

Brazil takes off

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Speakers



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The decline of music piracy

Nigeria gets better

Farmers v greens in America

How drugs are being decriminalised

Bland bosses

Brazil takes off



“It’s quite unlikely that if you had told me 10 years ago that I would buy the Brazilian real, I would have thought you were crazy.

In the last five years -the Brazilian currency -in terms of the American currency, has doubled value.”

Warren Buffet.



Growth of the Brazilian market

Political Stability

- 25 yrs of civilian government/ 20 yrs of free general elections
- Smooth transition to Lula's "left wing" in 2003
- Political wisdom: stable economy = more votes



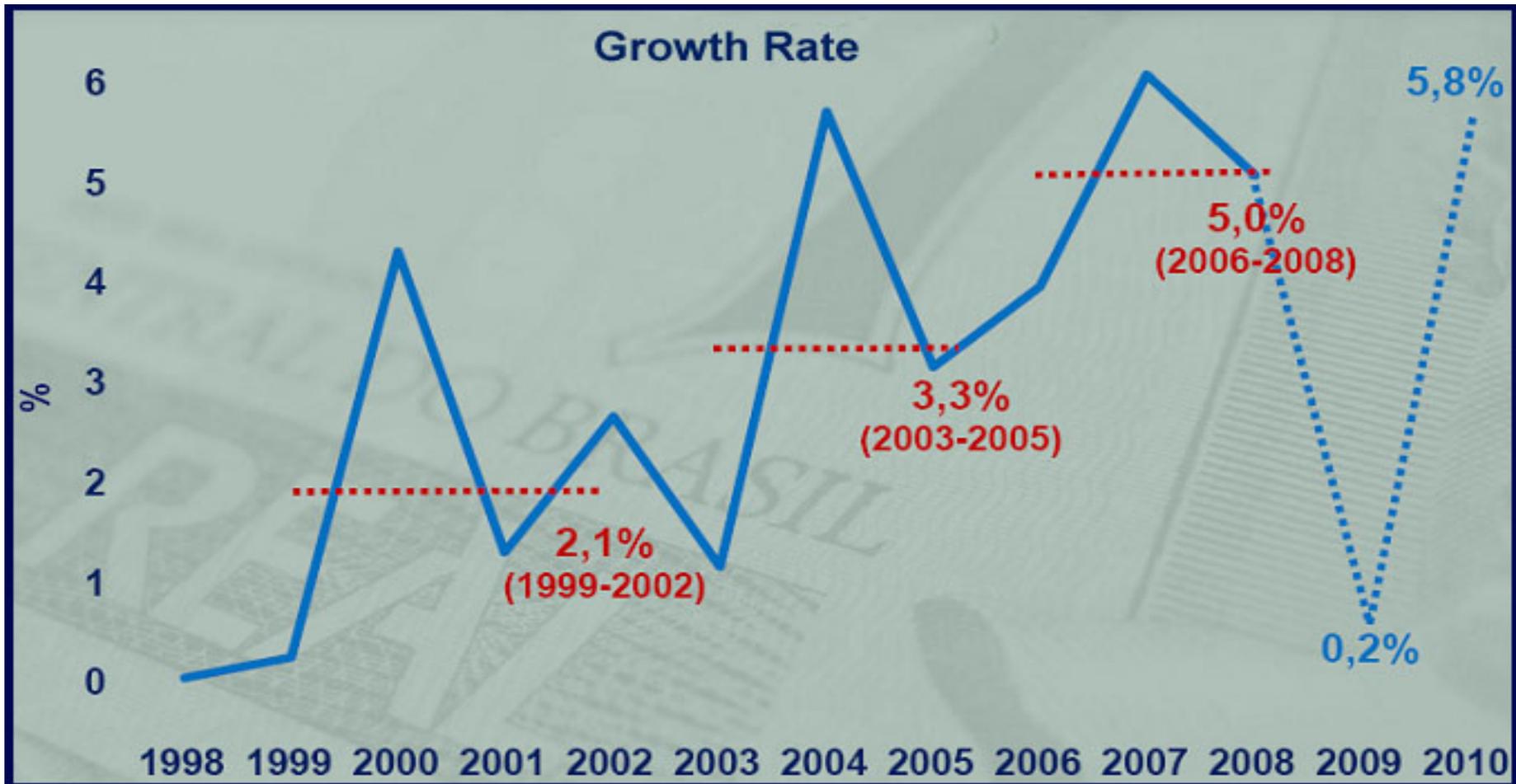
Investment Grade Rating

Brazil upgraded from “speculative grade” to “investment grade”
By Fitch and S&P (2008) and Moody’s (Sep 2009)

	local currency rating	outlook
	Baa3	positive
	BBB-	stable
	BBB+ / A-2 (long term / short term)	stable

