

# Brazilian agribusiness sectors

Study of impacts on sales and  
liquidity

**Specialized material**  
**Authorized disclosure**  
**2020**



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## Important!

- The purpose of the study is to present the impacts on sales and financial liquidity of companies in the main sectors of Brazilian agribusiness in times of pandemic.

## Our opinion!

*"Agribusiness will be crucial for the recovery of the economy, as it will guarantee 100% the supply of the Brazilian population and will supply the world with food in the post Covid-19 period."*



## Sector Data:

- In 2019, agribusiness represented 21.4% of Brazilian GDP, according to CEPEA Esalq and grew 3.8%. The agribusiness complex comprises more than 40 subsectors;
- According to IBGE / CONAB, the 2020 grain harvest is expected to reach 249 million tons, 3.1% higher than in 2019 - the largest in history;
- Slaughter in 2019 (IBGE):
  - Cattle: 32.44 million (+ 1.2% in 2018);
  - Pigs: 46.33 million (+ 4.5% in 2018);
  - Chickens: 5.81 billion (+ 1.9% y / 2018).
- The Gross Value of Production forecast for 2020 by the Ministry of Agriculture and Livestock is R \$ 674.1 billion, 6.7% higher than 2019's.

# Liquidity risk and impacts on revenue in the agribusiness sectors

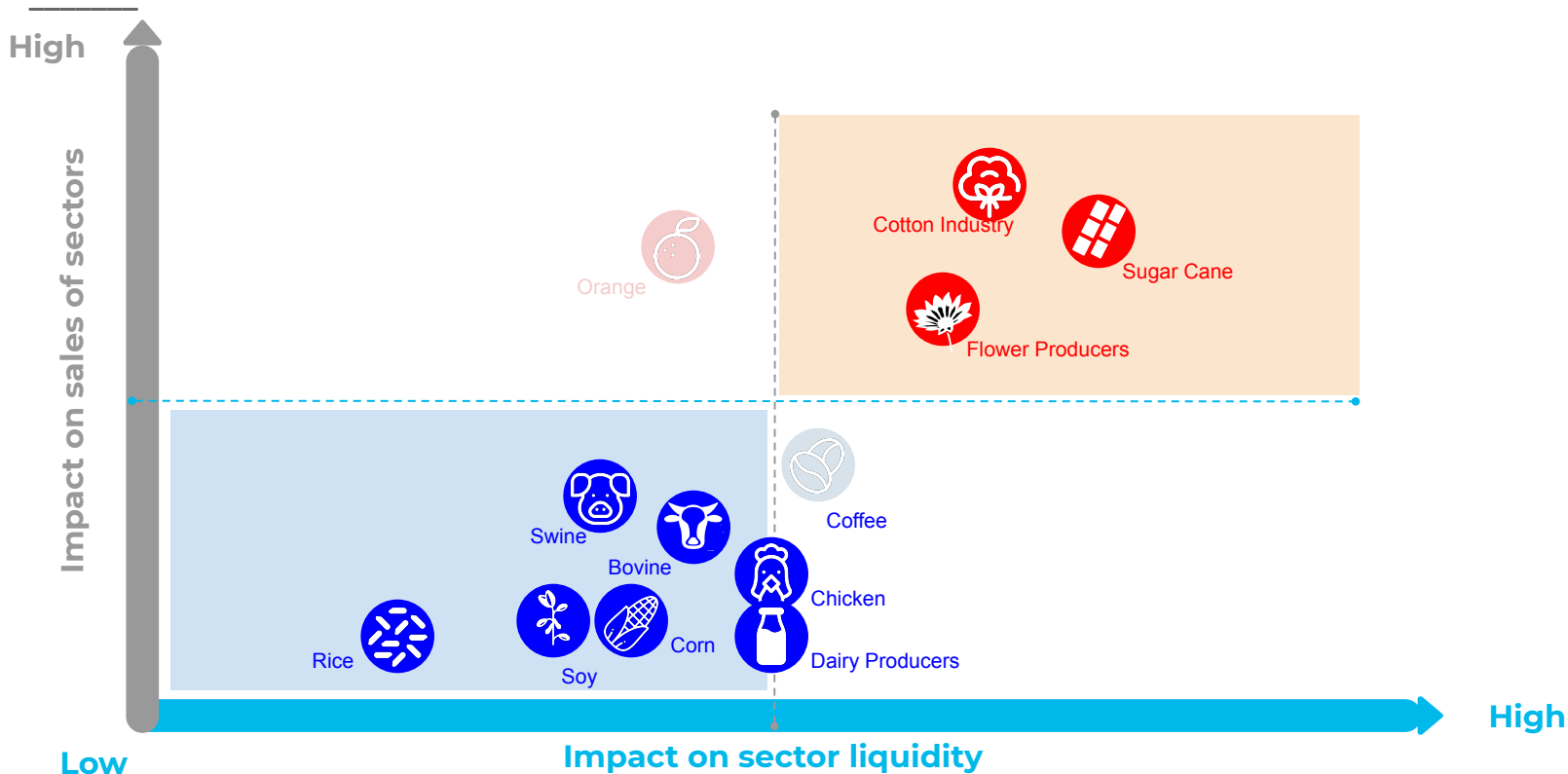


## Methodology:

- **It used the classic concept of sectoral economic analysis that is composed of the sectors:**
  - **Primary:** grain producers, ranchers, forestry, etc;
  - **Secondary (industry):** input manufacturers, grain processors and other agro-industries, etc;
  - **Tertiary (trade and services):** grain and protein carriers, distributors and retailers of agricultural inputs, financial agents, etc.
- **Inference was applied to the sub sectors based on the information:**
  - Public companies;
  - Privately held client companies;
  - Gross Value of Agricultural Production
    - *The Gross value of production shows the performance of crops and livestock and corresponds to gross sales within the establishment. Calculated based on the production of the agricultural and livestock crops, and on the prices received by producers in the main markets around the country, of the 26 largest agricultural products in Brazil. The real value of production, discounted for inflation, is obtained by the General Price Index - Internal Availability (IGP-DI) of the Getúlio Vargas Foundation. The periodicity is monthly with update and dissemination until the 15th of each month.*
    - *Updated 02/2020 - Ministry of Agriculture.*

# Matrix of the primary agribusiness sector

Matrix that measures the impacts on sales and liquidity of the primary subsectors



