



Emerging Markets Private Equity Association

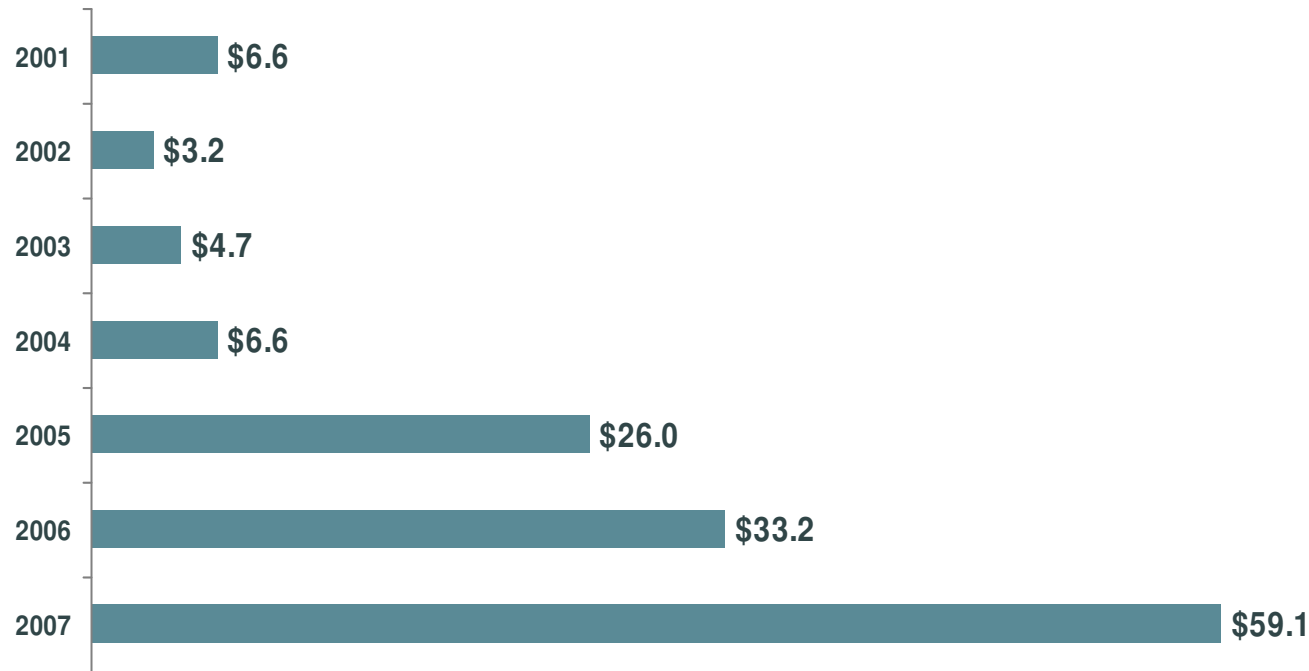
Emerging Markets Private Equity: How Does Brazil Compare?

**Roger Leeds, Chairman,
Emerging Markets Private Equity Association
ABVCAP, Rio de Janeiro
April 2008**



Dramatic Rise in PE Fundraising for Emerging Markets

Total EM PE Funds Raised (USD billions), 2001–2007



Source: Emerging Markets Private Equity Association (EMPEA).

Notes: Excludes North America, Western Europe, Japan, Australia, New Zealand.

Excludes conventional infrastructure and real estate funds.

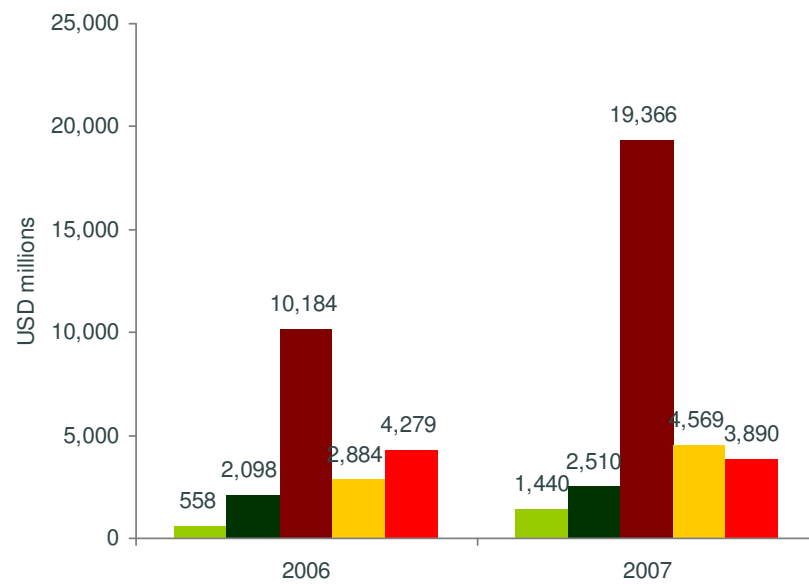
Dramatic Rise in PE Fundraising, 2003-07-All Regions Participate

<i>Emerging Markets Private Equity Fundraising Totals, by Region: 2003–2007</i>								
	Asia	CEE/ Russia	LatAm&C arib.	Sub- Saharan Africa	MidEast &N.Afric a	Africa/ MidEast	Multi- Region EM	Total
2003	2,200	406	417	N/A	N/A	350	116	3,489
2004	2,800	1,777	714	N/A	N/A	545	618	6,454
2005	15,446	2,711	1,272	791	1,915	N/A	3,630	25,765
2006	19,386	3,272	2,656	2,353	2,946	N/A	2,580	33,193
2007	28,668	14,629	4,419	2,340	5,027	N/A	4,077	59,161

