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Associação Brasileira de
Private Equity & Venture Capital



Data Consolidation of the Private Equity and Venture Capital Industry in Brazil

2011 • 2012 • 2013



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Message from KPMG and ABVCAP

We are submitting the Data Consolidation of the Brazilian Industry of Private Equity, Seed and Venture Capital, 2014 edition. With information from the manager members of ABVCAP, from the institutions adhering to the ABVCAP-ANBIMA Code of Regulation and Best Practices and from the largest international players operating in Brazil, we are making a complete set of information available to all the stakeholders and players in the PE/VC industry.

The commitment assumed by ABVCAP of creating a historical and reliable, regular and systemic base, covering the diversity and complexity of domestic and international structures and vehicles, which operate in these long-term investment categories, has the essential collaboration of KPMG. Both institutions worked together once again this year to submit consolidated data in a comparable manner allowing them to reveal trends and to provide support to policies for promoting long-term entrepreneurial investments that are so necessary for the sustainable development of Brazilian companies.

At the same time, ABVCAP is developing a new information base, in which it has invested considerable financial resources, with its own strongly dedicated team. This new data capturing and mapping tool relies on managerial and intelligence resources to offer periodic reports tracking the evolution of the PE/VC industry, and will make it possible to develop studies and surveys comparable in time with those from other countries and regions, and individual reports able to position for each one of the managers and investors in the general context of the PE/VC industry.

Once again we wish to express our special gratitude to those who contributed with their information – managers and administrators of PE, VC and seed capital funds – and collaborated in this edition, updating their data and showing confidence in our work.

To each one of the ABVCAP and KPMG teams that, with their intense dedication, have completed yet another mission, our special thanks.



Marco André C. Almeida
Partner, KPMG in Brazil



Clovis Meurer
ABVCAP's President



Methodology

This report presents an overview of Private Equity and Venture Capital investments in Brazil. We had the voluntary participation of over 90 Brazilian and foreign managers of funds of all sizes in 2013 and more than 60 in 2012. We believe that the data submitted substantially represents the operations of the industry.

The statistics submitted are based on: (i) information from the ABVCAPData, (ii) information reported by fund managers and (iii) publicly available information from several sources and from other surveys. For the regional or global funds, we asked the managers to include data relating only to the committed capital allocated to Brazil and the investments and exits made in the country.

ABVCAPData is a system that was set up for consolidating FIP and FIEE industry data and assisting in the self-regulation of this market. It was designed to meet the requirements

of the ABVCAP-ANBIMA Regulation and Best Practices Code for the FIP and FIEE market, and served as an initial database for the survey, as described below. In addition to said data, we increased the universe of investment vehicles by obtaining information on ownership of funds abroad, holding companies and corporate ventures.

The information was obtained from an online form accessed by using a login and password. That form contained pre-distributed information on FIP and FIEE operations, obtained from the ABVCAPData database. We asked the managers to ratify/update the prepopulated data or to enter the missing information. The information obtained was analyzed and compared to publicly-available information as much as possible. Cross-analyses were made to check possible inconsistencies. Finally, we contacted participants to clarify possible inconsistencies, confirm the information received, to ensure that only the transactions in the

Private Equity and Venture Capital model were considered. After those contacts, adjustments were made to the consolidation database to reflect possible alterations.

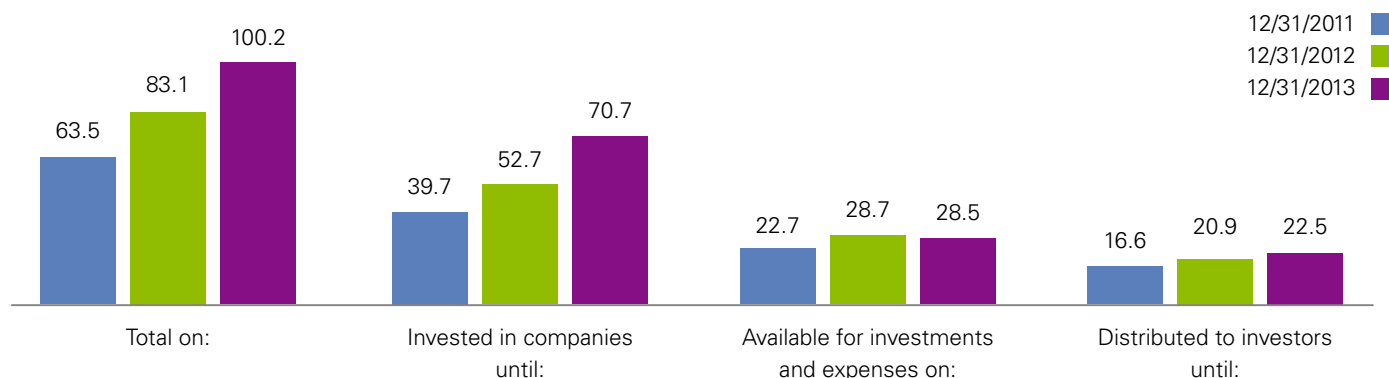
We emphasize that KPMG conducted no audit nor otherwise assured the numbers informed by the managers.

Statistics regarding transactions from fund of funds were excluded from the publication. A careful analysis of investments structured as co-management was made in order to avoid data double-counting.

For real estate and infrastructure sectors, we aimed at including only the operations in the Private Equity and Venture Capital form, i.e., where there is an investment in a business rather than in an asset only. The statistics of direct or indirect investments in real estate or infrastructure assets only were excluded from the committed capital, investments and divestments numbers.

Observed Results

Committed capital In billions of R\$



The industry has recorded outstanding growth in the last two years. In 2013, the total committed capital was up R\$ 17.1 billion, or 21%, over 2012, after an increase of R\$ 19.6 billion in 2012, or 31% in relation to 2011. In the 2011 to 2013 YTD, there was growth of committed capital of 58%.

In 2013, most of the committed capital, R\$ 70.7 billion (2012: R\$ 52.7 billion), had already been effectively invested in companies and R\$ 28.5 billion (2012: R\$ 28.7 billion) were available for new investments and fund expenses. In addition, approximately 22.5 billion (2012: R\$ 20.9 billion) had been returned to investors.