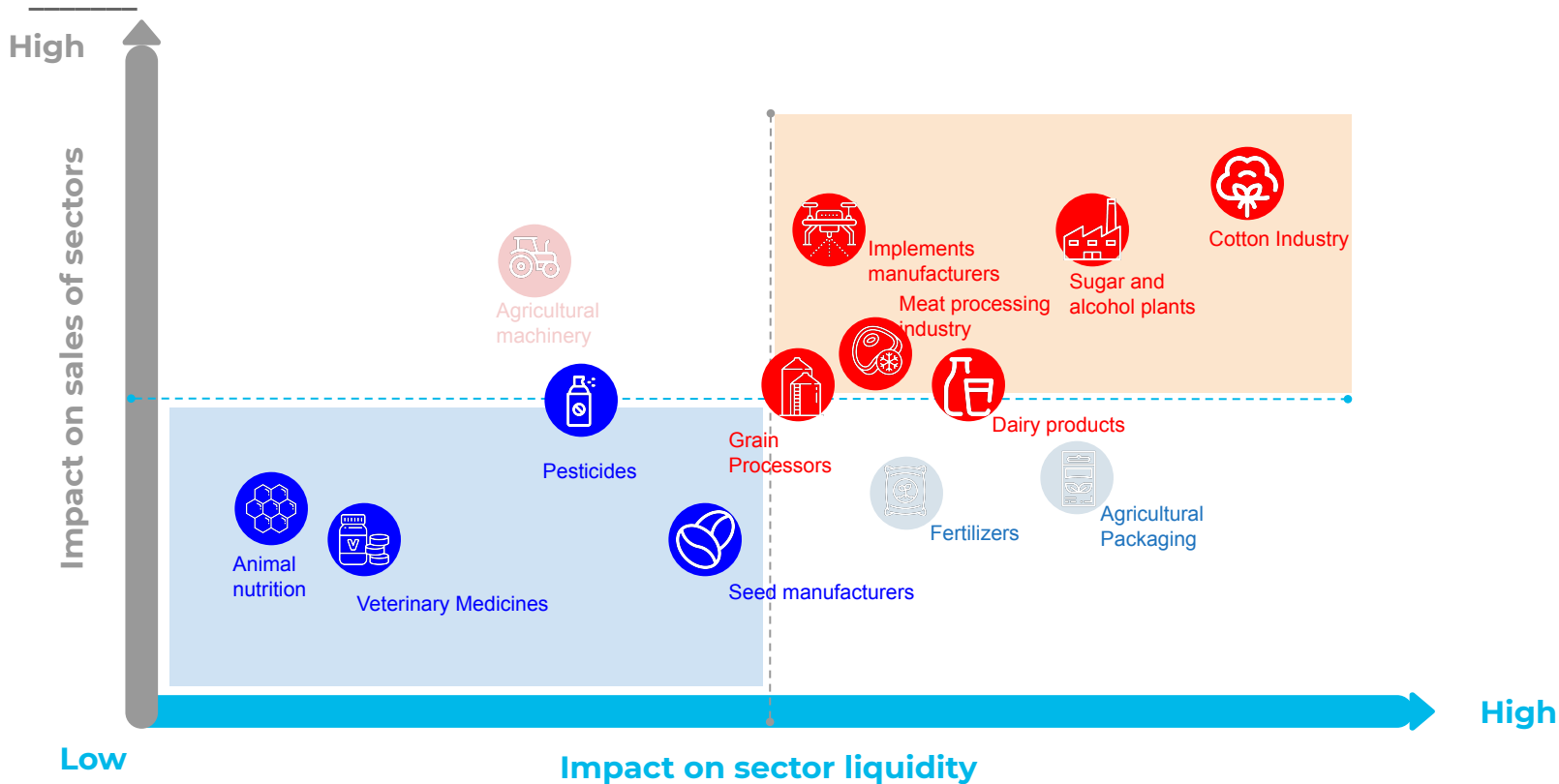
# Primary sub-sectors highlights

1. **Coffee:** coffee producers' revenue growth of 25.7% in relation to 2019 revenue is expected, favored by the recovery of the biannuality of the harvest, international prices and resilient domestic consumption.
2. **Soy:** the revenue of soy producers will grow 14.3% in relation to 2019, as a result of the increase in production and prices due to the devaluation of the real against the dollar.
3. **Corn:** important for food chains and for the manufacture of animal feed, the revenue of corn producers will grow ~ 13.5% in 2020, influenced by the increase in prices in reais due to strong domestic and foreign demand.
4. **Rice:** producers are benefiting from the high demand in the domestic market with price increases for some brands of the kilo of 10% to 40%, according to the website specialized in the sector planetaarroz.com.
5. **Cotton:** the Gross Value of Production of cotton production is expected to drop above the projected for 2020 by MAPA, -2.6%. The bad scenario for the sector is related to the fall in national and worldwide demand for fabrics.
6. **Sugar Cane:** with the largest production in history, 674.3 million tons (+ 1.0% s / 19), the sector is experiencing a dramatic situation due to the fall in the consumption of sugar and ethanol in the domestic and world markets. The mills at the height of the grinding have high bank indebtedness, which affects financial liquidity.
7. **Orange industry:** orange production for 2020, according to LSPA / IBGE, will grow 4.3% in relation to the previous one (18.4 million tons.), However, the domestic and international market should have low demand causing a fall of prices.
8. **Dairy Producers:** with occasional logistical difficulties and increased consumption, milk producers are expected to have an increase in revenues in 2020. According to CEPEA, the dispute between industries to ensure the purchase of milk in the field has been sustaining the quotations to the producer .
9. **Swine:** demand for pigs remains firm due to foreign purchases. According to MAPA, the swine VBP will be 24% higher than in 2019, reaching R \$ 21.4 billion.
10. **Bovine:** even with the reduction in purchases of fast foods and restaurants, sales should remain resilient due to external demand from China and more countries that are opening their markets for Brazilian meat. The Gross Value of Production released by MAPA forecasts growth of 12.4% in 2020 compared to 2019 (R \$ 99.6 billion).