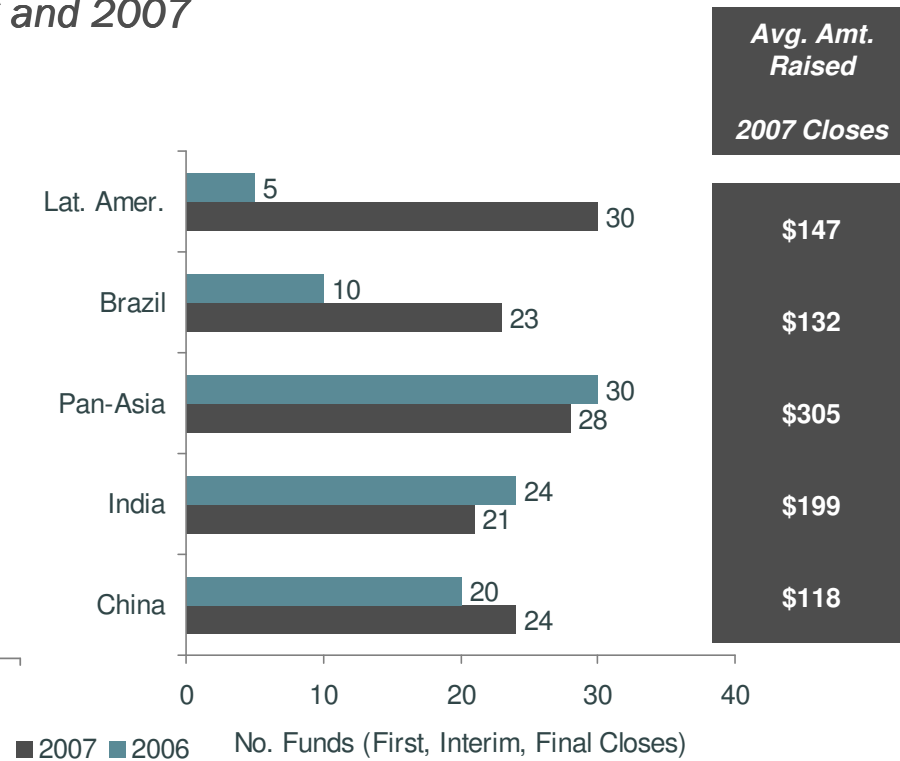
Source: EMPEA estimates. Note: Emerging Asia excludes Japan, Australia, New Zealand. EMPEA reported Middle East and Africa together in 2003-2004. SubSaharan Africa figures excludes Pamodzi Holdings, to be included in 2H2007 figures

PE Emerging Markets Fundraising - Asia Dominates

New Capital Commitments (USDm) in 2006 and 2007



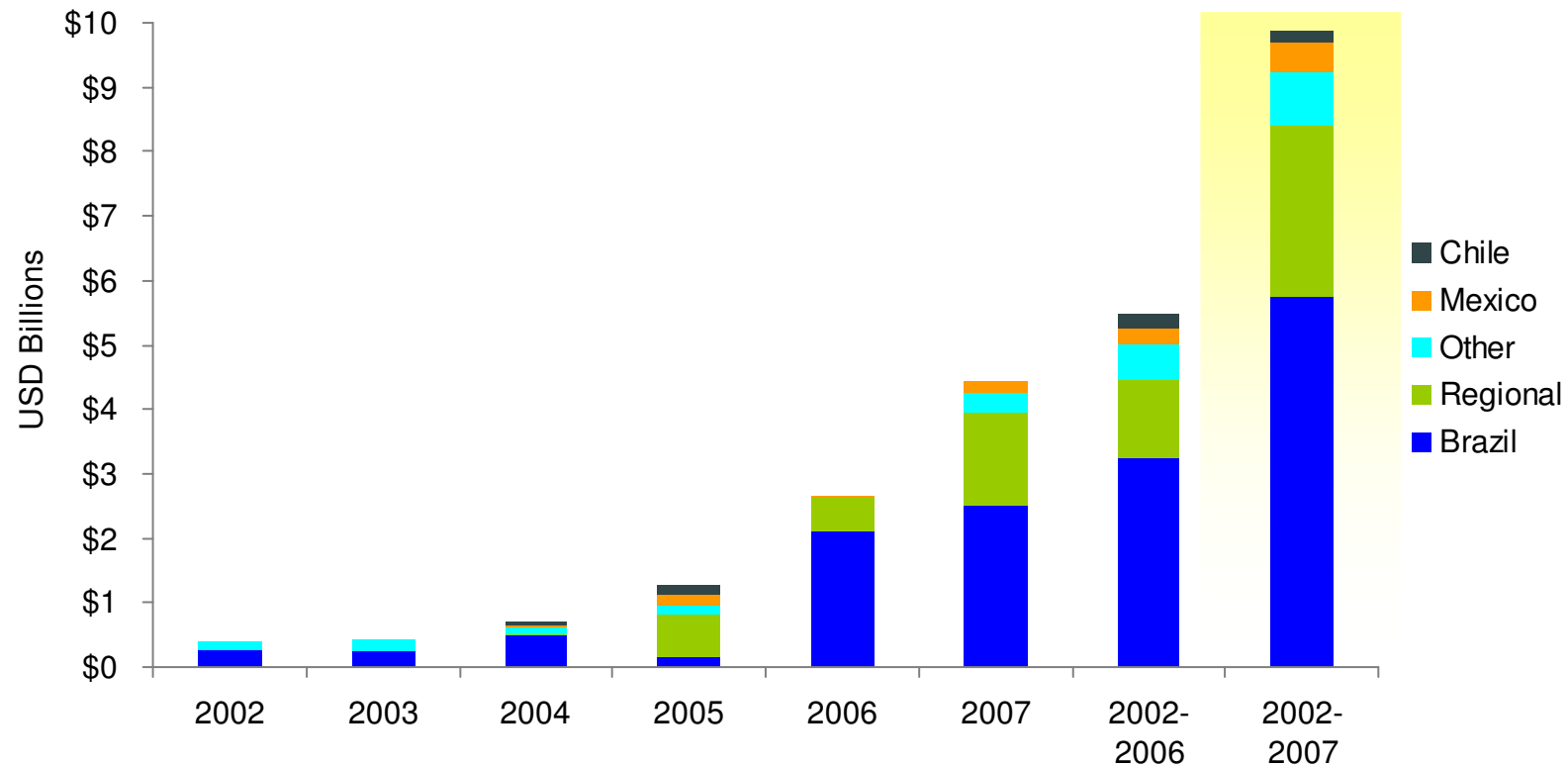
■ Latin Amer. Regional Funds ■ Brazil Funds
■ Pan-Asian Funds ■ Indian Funds
■ China Funds



