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Brazil's Agenda 2017

New year, new cycle – After a two-year recession, local and global companies point to a positive outlook

Brazil's Agenda 2017 survey
Question to answer...

**To where will the Brazilian economy,
the local business environment and
the business management go in 2017?**

Methodology:

- Electronic questionnaire with closed questions
- Application for the Deloitte Brazil's base of contacts
- Nationwide coverage



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Sample

746 companies all over the country

↳ **32%** are controlled by foreigners

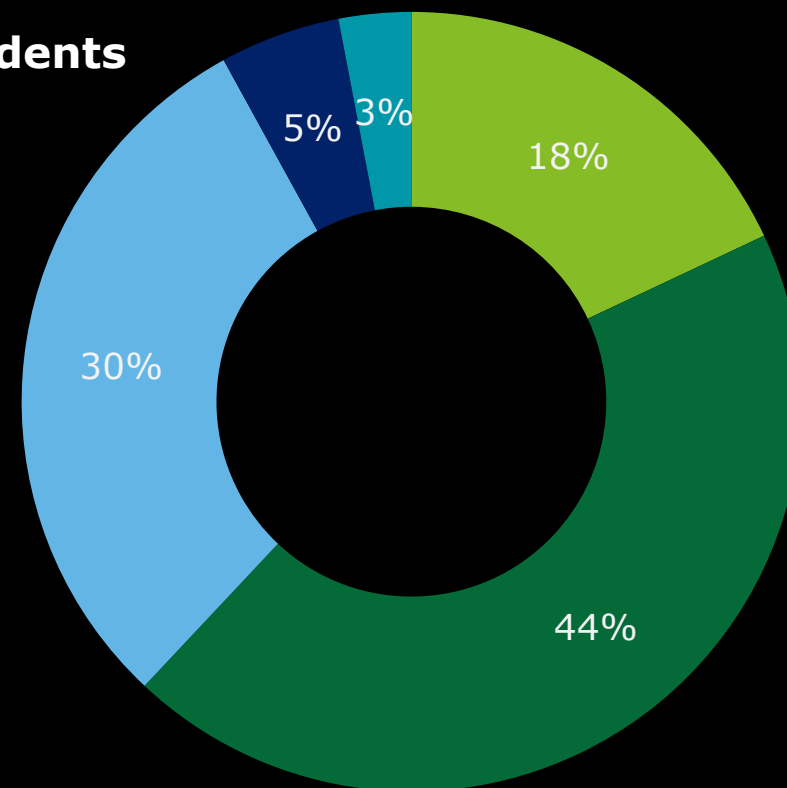
↳ **18%** have participation of investment funds

R\$ 1.6 trillion
in net revenues (2016)

↳ **Equivalent to 1/4 of the local GDP***

*Cum-12 months since Sept/2016 (Brazilian Central Bank)