# Matrix of secondary sectors (industry) of agribusiness

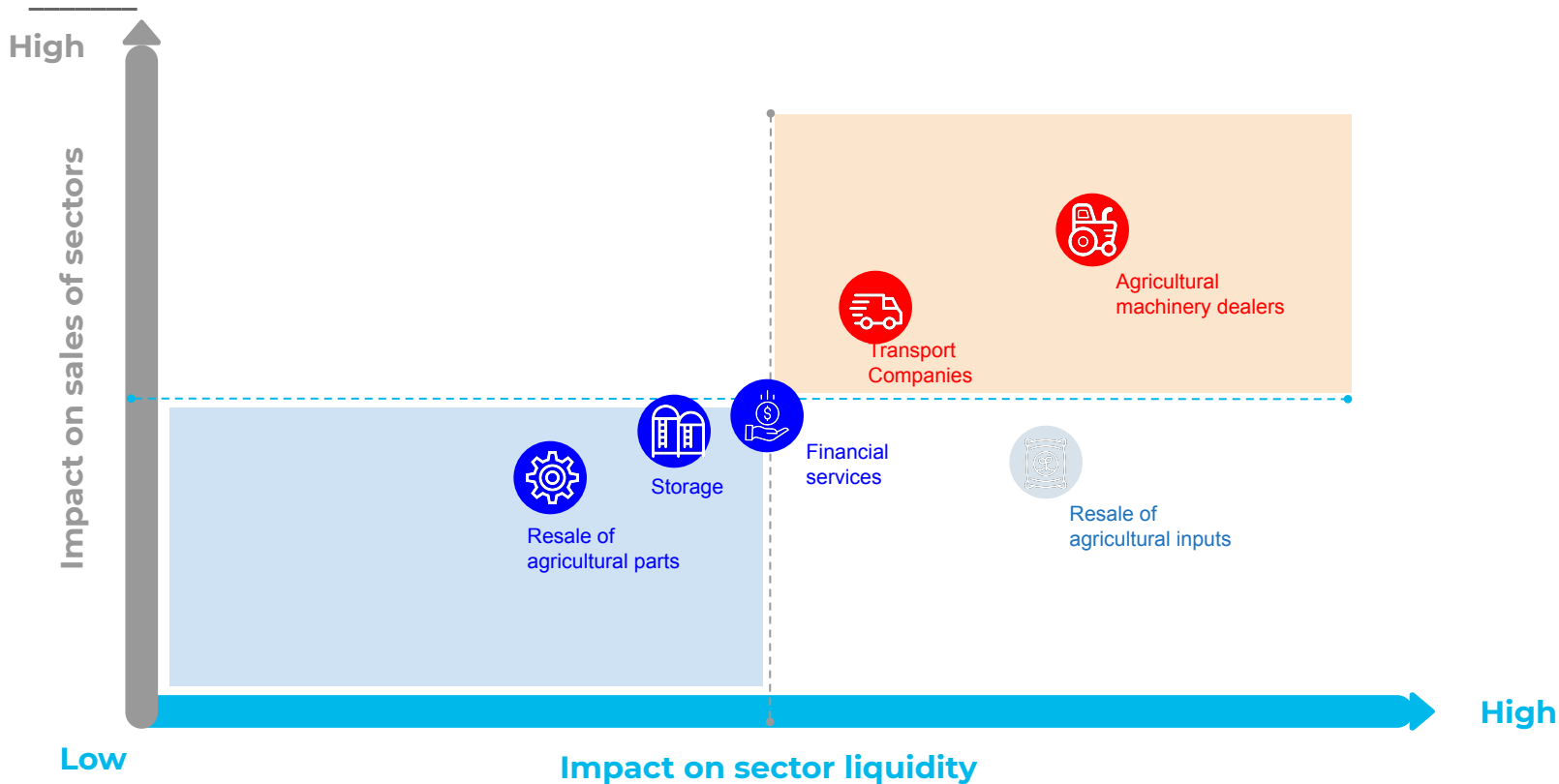
Matrix that measures impacts on sales and liquidity in secondary sectors