Source: EMPEA estimates.

Latin American PE Fundraising – Brazil Dominates

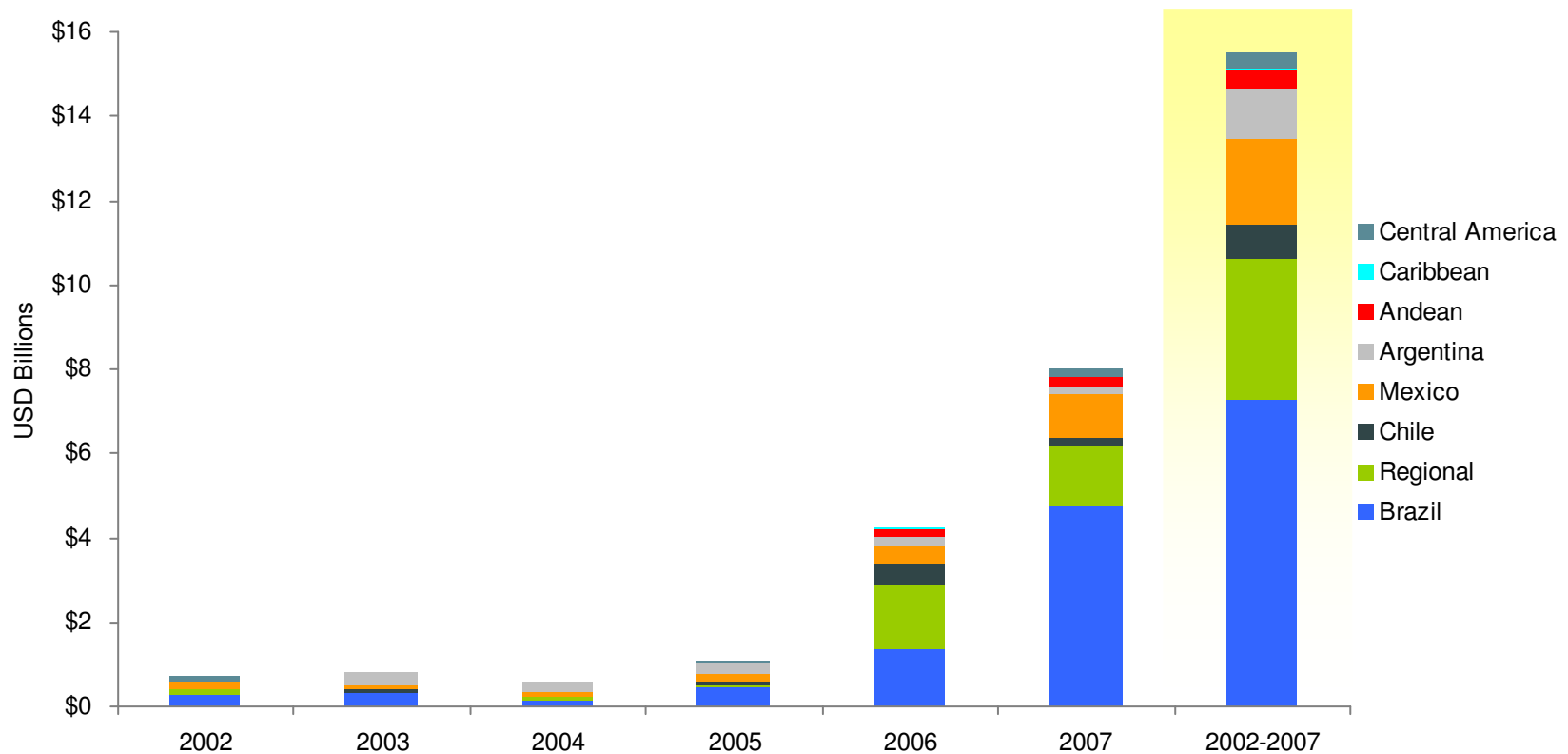
Latin America PE Funds Raised, USD billions, 2002–2007



Source: Venture Equity-Latin America, EMPEA.

