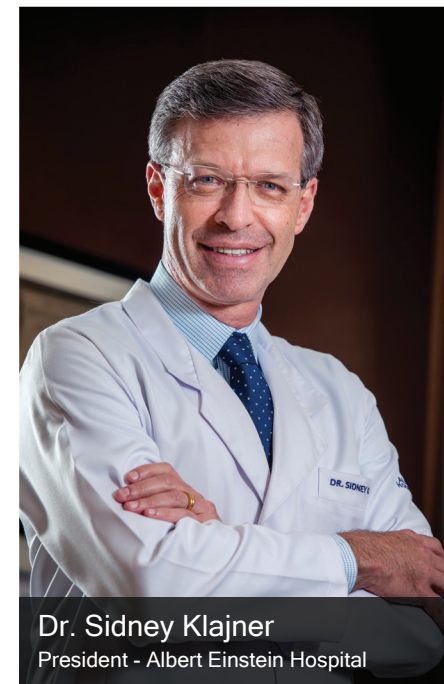
Founded in 1955 by the Sociedade Beneficente Israelita Brasileira Albert Einstein, HIAE is a state-of-the-art institute that is widely recognized as the best hospital in Latin America. HIAE specializes in high-complexity cases in neurology, cardiology, and transplantation, the hospital boasts a long track record of stellar achievements. Located in the Morumbi district on the south side of São Paulo, it has also played a critical role in providing urgent care in the wake of the Covid-19 pandemic.

Dr. Sidney Klajner, President of HIAE, explained how agility and resilience have allowed it to meet an unprecedented global challenge:

"Our expertise over the previous 10 to 20 years has given us the experience in dealing with the flow, efficiency and length of patients' stays. In the past five or six years, we managed to shorten to half the average hospitalization time, which improved efficiency and bed turnover. This expertise has allowed us to transform a non-Covid area into a Covid area in just a couple of hours. We prepared for this for two months in January and February last year, and now we are taking advantage of this preparation."

Investing heavily to provide hundreds of much-needed ICU beds is yet another example of going above and beyond to serve the greater good. Much of HIAE's stellar reputation derives from its founding principle - supporting healthcare development and innovation to contribute to improving the health of society.

The hospital was a gift from the Jewish community to the people of Brazil and São Paulo, and over nearly seven decades of operations it gone from strength to strength, expanding its facilities and



Dr. Sidney Klajner  
President - Albert Einstein Hospital

offerings to include a nursing school in 1985, and an institute for education and research in 1998. It also opened Latin America's first ever bone marrow transplant center, and today its operations center on three key pillars: excellence in healthcare, teaching, and research.

"All three pillars are supported by the social responsibility, because we were founded as a thanks to Brazilian society for its reception of the Jewish community after the war. Every initiative that we have, we think about how to deliver the benefits to the majority of society. And now, due to our partnerships with São Paulo's municipal and federal government, we can reach almost 1.2 million people with our primary attention units, our two hospitals, and

several telemedicine programs, including partnerships with municipal and federal governments," Dr. Klajner explained.

Today more than 10,000 physicians are registered at HIAE, and its vast array of research and care facilities have made it the most important private facility in the Brazilian health system. Its researchers have published more papers in medical journals than any other hospital in Latin America, and Newsweek ranks it among the world's top 50 hospitals. Perhaps most impressively, in 1999, the hospital became the first outside of the US to receive Joint Commission International Certification, a momentous achievement.

Having remained resilient throughout Covid-19, the hospital is now looking to a post-pandemic future, with an eye to enhancing and expanding its specialty care operations, and continuing to deliver the best medical care in the region. Dr. Sidney Klajner sees a bright long-term future for Brazilian healthcare and innovation, as well as its top hospital:

"We have a population of 230 million people and demand for innovation, healthcare equipment and consultancy is rising. We see this ourselves in our own consultancy branch, which is supporting hospitals in countries including Colombia and Paraguay. We are an island of excellence in terms of healthcare, based on quality, safety and outcomes. We offer the best and most up-to-date technology on the market, and the most prepared professionals in every kind of healthcare profession, all with the aim of putting the patient at the center of care."



