



Data Consolidation

**Private Equity and Venture
Capital industry in Brazil**

2011 - 2012 - 2013 - 2014 - 2015 - 2016

www.kpmg.com.br

www.abvcap.com.br



Table of contents

1. Foreword by KPMG and ABVCAP	04
2. Methodology	06
3. Committed Capital	07
4. Investments	17
5. Divestments	23
6. About KPMG	26
7. About ABVCAP	26

Foreword by KPMG and ABVCAP

ABVCAP (Brazilian Association of Private Equity and Venture Capital) and KPMG once more devote their efforts to conduct this study that offers an outlook of Brazil's private equity, seed and venture capital industry, a data consolidation gathering with information provided by managers and administrators who are members of ABVCAP, entities that comply with the ABVCAP-ANBIMA Code on Regulation and Best Practices of private equity and venture capital funds (Code). We started carrying out this study in 2012, and since then we have been able to present comparable historic data on every issue, showing the behavior of Brazil's private equity, seed and venture capital industry, and highlighting the trends for this asset class in both global and local macroeconomic scenarios. Brazil's PE&VC industry has undergone changes recently, particularly after the issue of CVM (Brazilian Securities and Exchange Commission) Instructions No. 578 and No. 579, in August 2016, which regulates private equity

funds, one of the industry's main types of investment vehicles. The new instructions will modernize the industry's operations by consolidating and creating different types of private equity funds, implementing mechanisms for improving the governance of investees, and introducing changes in financial reporting.

We would like to highlight the increasing commitment of the managers and administrators of PE&VC funds, who have provided us with relevant and detailed information about their activities. We wish to express our special thanks to those people who recognize the importance of this survey, and whose collaboration has been indispensable for our work. Our acknowledgments to the aforementioned collaborators are registered at the end of this edition. We thank the ABVCAP and KPMG teams for their effort in collecting, gathering, reconciling and analyzing data over the year.



Marco André

**Head of Deal Advisory
National Leader for the Private Equity and
Investment Management industries**



Fernando Borges

ABVCAP's President



Methodology

This report provides an overview of private equity and venture capital investments in Brazil. We have relied on voluntary participation and obtained information available to the public from approximately 134 local and foreign fund managers of various sizes (about 110 in 2015, 90 in 2013 and 2014, and more than 60 in 2012). We believe that the data presented herein substantially represent the industry's operations. The statistics presented in this report are based on: (i) FIPData information, (ii) information reported by managers themselves and (iii) information available to the public obtained from different sources and other surveys. With respect to regional or global funds, we requested the managers to include data only about the committed capital allocated to Brazil and investments and divestments made in the country.

FIPData, former by known as ABVCAPData, is a system developed to consolidate data on locally structured funds (FIP and FIEE) help with the market's self-regulation, as well as to gather data about the private equity and venture capital industry that comprise other investment vehicles, such as funds outside Brazil, holding companies and corporate ventures. We request managers who do not comply with the code to complete the electronic form sent by e-mail. The information obtained was analyzed and with public information cross-checked.

Finally, we contacted all participants to clarify possible inconsistencies, and guarantee, that only private equity and venture capital data. Subsequent to those contacts, adjustments were made in the consolidation database in order to reflect possible changes. KPMG did not conduct an audit or provide any other type of assurance about the numbers informed by managers.

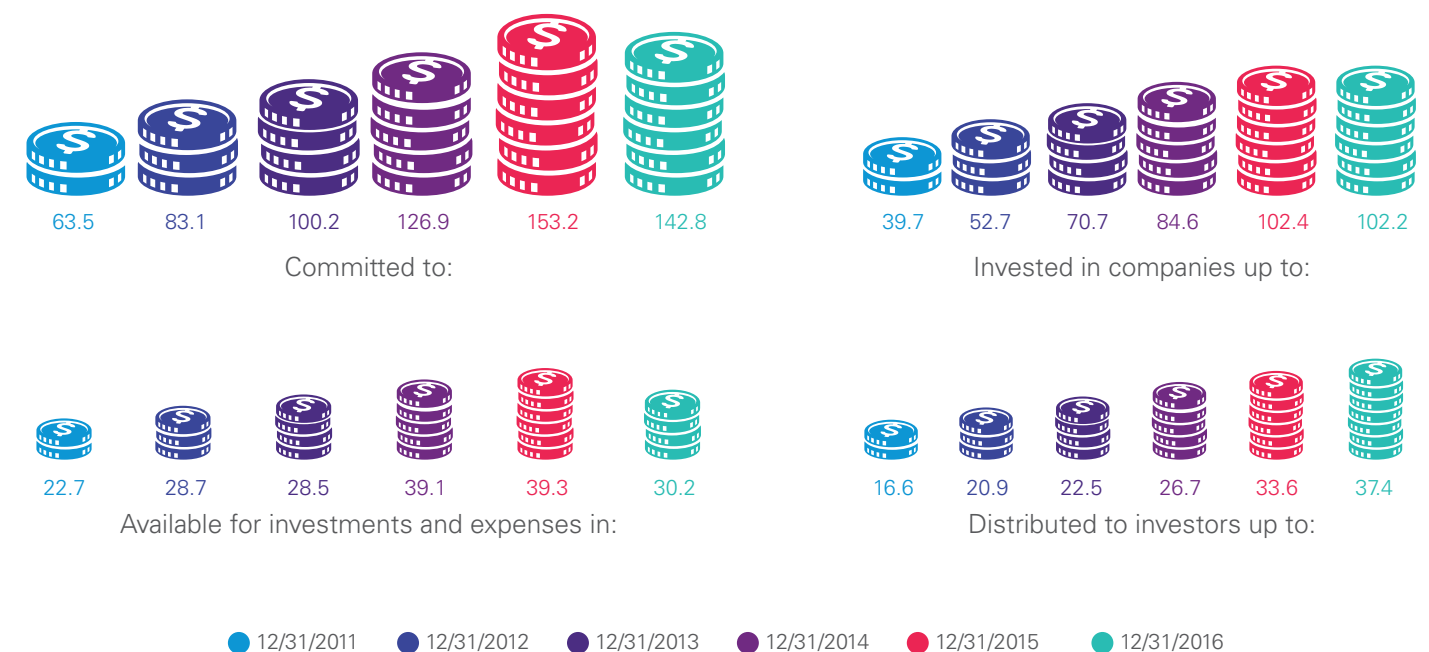
The statistics about fund transactions have been excluded from the publication. A careful analysis of the structured investments under joint management was carried out in order to avoid double count of data.

This study does not cover the activities of accelerators, incubators and angel investors, or data about direct investments made by operating portfolio companies.

As for the real estate and infrastructure industries, we sought to include just operations under the private equity and venture capital way, i.e. whereby investments are made in a business and not only in an asset. Accordingly, we tried to eliminate data related to direct or indirect investments in real estate or infrastructure assets by excluding information on committed capital, investments and corresponding divestments.

Committed Capital

In billions of R\$



In 2016, the Brazilian real appreciation against the US dollar was the main factor behind the reduction in total committed capital and in capital available for investments and expenses, given that several managers raise funds in foreign currency. Moreover, some funds were terminated in 2016, which caused capital to decrease, given that only committed capital of funds open as of December 31 have been included in this survey. In spite of a difficult political and economic scenario some managers were able to raise funds, however, the capital raised did not

