Brazil
Reform and investment driving growth

Brazil is set to attract $50bn in investment in 2021 and 2022, generating 22,000 new jobs, President Jair Bolsonaro told a forum of foreign investors in May 2021. Bolsonaro’s government is pushing forward pro-business reforms to strengthen the economic environment in Latin America’s biggest economy, moving the country closer towards meeting its huge potential. In 2019, the country was the world’s fourth-largest recipient of foreign direct investment.

“We are interested in partnerships with companies worldwide,” he says. “Potential opportunities include ventures with international tutoring companies who went to do business in Brazil and sell it abroad. We can provide services to them, mill the beans, and help them export.”

Ricardo Tavares, a Brazilian entrepreneur, says he has an excellent year in 2020 – partly due to the pandemic, interrupted by the pandemic, “Brazil has a very good growth story. We’re an international brand with international partners who are interested in participating in this growth story.”

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Jair Bolsonaro
President of Brazil

Brazil is the country’s largest producer of coffee beans, providing food security to one sixth of the world’s population. The President told the UN General Assembly last year. Agricultural production and the supply chain to feed more than 1bn people across the world continued to function, throughout the pandemic, a testament to the strength of Brazilian farming and logistics - and the commitment of its workforce.

The private sector’s confidence in Brazil’s future is clear from the flood of investment in the country, and endorsements from the likes of McKinsey. The global management consultancy, which last year published an “opportunity tree” highlighting 23 areas with particular potential, including energy, insurance, sports, and innovation. In energy, the solar segment is in particular is attracting attention, and McKinsey expects capacity to more than double by 2025.

The country’s strategy to leverage its skills workforce, with nearly 250,000 new graduates in science, technology, engineering, and mathematics every year, while labour costs are lower than in many other developed markets, and even Singapore and Malaysia. The Fund has praised its rapid response to the pandemic and global recession, and its reform efforts, as the country’s sound financial system.

Bolsonaro was elected on a platform of economic liberalisation, and the government is pushing forward pro-business reforms to strengthen the economic environment in Latin America’s biggest economy, moving the country closer towards meeting its huge potential.
The mining sector is already benefiting from resurgent commodities prices, as well as rising demand from China, an upturn in investments, and positive foreign exchange effects. Brazilian mining revenues were up 36% year-on-year in 2020, reaching R$38.7 billion, and red-hot growth has continued into 2021: The Brazilian Mining Institute reports that mining sector sales surged by 98% during the first half of the year to reach $29 billion, putting the sector on track to easily surpass last year’s total: The Brazilian Mining Institute reports that mining sector sales surged by 98% during the first half of the year to reach $29 billion, putting the sector on track to easily surpass last year’s total.

Buoyed by a global re-opening that has seen demand for its exports soar, the Brazilian economy is rebounding better than expected. The Central Bank of Brazil recently revised its GDP growth outlook for 2021 to 4.6%, from 3.6% earlier in the year, citing successful government support to preserve jobs, strong stimulus spending, and perhaps most importantly, soaring global commodities prices as key factors underpinning its more optimistic outlook.

WHAT BEGAN AS A PROJECT AND INVESTMENT PLATFORM QUICKLY GREW TO BECOME A LEADING GROWTH DRIVER ACROSS MULTIPLE KEY SECTORS OF THE BRAZILIAN ECONOMY

It has also acquired the Barcarena Port Terminal in the state of Pará. When the port project is completed, it will have the capacity to handle up to 12 million tons within the next decade. But the crown jewel in its portfolio is undoubtedly Buritirama Mineação, Brazil’s largest manganese producer, and the fourth-largest such producer globally. Buritirama Mineação is a company with a 51% stake in Buritirama, which produces roughly two million tons of manganese and 400,000 tons of iron ore each year.

The company’s core is internationally recognized as some of the world’s best, and its portfolio extends beyond manganese into mining of copper, uranium, and nickel. The company’s core is internationally recognized as some of the world’s best, and its portfolio extends beyond manganese into mining of copper, uranium, and nickel.