ALBERT EINSTEIN  
SOCIEDADE BENEFICENTE ISRAELITA BRASILEIRA



# SLC Agrícola

## Proud past, exciting future

Brazil's economy has continued to attract strong investment over the past two years, despite the impact of the global covid-19 pandemic. Latin America's largest economy saw 1038 merger and acquisition deals in 2020. Of these, just under half (455) had their value disclosed with total of US\$ 63.8bn. This followed a strong year in 2019, in which there were 912 deals; 416 had declared value, reaching \$63.8bn, according to professional services company PwC. It looks set to continue through 2021 and beyond thanks to low interest rates and private investors looking to realise their returns through public offerings, which will draw financial investors to the B3, Brazil's Agriculture was a rare sector to see sustained growth in 2020, expanding by 2% while the economy as a whole shrank due to the headwinds created by covid-19. KPMG has highlighted agribusiness as a sector that will "stand out the most in terms of growth" in the coming years, while highlighting the need for productivity and efficiency gains.

The sector is already making great strides forward, and a 2020 study by consultancy McKinsey found that digital penetration is higher among Brazilian farmers than their US counterparts.

Indeed, Brazil's leading agribusinesses are strongly competitive on the global market, as SLC Agrícola demonstrates. The company has a 75-year track record, and exports nearly 90% of its output to highly-competitive markets such as the US, with a growing presence in Asia and Europe. "Agribusiness in Brazil is totally integrated with international supply chains and with international clients," says SLC Group chairman Eduardo Silva Logemann. "Brazil has done so much since the 1960s to become one of the leading producers of grains, coffee, oranges, sugar cane, and other crops."

SLC Agrícola leverages Brazil's competitive advantages in agriculture, particularly its climate and fertile soils. It also builds on its own internal strengths, embedded over its long history. The company's roots date back to Logemann's grandfather, who had a shop fixing agricultural machinery. Logemann's father went on to found SLC as a manufacturer, and in 1979 formed a partnership with US agricultural machinery company John Deere. SLC Agrícola was founded as a separate business in 1977 to focus on key crops including corn, soybeans, and cotton.

Through the pandemic, SLC moved quickly to home working for many of its employees, making protecting its people a priority while also achieving efficiency gains. The company believes that excellence in the management of economic, social and governance (ESG) principles reduces the environmental impacts of its operations, improving the quality of life in the work environment and ensuring results for its investors and shareholders. Sustainability and environmental preservation in SLC Agrícola's operations are materialized

in several initiatives and correlated with the Sustainable Development Goals (SDGs) and the UN Food and Agriculture Business Principles (PeAA). "The one thing I care most about is corporate culture," says Logemann. "We are a 75-year-old family-owned company. Ethics are very important for us. Making money is a by-product of our approach."

While grounded in its history, SLC is also strongly focused on the future, with technological development a priority. "We're investing in digital innovation in agriculture," says Aurélio Pavinato, the company's CEO. "The pandemic speeded up this process - it was a good time to improve digitalisation."

Partly as a result of efficiency gains, SLC Agrícola achieved record results in 2020 as net revenue rose 22% to R\$ 3 billion. Higher commodity prices, strong yields, and



the exchange rate also boosted its balance sheet. This strong financial position has allowed SLC to make deals with counterparts which did not fare so strongly in the crisis, supporting business growth and the ongoing consolidation of Brazilian agriculture.

Logemann and Pavinato expect international expansion to be driven by improving diets leading to rising demand for protein, as well as a growing market for high-quality cotton.



Eduardo Silva Logemann  
Chairman - SLC Group

This positions the company strongly for foreign investors looking to participate in the sector's growth story. Indeed, SLC Agrícola was one of the first companies of its kind to be listed on a stock exchange anywhere in the world, becoming a global reference for agribusiness.

The company aims not only to be a gateway to Brazil for investors, but to strengthen the country's reputation as an investment destination worldwide. Logemann says recent investments and improvements in infrastructure in particular have further enhanced the country's winning business case. "There are a lot of opportunities to innovate, to create, to educate, to make money in Brazil," he says. "We are very proud to be a Brazilian company. SLC has had the same mentality for 75 years."



# Eucatex

## Riding the wave

With stimulus measures worth a total of 18% of GDP, and rapid cuts in the central bank interest rate to just 2%, Brazil responded quickly and strongly to the covid-19 pandemic. The International Monetary Fund noted this robust approach to supporting the economy in a December 2020 assessment, saying that retail and industrial activity returned to pre-covid levels by the third quarter.