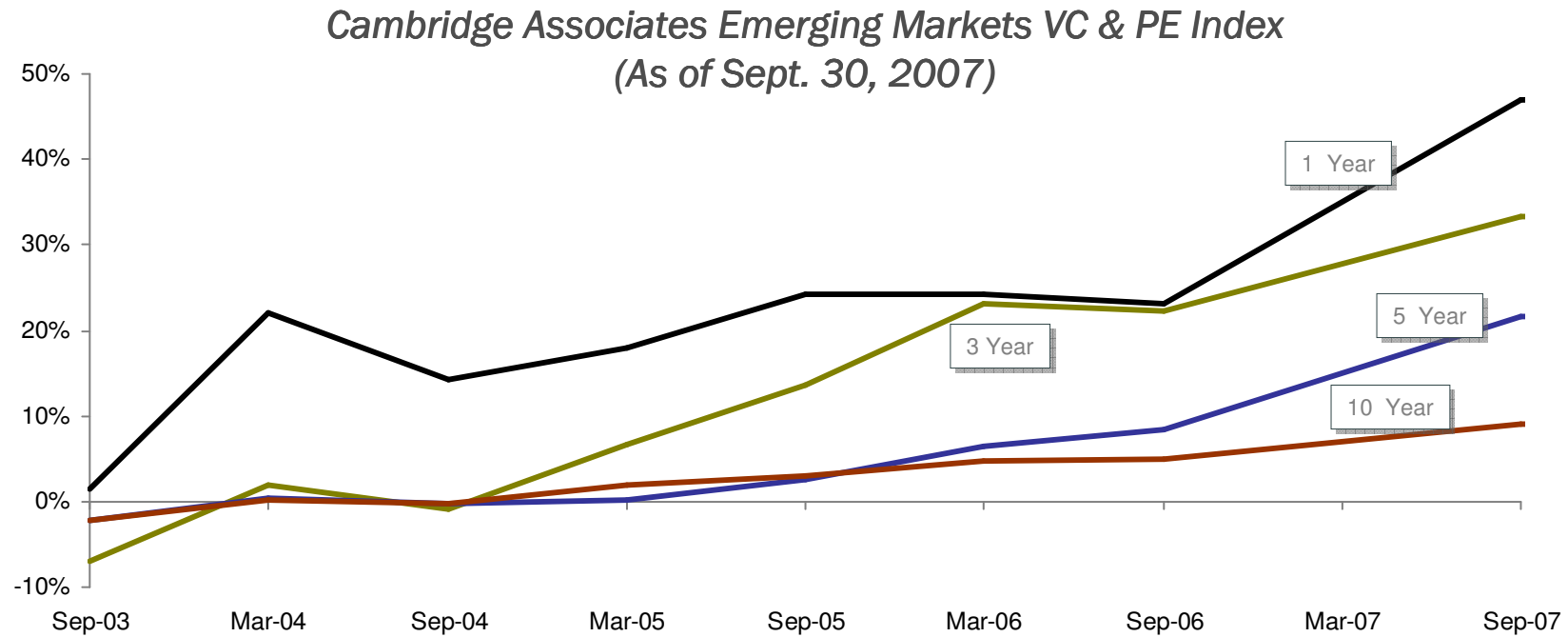
Latin American PE Investment – Brazil Dominates (again)

Latin America PE Investment, USD millions, 2002–2007



Source: Venture Equity-Latin America, EMPEA.

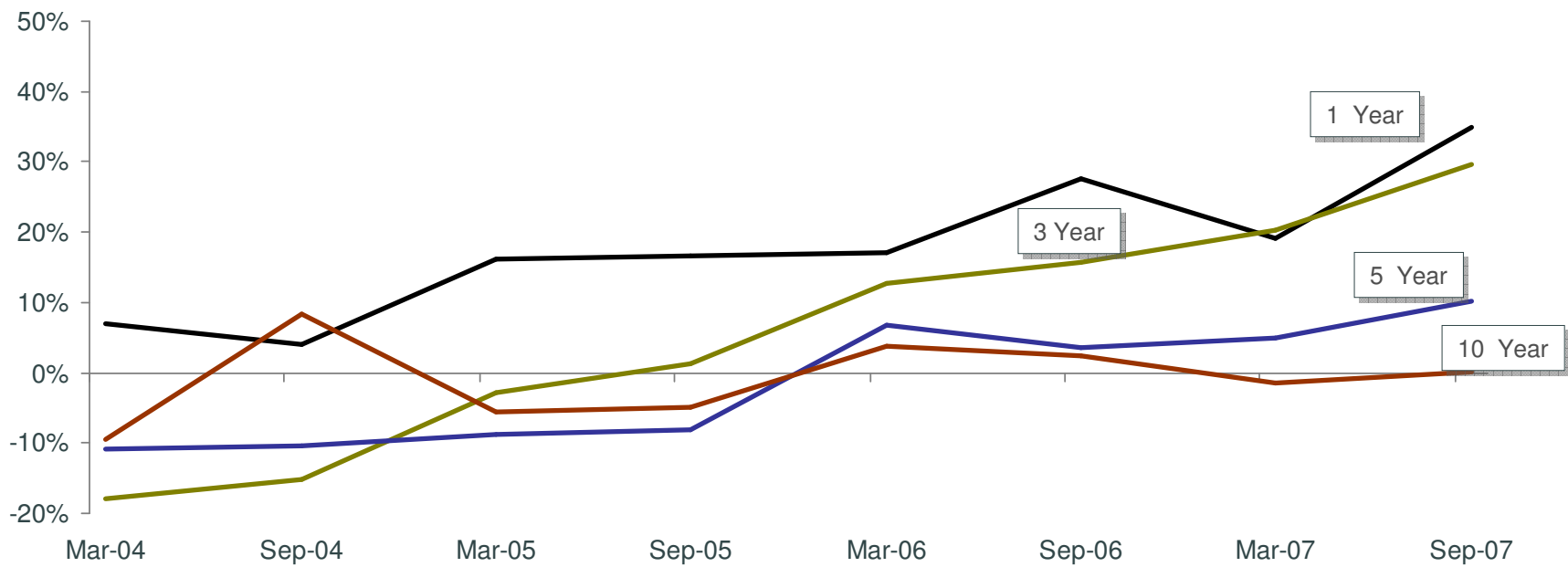
Dramatic Improvement in Emerging Markets PE Returns Stimulate Investor Confidence



Source: Cambridge Associates LLC Proprietary Index: pooled end-to-end returns, net of fees, expenses and carried interest.