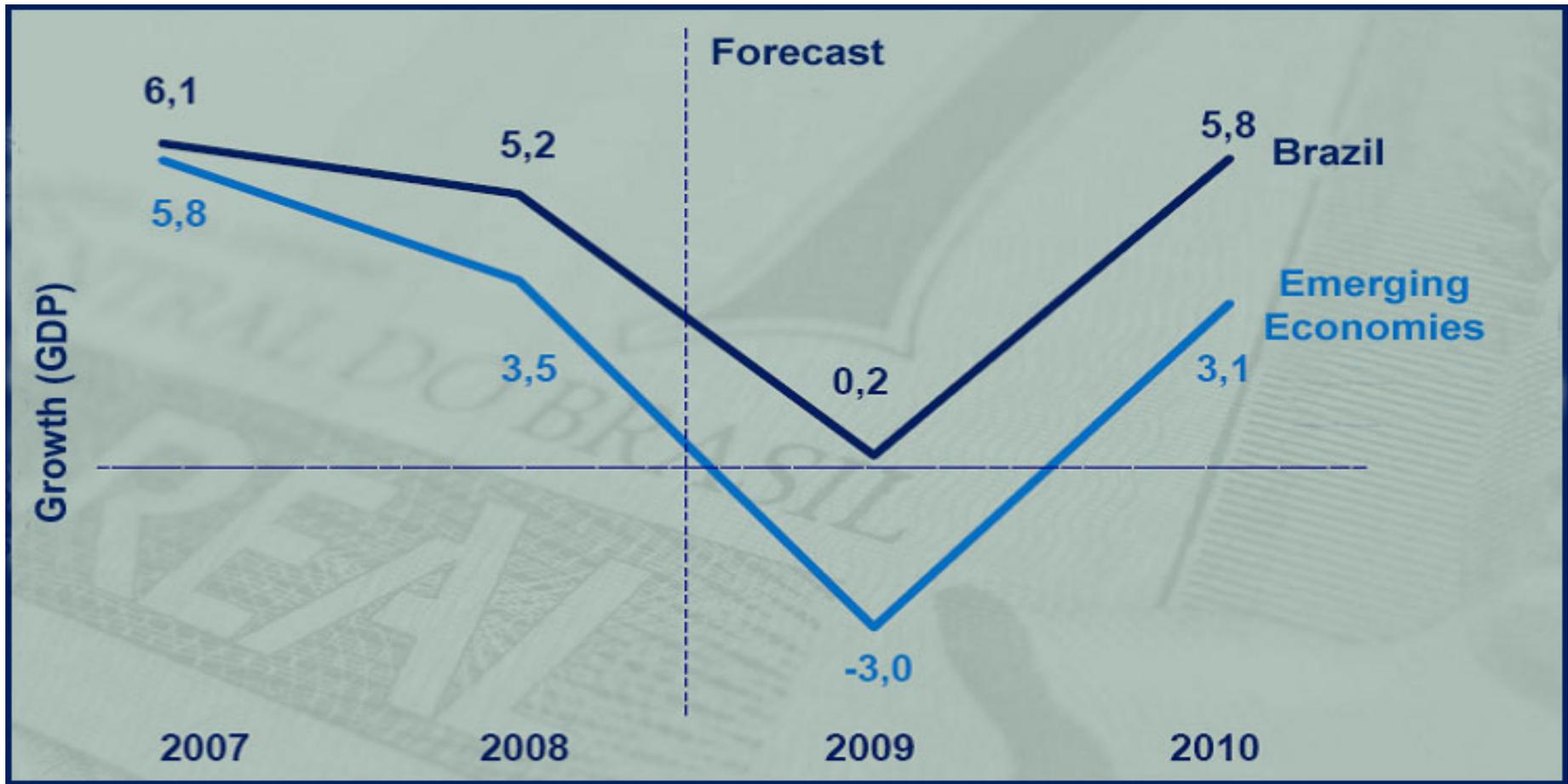


Growing economy (GDP)





Faster than average of emerging economies



Sources: FMI (WEO) e Banco Central do Brasil

Last In, First Out from Financial Crisis

Brazilian situation during the downturn

- Brazilian economy was thriving just before the downturn
 - GDP: 7.1% (3Q08/3Q07)
 - Investment Rate: 19%
 - Increase of Domestic Demand: 9.6%
- Central Bank had resources to face the downturn
 - Wide Supervision
 - Conservative Regulation
 - High level of liquidity



Last In, First Out from Financial Crisis

1st IPO after Lehman crash

 - June 29th 2009

two thirds of the shares bought by foreign investors
eight times oversubscribed

US\$ 3.94 b

World's Largest IPO in 2009

 - October 7th 2009

selling 15% of its Brazilian subsidiary

US\$ 7.35 b

Foreign Direct Investment



Sources: FMI (WEO) e Banco Central do Brasil



Stronger currency

Brazilian Real gained 36% against the US Dollar so far this year.



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Low Inflation and unemployment

	Inflation	Unemployment rate
2003	10.4 %	12.3 %
2004	6.2 %	11.5 %
2005	5.1 %	9.8 %
2006	4.2 %	9.3 %
2007	3.6 %	8.7 %
2008	5.7 %	7.9 %
2009	4.3 %	8.1 %

Source: Embassy of Brazil in London; <<http://www.brazil.org.uk/economy/gdp.html>>

What's new?