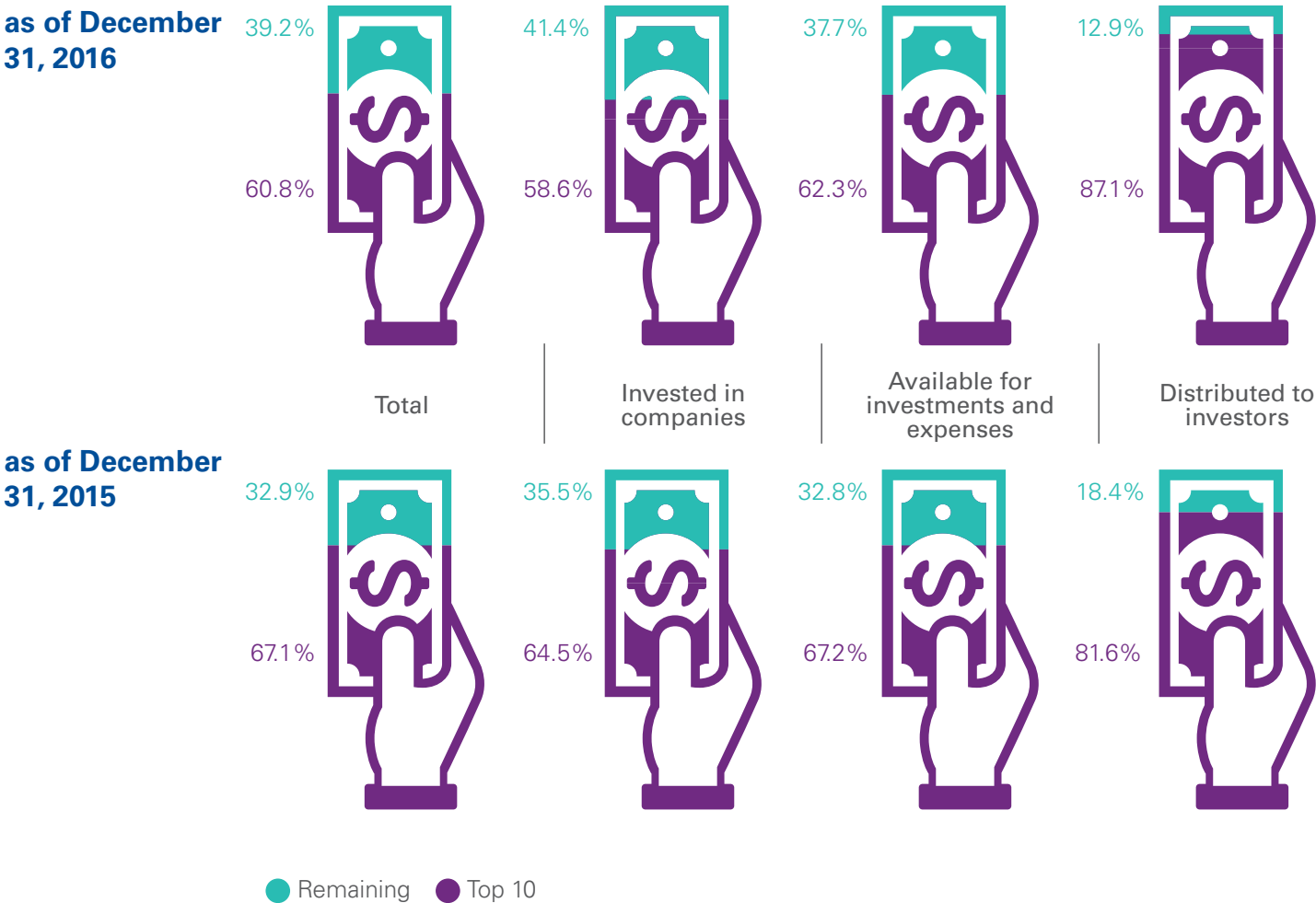
compensate for the capital reduction reported for the period mainly due to appreciation of the Brazilian Real against the US Dollar. The sum of the amount invested in companies and the amount available for investments is not exactly equal to the committed capital, since part of the amount received by the funds may be reinvested in other companies, used to cover operating expenditures and expenses, and part of the committed capital has already returned to investors.

Variations in capital and indicators in the year



Even after two years of a fall in Brazil's GDP by more than 3.5%, the industry still reports significant figures. The main factor behind the lower figures reported in 2016 was the foreign exchange fluctuation. In the long-term the compounded annual growth rates have reported increases in all data captured by our study, while GDP fell by 0.3%.

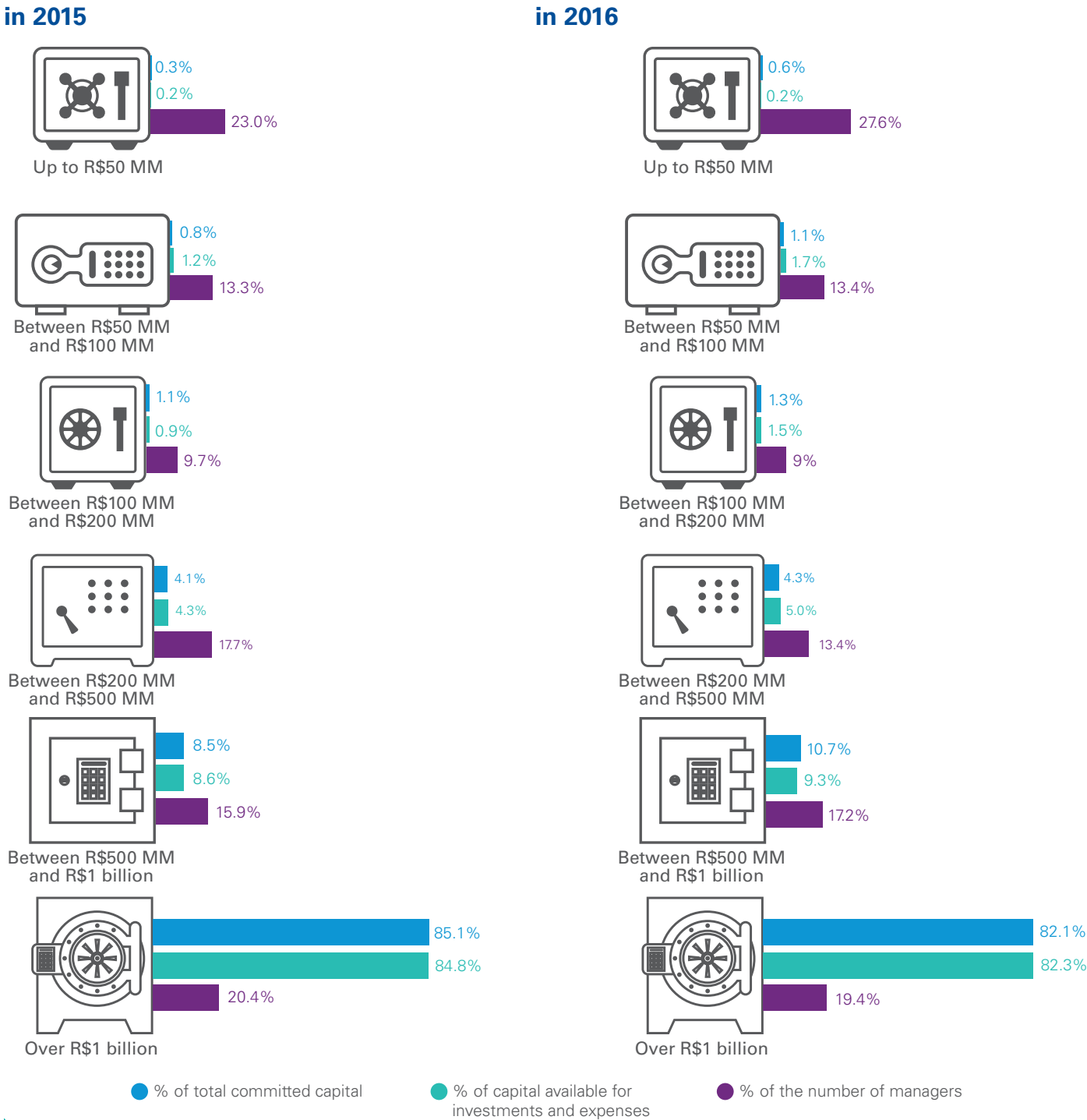
Concentration of the Committed Capital



Capital remains largely concentrated under the management of the major private equity firms that operate in Brazil. Because of the Brazilian real appreciation against the US dollar in 2016, we have noticed a reduction in the concentration of total committed capital and capital available for investments in 2016 when compared with 2015. Most of the top 10 managers are international, and therefore raise most of their committed capital in US dollars.

The concentration of capital invested in companies also decreased in 2016, impacted by the closure of the top 10 managers' funds and increase activity of the remain managers, which is confirmed by the decrease in the average amount of investments in 2016 when compared to 2015. Some of these top 10 managers have also returned significant amounts of divestments in these years.