It is interesting to note that in 2013, accumulated investments grew approximately 34% in relation to 2012, substantially higher than the growth of committed capital, of 21%. In 2012, both items had grown in a similar fashion. Accordingly, the volume of resources available for new investments on December 31, 2013, although similar in absolute terms to the resources available in 2012, decreased from 35% in 2012 to 28% in 2013 of the total committed capital.

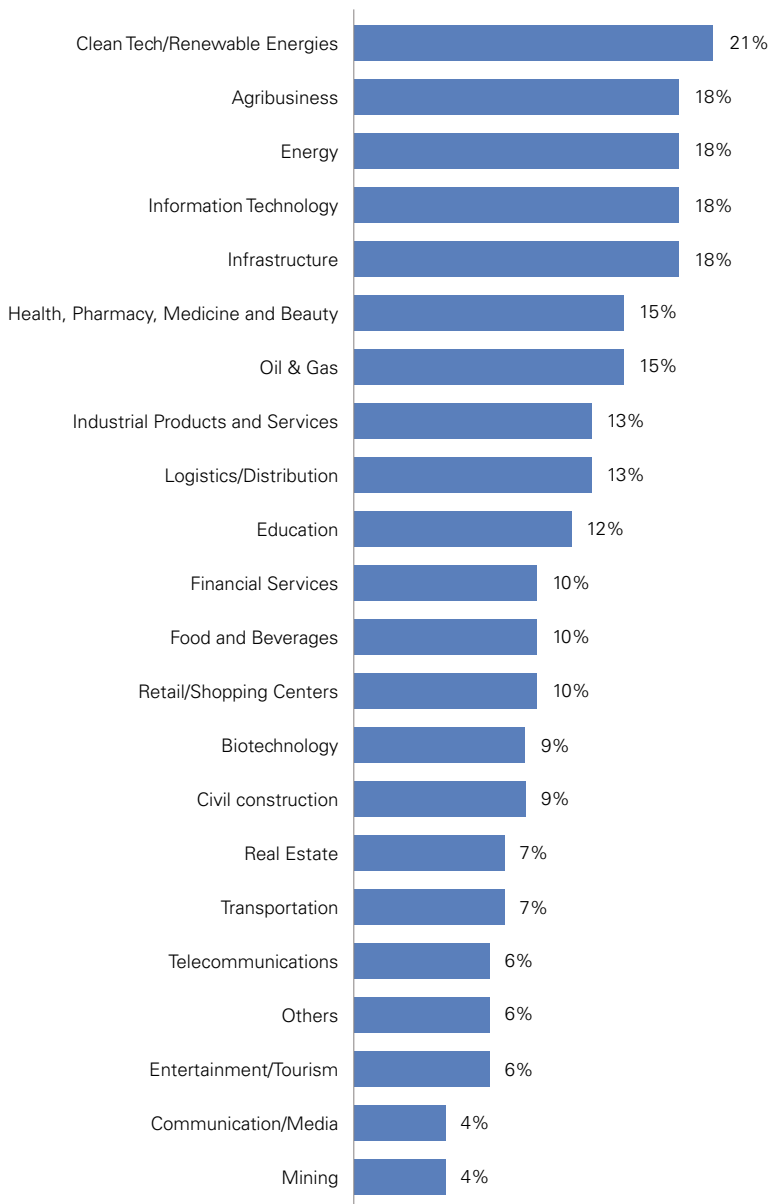
The sum of amounts invested in companies with the amounts available for investments is not exactly equal to the committed capital, as part of the amounts received by the funds can be reinvested in other companies, part of the resources is used in operating expenditures and expenses and part of the committed capital has already returned to the investors.

The focus of sector performance for the next two years (2014 and 2015) indicates that 48% of managers are seeking opportunities without a specific preference for a particular sector.

The managers who have informed that they are focusing specifically on one or more sectors, i.e., do not have a multi-sector focus, have indicated an interest in the sectors shown below. The total is not equal to 100%, as each manager could indicate more than one sector of preference.

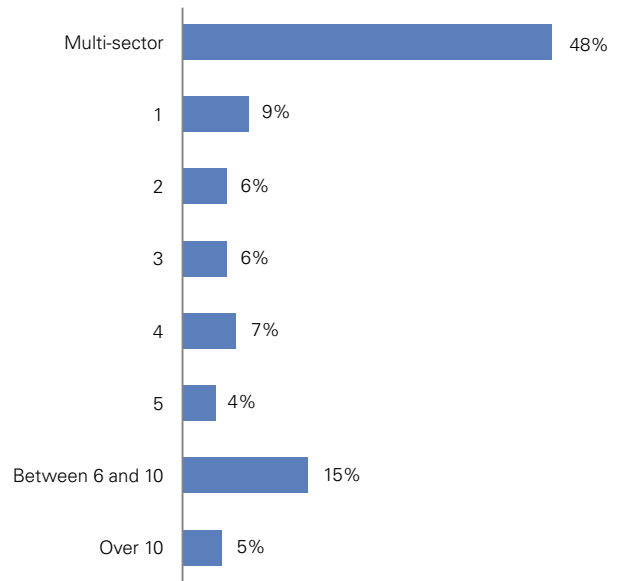
It is emphasized that more than 21% of managers are interested in the Clean Tech/Renewable Energies sector.