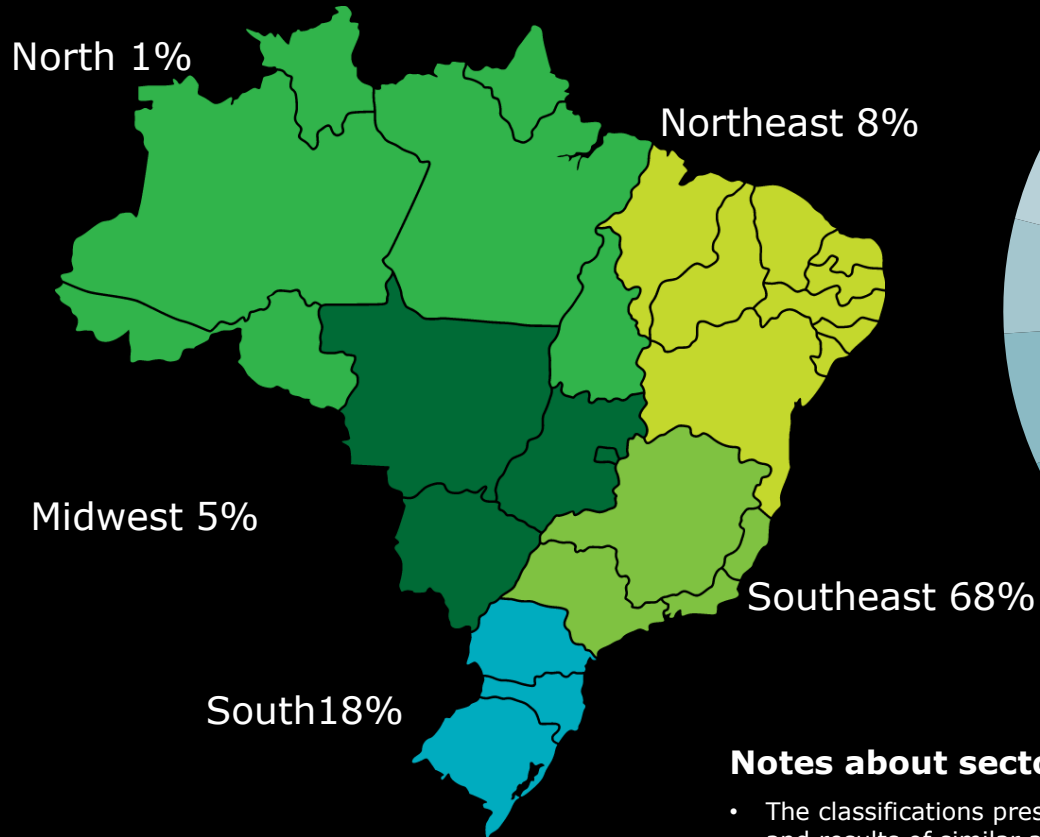
Respondents



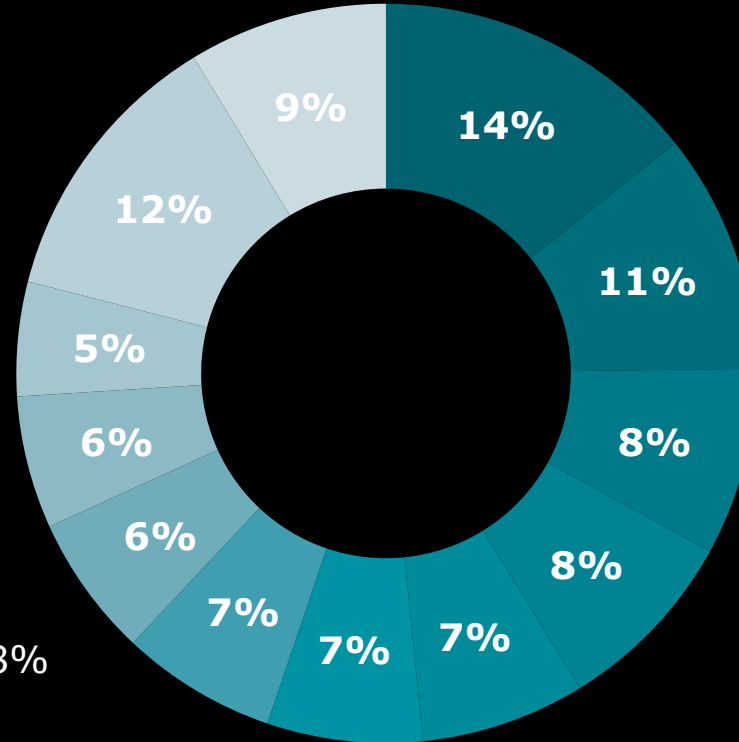
- President / CEO
- Director / Superintendent
- Management
- Board of Directors
- Analysts

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Regional distribution (headquarters of respondent companies)



Sectoral distribution



- Infrastructure
- Technology services
- Machines and equipment
- Food and drinks
- Pharmaceutical/ health services
- Financial activities
- Construction
- Commerce
- Chemical industry
- Vehicles and automotive parts
- Other services
- Other manufactures

Notes about sectors:

- The classifications presented by such survey are derived from CNAE 2.0, with combination adjustments for classes with activities profiles and results of similar answers.
- Other services: business education, cleaning and security services, corporate services, travel, hospitality and leisure services.
- Other manufactured products: pulp and paper, textiles and footwear, perfumery, cosmetics, glass, packaging, and consumer electronics.