Latin America Returns ~ Mirror Emerging Markets Trend

*Cambridge Associates Latin American & Caribbean PE Index
(As of Sept. 30, 2007)*



Source: Cambridge Associates LLC Proprietary Index: pooled end-to-end returns, net of fees, expenses and carried interest.

PE Average Returns Now Compare Favorably with U.S. and Europe

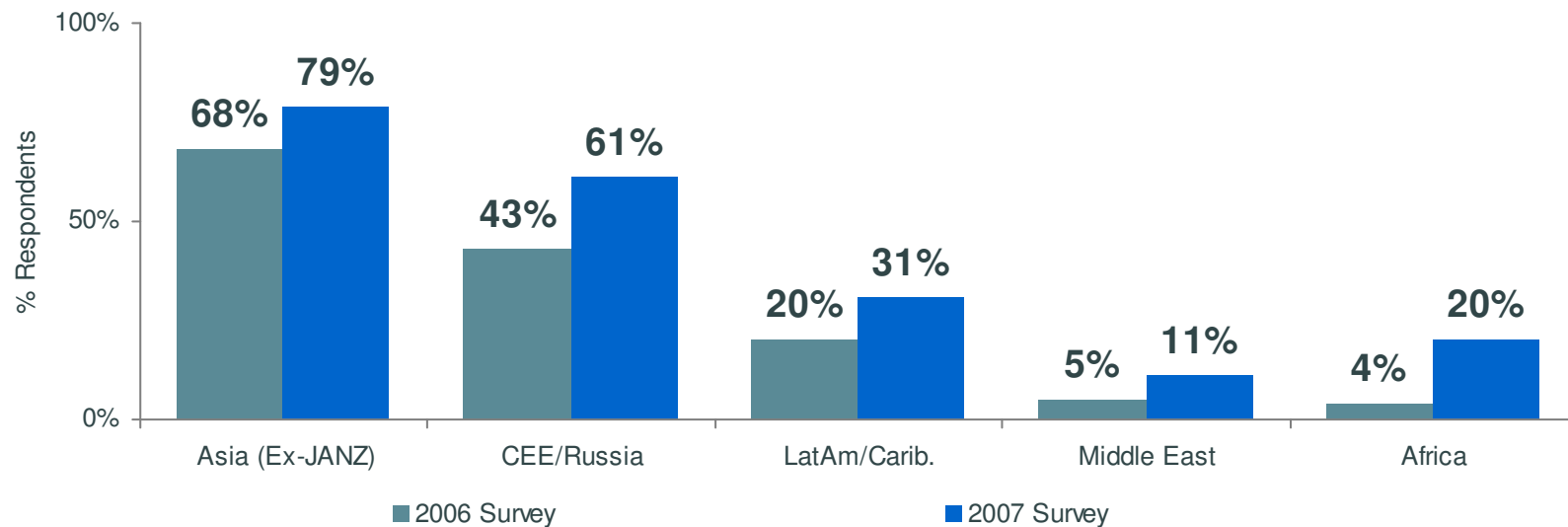
Comparative End-to-End Returns by Region as of 9/30/07

<i>Index</i>	<i>One Year</i>	<i>Three Year</i>	<i>Five Year</i>	<i>Ten Year</i>
Emerging Markets VC & PE	47.03	33.24	21.59	9.07
Latin America & Caribbean PE	34.78	29.61	10.33	.2
Asia (ex Japan) PE	40.65	24.67	17.75	7.75
CEE & Russia	62.11	57.41	39.19	18.93
MSCI Emerging Markets	58.63	41.29	39.11	11.94
US VC	23.10	15.26	9.06	34.59
US PE	29.91	29.69	23.58	14.22
Western Europe PE	54.93	43.19	33.43	24.56
S&P 500	16.44	13.14	15.45	6.57

Source: Cambridge Associates LLC Proprietary Index: pooled end-to-end returns, net of fees, expenses and carried interest.