So, we have put together the entire package: reserves, talented people, and good logistics, which will allow us to remain agile during the business cycle. Established in 2001, Buritirama is the Brazilian manganese mine, in Para, a likely to be the first in the world to work with 100% renewable energy. For this, it will have a photovoltaic energy unit and batteries supplied by the technological giant Tesla, said Araújo.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE PRINCIPLES UNDERPIN ALL OF THE GROUP’S OPERATIONS, AND ESG ACTIVITIES HAVE PLAYED AN INCREASINGLY IMPORTANT ROLE IN BUSINESS DEVELOPMENT, WITH ARAÚJO UNDERTAKING A UNIQUE DIVERSIFICATION STRATEGY IN AN EFFORT TO SUPPORT SUSTAINABLE PRACTICES.

This was particularly evident in 2018 when, in a turning point for the group, it founded three new companies: Avanti BR, Nexon Mining, and National Farms. Nexon Mining acts as an investment platform aimed at diversifying the group’s portfolio, while Avanti undertake similar activities in the real estate, logistics, and technology segments. National Farms is unique because it is the result of a decades-long tradition and mining can co-exist, as Araújo highlighted: “We started in this business because we always saw tensions between farms and mining areas. Many times, we had to buy or lease the farm to develop mining, so why not buy a piece of land and sell it to a cattle producer?”

Other important mining firms active in the group include Buritiba, an explorer and global player with a 10% stake in Buritirama, which produces manganese, iron ore, and aluminum oxide salts. It is the sole company in Brazil to cast and refine copper into metal, another competitive advantage for the group. Kalium, whose purpose is the use of potassic rocks (Verdetes) for potassium production, magnesium, iron, and aluminum oxide salts from potassic rock. Buritirama’s portfolio is impressive, including 16 manganese assets and one of the world’s largest manganese resources, which is very important in energy and technology. We are a strong competitor in the mining sector, we have one of the largest reserves in the world. We are also strong competitors in the agribusiness sector. We are working to have good foreign partners in the technology segment, we want this knowledge. We are not investing in technology to make money, but to be surrounded by good professionals, he explained.

Furthermore, he argued, Buritipar’s biggest competitive advantage lies in its location: Brazil, a country offering vast resources, a young and hardworking population, and profitable opportunities for savvy investors: “We invite people to come to Brazil and see it with their own eyes, first of all because the world needs Brazil to sustain global food and mining supply chains. Secondly, we have shown in the last 30 years that we have stabilized our economy and people can trust our laws. Third, we have the Amazon, which is the lung of the world, it really is the future. That’s why my outlook about Brazil is so positive,” he concluded.

“Buritirama manganese mine, in Para, is likely to be the first in the world to work with 100% renewable energy. For this, it will have a photovoltaic energy unit and batteries supplied by the technological giant Tesla, said João Araújo, President of Buritipar Group. “We started in this business because we always saw tensions between farms and mining areas. Many times, we had to buy or lease the farm to develop mining, so why not buy a piece of land and sell it to a cattle producer?”

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Braziliand footwear giant Vulcabras is particularly well placed to ride this wave, and has been playing a leading role in the recent surge in investment in the country as it looks to the future. The company has been operating in the Brazilian footwear market for more than six decades. Vulcabras uses all the knowledge already acquired together with the constant search for innovation, to bring to the Brazilian consumer the best proposal for technologically fixed capital formation rose by a striking 4.6% in the quarter, clocking up the third consecutive quarter of growth as business confidence in the country’s outlook continued to strengthen. Exports, meanwhile, rose 3.7%, noted that GDP grew 1.2% quarter-on-quarter in Q1 2021, despite continued covid-19-related restrictions weighing on economic activity. Gross fixed capital formation rose by 3.7% in the first quarter of 2021 the company in the past six years, with profitability. This left us very well-positioned for the future.” CBM offers engineering and construction solutions in the mining, road works, railway, airports, ports, petrochemical and oil and gas segments. The company’s emphasis on quality has seen it achieve the highest international certifications, including ISO9001 (Quality), ISO14001 (Environmental), ISO45001 (Health and safety), ISO37001 (Anti-bribery) and ISO19600 (Compliance). It was also voted one of the five most innovative engineering companies in Brazil in the World in 2020 because of a forward-thinking approach that has helped keep the group competitive and future-ready. The company is prepared to compete on this market.” Bartelle. “Growing employment and development will boost consumption, so we see a gold mine in the internal market. There are so many opportunities to appear every day, that our main challenge is to focus on all of them.” Bartelle sees his company’s approach to business as typical of Brazil’s business culture, and the commitment that entrepreneurs have to their hugely promising country. We have a culture in Brazil of investing in Brazil,” he says. “We believe in the country. We have a lot of good companies in Brazil, and we do business here to develop our country.” CBM believes its unique combination of strategic focus on capacity building, punctuality, and responsiveness to changing trends could make it a formidable competitor in the international market. “We are always open to discuss potential partnerships. We are ready to join forces with strategic investors and investment funds, so that we could leverage our participation in future government projects, because its program is huge. It is a good moment for both companies. We believe we are going to have a lot of money from foreign investors in Brazil,” concluded Sena.
Unidas
Innovation and sustainability driving growth