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Main conclusions (executive summary)

Companies reveal a shift in the expectations about their businesses and the Country



Increase

- Revenues
- Investments



High impact

- Recovery of the economic activity, changes in foreign exchange rates and in oil prices



Low impact

- External scenario (US, EU, China)



Recovery

- Infrastructure
- Construction
- Consumer goods



Priority

- Release of products and services
- Replacement of machinery and equipment



Sources of funds

- Loans from development banks and retail banks
- Contribution of own funds



On the rise

- IPOs on the radar
- M&A still on the rise



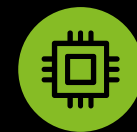
Management

- Continuous administrative financial focus



People

- Employment rate improves, but seeking qualification



Technologies

- Large number of businessmen who do not know about digital transformation shifts

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Expectations on growth – companies



8,3%

Is the estimate of growth in revenues in 2017
+ than the inflation projected by the Brazilian
Central Bank (5%)

R\$ 1,739 trillion

Sum of net revenues foreseen for the end of 2017

Companies that expect to grow more than 10%*

38% 2016

56% 2017

*Among the respondent companies

Vision from
entrepreneurs
reflects a clear shift
in the expectations
about their own
businesses and the
Country

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Expectations on growth – regions and sectors

Regions	Annual variation in revenues*	
	2016	2017
North	5%	5%
Northeast	6%	10%
Midwest	10%	10%
São Paulo	5%	10%
South (not considering SP)	5%	10%
South	5%	10%

* Variations in R\$. Median of the responses of each region that answered this question.

Sectors in recovery



Growth

Infrastructure

5% 10%
2016 2017

Construction

-10% 5%
2016 2017

Consumer goods

5% 10%
2016 2017

Keep on rising

Growth

Financial services

10% 10%
2016 2017

Technology

10% 10%
2016 2017

Health and pharmaceutical

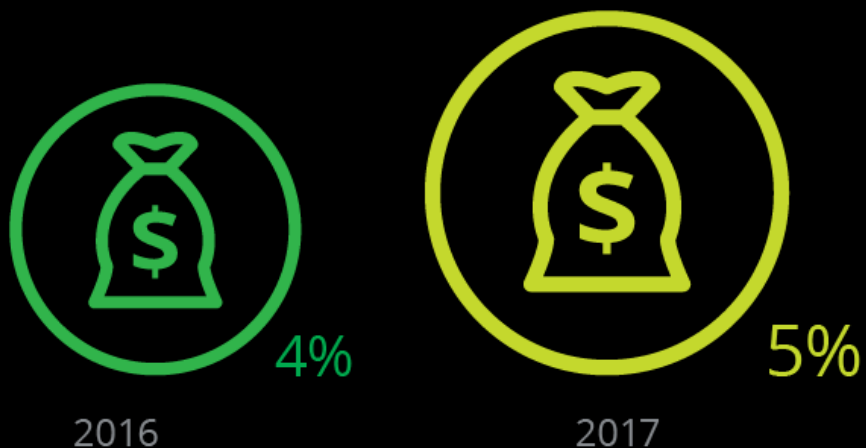
10% 10%
2016 2017

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Expectations on investments – companies

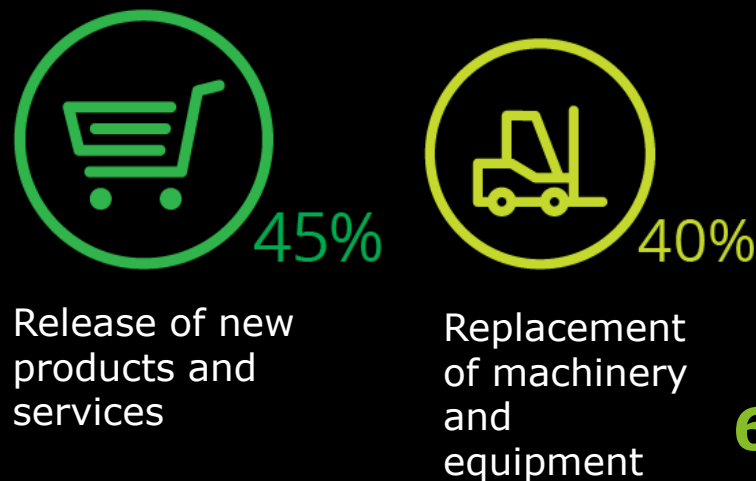
Companies estimate a gradual consistent recovery