Focus of interest of the managers by specific sectors

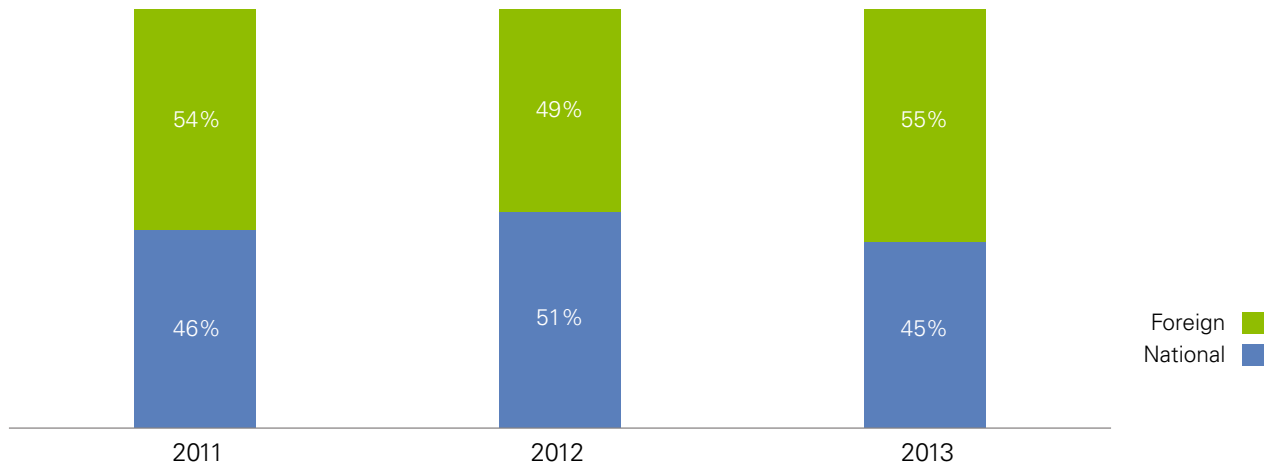


The Brazilian market has few managers with investment theses in a specific sector. Only about 9% of managers reported focusing on only one sector.

Focus of interest of the managers, by number of sectors



Source of committed capital*



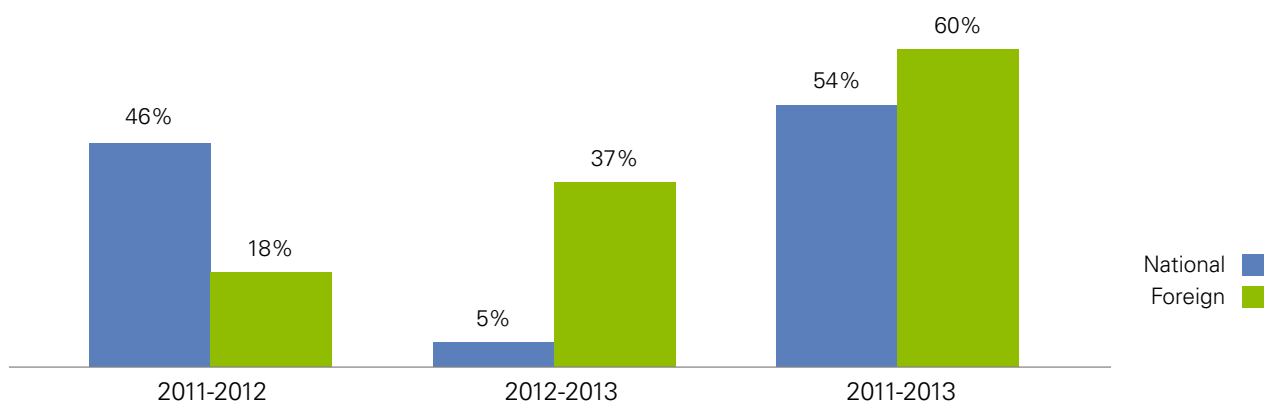
In 2013, we noticed strong raising of foreign resources causing the total committed capital of foreign origin to once again surpass that of national origin.

International managers with better access to these resources have significantly increased their exposure to Brazil.

*percentage calculated exclusively on the amounts reported.

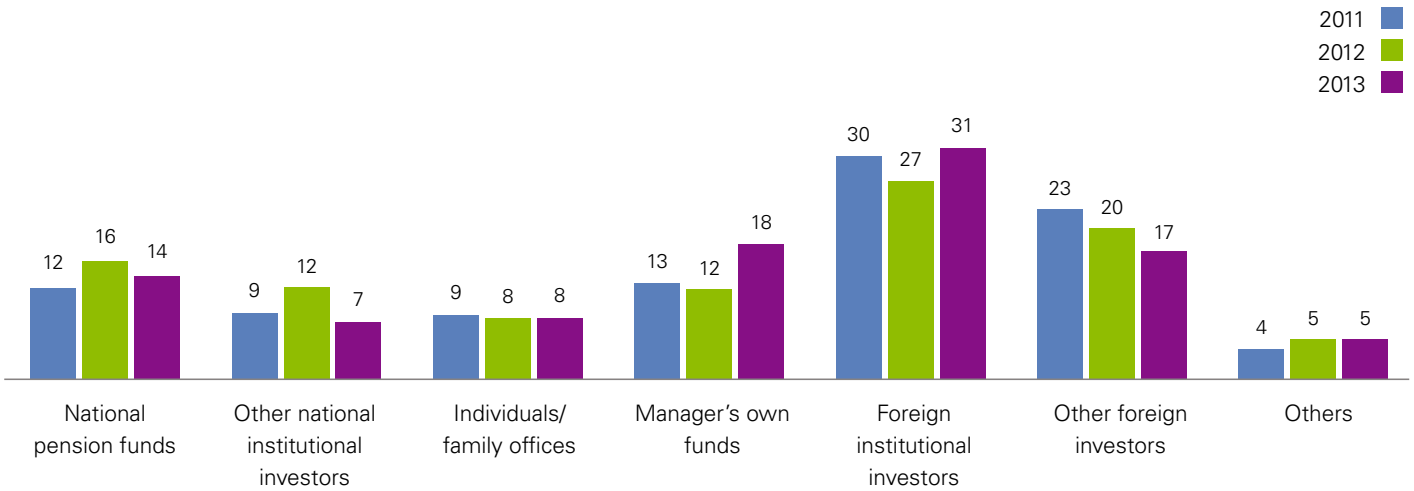
The variation of committed capital from 2011 to 2013 shows similar growth in the committed capital of national and foreign origin in the two-year YTD, with special emphasis on the growth of capital of foreign origin in 2013 and that of national origin in 2012.

Percentage growth of committed capital by origin



Percentage of committed capital by type of investor*

In billions of R\$



*percentage calculated exclusively on the amounts reported.