Investor Survey Results: LP Interest in Latin America Growing

Currently Investing: 2006 Survey vs. 2007 Survey

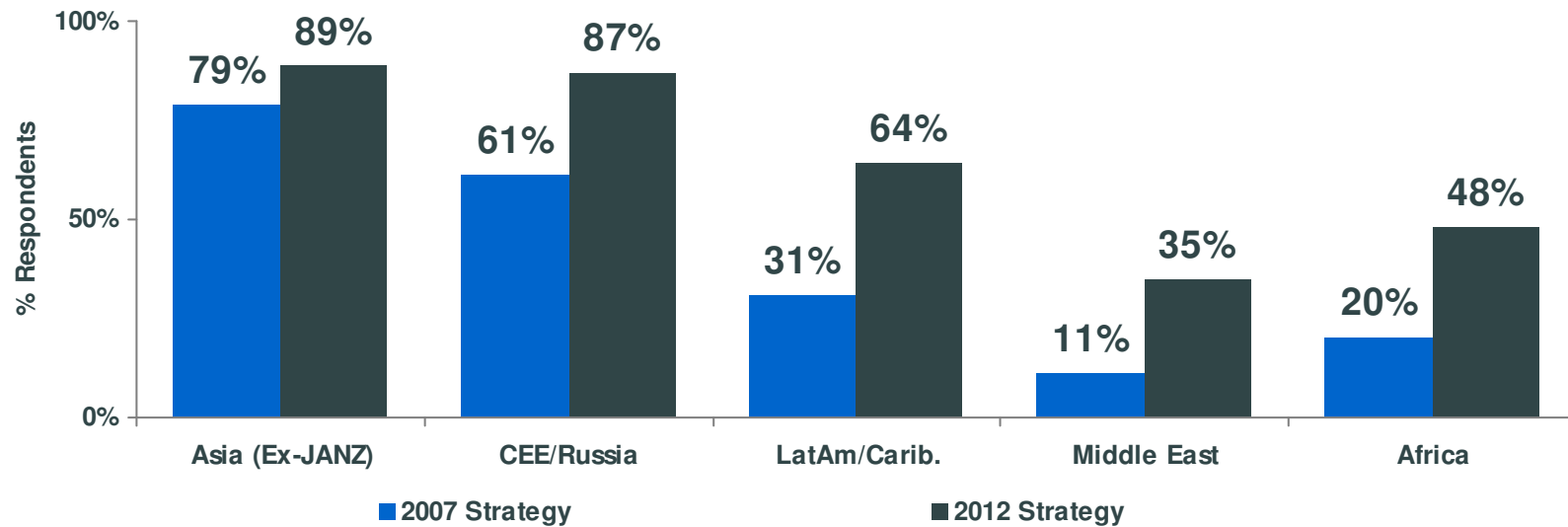


N=76 (2006); 81 (2007)

Source: EMPEA 2007 LP Survey.

Investor Survey Results – Latin America Interest Projected to > Doubles in 5 Yrs.

Actively or Opportunistically Investing: 2007 vs. 2012

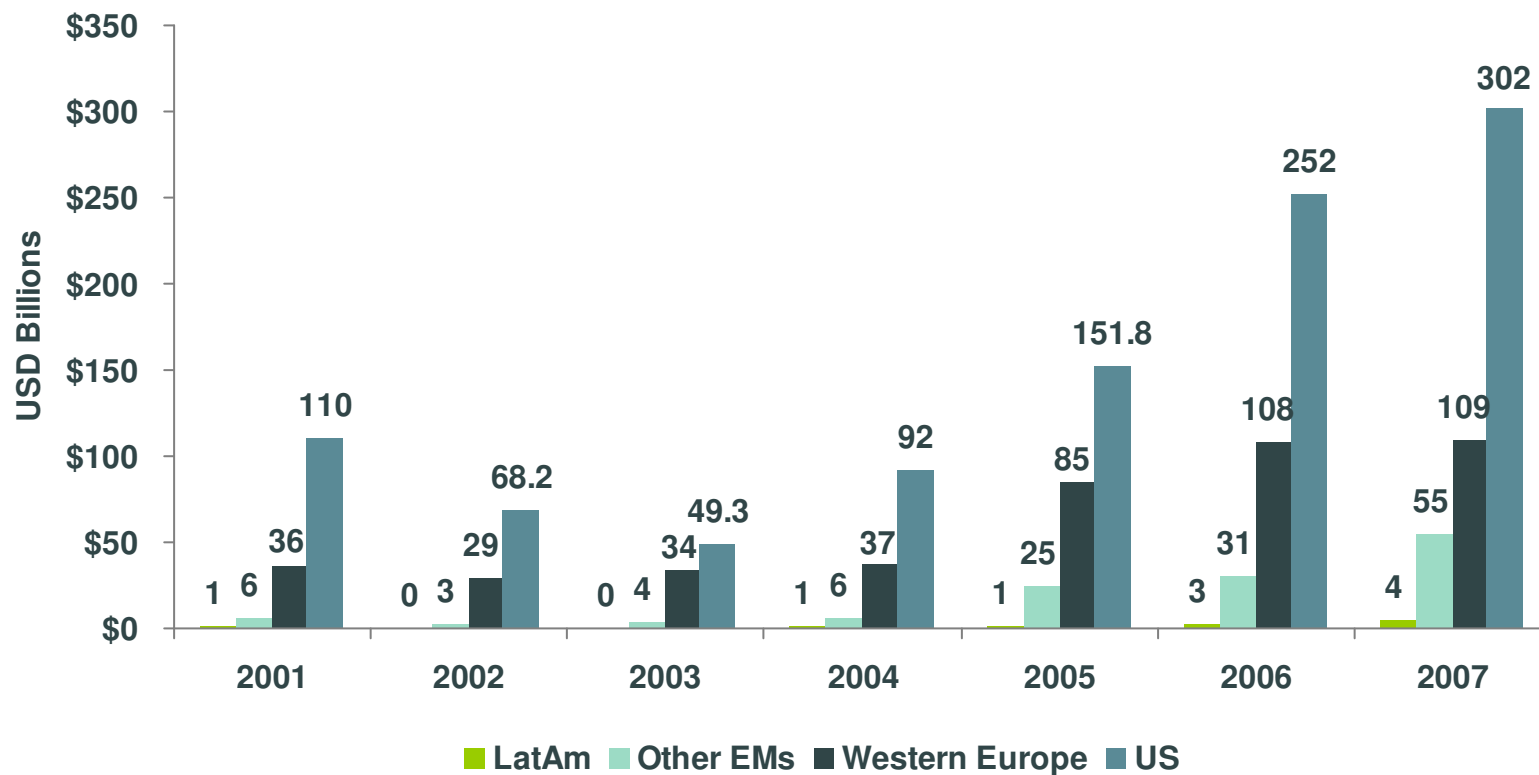


N=76 (2006); 81 (2007)

Source: EMPEA 2007 LP Survey.