Annual variation in investments *

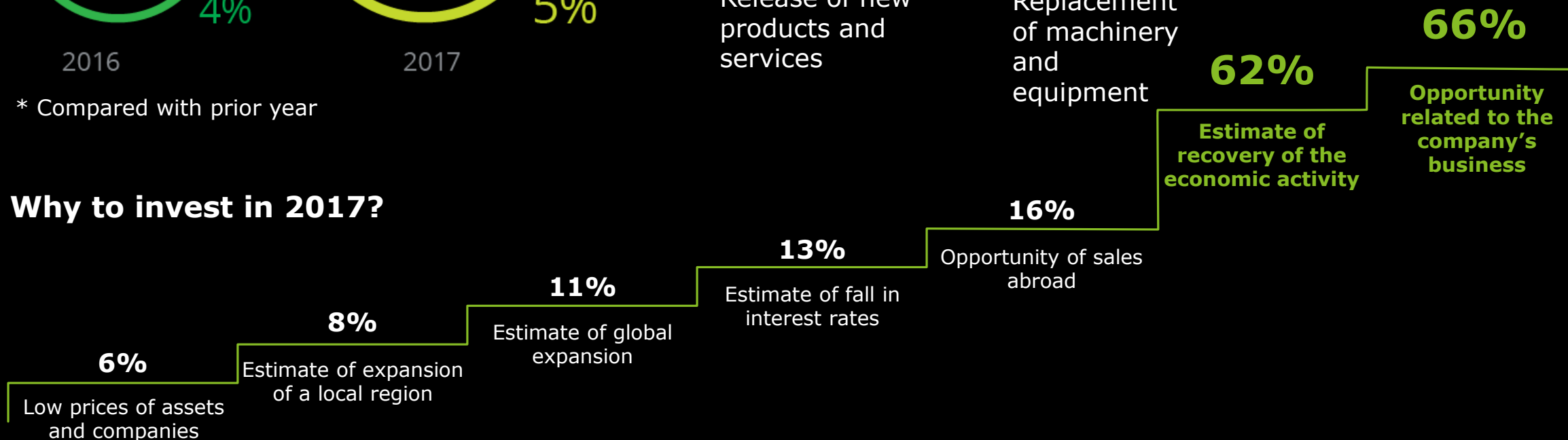


* Compared with prior year

Priorities in 2017



Why to invest in 2017?



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Expectations on investments – regions and sectors

Industries recovering



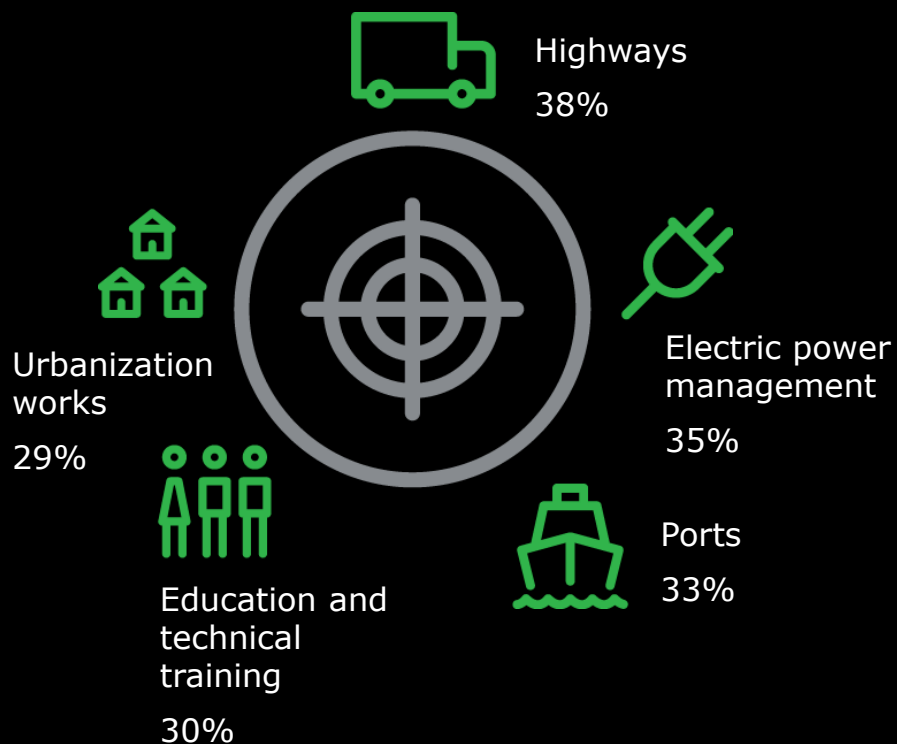
Investment

Infrastructure	5%	10%
	2016	2017
Construction	0%	5%
	2016	2017
Consumer goods	3%	5%
	2016	2017