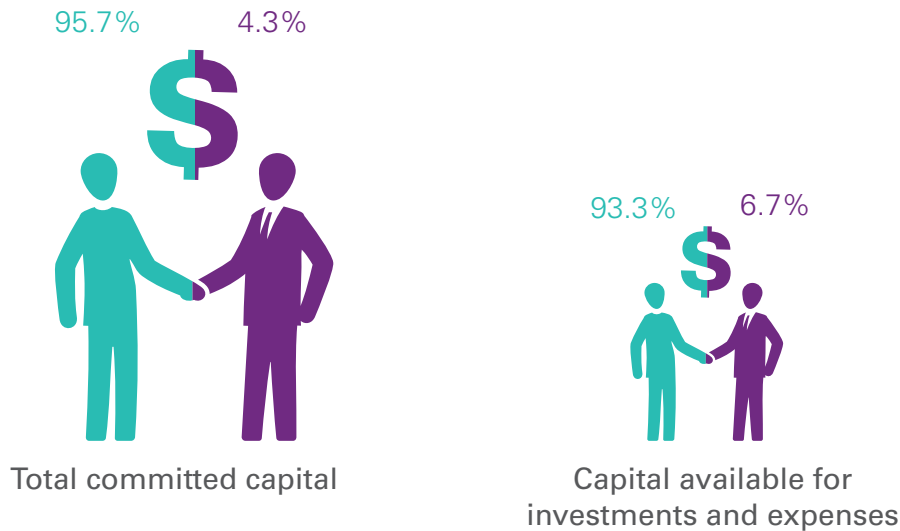
Percentage of the amount of capital and number of managers per range of committed capital:



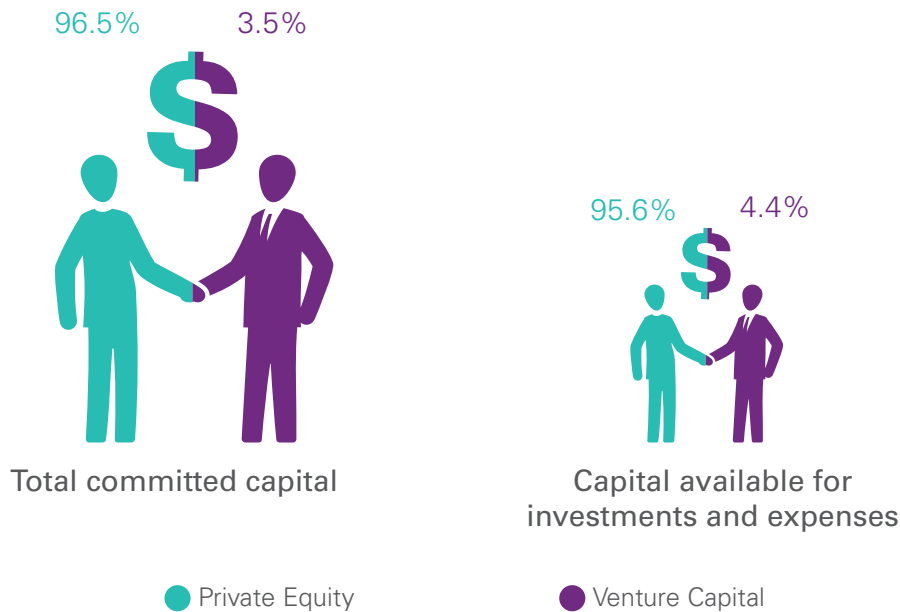


Capital per type of investment

in 2016



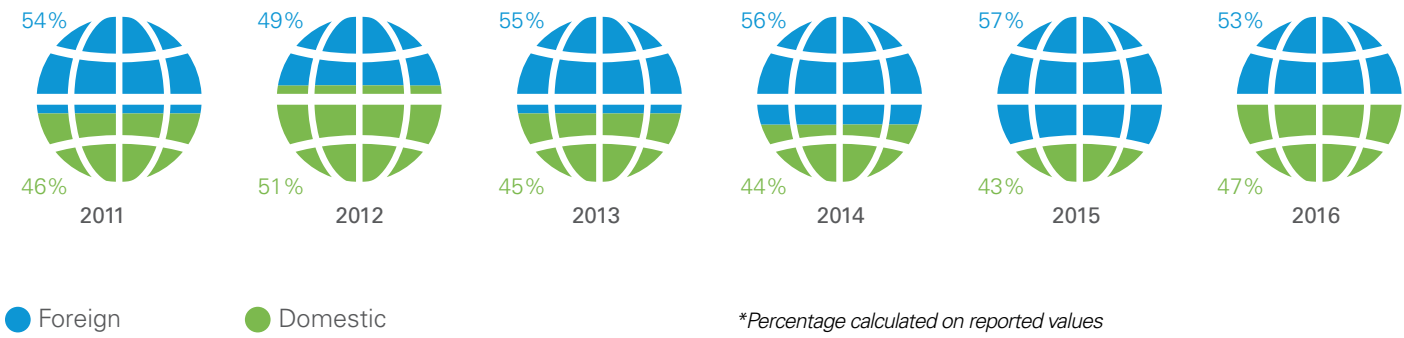
in 2015



The total capital committed to venture capital was lower in terms of percentage than the previous year. It reached R\$6.2 billion in 2016 (2015: R\$5.3 billion), and capital available for investments and

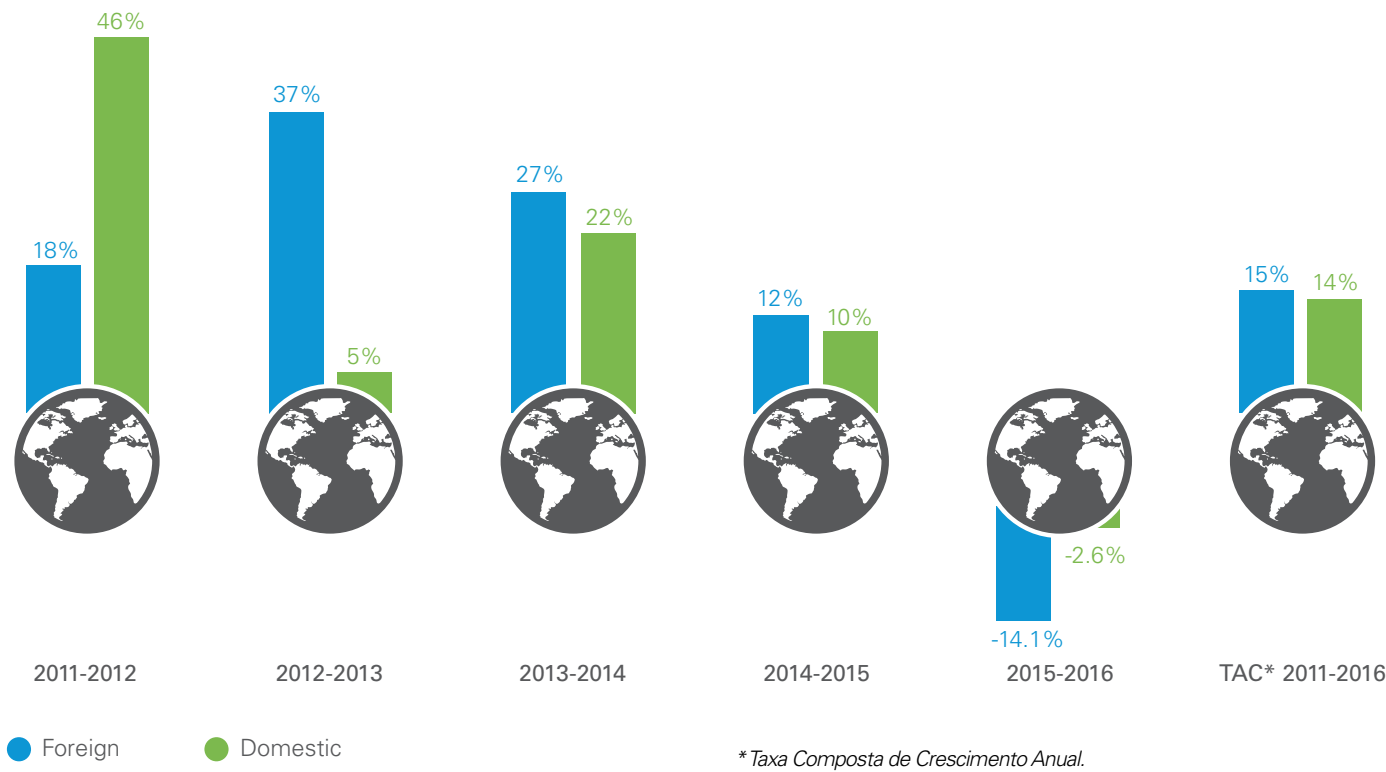
expenses totaled R\$2 billion (2015: R\$1.7 billion) a quite significant figure, because the average amount of venture capital investments is much lower than that of private equity investments.