Political Stability +

Growing Economy +

Low Inflation

Olympic Games and Soccer World Cup

2014 World Cup



US\$ 77 b

total investment

thereof

US\$ 49 b

infrastructure investment

2016 Olympics



US\$ 16 b

Rio's investment budget

US\$ 50 b

expected indirect investment

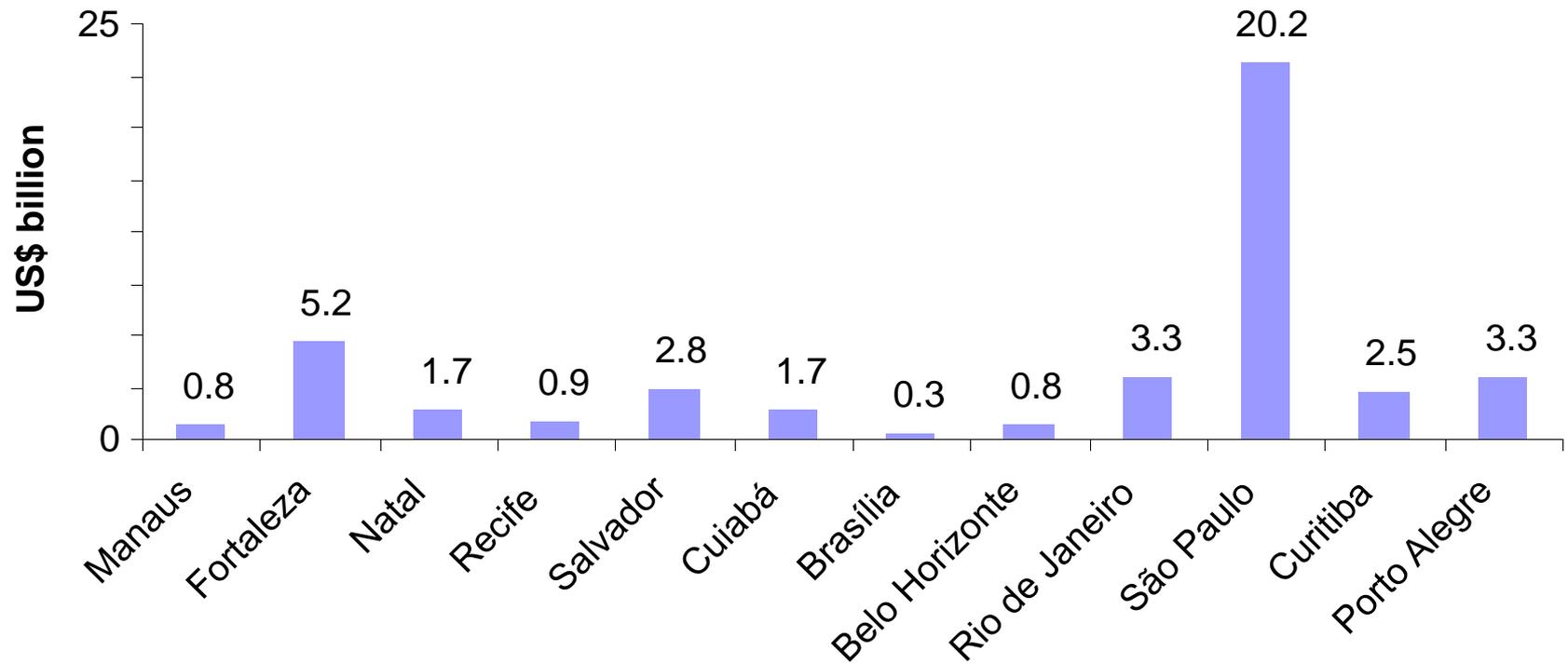


Host cities of the 2014 World Cup



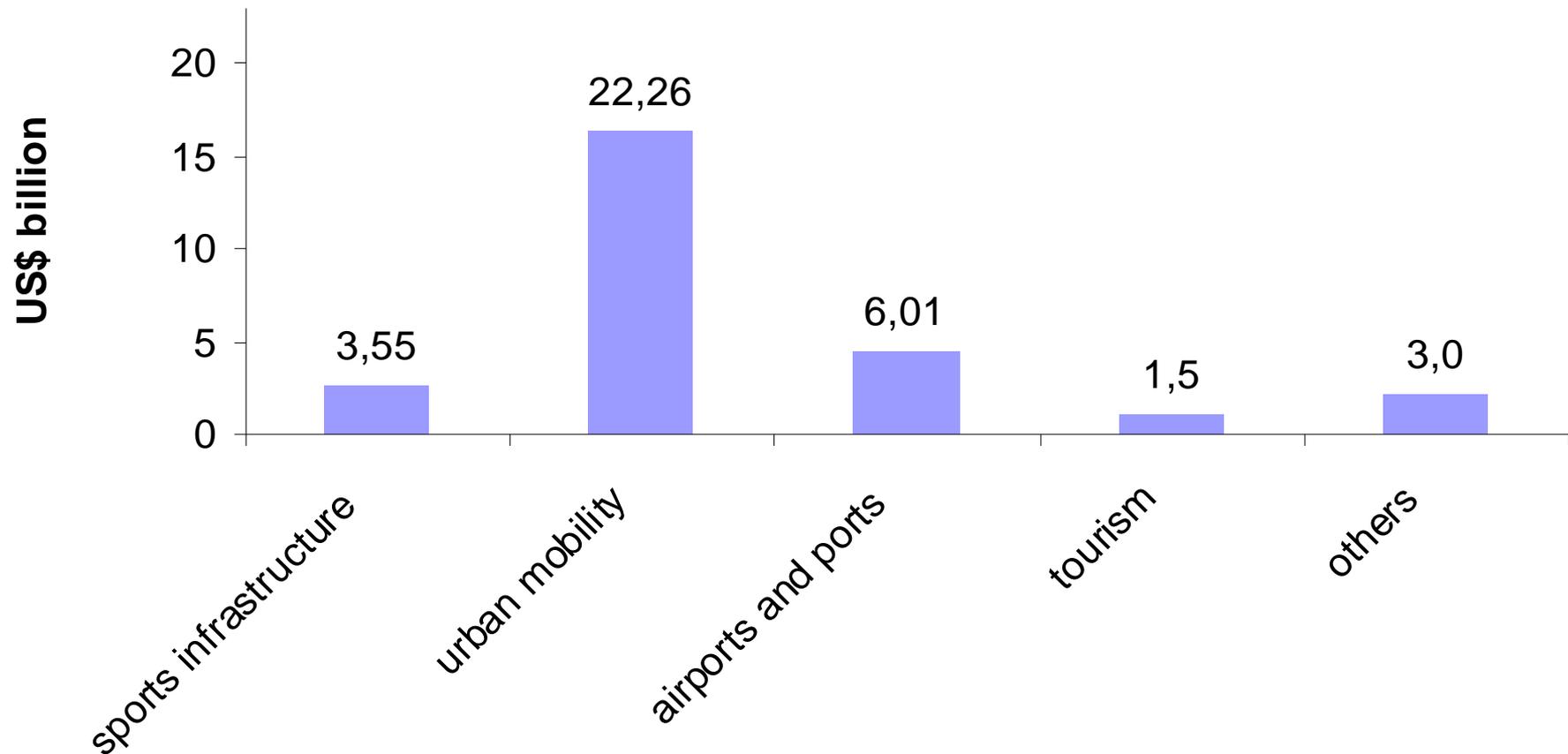
Infrastructure investments related to the 2014 World Cup

Total: **US\$ 44.4 billion**



source: Banco Santander

Investments per industry related to the World Cup



Main gaps – Sports Facilities



Estadio Nacional, Brasilia (current/projected)

Public Arenas – Status of Works (1/2)

HOST CITY/ POPULATION	ARENA/ CAPACITY	CONTRACTOR	STATUS
Belo Horizonte 2.4 million	Mineirão 69,950	RETECH (1st phase, basic infrastructure) Not defined for 2nd and 3rd phases	1st phase works started Jan 2010 RFP for next phases expected to be published April 2010
Brasilia 2.4 million	Estádio Nacional 70,000	Not awarded. Qualified bidders: OAS, Odebretch and Via Engenharia /Andrade Gutierrez.	RFP process suspended by court order.
Cuiabá 526,830	Verdão 42,500	Santa Barbara/Mendes Junior	Works Start-Up: End of March
Fortaleza 2.4 million	Castelão 54,000	Bids open March 17	Works Start-Up: April (forecast)

Public Arenas – Status of Works (2/2)

HOST CITY/ POPULATION	ARENA/ CAPACITY	CONTRACTOR	STATUS
Manaus 1.6 million	Vivaldão 48,000	Andrade Gutierrez	Works Start-up: April (forecast)
Natal 774,230	Dunas 45,000	Not defined	New RFP to be published April. Works Start-up: June (forecast)
Recife 1.5 million	World Cup City 46,000	Not Awarded. Bids open March 22	Not defined.
Rio de Janeiro 6.1 million	Maracanã 86,000	Not Awarded. RFP not published.	Start-up of works in August (forecast)
Salvador 2.9 million	Fonte Nova 44,100	OAS/Odebrecht	Start-up of works in April (pending licensing)

Private Arenas – Status of Works

HOST CITY/ POPULATION	ARENA/ CAPACITY	OWNERSHIP	STATUS
Curitiba 1.8 million	Baixada Arena 41,000	Atlético Paranaense Football Club	Works ongoing and being executed by the owner. Slow pace/ pending granting of tax incentives and funding.
Porto Alegre 1.4 million	Beira-Rio 60,000	Internacional Football Club	Owner waiting tax incentives to start-up most works. A second stadium is being built by na other private club, Gremio Foot-ball Porto Alegrense, and is under the resposability of OAS. Constrution is expected to start in July, 2010.
São Paulo 10.9 million	Morumbi 62,000	São Paulo Football Club	São Paulo to convince FIFA on its remodeling project.