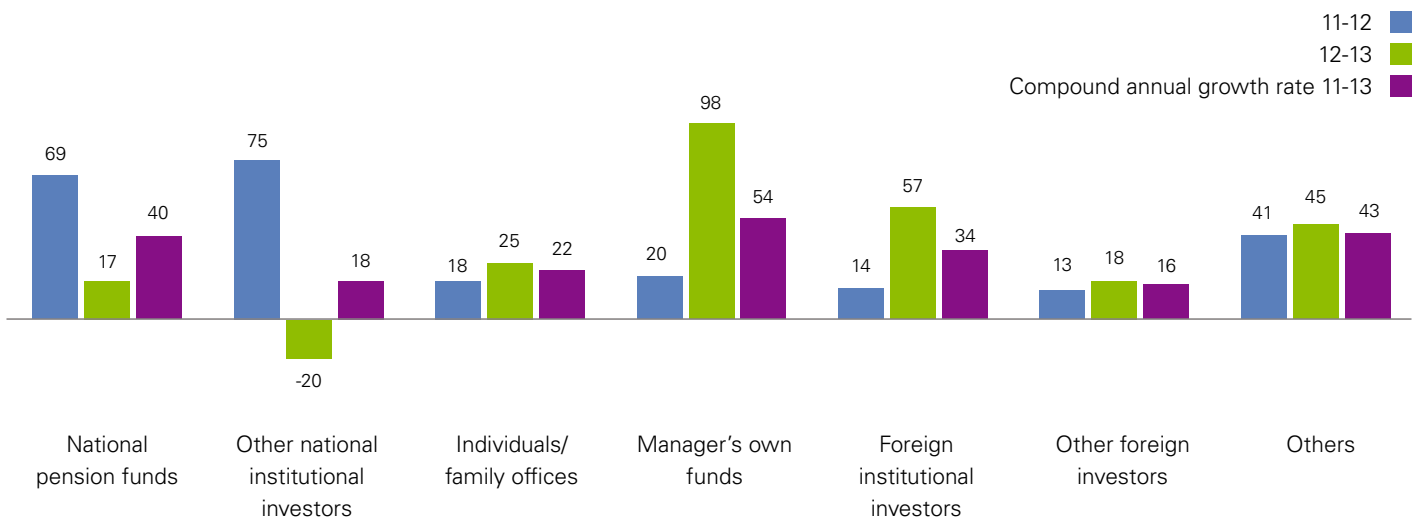
Besides third-party resources, managers continue to invest their own capital in funds, indicating confidence and commitment in the industry.

The percentage growth at the vast majority of types of investors in the two-year period confirms the strength and widespread interest from all types of investor. The growth movement is not spearheaded by just one type of specific investor, but instead by the entire market.

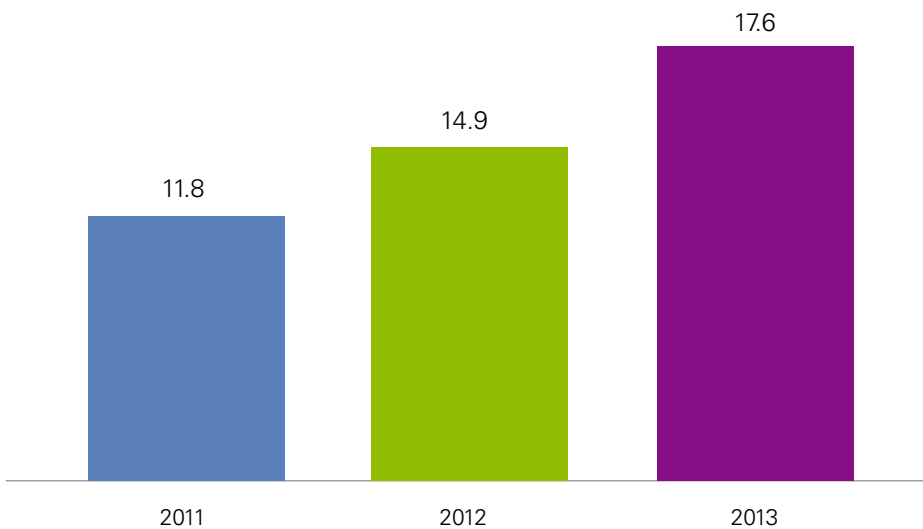
Percentage growth of committed capital by type of investor*

In 2013, the main highlights were growth in the allocation of own resources of managers and foreign institutional

investors in the industry. In the 2-year YTD, the percentage and absolute growth of pension funds is also very significant.



Investments made
In billions of R\$



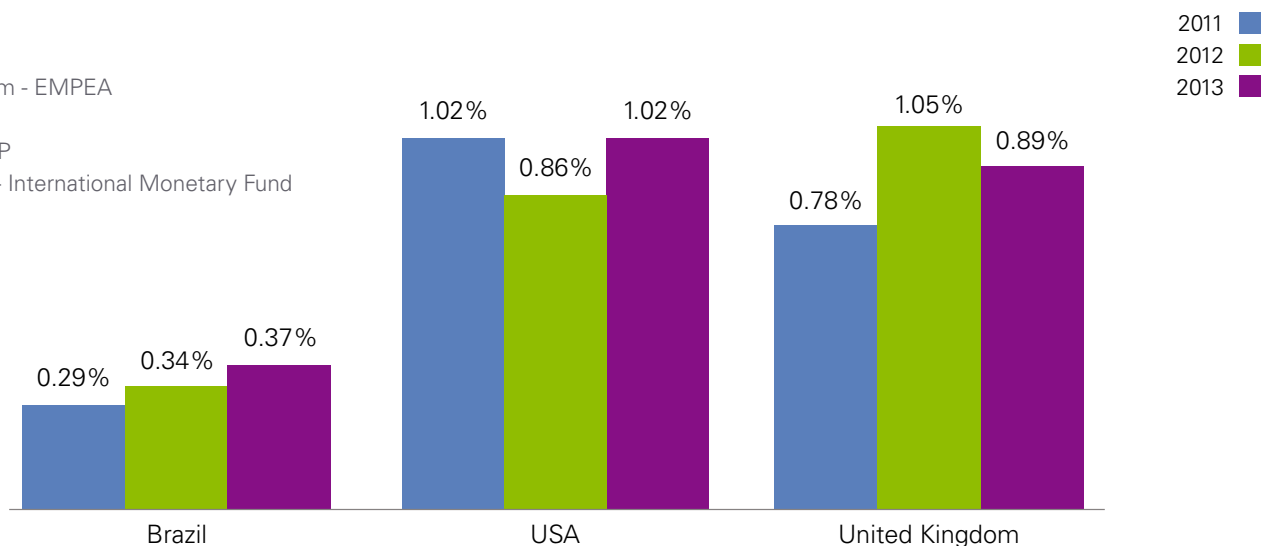
The total sum of investments in 2013 was R\$ 17.6 billion, corresponding to an increase of 18% over 2012. Although this growth is significant, it was proportionately lower than in the year 2012, when growth was 26%.