Origin of committed capital*



The percentage of total foreign committed capital decreased in 2016, basically because of Brazilian real's appreciation against the US dollar 2015: 17%

Percentage growth in committed capital by origin

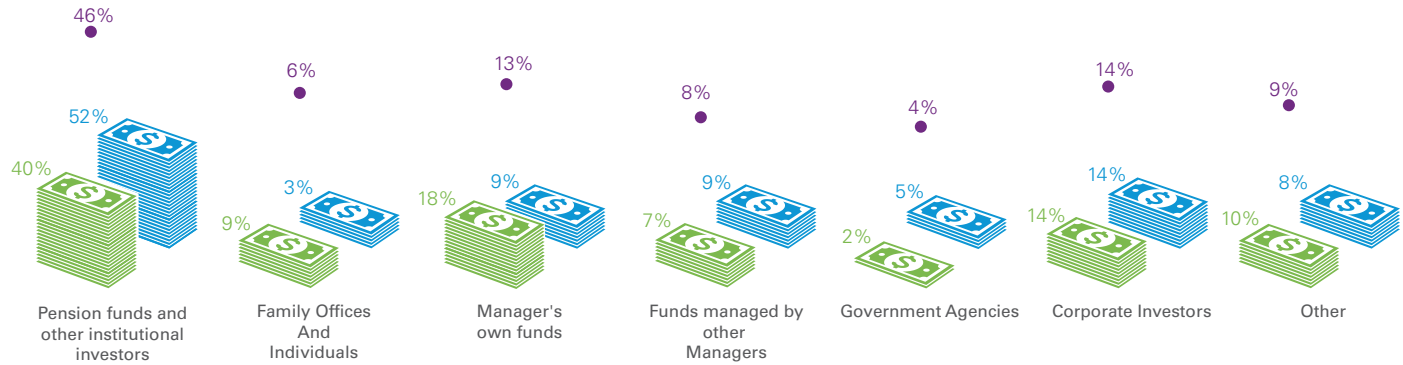


Foreign capital decreased more than local capital because it is more directly affected by the Brazilian real x US dollar exchange rate. In addition, percentages were impacted by the funds that were terminated during the year.

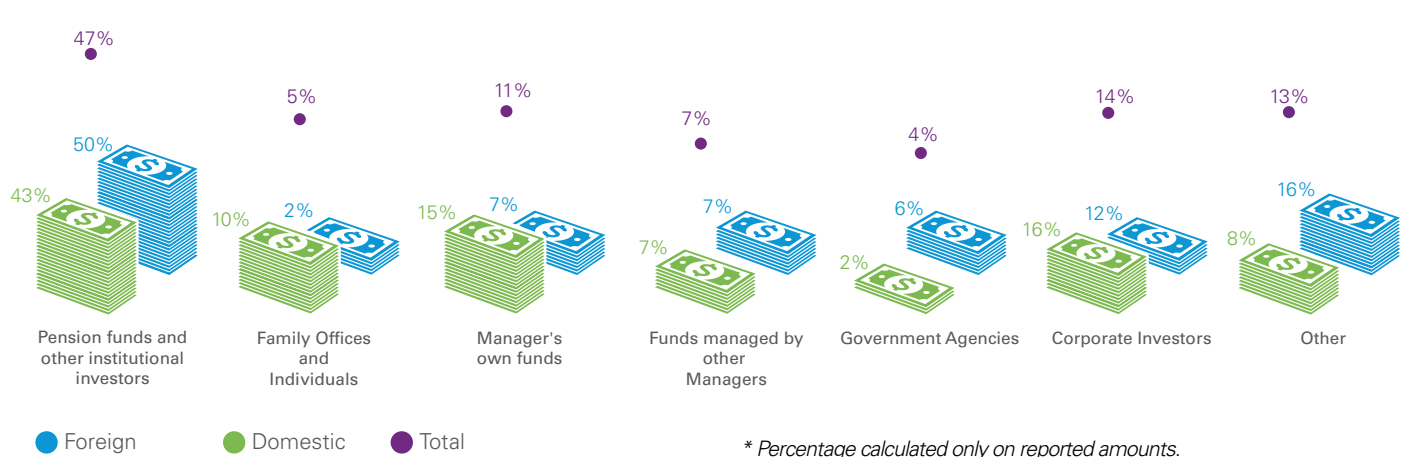


Percentage of committed capital by type of investor:*

in 2016



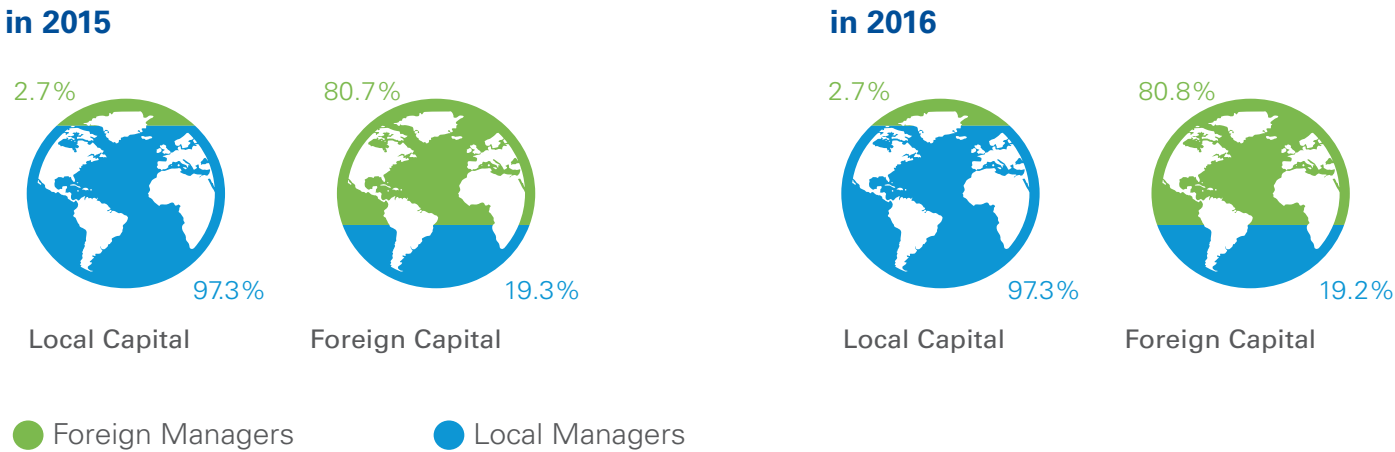
in 2015



The industry relies on a wide portfolio of investors. However, pension funds and other institutional investors account for 46% of the total amount invested in the industry. Corporate investors and managers' own funds also stand out with significant

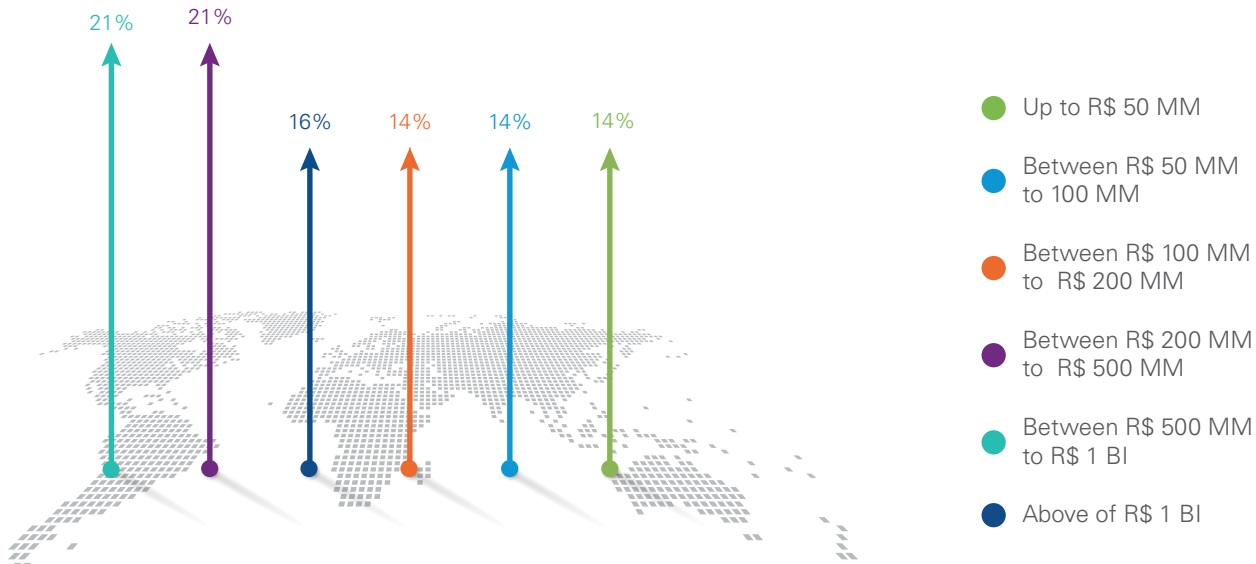
shares of the market. The independent fund managers' own funds which excludes the development banks, family offices, investment banks and sovereign wealth funds accounts for just about 2% of the total committed capital.