Main gaps – Urban mobility



Brazil's main gaps – Urban Mobility

Main Projects:

- High Speed Train: Rio de Janeiro – São Paulo – Campinas
- Subway expansion: São Paulo and Rio de Janeiro
- New Subway Lines: Fortaleza, São Paulo and Rio de Janeiro.
- BRT's: Belo Horizonte, Curitiba, Cuiabá, Fortaleza, Manaus, Recife, Porto Alegre, Rio de Janeiro and Salvador.
- Monorail and VLT: Brasília, Manaus and São Paulo.
- Highways : Belo Horizonte, Brasília, Cuiabá, Fortaleza, Porto Alegre, Natal, Rio de Janeiro and São Paulo.

Source: <http://www.tendenciasmercado.com.br/negocios/cidades-da-copa-de-2014-optam-por-onibus-rapido/10>

Source: <http://www.espbr.com/noticias/copa-2014-r-400-milhoes-sao-liberados-para-obras-viarias>

Main gaps – Airports

Miami International



São Paulo Guarulhos
Brazil's largest airport



Brazil's main gaps – Airports

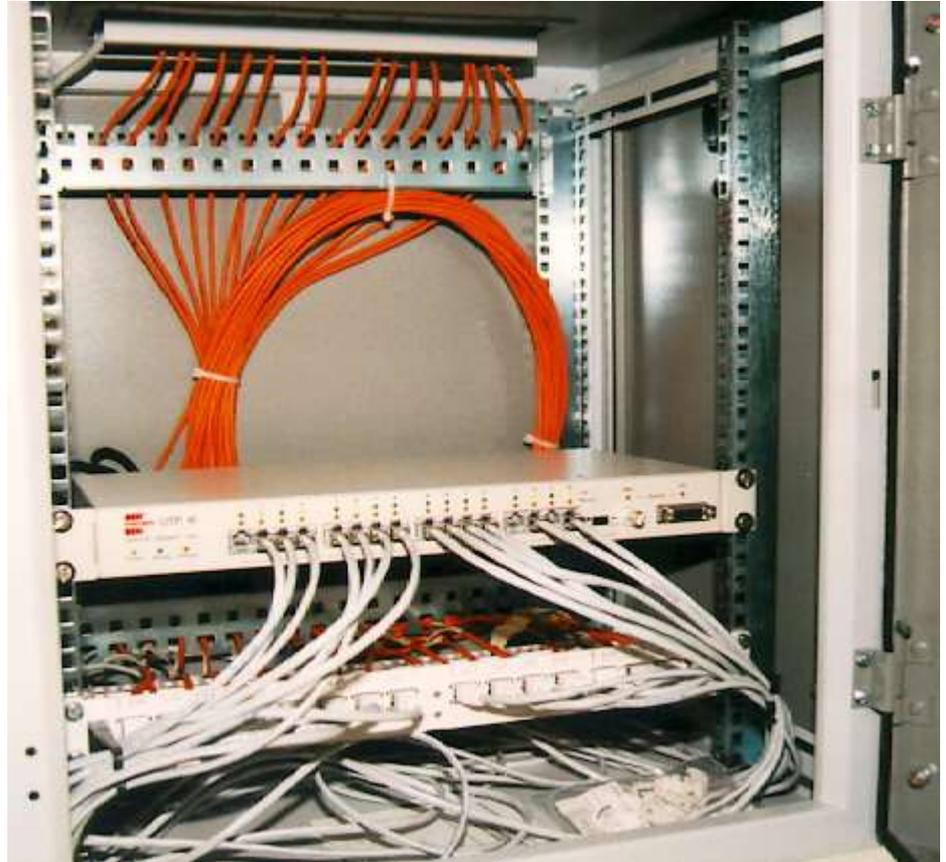
- Expansion of several airports: Belo Horizonte, Brasília Cuiabá, Curitiba, Fortaleza, Manaus, Porto Alegre, Recife, Rio de Janeiro, São Paulo and Salvador.
- Possible privatization of airports, starting with São Gonçalo do Amarante (Natal) and may include, in 2011, Rio de Janeiro and Campinas (Viracopos) International Airports.



Brazil's main gaps – IT/C

Broadband plan

WIFI in cities



Brazil's main gaps – Hotels

Rio's current capacity: 20,000 beds

Rio's target capacity: 40,000 beds



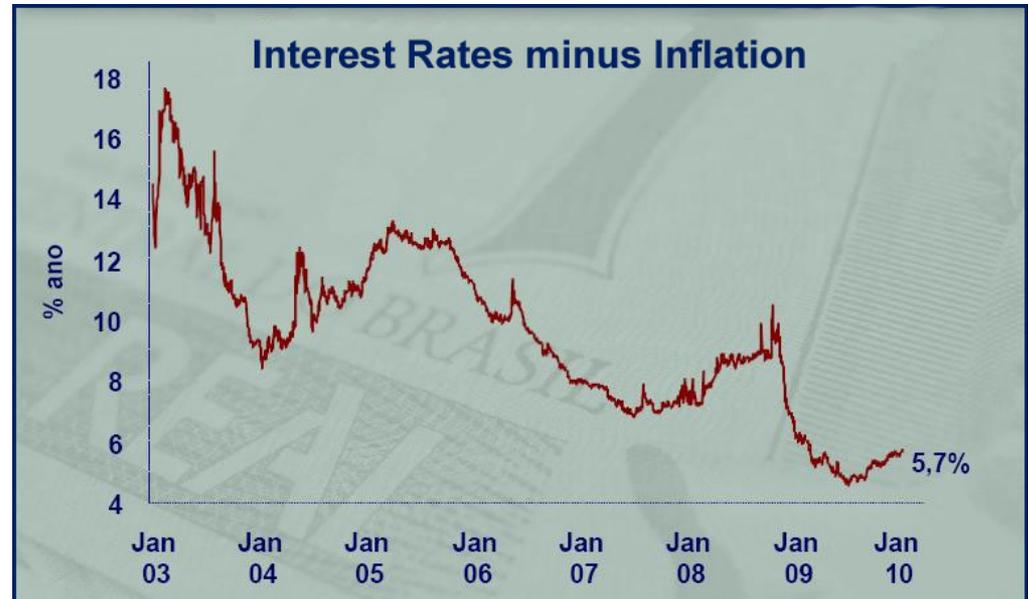
Hotel Copacabana Palace, Rio de Janeiro

Opportunities:
Real Estate,
Mining and
Bio-fuels

Real Estate

Real Estate

- Decrease of interest rates;
- Increase of credit offer;
- Solid Property rights in comparison with other emerging markets;