Infrastructure

Segments that should receive more investments



* Percentage of companies that indicated each infrastructure segment

Keep on rising



Investment

Financial services	10%	10%
	2016	2017
Technology	5%	10%
	2016	2017
Health and pharmaceuticals	9%	5%
	2016	2017

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Expectations on external impacts

Factors that will most impact businesses in 2017



Relevance of global movements on companies operating in Brazil



- Increase in interest rates in the USA
- Slowdown in China
- Conflicts in the Middle East
- Withdrawal of the United Kingdom from the EU

Low or very low impact

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Capitalization

50% of the companies will not capitalize in 2017*

* mostly are small businesses

Mergers and acquisitions

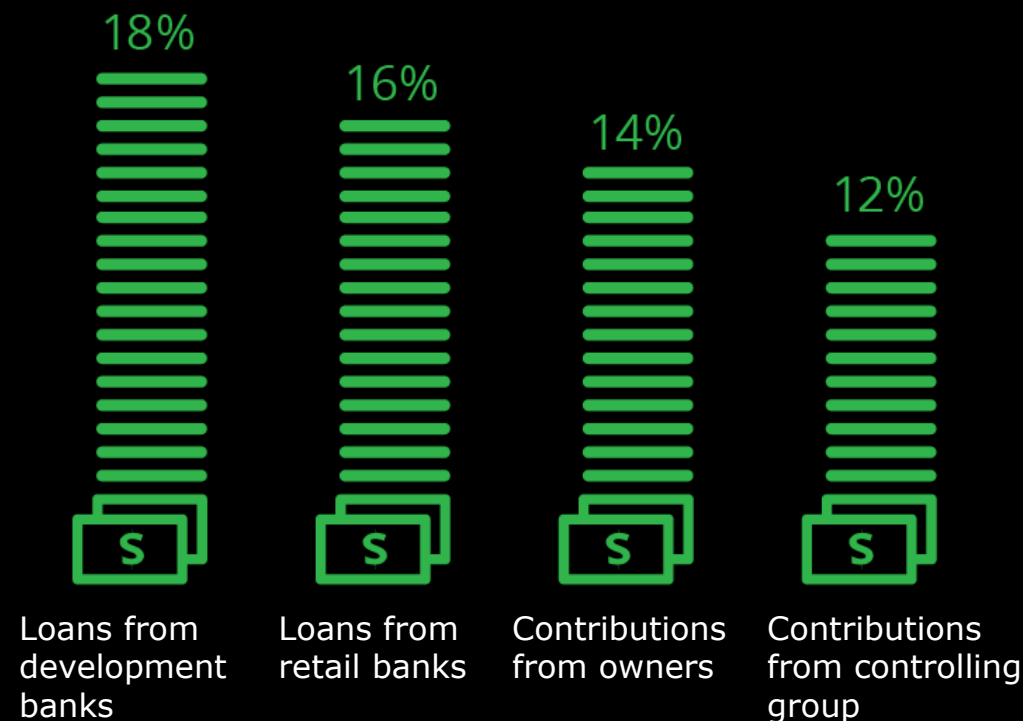


23%

Of the companies that will acquire other organizations intend to seek loans from retail banks or development banks

IPOs on the radar: companies indicate intention to use this option (especially among the largest ones of R\$ 1 billion)

How companies intend to raise funds*



* Among those that will capitalize

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Management priorities

Management priorities in 2017



Financial
management
65%



Process
management
61%



Budget
management
55%

Companies will continue prioritizing administrative financial management: focus on results and productivity