Origin of Capital x Nationality of Manager:



Most of the capital with local origin is managed by local managers, while about 19% of foreign capital was managed by local managers in 2015 and 2016. There is still a lot of room for Brazilian managers to raise foreign funds.

Percentage of the number of Brazilian managers who raised funds abroad per range of capital in 2016*



*Percentage calculated only for Brazilian managers who raise funds abroad.

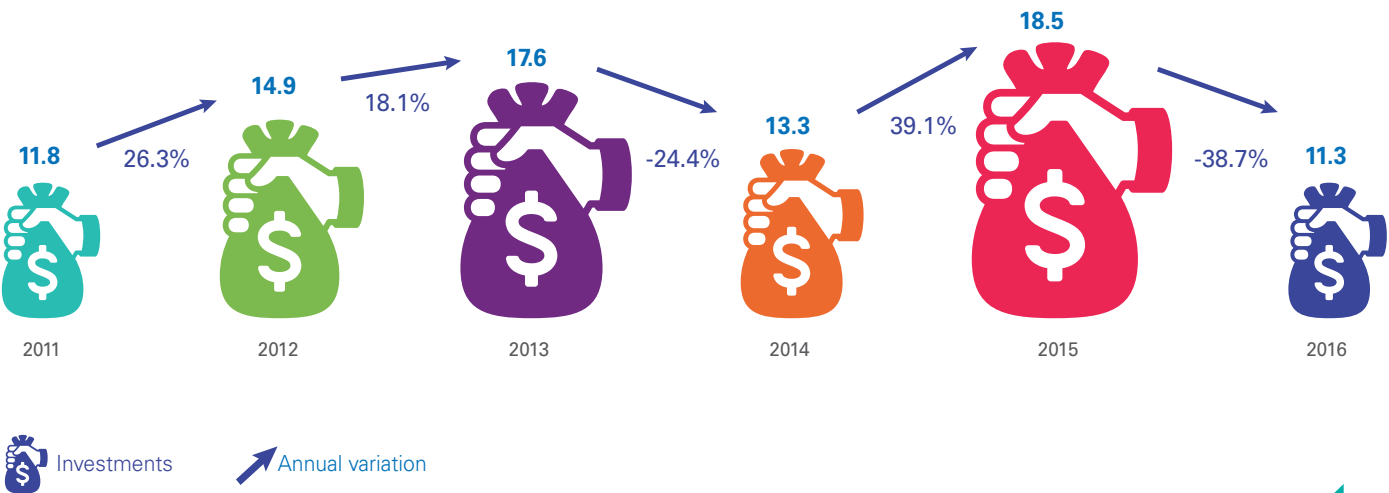
The size of the manager, in terms of total committed capital, does not seem to hinder Fundraising abroad. ABVCAP has an excellent program for the internationalization of Brazilian managers, which helps them to raise funds abroad.



Investments

Investments made year over year

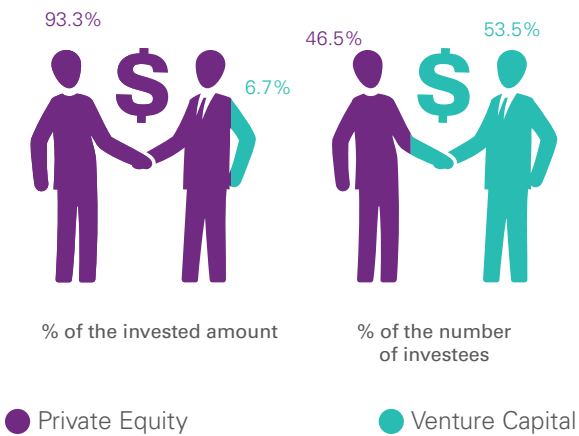
In billions of R\$



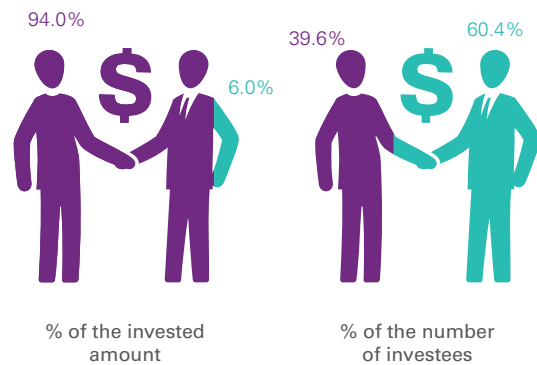
Despite the decrease in total investments in 2016, the number of investees remained virtually the same. In 2015, major investments were made in companies of the health and pharmaceutical industry, which caused the average amount of individual investments to increase significantly.

Investments per type

in 2016



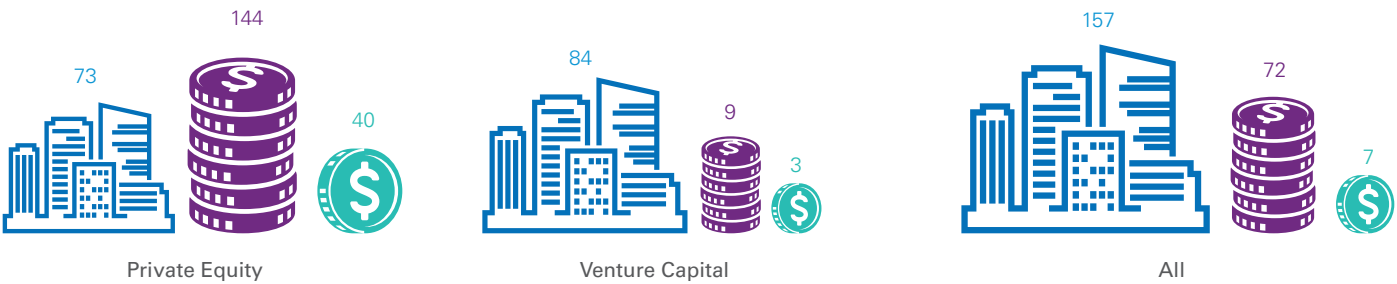
In 2015



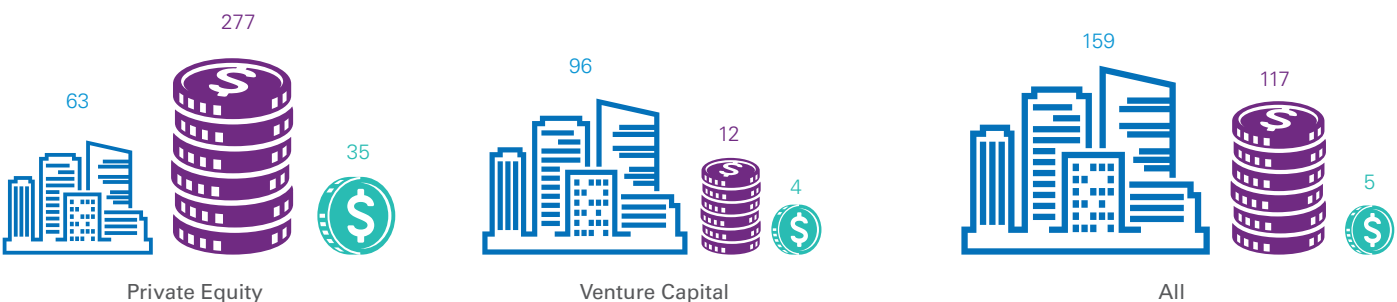
Although venture capital investments amounts are far lower than private equity investments, they account for a higher number of transactions.