But PE in Latin America Still Infant Industry Compared to U.S. & Europe

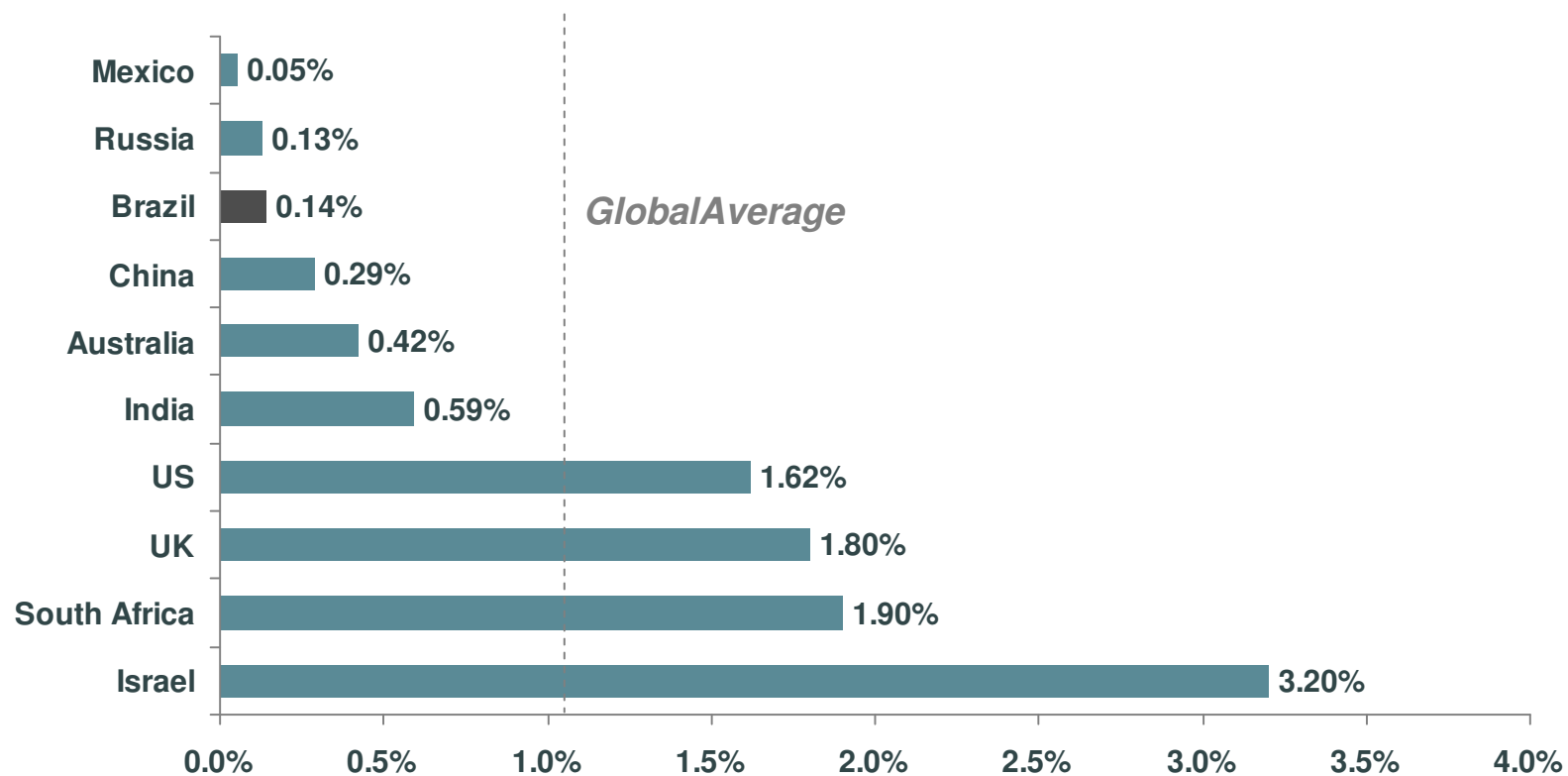
Private Equity Funds Raised: Latin America vs. EM and Developed Markets



Source: PricewaterhouseCoopers, Private Equity Intelligence, Asia Private Equity Review, EVCA, EMPEA estimates.

At 0.14% of GDP, PE Investment in Brazil Remains Comparatively Low

PE Investment (\$US bln) as a Percentage of GDP (2006.)



Source: IMF GDP figures 2006 (current USD), Asia Private Equity Review, Venture Equity-Latin America, EVCA, AVCA, GVCA/Zawya, EMPEA estimates.

Increasing Negativity About PE



YouTube Satirists Find Inspiration In VC, Buyouts

Wednesday, October 24, 2007 — [LBO Wire](#)

Matthew Monks

Do you find something funny about private equity? If so, you're not alone – a number of clips poking fun at the venture capital and buyout worlds have popped