1. **Cotton industry:** due to the high need for cash for the acquisition of cotton seed, TCP Partners estimates that cotton industry will go through financial stress due to credit restrictions by banks and falling consumption and prices in the domestic and international market.
2. **Sugar and alcohol plants:** TCP Partners believes that the plants will be severely affected due to falling sugar and ethanol prices. It is one of the sectors most likely to default and judicial recoveries.
3. **Meat Processing Industry:** TCP's economy team assesses that meat processing will have greater resilience to the crisis, but is concerned about small and medium-sized businesses due to credit restrictions. Resilience is correlated with international demand for protein over the coming quarters.
4. **Manufacturers of implements:** with farmers more conservative with cash, the team of TCP expresses concern with the manufacturers of implements, mainly with the scarcity of credit for the segment.
5. **Agricultural machinery:** following the logic of the agricultural implements segment, agricultural machinery manufacturers are expected to have low demand due to the conservation of cash from agricultural producers.
6. **Grain processors:** most grain processors need credit lines to maintain their operations. The economy team assesses that the sector should have occasional credit problems, but at the same time will have internal and external demand.
7. **Fertilizers and pesticides:** the industries in the sector must remain resilient, as they are indispensable items for production. TCP's economy team notes that prices are expected to increase due to the devaluation of the real against the dollar, since component prices are dollarized.
8. **Animal nutrition:** companies in the sector will be resilient due to the firm demand for proteins (bovine, swine and poultry), mainly by the international market. The TCP team points out that there should be an increase in the prices of inputs, such as corn, kernels and minerals.
9. **Seed manufacturers:** preocupa- se também a disponibilidade de crédito para as sementeiras que dependem de linhas, principalmente, capital de giro para aquisições de sementes e insumos.
10. **Veterinary medicines:** the medicines sector is expected to have an impact on exports, however, TCP analyzes that the domestic market should remain firm with acquisitions to guarantee efficiency in beef, pork and poultry production.

# Matrix of tertiary sectors (services) of agribusiness

Matrix that measures impacts on sales and liquidity in the tertiary sectors



1. **Agricultural machinery dealers:** TCP expects an increase in defaults by average producers, a restriction of financing and, due to the conservatism of producers, a reduction in sales. It is a sector with a high probability of default.
2. **Transport companies:** the grain transport segment is resilient due to the record harvest, while the segment related to livestock that supplies the domestic market should have its activity impacted due to the reduction in domestic consumption.
3. **Financial services:** private financial institutions operating in the agricultural sector promoting credit and insurance have reduced their exposure, mainly due to legal uncertainty and risks of judicial recoveries by producers. The private sector is responsible for ~ 60% of the sector's credit. Therefore, it expects greater action by public financial institutions to supply the sector's liquidity and legal changes that reduce the aversion of the private sector.
4. **Warehousing:** the growth of grain production and the strategy of producers and storage companies to obtain better prices will guarantee the storage sector an attractive financial performance. This segment is considered strategic by the TCP team due to the external demand for grains by countries impacted by the pandemic
5. **Resale of agricultural inputs:** resellers must remain aware of the risks of default by producers and strengthen their cash to support a reduction in bank liquidity. Even though TCP is fundamental to foster the new crop, it does observe financial risks.
6. **Resales of agricultural parts:** wholesalers and retailers of agricultural parts are expected to have a year of growth in sales due to the aversion to buying new machines (tractors, harvesters and motorized sprayers) by producers who must preserve cash. TCP's economy team expects that producers will decide to maintain the current fleet, which will favor sales of spare parts.