Number and amounts per type

in 2016

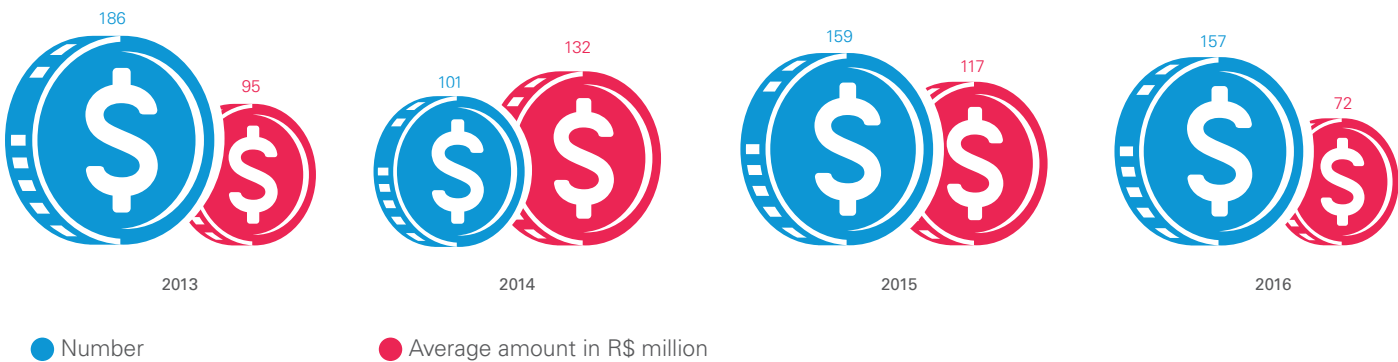


in 2015



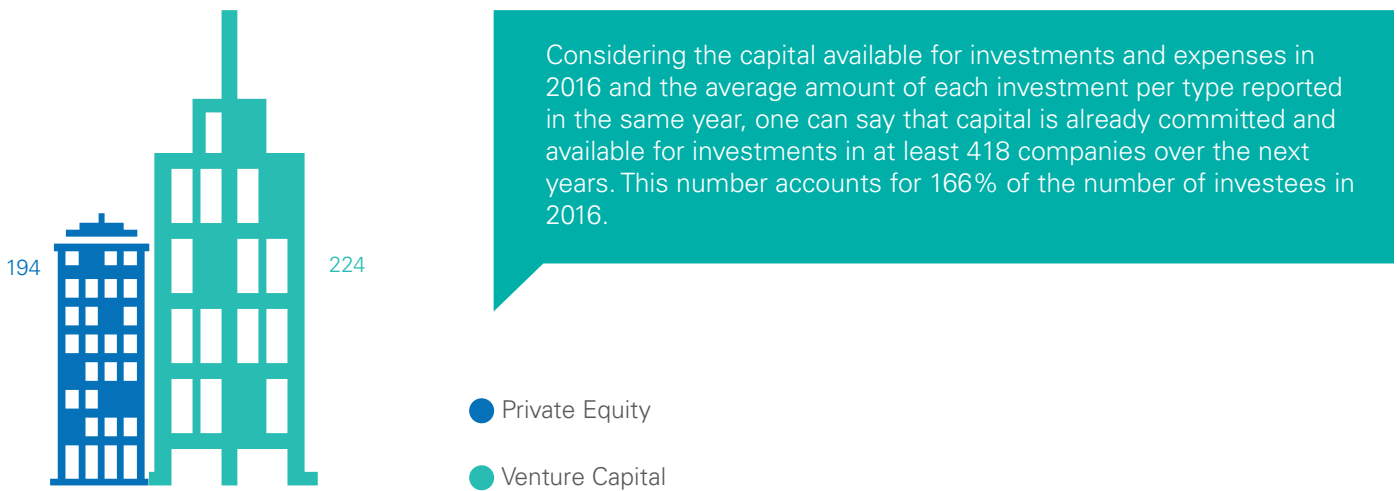
● Number of companies ● Average amount in R\$ million ● Median amount in R\$ million

Average number and amount of investments

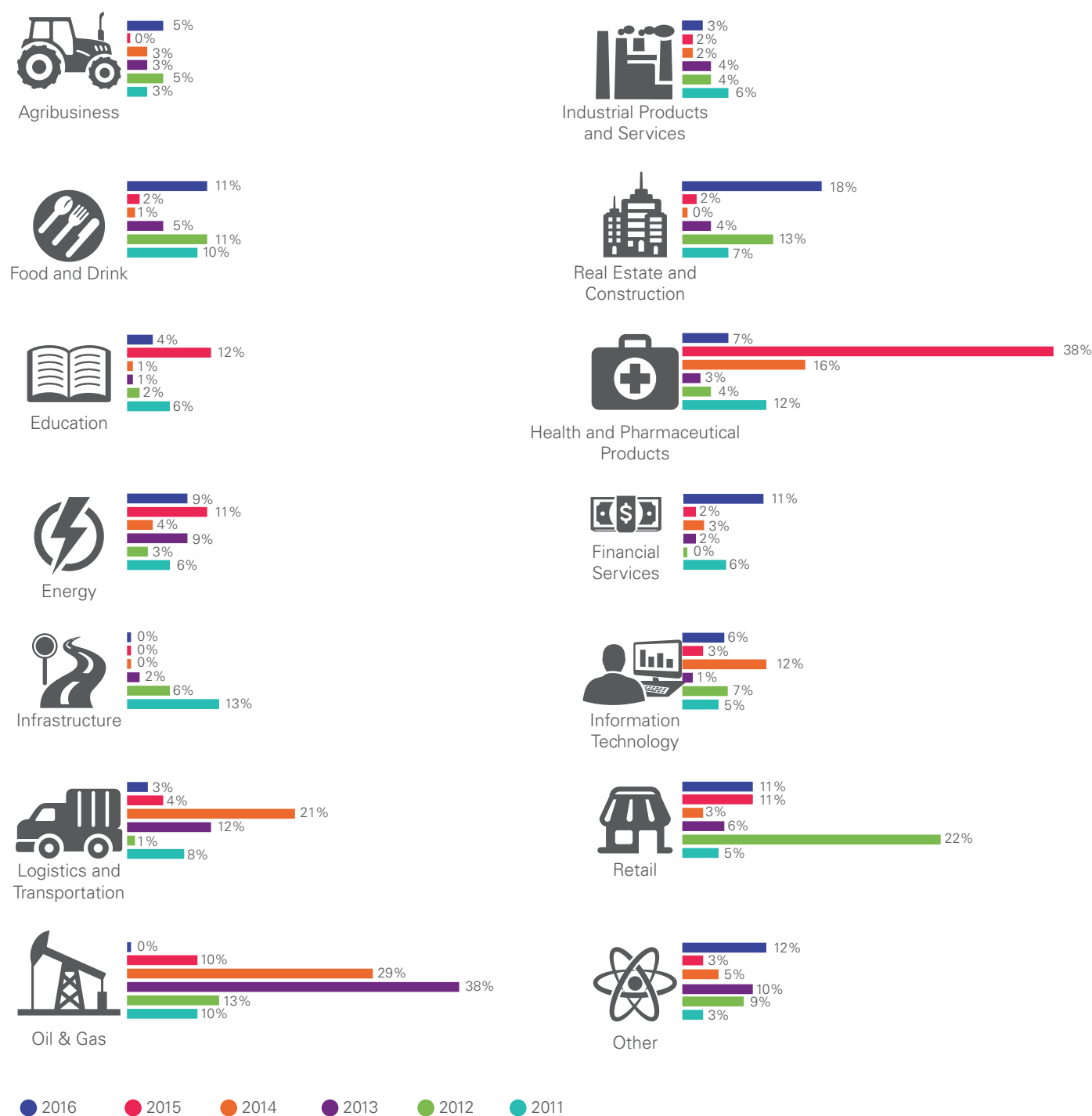


The total number of investments made in 2016 (157) remain close to 2015 (159). However the volume of investments in 2016 reported a record low.