The Investments/GDP Ratio in Brazil was 0.37% in 2013, demonstrating considerable growth in relation to 2012, which was 0.34%. Considering the investments as a percentage of the US GDP in 2013, 1.02%, it is possible to estimate that the Brazilian market has the potential to attract investments of at least R\$ 49 billion per year, which would represent an increase of 179% in comparison with the actual investments in 2013.

Investments/GDP

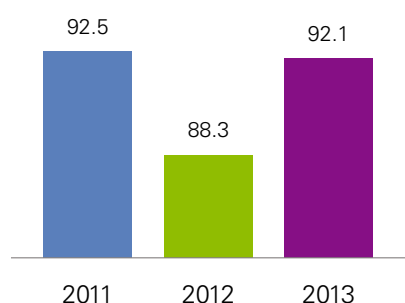
Sources:

- United Kingdom - EMPEA
- USA - EMPEA
- Brazil - ABVCAP
- Brazilian GDP - International Monetary Fund

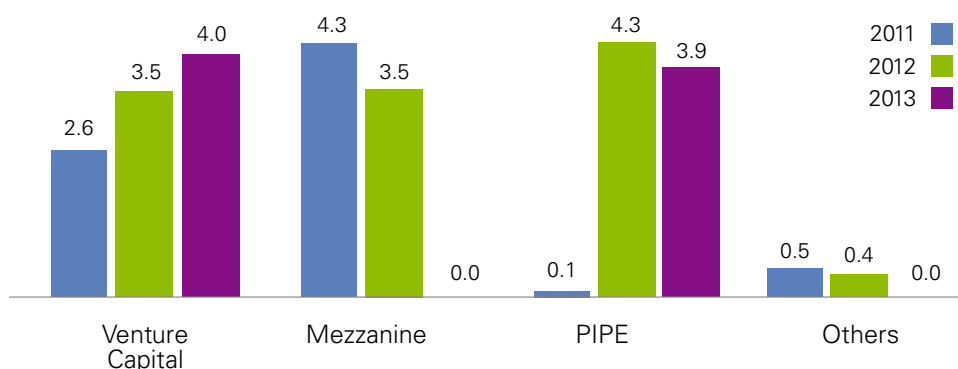


Investments by type

Percentage of the amount of Private Equity investments*



Percentage of investment amounts per other categories*



*percentage calculated exclusively on the amounts reported.

Investments in Venture Capital grew around 35% in 2013, exhibiting the same trend as 2012, when there was an increase of 80%.

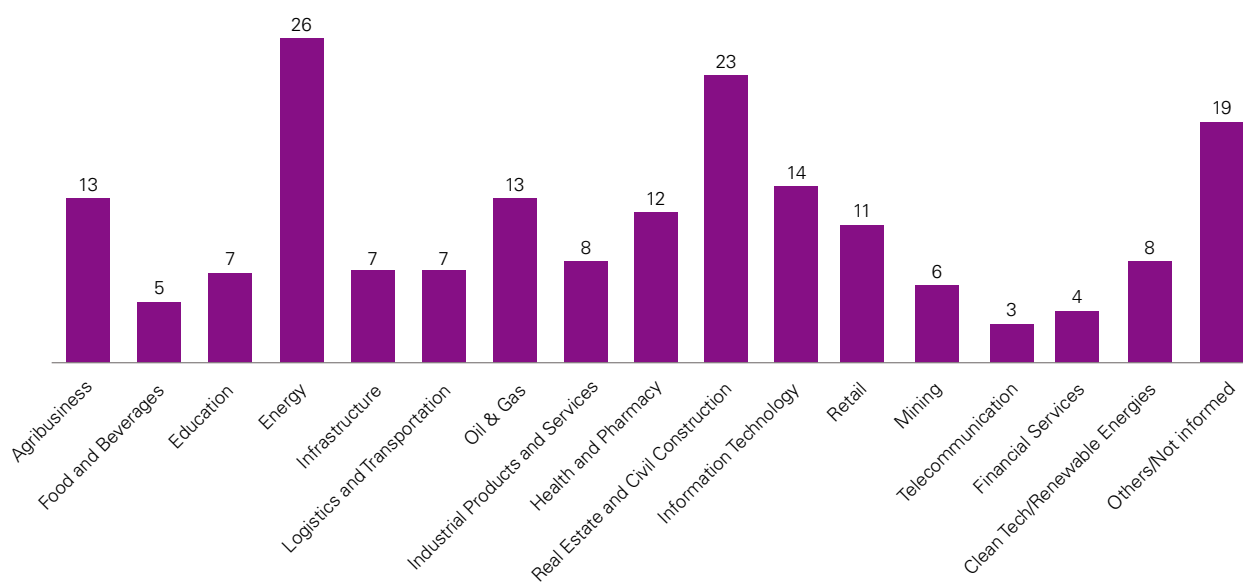
Investments in Private Equity ranked first in the category once again in 2013, corresponding to around 92% and representing growth of 23% in comparison to the 2012.

It is worth emphasizing that most of the participants in the data consolidation process of the PE/VC industry are Private Equity managers. In addition, we should emphasize that investments in Private Equity are normally higher than the amounts invested in Venture Capital.