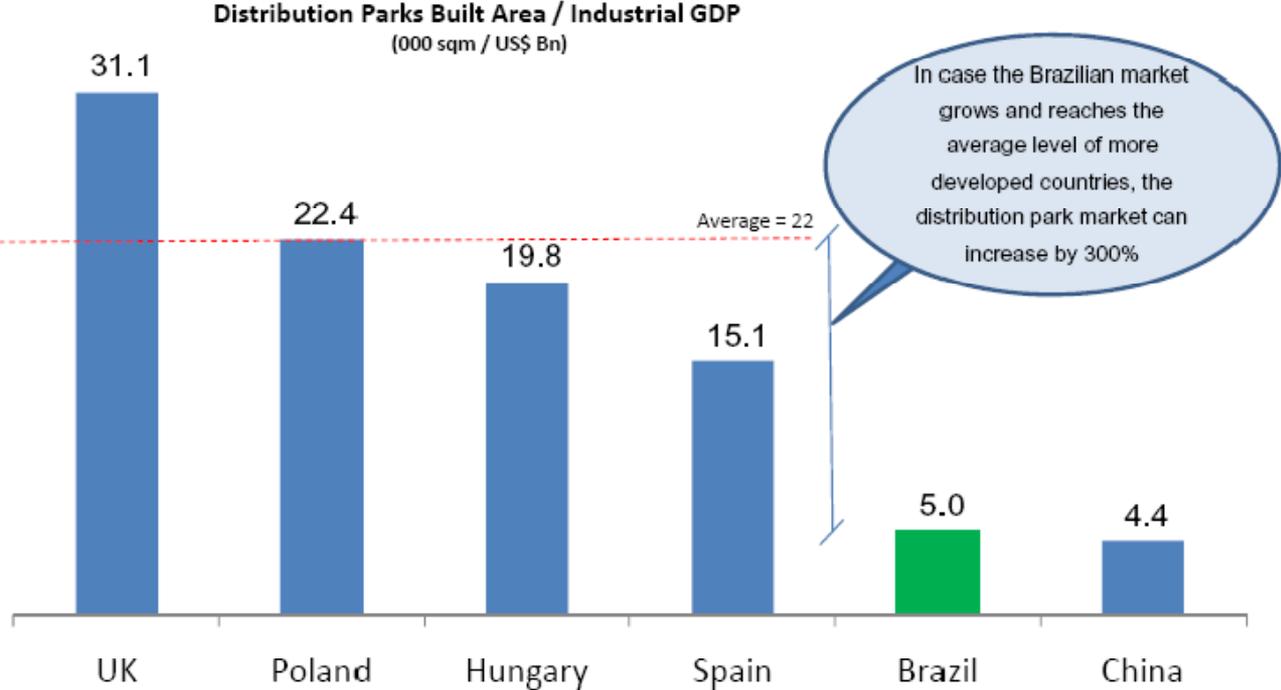
- Good Health of Brazilian Banking System;
- Low level of leverage;
- Increasing of Brazilian middle class, which will represent 56.48% of total population until 2014 and its desire to acquire their own home.

Real Estate – Main Areas of Investment

- Development of new shopping centers and business offices
- Government US\$ 18.8 b initiative with the Program “Minha casa, Minha vida” which will increase the access of credit to low income population for the acquisition of their own homes.
- The government increased the limit (US\$ 277K) for the use of Social Security fund (FGTS) for property’s acquisitions.

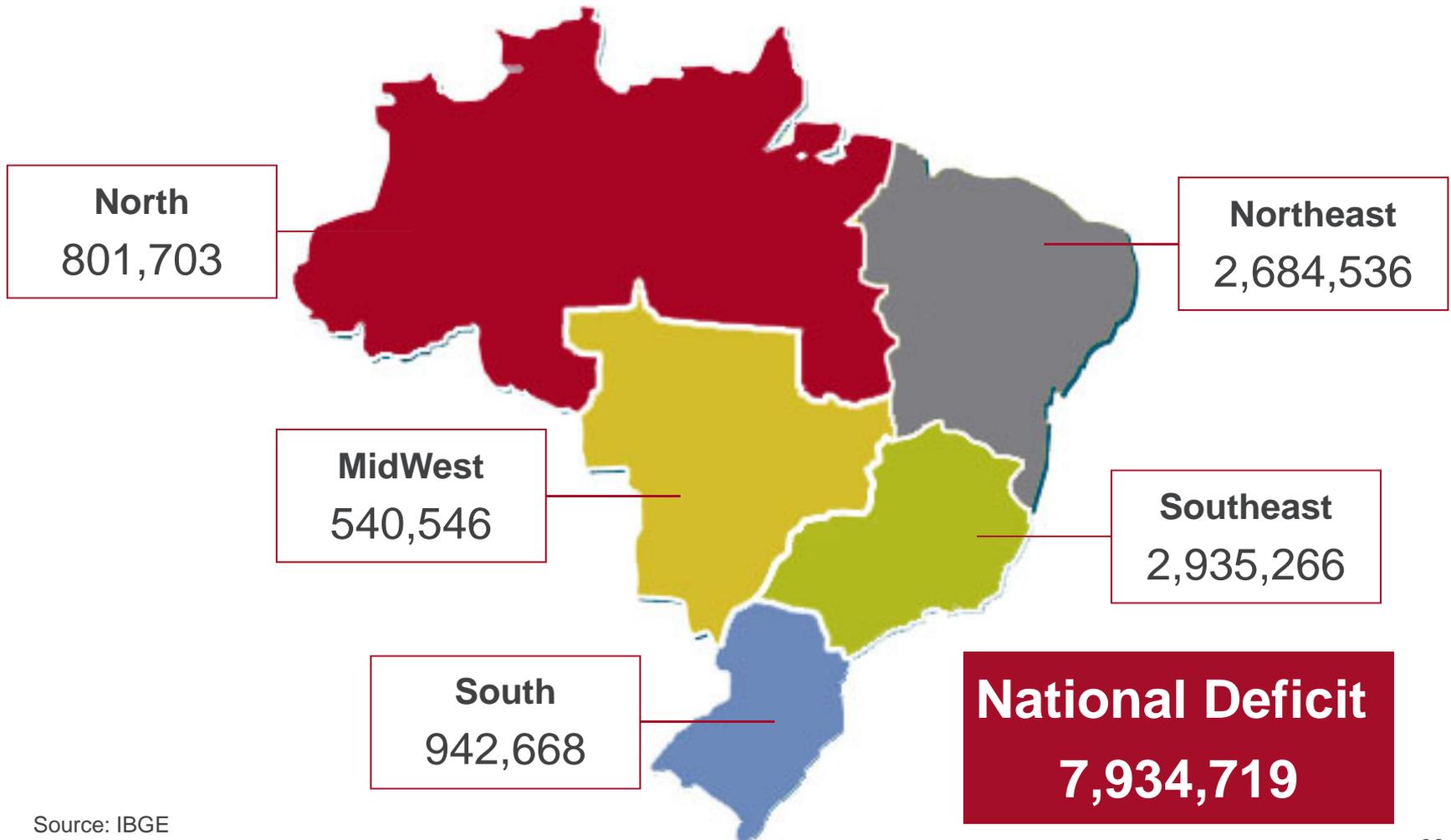


Expected Development for Park Infrastructure



Source: Industrial GDP (CIA World Fact Book 2008 - PPP)