Number of companies that can be invested in using the available capital



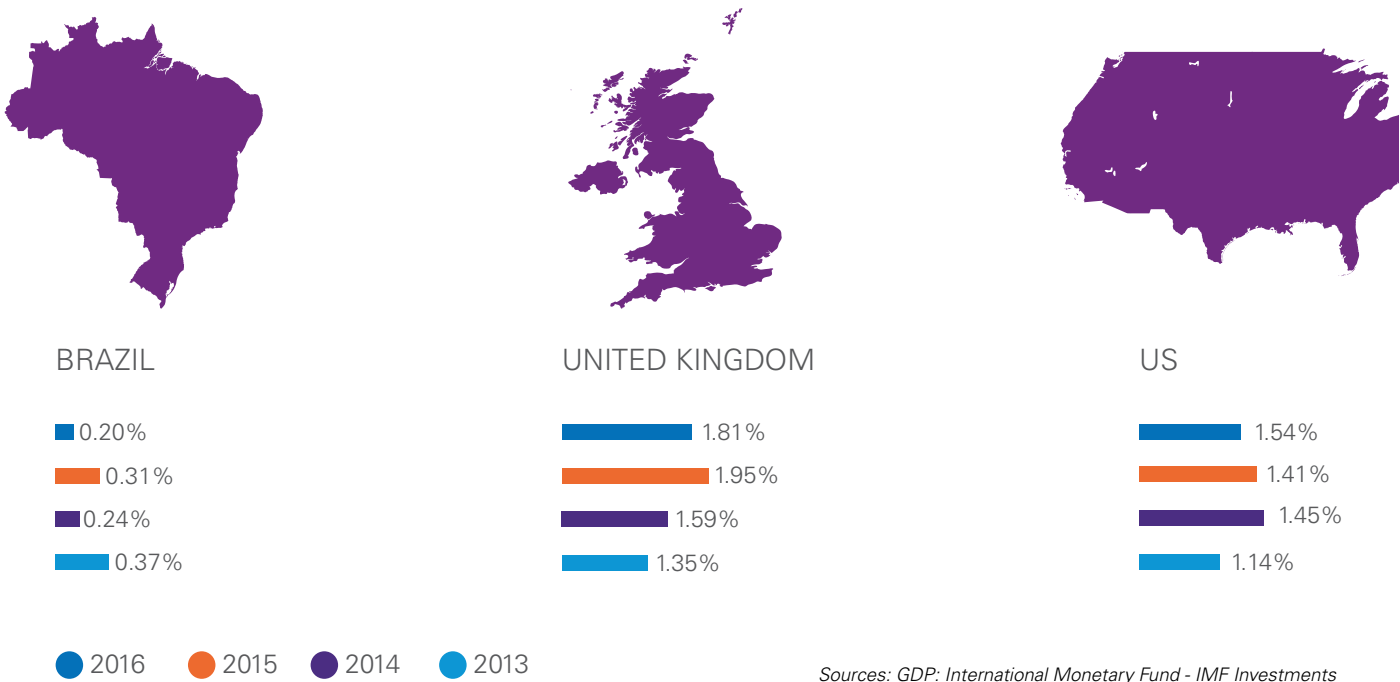
Percentage of investment amount by industry



2016's highlight was the range of industries that received investments.



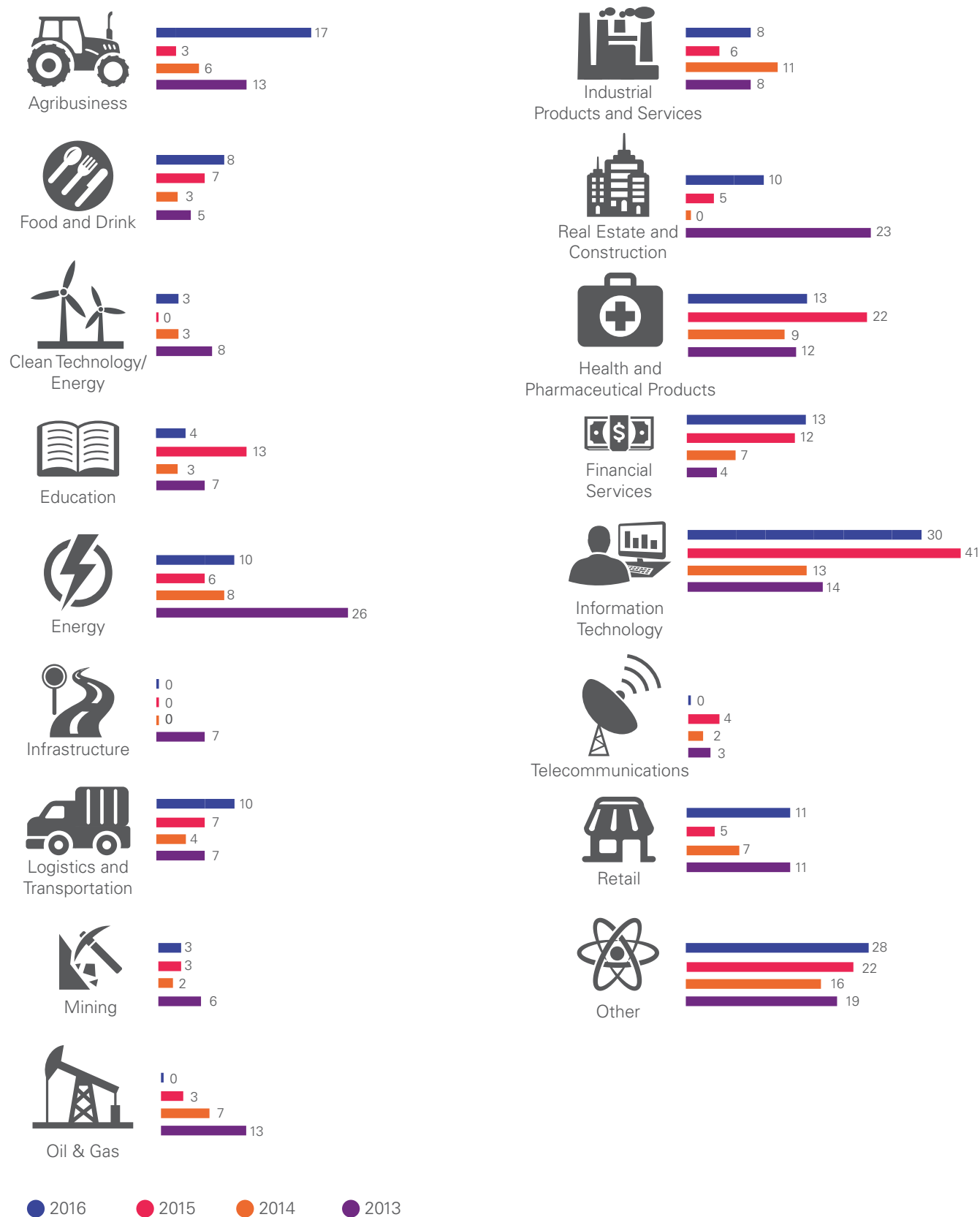
Investment/GDP



Sources: GDP: International Monetary Fund - IMF Investments in the US and the United Kingdom – Pitchbook

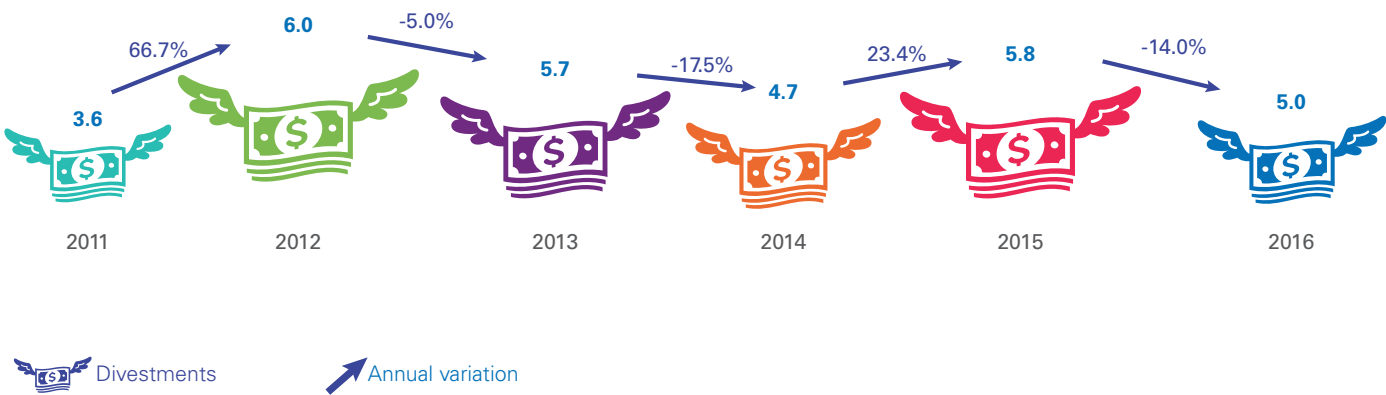
The comparison of Brazil with developed markets shows that there is still room for a significant increase in investments.