## **TCP Partners economic analysis team**



**Ricardo Jacomassi**

- Partner at TCP - Chief Economist, Responsible for the M&A and Market Strategy area;
- Specialist in the 13 most important sectors of the Brazilian economy;
- Experiences in important companies in the financial and industrial sector;
- Experience in developing economic analysis, M&A operations, turnaround, corporate governance, family businesses and advice from the board of directors;
- Graduated in Economics from PUC / SP and Production Engineering from Univest (incomplete).
- Specialization in Econometrics / FIPE, Macroeconomics / Cepal / ONU, Valuation / Saint Paul, Turnaround / FGV and Leadership for Young Talents / FGV



**Nathielle Trevisol**

- Associated TCP
- Mergers and Acquisitions Analyst;
- Economic research and analysis;
- Market strategy;
- Worked in the administrative / financial and controllership areas with a focus on financial planning.
- Experience in public relations and market strategy for the commercial department.
- Graduation in Economic Sciences from PUC / SP



**Francielly Pires**

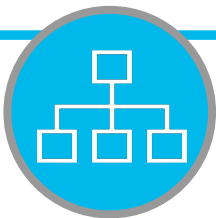
- Advises the commercial areas, company analysis and sectorial research;
- Served as administrative and financial officer in the areas of accounting, financial management and controllership.
- Graduation in Business Administration from Anhembi Morumbi / SP

## Meet TCP Partners



**TCP** was **founded in 2008**, headquartered in **Sao Paulo**, and present in **18 states, specializing** in business **advisory and services**.

Solutions implemented by TCP



**Operational  
Restructuring**



**Financial  
restructuring  
and debt**



**M&A / Mergers &  
Acquisitions**



**IT Business  
Solutions &  
Automation**





# History and corporate structure

## Foundation

Beginning of a successful trajectory.



2008

## Global presence

by becoming a partner of the international networks **GSS** and **BTGGA**.

2014



2016

2017



## TCP

becomes the most complete investment boutique in Brazil.



2019

### Complete advisory platform

- Operational Restructuring / Turnaround
- Financial Restructuring
- M&A / Mergers & Acquisitions
- Business IT Solutions & Automation

### National Coverage

concluding the commercial structure of the Northeast, North, Southeast, Central west and South regions.