House Deficit in Brazil by Region



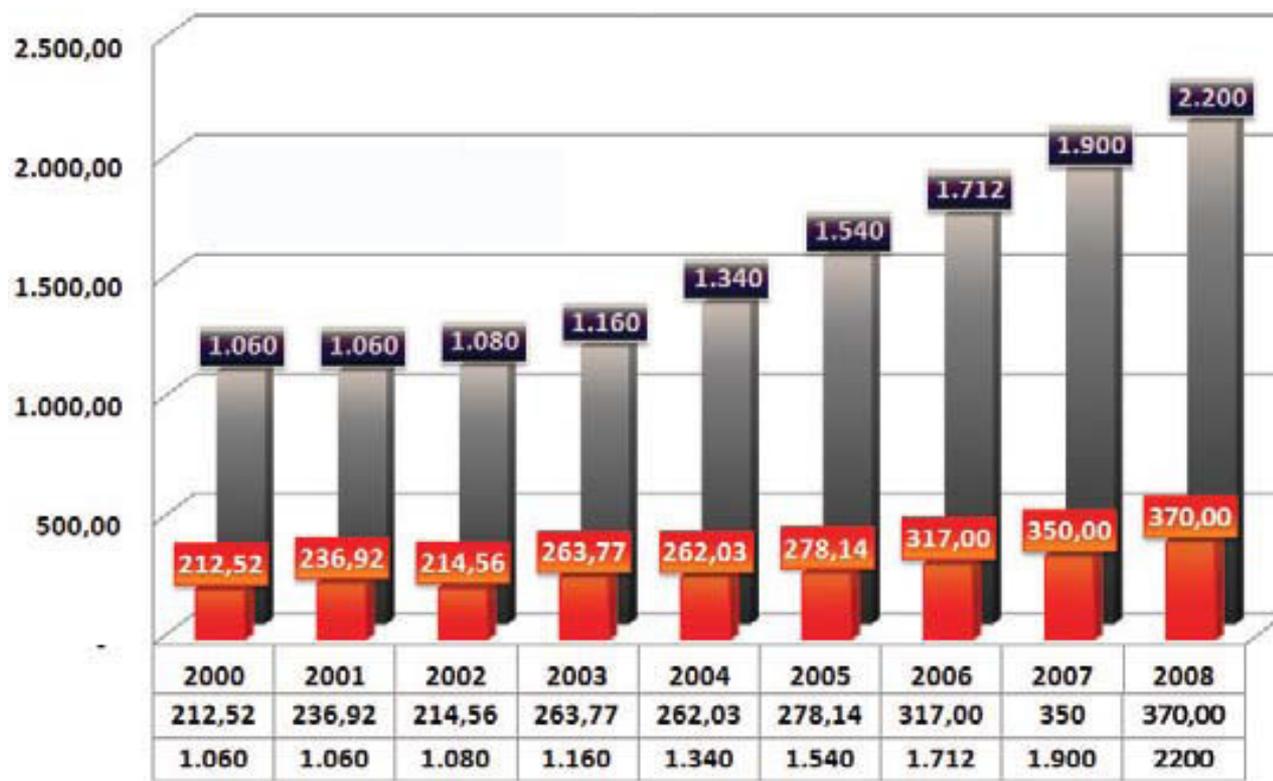
Source: IBGE

Mining

Mining Opportunities

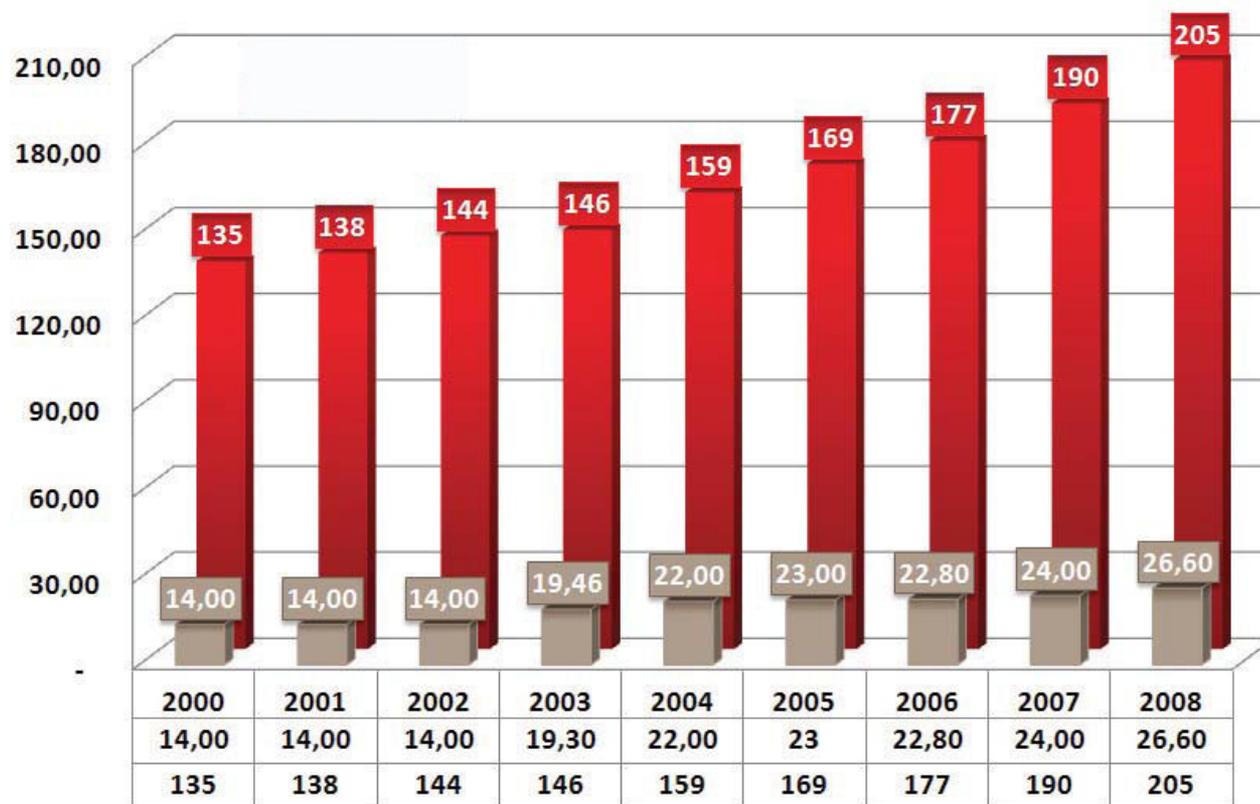
- Brazil will receive 38% of Latin American investment for mining projects until 2012;
- There are few restrictions on foreign investments;
- Royalties and taxes reasonably low in this market (from 0.2% to 3%);
- Brazil was the fourth target of mining acquisitions' in 2009, and the achieved sixth position among the biggest buyers. According to E&Y, this trend should continue during 2010.