With economic growth recovering, Latin America's largest market is expected to provide huge opportunities for the construction sector in the coming years. A recent report by industry research company ConstTrack360 forecasts that construction will grow by a compound annual growth rate of 14% to 2024, reaching a value of more than \$180bn.

Leading Brazilian construction materials company Eucatex is riding this wave, having marked its seventieth anniversary in 2020. Its revenues grew 13% to approx \$230m in the first nine months of 2020, despite the covid-19 pandemic, while its net income more than doubled for the same period year on year. In the export market segment, revenues grew 53%.

"After June 2020, our market started to pick up, particularly exports to the US," says Eucatex CEO Flavio Maluf. "Several



Flavio Maluf  
President - Eucatex

US building material retailers approached us. Our strategy was to diversify our client base to get a better position for the future."

One of Brazil's largest producers of floors, partitions, doors, panels, wood fibreboard and paints and varnishes, the company has been exporting since the 1970s. It has a distribution network in the US, and a growing presence

in Latin America and Africa. It leverages the competitive advantage of its own forest footprint, which shields it from volatile commodity prices in the wood products segment.

Eucatex primary value proposition is the focus on quality products and services, along with strong branding.

"Communication as easy and clear as possible (on e-commerce) so that when a customer looks for a product s/he knows s/he will have a good customer service, a good products, and on-time delivery," says Flavio. "We focus on image and making what we're selling simple and clear."

While delivering for customers is paramount, caring for employees is also a central part of Eucatex's corporate profile. Maluf emphasises the importance of promoting Brazil as an investment destination, and the company's role in building the country's reputation as such.

"The more Brazil grows the better it is for our business," he says. "We're well situated geographically, we can export everywhere and it's cheap to invest here, especially in the current foreign exchange environment."



# Grupo K1

kappesberg

IDÉLLI

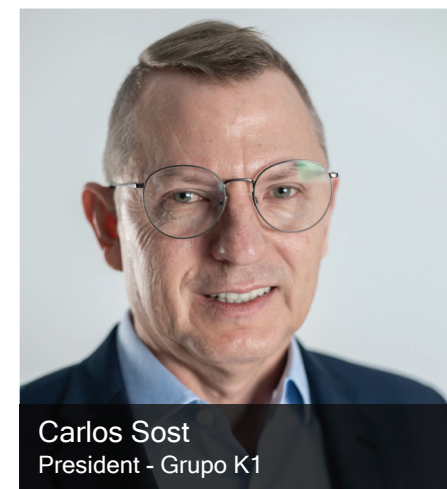
my  
home

UZ

K1  
GRUPO K1

Many Brazilian businesses have struggled to thrive in the Covid era, but there have been some bright spots, particularly in the retail sector, where sales are projected to rise by 3% this year. Growth will be underpinned by exceptionally strong furniture sales: Statista projects revenues in Brazil's furniture and homeware segment will hit \$2.2 billion this year, and rise by an average of 8.5% annually until 2025. Latin America's largest furniture company, Grupo K1, will reap rewards from the rebound.

Founded 25 years ago and active under the Kappesberg, UZ Utilities, Idélli Ambientes and My Home brands, K1 owns and operates a 200,000 sq m factory from its headquarters in Tupandi, where it employs nearly 2000 people. It has established a strong presence nationwide, exporting its products to 47 countries around the world, which means it is also Latin America's largest furniture exporter. As Celso Theisen, partner and co-owner of K1 explained, the company has clocked a solid performance despite the pandemic: "In terms of revenues, we grew by 25% in 2020, and there has been more than 50% growth in the first quarter of 2021. It's important to understand the gap between growth and inflation; raw materials costs have been rising sharply, which has impacted our margins, but we are anticipating a strong performance in



Carlos Sost  
President - Grupo K1

both the domestic and international markets."

With a mandate to bring happiness to customers' homes, the company has already built an impressive track record and solid relationships with international clients, most recently moving to launch exports to the US in September 2020. The company will focus next on boosting exports to Europe, with Carlos Sost, company president, banking on K1's rising focus on environment, sustainability and governance to expand its



Celso Theisen  
Vice President - Grupo K1

presence in the world's top consumer markets.

"One thing that is extremely important for us is the environmental side; we are investing heavily in ESG which is not required by law, but are necessary because of their environmental value. At our factory, not one drop of water is wasted, everything is recycled, water is cleaned internally and then re-used when needed. It's a very conscious decision in terms of growth," he concluded.