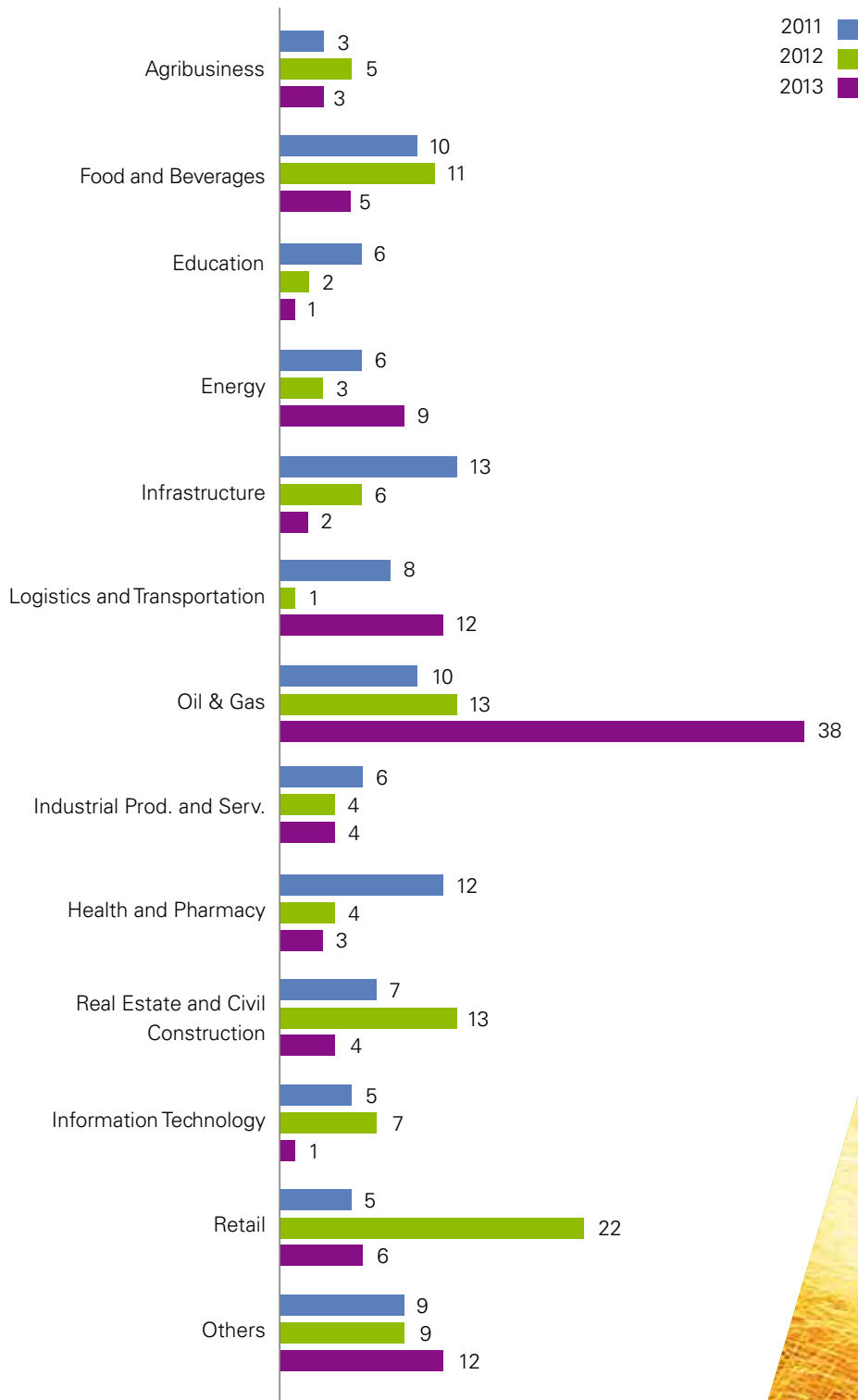
The participants did not report significant investments in Mezzanine for the year 2013.

The total number of investees during the year 2013 was 186. The amount of the average investment per company was approximately R\$ 95 million.