Brazil is the second iron world producer and has the 5th largest reserve.



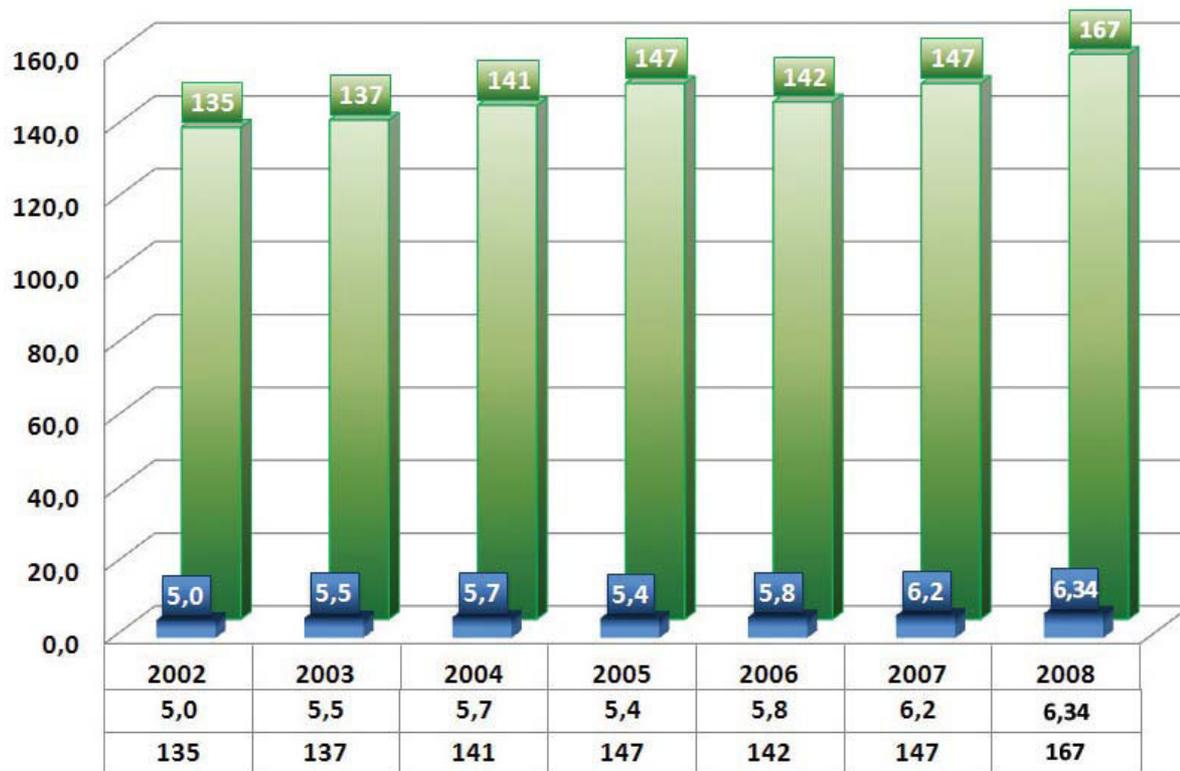
Source: www.ibram.org.br

Brazil is third bauxite/aluminium world producer and holds the 3rd largest reserve.



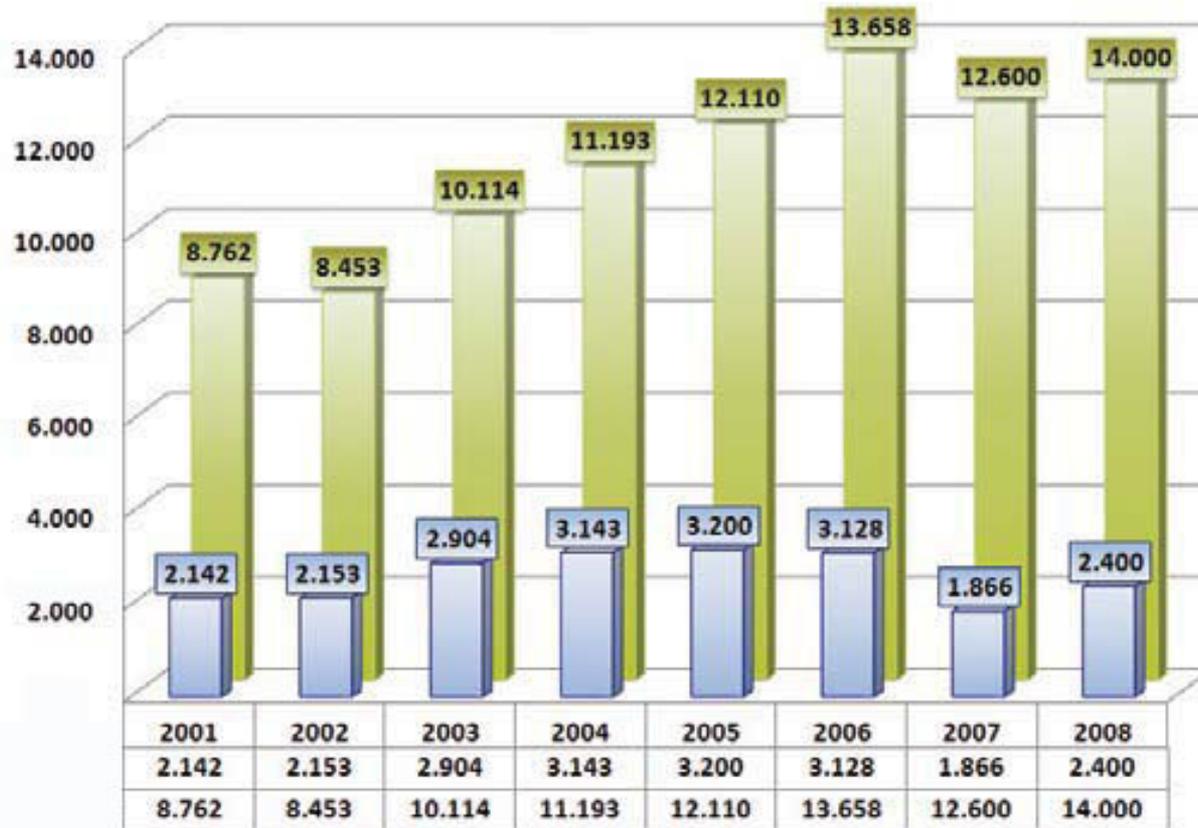
Source: www.ibram.org.br

Brazil is the sixth phosphate world producer and has the 12th largest reserve.