National Sales Team of 15 people

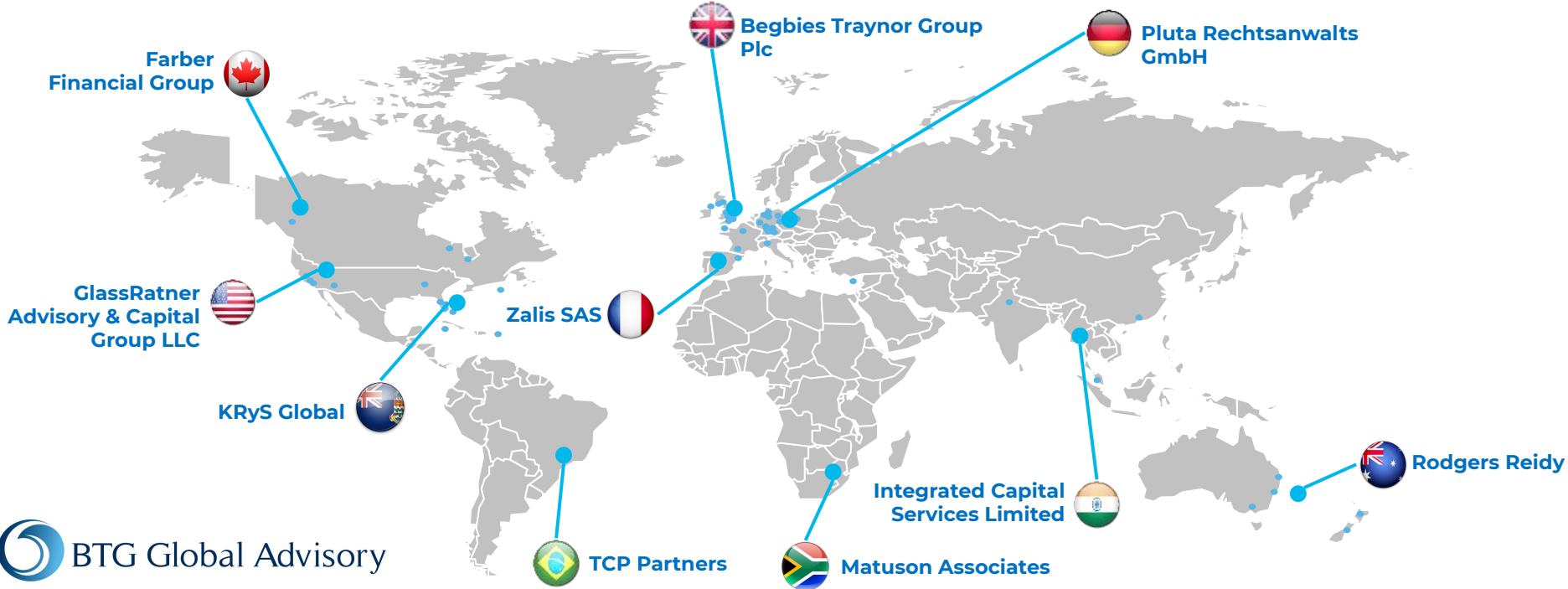


The headquarters is in Sao Paulo, being strategic because it is next to the main banks and funds



There are more than 35 employees that are part of the TCP team

# Global performance in financial advisory - BTGGA



 BTG Global Advisory

**182 offices worldwide**  
**156 members**  
**1,537 employees**  
**~ \$ 200 million (2018)**

**TCP** has access to the **most advanced management tools** through its **association** with **BTG Global Advisory** - one of the **largest international alliances** in the segment.

# Selected executed restructurings



**Some operations  
performed**



**2015-2017**



**Operational and  
Financial  
Restructuring**



**2013-2015**



**Operational and  
Financial  
Restructuring**



**2012**



**Operational  
Restructuring**



**2011**



**Operational  
Restructuring and  
Controlling**



**2015-2017**



**Operational  
Restructuring**



**2010**



**Controlling and Cash  
Management**



**2015-2016**

# Selected M&A deals executed

Mergers & Acquisitions



**Purchase of 100% of Ecosorb's equity**



 TCP Partners  
**2016**

Fund-raising



**Structured debt raising**

Banco **PAN**

 TCP Partners  
**2016**

Mergers & Acquisitions



**100% sale to Directors in MBO process**

 TCP Partners  
**2016**


Mergers & Acquisitions



**Evaluation for strategic decision analysis and advisory services in M&A**

 TCP Partners  
**2015**

Fund-raising



**Investor Search Assessment**

 TCP Partners  
**2013**

Mergers & Acquisitions



**Sale of 100% of the capital to SDMO**



 TCP Partners  
**2012**

# Segments we operate in

**Solutions** for customers from **all business segments.**



Transport



Plastic Industry



Agribusiness



Transformation  
industry



Food processing



Automotive



Retail



Services



Health



Construction

# Thank you

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