# Cerradinho

## Growing with Brazil

Brazil's rich natural resources and enterprising population have helped the country soaring demand for energy and fuel in recent years, with the USDA Foreign Agricultural Service reporting total domestic biofuel production rose by 13% between 2018 and 2019 to hit 34.5 billion liters, while total fuel consumption in the country rose by 35% between 2010 and 2019 to reach 60,7 billion liters. Domestic producers like Cerradinho are playing an important role in meeting this demand.

Established in 1969, Cerradinho history and deep experience in the Brazilian market sets it head and shoulders above the rest. Today the company is a top regional producer of ethanol and a leading power producer, with 65000 hectares of sugarcane under production in the Chapadão do Céu municipality in Goiás. For Luciano Sanches Fernandes, chairman of the board, sustainability and competitiveness have been the key to its success:

"We decided to work with renewable energy early on, and that is our business nowadays. We believe this business line will remain important in the future, and we are specialized in this particular type of production, assuring a positive impact in our



Luciano Sanches Fernandes  
Chairman - Cerradinho

environment. Our logistics are unique and we have a low-cost DNA as part of our culture, as well as very high-quality management team."

Cerradinho's growth strategy has seen it expanded into finance, agriculture, and

industrial activities over the years, and it has also been working to verticalize its sugarcane-energy production as well as its successfully started ethanol corn business. Heavy investments in new technology and energy cogeneration equipment have further underpinned its growing portfolio.

A strong focus on future energy demands will keep Cerradinho on a positive growth trajectory in the years to come. It has also created new opportunities for partnerships with the company, as well as new investment opportunities for a public offering, if adequately. As Sanches Fernandes explained:

"2020 was the best year in our entire history. Our revenues rose by 50% year-on-year, and we are continuing to work toward additional growth. We have a high-performing team, a very resilient mindset, strong governance and we are prepared for challenges and opportunities." Investors will take notice.



# Viena

## From strength to strength

"Brazil stands out as a country where opportunities for growth appear compelling and there to be seized," McKinsey said in the introduction to a 2020 report on the Latin American giant. Brazil's large metals industry is expected to be one of the fastest-growing sectors over the coming years, benefitting from rising global demand and the country's competitive advantages in metals production. Ratings agency Fitch expects Brazil's iron ore production to grow by an average annual rate of 5.9% between 2021 and 2025.

At the heart of the sector is Viena, a diversified company and one of Brazil's leading pig iron producers. The company has been a reliable partner for international counterparts for more than three decades. Due to Viena's long term investments in its business, strong customer, coworker, and vendor relationships, and its position as a global player, Viena was able to weather the Covid storm in 2020, its second-best year on record, while continuing to adhere to its values. Some 80% of the company's exports go to the US, and Viena also has a presence in the rising markets of Asia.

"We have long-term contracts and relationships across the world," says Viena



CEO Rodrigo Kaukal Valladares. "We are loyal, and we have a long history of honouring what we agree on and practicing what we preach, with both suppliers and clients."

A leading player in agribusiness, Viena has a footprint in several of Brazil's strongest industries. Agribusiness is an increasingly important part of the mix, and the company has 160,000 hectares overall, 55,000 planted with eucalyptus farms to support its green pig iron production. Viena has invested heavily in eucalyptus planting in particular for over 30 years - part of a vertically-integrated chain to

supply the pig iron business with charcoal. Going forward, the company is seeking partnerships in sectors including mining, and as one of Brazil's most innovative companies, is keen to explore opportunities for knowledge transfer.

The family values at the heart of Viena's businesses include a commitment to developing employees and protecting the environment. It has been developing green technologies for more than twenty years. "We're very environmentally-conscious," says Thomaz Valladares M. Mourao, Rodrigo's nephew. "Being carbon neutral is a current priority, our long-term goal is to go beyond that with Viena's green pig iron."

The company is also committed to strengthening Brazil's image globally, and raising awareness of its potential. "We keep investing in Brazil year after year," says Kaukal Valladares. "It is a huge market. And there are great opportunities for investments."



# BERNECK

## Leading by example

Brazil's economic outlook is stronger than that of most developed countries, according to a January 2021 report by the Organisation for Economic Cooperation and Development (OECD). The organisation scored Brazil 4.2% above its average composite leading indicator, which provides an early signal of changes in the business cycle.