Source: www.ibram.org.br

Brazil is second manganese world producer



Source: www.ibram.org.br

Mining

- New Mining Law is expected to be sent for National Congress' approval on April 2010. Main aspects:
 - 35-year period for exploration, renewable automatically;
 - Mining research authorization term may be longer than 5 years;
 - Only companies may be authorized for mining research and exploration;
 - Government intends to stimulate the maximum exploration of mineral deposits;
 - Creation of the National Council for Mining Policy (*Conselho Nacional de Política Mineral* – CNPM) and National Agency for Mining (*Agência Nacional de Mineração* – ANM).

Biofuels

Biofuels – Environmental Benefits

Biodiesel

1. Renewable source of energy
2. Generate 80% less CO² emissions
3. Can be blended with Diesel
4. Doesn't contain sulfur

Biofuel – Increasing Demand

Brazilian Gas already has 20%-25% of ethanol.

Mandate to add 5% biodiesel to oil diesel.

Biofuels – Environmental Benefits

- Investment in research to develop more efficient alternatives of raw material for biodiesel than soy bean;
- Development of a logistics chain to Petrobras refineries aiming the growth of Ethanol;
- There are 50 plants of ethanol for sale (opportunity for foreign investors);
- Development of a logistics chain to Petrobras refineries aiming the growth of Ethanol.

Recent Acquisitions

- Odebrecht, and Brenco completed the process of combining their assets that led to the creation of the leading firm in ethanol production and electricity generation from biomass 3bn gallons of ethanol and 2,700 GWh of electricity by 2012.
- Cosan announced negotiations with Shell to form a joint venture valued at \$12 billion that will involve operations of sugar, ethanol, fuel distribution and research.
- Louis Dreyfus is set to hold a 60% stake in Brazilian sugar and ethanol producer Santelisa Vale creating the second largest sugar, ethanol and bioenergy company in the world, with a milling capacity of around 40mn tonnes of sugarcane per year.

Recent Acquisitions

- Bunge Limited entered into an agreement under which it can become the owner of 100% of Usina Moema Participações S.A. This represents a deal value of approximately USD 896MM, including USD 480MM in net debt.
- Shree Renuka Sugars Ltd. announced that it has entered into an agreement with Grupo Equipav for an investment of BRL USD 329mn leading to a majority, controlling equity stake in Equipav S.A. Açúcar e Alcool, one of the largest sugar and ethanol companies in Brazil
- Petrobras acquired 40.4 % stake in the ethanol plant Total Sugar industry.

Sub-Salt Oil Reserves

Sub-Salt Oil Reserves - New Regulation

4 bills of law to change current regulatory framework for Sub Salt areas:

- (i) Bill of Law #5938: introduces a production sharing system for exploration and production of hydrocarbons in Sub-Salt and Strategic Areas
- (ii) Bill of Law #5939: authorizes the creation of a new state-owned company known as Petro-Sal
- (iii) Bill of Law #5940: creates a social fund for investments in education, mitigation of poverty, culture, science, technology, and environmental sustainability, with funds arising from the production sharing system
- (iv) Bill of Law #5941: capitalization of Petrobras by the Federal Government with revenues from certain blocks located in the Sub-Salt area

Update on Legislative Process

- Until now the Chamber of Deputies has concluded the voting of the Petro-Sal Bill (on November, 2010), the Social Fund Bill (on February, 2010) and the Petrobras Bill (on March, 2010).
- The next step would be the analysis and voting of all such Bills by the Brazilian Senate. Due to the elections, the Executive Branch wishes to do so until June 2010.
- If no amendments are proposed by the Brazilian Senate, the Bills will be submitted to the Brazilian President for sanction. Otherwise, they will return to the Chamber of Deputies for review.
- Distribution of Royalties – federalism under debate

Sub-Salt Opportunities

- Development of new suppliers, specially with demand of new technology not available in Brazil;
- Bidding for the exploration of sub salt blocks expected for this year.

Brazilian Stock Market

Brazilian Stock Market



- BM&F Bovespa created in 2008 by a merger of the two largest exchanges in Latin America: Bovespa Holding S.A. and Brazilian Mercantile & Futures Exchange
- BMF S.A. became a Brazilian publicly traded company (2008)
- Now the largest stock and derivatives market in Latin America

Brazilian Stock Market



- BM&F BOVESPA and CME (world's largest derivatives stock exchange) have entered into operational and stock exchange agreements
- Average daily financial volume was US\$ 2.93b in 2009 and US\$ 3.06 billions in 2008

Brazilian Stock Market



- Aiming at developing and increasing Brazilian corporate governance practices, BM&F BOVESPA created special trading segments for company with higher standards of governance: “*Nível 1*”, “*Nível 2*” and “*Novo Mercado*”.

Brazilian Stock Exchange



Special Trading Segments:

Nível 1: Companies listed agree to adopt certain basic practices of corporate governance mostly involving the improvement of disclosure of information and the increase of the free float. To that extent, the most important rule of *Nível 1* is the maintenance of a free float percentage of at least 25% of the company's capital.

Nível 2: In addition to the rules provided for *Nível 1*, the company must adopt a wider set of corporate governance practices. For example, 20% of the members of the Board of Directors must be "independent" and there must be tag along rights for minority shareholders in case of change of control.

Brazilian Stock Exchange



Special Trading Segments:

Nível 3: In addition to the rules provided for *Nível 2*, there are wider corporate governance rules, such as the prohibition to issue non-voting shares and, in case of change of control, a tag-along right to minority shareholder equivalent to 100% of the price paid to the controlling shareholder.

A review on the special trading segment rules is under discussion to increase corporate governance practices.

Boom of Capital Markets in Brazil

Ômega Project:

Plan to be announced by end of March 2010, organized by both public and private sectors, aiming at transforming the city of São Paulo into a global financial market, such as New York, London and Hong Kong.

Boom of Capital Markets in Brazil

Ômega Project:

According to BCG, the implementation of Ômega Project could lead Brazil to a huge increase of its capital markets:

- Brazilian Banking market: 160% to 240%
- Brazilian Stock market: 25% to 40%
- Derivative market: 45% to 75%
- Asset management market: 50% to 110%

In 5 years Brazil may become one of world's largest capital markets

Trading of US securities as BDR at Bovespa.

Capital Market

Expectations

- Companies which need to finance expansion will boost the Brazilian capital markets, especially suppliers of services and infrastructure related to Pre-Salt exploration, construction and biofuels.

Major transactions expected for 2010:

- Petrobras could raise about US\$ 30 billion in its capitalization (largest deal in the history of the Brazilian stock market)
- Banco do Brasil also plans to raise US\$ 5.5 billion in the coming weeks.



**“IGNORE
BRAZIL AT YOUR OWN
RISK.”**