Reported number of investees



Divestments

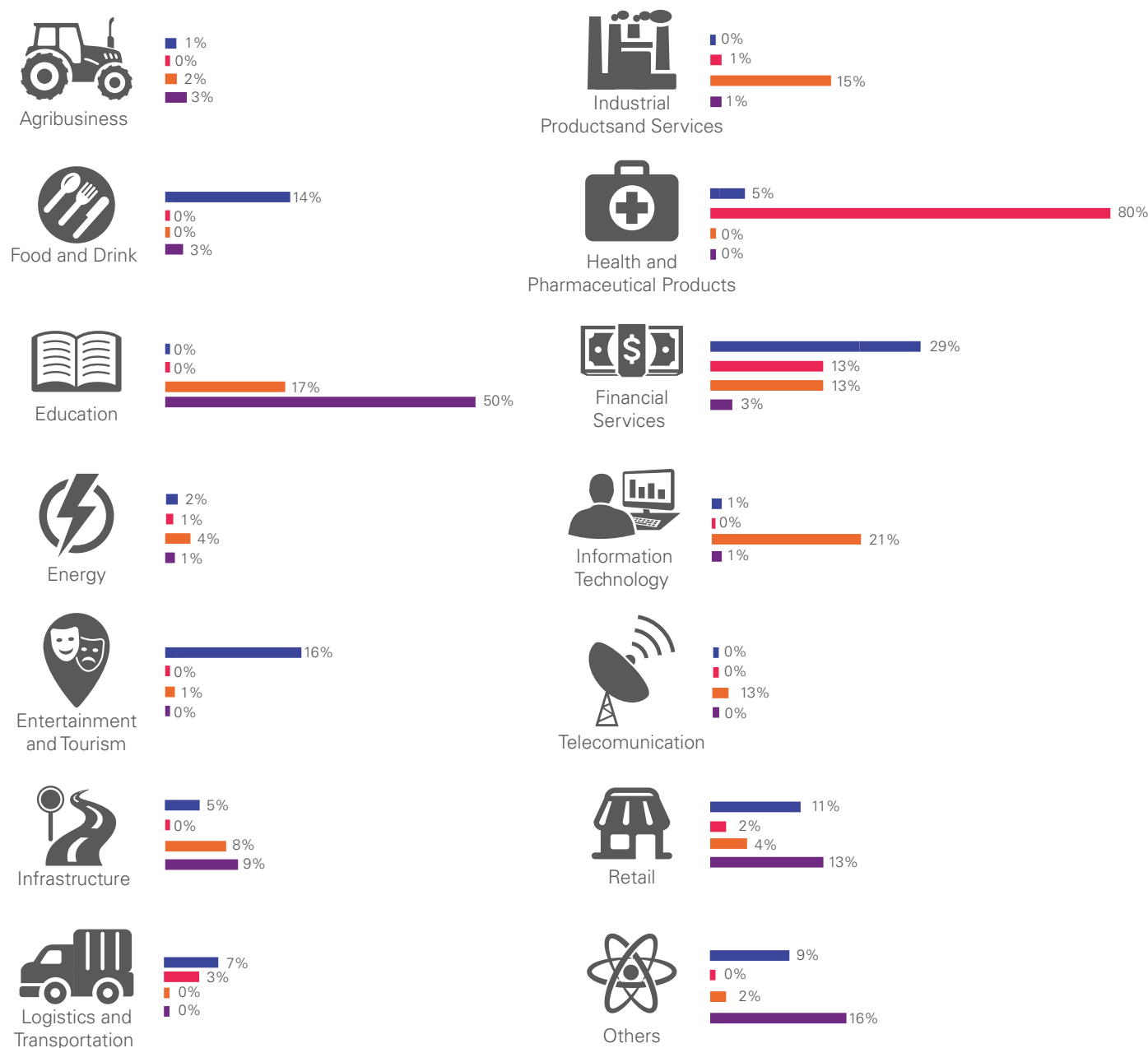
Divestments made over the year*



In 2016, total amount decreased by 14% when compared with the previous year. In 2015, 80% of the exits were focused on the health and pharmaceutical industry while in 2016 the concentration by sector was much lower.



Percentage of divestment amounts by industry



List of managers and administrators

2b Capital	EOS Investimentos	O3 Gestão de Recursos
Actis Capital	Fama	Oliveira Trust Servicer
Advent International	FIR Capital	Opportunity Private Equity
Alaof do Brasil		
América Asset	G5	Performa Investimentos
Angra Partners	Gávea Investimentos	Polo Capital
Antera Gestão de Recursos	General Atlantic	PortCapital
Ático Administração de Recursos	Global Environment Fund	
	GP Investimentos	Qualcomn Ventures
	Graycliff Partners	
BBi Financial Gestão de Recursos		REAG Investimentos
BNP Paribas	H.I.G Capital	Reva Gestão de Investimento
Bozano Investimentos		Rio Bravo Investimentos
BR Opportunities	Icatu	Rosenberg Investimentos
BR Partners	Inseed Investimentos	
Brasil Plural	Invest Tech	Siguler Guff
Brookfield Brasil		Southern Cross do Brasil
BRZ Investimentos	Jardim Botânico Partners	Spectra Investimentos
BTG Pactual		Squadra Participações
		Stratus Gestão de Carteiras
Cadence Gestora de Recursos	Kaeté Investimentos	
Camargue	Kinea Investimentos	Temasek
Cambuhy		The Axxon Group Private Equity
Claritas Administração de Recursos	Leblon Equities Gestão de Recursos	The Carlyle Group
Confrapar Participações	Lions Trust Administradora de Recursos	TMG Capital
CRP Participações	Lorinvest Gestão de Recursos	TreeCorp
Cypress		Trivella Investimentos
		Turim 21 Investimentos
Darby Administração de investimento	Mantiq Investimentos	
DGF Investimentos	Mare Investimento	Valora Gestão de Investimentos
DLM Invista Asset Management		Vela Investimentos
DXA Gestão de Investimentos	Neo Gestão de Recursos	Victoria Capital Investimentos
Dynamo Administradora de Recursos	Nova Gestão de Recursos	Vinci Capital
	Nova Milano Investimentos	Votorantim Asset Management

In addition to the information provided by the entities above, we also obtained public information from other managers who are not yet on the list above, as described in page 6 – Methodology

About KPMG

KPMG is a global network of independent member firms providing Audit, Tax and Advisory services. We operate in 152 countries and have 189,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

In Brazil, approximately 4,000 professionals work in 22 cities located in 13 States and the Federal District. KPMG in Brazil has offices located in São Paulo (head office), Belém, Belo Horizonte, Brasília, Campinas, Cuiabá, Curitiba, Florianópolis, Fortaleza, Goiânia, Joinville, Londrina, Manaus, Osasco, Porto Alegre, Recife, Ribeirão Preto, Rio de Janeiro, Salvador, São Carlos, São José dos Campos and Uberlândia.

Guided by its objective of empowering change, KPMG has become a benchmark company in the segment in which it operates. We have shared value and inspired trust in capital markets and communities for more than 100 years, transforming people and companies and making positive impacts that contribute towards sustainable changes in our clients, in governments and in civil society.

KPMG’s Deal and Tax Advisory, industry-expert professionals work in an integrated manner, displaying strategic vision and excellent performance.

Learn more at www.kpmg.com.br

About ABVCAP

ABVCAP is a not-for-profit organization, which was created in 2000. It aims at promoting the development of long-term private equity, venture capital, and seed capital investments in Brazil.

With approximately 215 members, ABVCAP represents the venture capital industry. ABVCAP stands for the interests of the industry members at public and private entities, both local and foreign, seeking to shape public policies ever more favorable to fostering investments in Brazil.

In addition to expanding and enhancing the various long-term investment fronts in Brazil, in line with international practices, when applicable, one aspect that stands out in ABVCAP’s mission is its strategic integration with capital markets, as a promoter and shift of stock exchange assets/companies. ABVCAP’s operations aims to facilitate the relationship between the members of the long-term investment community, both locally and abroad, promoting a debate-friendly environment where strong business relations can be built.

The training programs, the development of studies and surveys about the industry, the dissemination of reliable data, the promotion of leading practices among the community members that it represents and within investees, as well as the interaction with similar or related entities, whether local or international, are all part of our daily routine.

Learn more at www.abvcap.com.br



Talk to our team

Marco André C. Almeida

**Head of Deal Advisory
(Deal Advisory)**

**National Leader for the Private Equity and
Investment Management industries**

Telephone number: +55 11 3940-3201

Telephone number: +55 21 3515-9404

maalmeida@kpmg.com.br

Raphael Vianna

**Director of Private Equity and Financial
Instruments**

Telephone number: +55 11 3940-3197

raphaelvianna@kpmg.com.br

Support



ABVCAP Contacts

Ângela Ximenes

Superintendent

Telephone number: +55 21 3970-2432

Telephone number: +55 11 3106-5025

aximenes@abvcap.com.br

Cristiane Nascimento

International projects

Telephone number: +55 11 3106-5025

Telephone number: +55 21 3970-2432

cnascimento@abvcap.com.br

Marcio Sabalo Barea

Information and Research

Telephone number: +55 21 3970-2432

Telephone number: +55 11 3106-5025

mbarea@abvcap.com.br

www.kpmg.com.br

www.abvcap.com.br



© 2017 KPMG Assessores Tributários Ltda., a Brazilian limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in Brazil.

Creation: Gaudi Creative Thinking.

The KPMG name and logo are registered trademarks or trademarks of KPMG International. The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and

timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.