As Brazil emerges from the worst of the Covid crisis and life returns to normal, all eyes are on the transportation and mobility sectors, which are set for a period of red-hot growth as travel and commuting resume. The vehicle rental market was already growing fast before the pandemic struck, with the total number of rental companies surging from 8033 in 2018, to nearly 11,000 at the end of 2019. The industry is forecast to record a compound annual growth rate of more than 6% until 2027, leaving Unidas, a fast-growing leader in car rentals and fleet outsourcing, well-positioned to profit.

The brainchild of two forward-thinking investors, Unidas emerged in 1985 with the merge of five separate Brazilian companies. What was originally a rental company with seven branches and 500 vehicles has since swelled to the second-largest car rental company and leading fleet-leasing firm in Brazil. It owes this heavy-hitter status to a sharp focus on sustainability, efficiency, and above all, customer satisfaction, according to CEO Luis Fernando Porto: “We are an innovative company that seeks growth with a return constantly. We’re a company that takes care of its people and the environment. We’re in the new vehicle market, which has the highest level of governance in Brazil, and our company is very active in social sustainability. These factors have all supported growth, and we are part of the big three now.”

After merging with listed firm Locamerica under the Unidas brand in 2017, the company has continued its expansion across the country, building up its fleet to 178,600 vehicles. Through its subsidiary Alphabet, it also outsources nearly 100,000 fleet vehicles, making it the largest such company of its kind.

Unidas has undergone aggressive expansion in recent years, acquiring firms including Best Fleet in 2013, Panda Meridional in 2017, and NTC Serviços Ltda in 2019, which created a new agribusiness division, Unidas Agro. More recently it acquired Zetta Frota, a fleet outsourcing firm, in 2020. This has resulted in significant operational, administrative and financial synergies, helping the company optimize its capital structure, and leaving it on track to meeting its goal of becoming Brazil’s top mobility company by 2023.

It has also helped underpin a strong recent financial performance, with consolidated net revenues rising by 17.5% y-o-y to end 2020 at $1.1 billion and earnings before interest, taxes, depreciation, and amortization (EBITDA) rising by 7.2% over the same period to hit $270 million. Growth has been especially stellar in recent months, with recurring net income broke a new record in Q2 2021, hitting $46.8 million, net margins reaching 32.7%, and EBITDA hitting an all-time high for the third straight quarter, at $108.3 million.

Such strong financials certainly came in handy during the first wave of the pandemic last spring, as Fernando highlighted: “Last year was hard on the business, especially because we lost 80% of our car sales and 65% of the rental business, but it lasted three months and we have a strong financial position. We opted to maintain all our investments and protect all of our employees, and we did not fire anyone. We still don’t have a clear picture because the pandemic is ongoing, but we have noticed it is generating business because Brazilians are increasingly choosing to rent cars rather than buying them.”

The company’s forward-thinking approach should keep it in a strong growth trajectory: as a new vehicle rental firm, Unidas will be at the forefront of climate-friendly innovation in the coming years. It has already made good progress in this area, signing on to the Business Ambitious for 1.5C - Only Our Future initiative under the Paris Climate Agreement, and earning a gold seal in the GHG Protocol 2020 program by monitoring and disseminating greenhouse gas emissions in preparation for operating in the low-carbon economy.

Having already established the firm as an innovative and sustainable domestic leader, Fernando is now looking to take the company beyond Brazil’s borders: “We want to see the company in the global market. We think it’s a great opportunity for us to work with the ecosystem of cars, and to serve customers with other products such as financial products. Within 2-3 years we think we will be working around the world and across many different segments,” he concluded.