Quantity of investees reported by sector in 2013

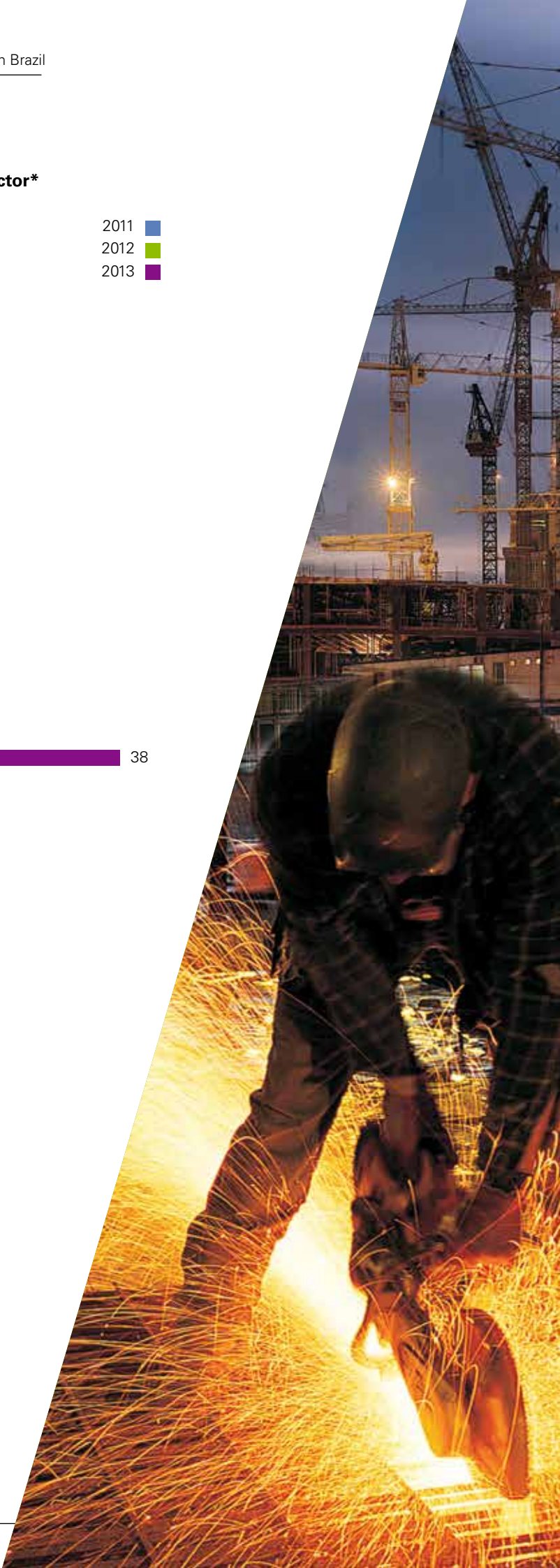


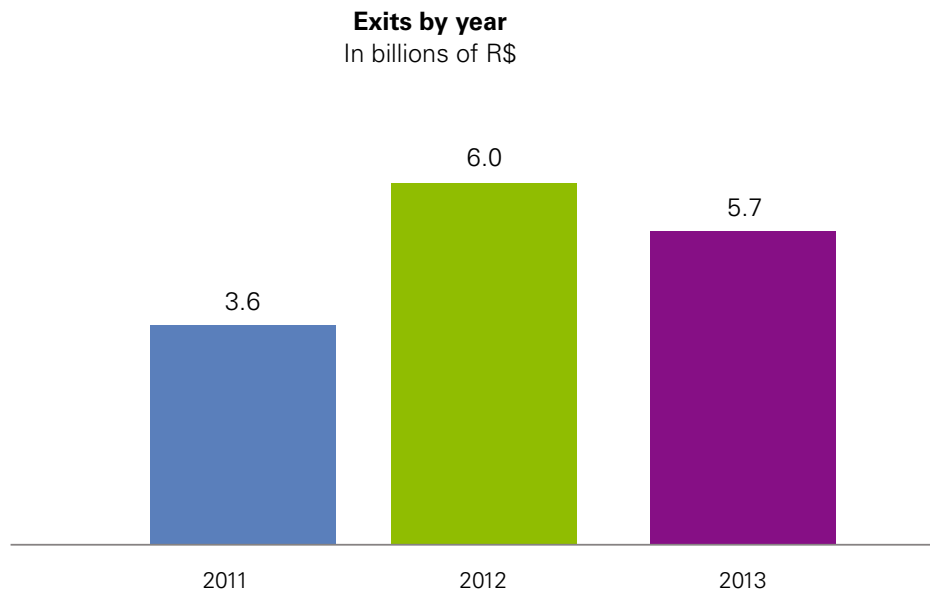
Percentage of investment amounts per sector*



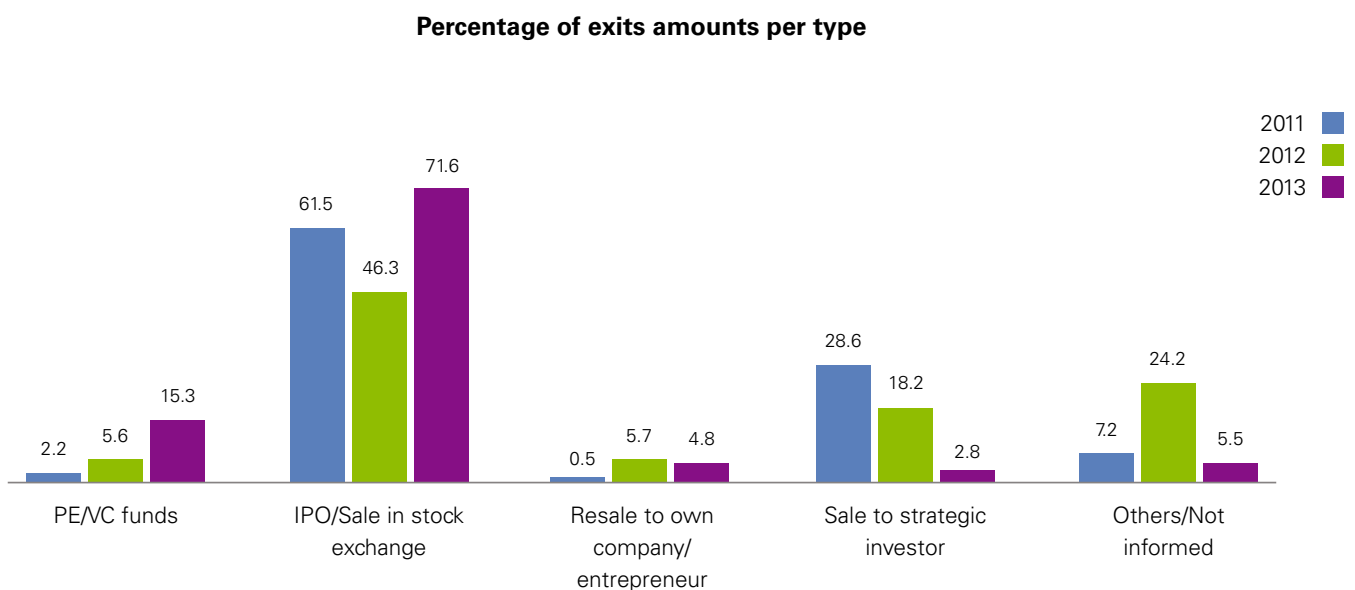
In 2013, the oil and gas industry led investments with 38% of the total sum invested. The logistics and transportation (12%) and energy (9%) sectors also merit special emphasis. The retail sector, which was a highlight in 2012 with 22%, obtained fewer investments in 2013, corresponding to 6% of the total.

*percentage calculated exclusively on the amounts reported.

