


Deals

# 'Silent Revolution' to Fuel Brazil M&A Business for Years

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- ▶ Investment-banking boutiques gain market share over big banks
- ▶ Number of deals increases amid government privatization spree

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Ricardo Lacerda Photographer: Victor Moriyama/Bloomberg

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A "silent revolution" in Brazil will drive the mergers-and-acquisitions business for the next three years as the government privatizes state-owned assets at a pace far exceeding early estimates, according to one of the nation's top M&A advisers.

"What we've seen so far is nothing compared to what's yet to come," Ricardo Lacerda, chief executive officer of investment-banking boutique [BR Partners](#), said in an interview in Sao Paulo. "Even assets that are considered crown jewels will end up being sold."

The government has already unloaded several assets, including the \$8.6 billion sale by the state-owned oil giant [Petroleo Brasileiro SA](#) of a natural-gas pipeline unit called TAG, the biggest transaction announced this year, according to data compiled by Bloomberg. Still to come are the sale of other Petrobras subsidiaries and oil fields, contributing to the government's goal of raising at least \$20 billion from privatizations this year.

President Jair Bolsonaro has asked economy ministry's secretary for privatization and divestment, Jose Salim Mattar, to sell at least one state-owned company a week, Mattar said earlier this month. Bolsonaro took office in January, bringing with him an economic team pressing for a full-scale sell-off of state-owned holdings to help balance the budget. Some analysts speculated that Bolsonaro wasn't committed to the policy, based on his criticism of previous administrations that tried it.

But it's become clear that the president's goals are aligned with those of his economic team, said Lacerda, whose 10-year-old firm is predicting record revenue and profit this year.

"The quality of the economic team and its ideological determination to privatize, to reduce the state size, are creating very positive conditions for business," Lacerda said. "This consensus is very calming for entrepreneurs."

M&A Market

## M&A Market

The number of acquisitions in Brazil jumped to 339 so far this year, 13% more than the same period last year, according to data compiled by Bloomberg. The value of the transactions is 6% lower, at \$34.4 billion. Lacerda's BR Partners, the top M&A adviser in Brazil in the first half of the year, dropped to second for the year through Aug. 16.

Boutique advisers are gaining market share in M&A over big banks, some of which trimmed their investment-banking operations in recent years and are now prioritizing equity underwriting, according to Daniel Wainstein, Greenhill & Co.'s country head for Brazil. The firm ranks third based on number of deals, with a pipeline Wainstein called "robust."

Diogo Aragao, head of Brazil M&A at Bank of America Corp., said he expects deals in which the government sells assets in infrastructure sectors including ports, railroads, airports and logistics. The size of transactions involving the oil and gas industry will continue to rise, he said.

"Lower interest rates should fuel the acquisition-finance business, helping consolidation in sectors such as retail and health care," Aragao said.

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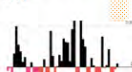
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