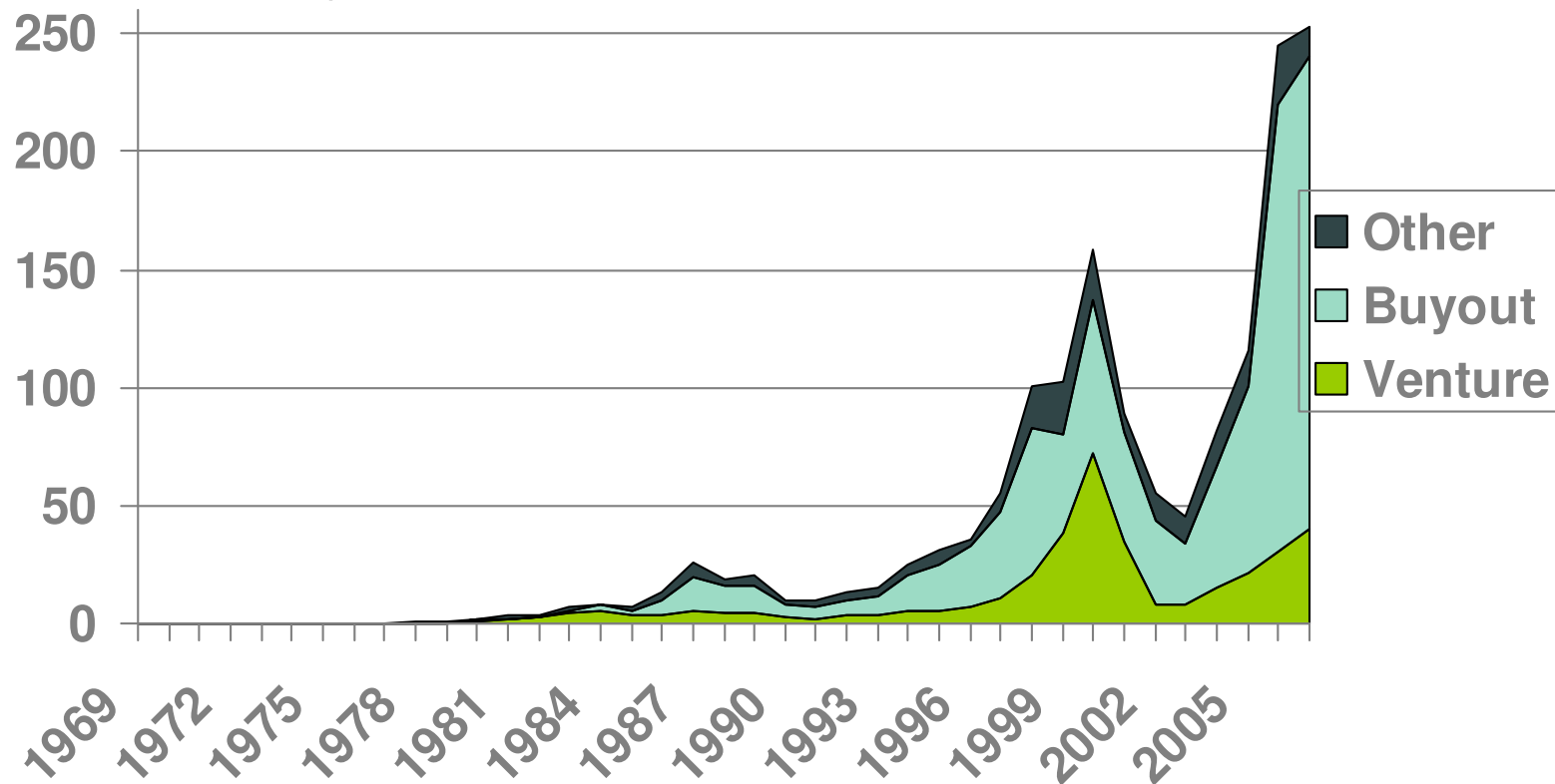
Numerous Examples

- **Circumventing local laws**-Lone Star raids in Korea.
- **Greed**-“Horde of locusts” speech in Germany.
- **Tax evasion**-
 - Treatment of carried interest in U.S. and U.K.
 - Tax deductibility in Denmark.
- **Anti-competitive** - U.S. DOJ “clubbing” investigation.
- **Employment destruction**- Union opposition in Europe and U.S.

But Criticisms Focus on Gigantic Buyouts- U.S. PE Fundraising, 1969-2007

Billions of 2002 \$s

Source: Venture Economics and Asset Alternatives.



Causes & Consequences of Criticism

- **Private equity has existed in a regulatory “bubble”**
 - Industry traditionally very secretive
 - Rationale for minimal disclosure requirements
 - “Private” vs. “Public” securities
 - “Qualified” institutional investors
 - PE industry relatively small (until recently)
- **Increased public scrutiny inevitable consequence of growth**
 - Most policy makers uninformed about benefits, especially for companies with limited financing alternatives
- **Criticisms of high profile buyouts may benefit emerging markets PE, because...**

LBO Profile Atypical— Emerging Markets PE Fundamentally Different

LBO Profile

EM PE Deal Profile

Huge transaction size (USD billions)

Fund and deal size much smaller
(sub US\$1 billion)

Highly leveraged
(For now, the party is over!)

Primarily equity, little to no debt

Control stakes

Mostly growth capital; few control deals

Publicly-listed companies

Competitive middle market companies in high-growth industries

Auctions and “club deals”

In most cases, proprietary deal flow, although consortia are common

Financial engineering

Hands-on value creation (e.g., corporate governance, access markets)

Country risk is higher, but so are opportunities - inefficiencies create opportunities for savvy investors!

LBOs

The Challenge for Emerging Markets (e.g. Brazil)

- **Capitalize on bad economic news in U.S. and elsewhere- sustain economic growth and stability (i.e. avoid past boom & bust” cycles)**
 - **Buyout boom is temporarily over- investors will look more to stable, high growth emerging markets**
- **Continue to advocate & implement global best practices (e.g. corporate governance, legal reform)**
- **Relentlessly attract and retain world class professionals in PE funds**
- **“Educate” policy makers about PE benefits**
 - **ABVCAP, EMPEA as catalysts**

What is EMPEA?

- **A global membership organization serving PE & VC firms, LPs, & service providers in emerging markets**
- **EMPEA's mission: promote greater understanding of, and a more favorable climate for PE investing in emerging markets.**
- **To achieve mission, EMPEA:**
 - Convenes meetings and conferences around the world**
 - Conducts research & analysis of industry trends and best practices**
 - Disseminates PE industry data and information to members and public**
 - Provides a forum/network for EM PE practitioners**
 - Collaborates with local/regional PE associations (ABVCAP)**

THANK YOU!