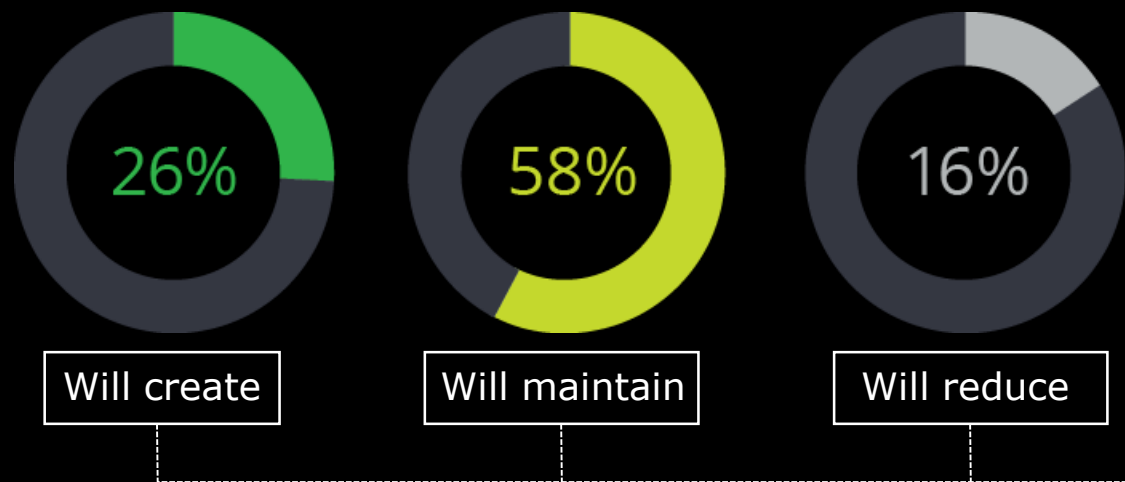


Risk management and internal control management are among the major concerns for 2017, but are not yet today at an advanced level of implementation

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Human capital

Job vacancy generation



Urgent need for companies and people to prioritize professional qualification



Among those that will create and maintain vacancies, 40% admit substituting the employee for a higher skilled professional

Companies x investments in training and qualification in 2017

38%

Increase

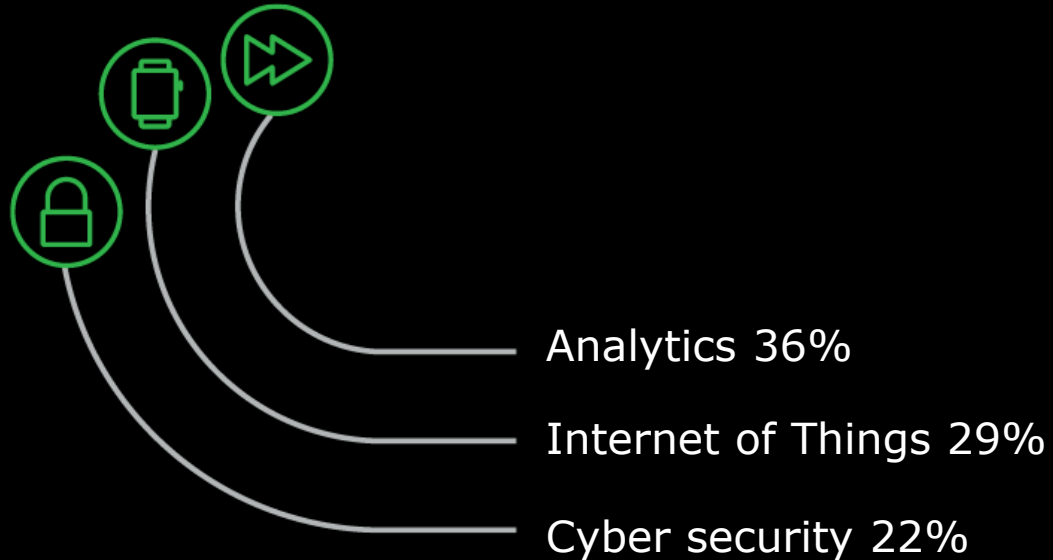
53%

Maintain

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Disruptive transformations – new priorities ahead

Priority technology fronts



Great business potential for companies to develop technologies and disruptive technologies

Others indicated	
Industry 4.0	13%
Digital health	12%
Autonomous platforms	12%
Exponential technologies	7%
Virtual and augmented reality	6%
3D printing	7%
Smart cities	5%
Bitcoins	2%
Blockchain	2%

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Disruptive transformations – a long way to go

Companies that do not know at all each topic below:



61%

Blockchain



40%

Industry 4.0



36%

Exponential
technologies

Organizations need to seriously plan how to know better, invest and incorporate these new technologies into their processes: matter of survival



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