According to industry surveys, the construction industry has been one of the sectors rebounding the quickest from the covid-19 pandemic. It achieved four consecutive months of growth towards the end of 2020, showing resilience that will stand it in good stead for the coming recovery.

Exemplifying this resilience is BERNECK, a forest-based industry that is one of Brazil's great success stories. Founded in 1952, the company has grown steadily through decades that were not always easy for Brazilian businesses. Specialized in the production of Particleboard, MDF, HDF panels and Sawn Pine Lumber, BERNECK's CEO Gilson Berneck, the son of the founder, says The Company's most important objective is hard work and responsibility with all the families that depend upon it.

"We are investing, we believe in the country, we believe in the government," he says. "For the past 50 years we hear that Brazil is the country



Gilson Berneck  
CEO - BERNECK

of the future, and I believe the future is now."

BERNECK is an ambassador for ethical and sustainable business practices in Brazil, and emphasises its principles of solidity and reliability, and care for its workforce, above growth at all costs. The company's strength may partly rest on its history, founded after Mr Berneck's

father's first factory was burned to the ground; undeterred, he started again. The business has changed a lot during the past 70 years, but sustainable growth has always happened.

"We don't want to be the biggest, we want to be within the best," says Berneck. "You need to always be growing. But growth is a consequence not an objective. Money is the result of work, not something we focus on."

The company started planting Pine forests in the state of Paraná, where the Headquarters is located, in 1967. Now a days 100% of its production comes from planted forests, achieving a zero-deforestation goal which forest industries worldwide are aiming for. Ongoing projects include a new production facility in Lages and an expansion of existing capacity at the Curitiba unit, both in the state of Santa Catarina. The Business also involves building up the agribusiness division, in the state of Mato Grosso, that begun in 1975 and now encompasses soybeans and corn as well as cattle herd.

"I believe that the future is now," says Berneck. "The perception of change is all around the country."



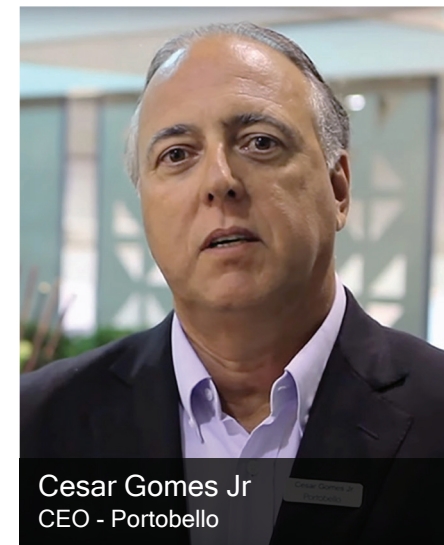
# Portobello

## The partner of choice

As Brazil looks to the post-pandemic future, all eyes are on the construction sector as a key driver of economic recovery. Growth was rising sharply in the years to 2020, with nearly 170,000 new housing units sold in 2019 alone, a 34% increase over 2018. Construction projects are set to surge in on the back of renewed economic growth, meaning construction materials business will be booming. Good news for Portobello, the country's largest coating company.

Based in Tijucas, Santa Catarina, Portobello's vast portfolio spans thousands of product lines including floor, decorative, mosaic, drain, and grill tiles, as well as bricks, custom orders, and more than 220 varieties of coatings. CEO Cesar Gomes Jr. described how a client-focused business strategy helped the company move to the front of the pack in Brazil:

"We are a client-oriented company striving to be closer to customer. In this new reality and with new values, we have had to speed up the way we do things in the digital world. But we must never lose our focus on the



Cesar Gomes Jr  
CEO - Portobello

client, working from outside to the inside."

For Portobello, this has meant developing sustainable product lines and producing high-quality, internationally-acclaimed products in partnership with choice multinational

players. Portobello's strong domestic success has come hand-in-hand with an uptick in growth beyond Brazil's borders.

Already active in the US, Argentina, and Canada, the company will focus next on growing exports from 20% of total production at present, to 30% over the medium-term. It's not only Brazil that is set to bounce back - US stimulus spending is also expected to fuel a construction boom there, and Portobello is well-positioned to capitalize on new opportunities, according to Gomes:

"Making a partnership is building a bridge to the future. We are looking for strategic partnerships that can add local knowledge for our operations. Technology is not enough to be successful in any market; you have to know the market too, so working with local partners is very important. On the other hand, we think we can offer partnerships in Brazil to successful European and American companies that want to come to Brazil."