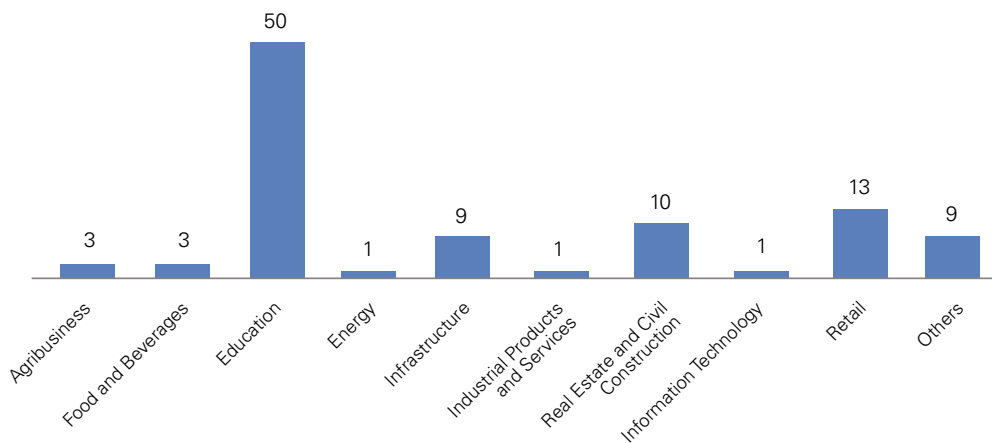




The year 2013 exhibited a small reduction in exits, of 4%. Sales of equity interest through IPOs and subsequent sales on the stock exchange were up 48% over the prior year.



Percentage of exits amounts per sector in 2013*

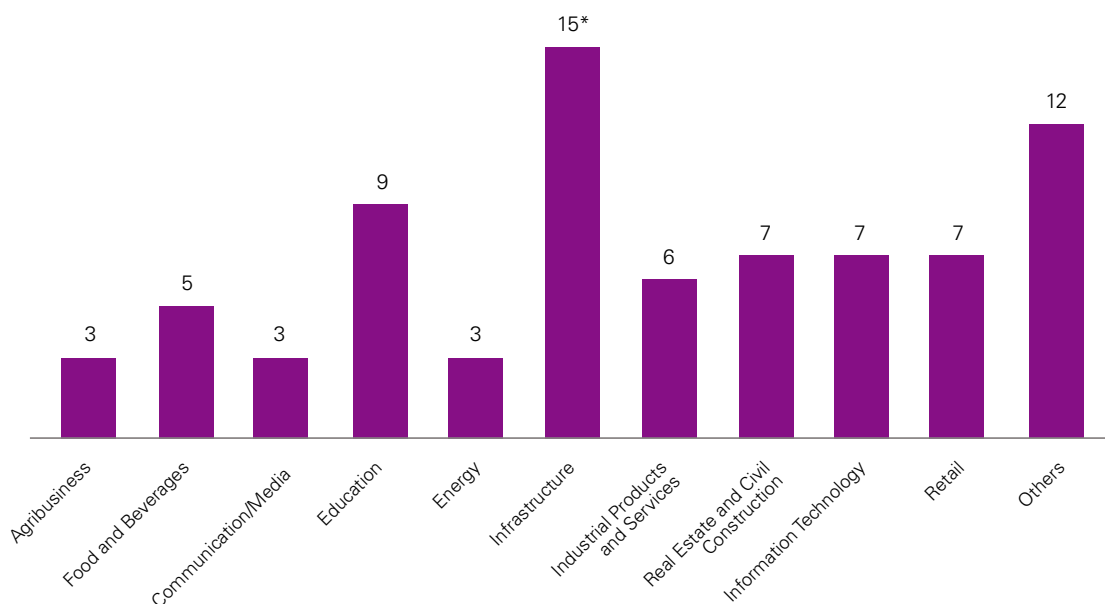


* percentage calculated exclusively on the amounts reported.

The main highlight of 2013, in terms of exits, were the sales of companies in the education sector, representing half of the sum disinvested in the year. There were also material outflows in the retail and real estate/construction sectors, representing 13% and 10% of the total for the year, respectively.

During 2013, the participants reported 77 exits by the funds. The amount of the average exit by company was approximately R\$ 74 million.

Quantity of exits per sector in 2013



*12 of the exits in the infrastructure sector refer to partial outflows, through the receipt of principal and yields.

About KPMG

KPMG is a global network of independent firms providing Audit, Tax and Advisory professional services. We are present in 155 countries, with 155 thousand professionals acting in member-firms throughout the world. In Brazil, we have approximately 4,000 professionals in 22 cities located in 13 states and the Federal District.

In the global scope, we offer a consistent set of accounting and financial skills and competences, based on deep knowledge of each client's market segment, a highly relevant distinctiveness.

Our high performance professionals help to simplify the complexity, presenting clear solutions to benefit all our clients. Focus on clients, commitment with excellence, global mentality and constant delivery build a relationship of trust that is the core of our business and reputation.

KPMG in Brazil – Strong and sound growth

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Belém	Manaus
Belo Horizonte	Osasco
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Cuiabá	Ribeirão Preto
Curitiba	Rio de Janeiro
Florianópolis	Salvador
Fortaleza	São Carlos
Goiânia	São José dos Campos
Joinville	Uberlândia

About ABVCAP

ABVCAP is a non-profit entity active since the year 2000, which aims to develop the long-term investment activity in the country, in the categories covered by the concepts of private equity, venture and seed capital.

With about 220 members ABVCAP represents the entrepreneurial capital industry, defending the interests of industry players at public and private, national and international institutions, in search of public policies that are increasingly favorable to the promotion of these investments in the country.

Besides expanding and improving the various long-term investment fronts in Brazil, in harmony with international practices, when applicable, a special feature of ABVCAP's mission is its strategic integration with the capital market, as a propeller and recycler of assets/companies from stock exchanges.

ABVCAP's performance is geared towards facilitating the relationship between the members of the long-term investment community, at both national and international level, paving the way for an environment that favors discussions and the intensification of relationships.

The training programs, the development of studies and surveys on the industry, the disclosure of reliable data, the promotion of best practices among members of the community that it represents and at investees, as well as interaction with similar or correlated national or international entities, is part of our daily routine, in favor of healthy development of the relationship between markets and disclosure of the long-term investment culture.

Find out more at www.abvcap.com.br

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