

October 2025

189 Mason Street
Greenwich, CT 06830



BRAZILIAN EQUITY OPPORTUNITIES

ISSUE IV

This report examines the Brazilian equity markets, their structure, constituents and metrics over time. In continuation to our earlier reports on Brazilian Equity Opportunities, we show that the Brazilian equity markets now offer a compelling investment opportunity. There are 372 actively traded companies in Brazil¹, offering a sizeable group of businesses for superior stock selection.

Brazil has a deeply rooted equity culture and B3 - BRASIL BOLSA BALCÃO, founded in 1890, has had a long history of services provided to the stock market and the Brazilian economy. In 2000, BOVESPA led a program of integration with the eight other Brazilian exchanges to concentrate all equity trading in a single environment. B3 - BRASIL BOLSA BALCÃO was founded in May 2008 with the integration between BM&F, Brazil's main derivatives exchange, and BOVESPA, the stock exchange. B3 - BRASIL BOLSA BALCÃO was created with the merger of BM&FBOVESPA with CITEP in 2017 and is the sole exchange, despite the market being open for a competitor since 2007. Stocks are exclusively traded through an exchange (Dark pools, MTFs and internalization prohibited). It is also the provider of central counterparty and securities custody services. In addition, B3 - BRASIL BOLSA BALCÃO ranks among the world's leading exchanges by market capitalization and the largest in the Americas (outside of the US).

HORIZON PROCESS

Idea generation is a rigorous and often contrarian process and adherence to fundamental discipline in volatile markets is tantamount to success. At the core of our process is identification of securities and sectors for investment along with an on-going maintenance of the valuation and event universe to provide advanced insights to unfolding investment landscapes. Some of the characteristics we look for:

- ☐ Discount to Private Trade Sale Valuations
- ☐ A margin of safety during periods of uncertainty is essential
- ☐ Attractive risk adjusted returns
- ☐ Low PEG ratio
- ☐ Strong corporate governance
- ☐ Oriented for the growth of the Brazilian economic area
- ☐ Meaningful free cashflow

The Brazilian equity market has certain attributes that allow us to believe that there are opportunities to earn risk-adjusted returns through superior stock selection using the Gabelli process. We believe that it is possible to identify pockets of value/price

¹ Data source S&P CapitalIQ (as of October 9, 2025)

misalignment especially within domestic demand led industries. Key drivers of opportunities in the Brazilian equities markets are²:

- **Portfolio diversification:** Diversification of institutional investors portfolios with a higher participation of equities
- **Retail investors:** Increasing participation of retail investors and growth of the middle class
- **Listed companies:** A low number of listed companies leading to important sectors not adequately represented on the exchange

Key drivers of opportunities in the Brazilian derivative markets are:

- **Growth of credit and fixed-rate government debt:** higher demand for hedging from financial institutions and institutional investors
- **Growth of foreign trade:** higher demand for hedging through FX contracts
- **Equities market development:** growth in demand for index-based contracts
- **OTC derivatives:** capital requirements (Basel) should benefit OTC transactions through a CCP

With secular trends led by increasing GDP, growing population and increasing disposable income among other long-term trends there are ample opportunities to invest in companies that will benefit.

² Refer to our Brazil Equity Opportunities Report 2022

BRAZIL EQUITY MARKET ANALYSIS

Trading and participation

The annual value traded on the B3 - BRASIL BOLSA BALCÃO in 2024 was USD 921 billion and the ratio of value traded to market capitalisation was 42% (Table 1a), which is below the value traded to market capitalisation ratios of other comparable markets. Both the annual value of share trading as a percentage of GDP and as a percentage of market capitalisation for Brazil have decreased since our previous report.

Table 1a: Annual value of share trading between 2014-2024 (USD Billion)

Bourse	Annual value of share trading (USD billion)			As a % of GDP			As a % of Mcap		
	2014	2019	2024	2014	2019	2024	2014	2019	2024
NASDAQ	31,044	39,683	93,927	171	186	322	445	305	307
NYSE	18,234	33,079	30,448	101	155	104	94	157	96
NSE (India) [#]	758	1,210	3,347	37	43	86	49	56	65
B3 - Brasil Bolsa Balcão	728	1,066	921	31	57	42	86	90	140
Shanghai + Shenzhen [#]	12,055	18,276	34,921	116	127	186	201	536	486
LSE Group London Stock Exchange									

[#] For McapShanghai

Source: Horizon Research, WFE, World Bank, IMF

Brazilian Equities have a P/E ratio average discount versus US equities and over the course of the past three years the average discount to the MSCI has widened (Table 1b).

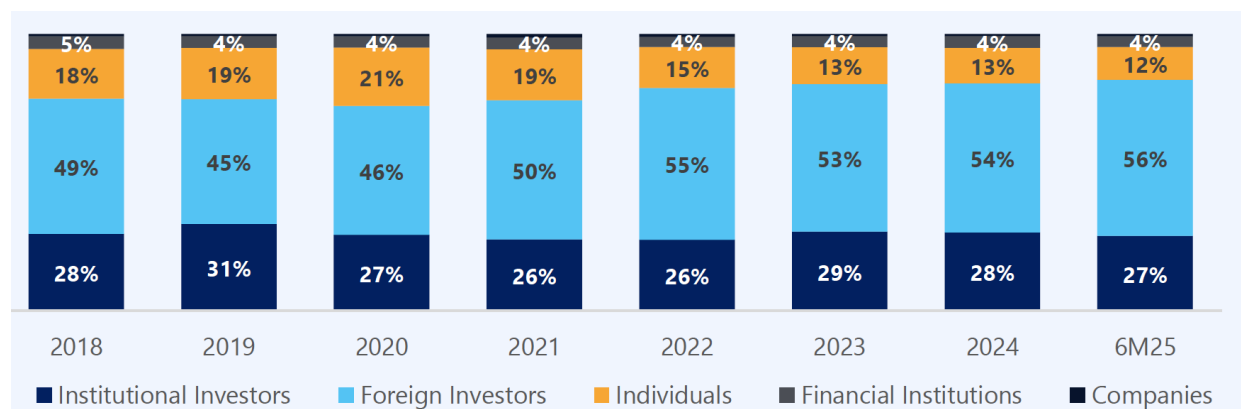
Table 1b: Brazil Equities' P/E ratio as a percentage of comparative markets

Global Market PE								Premium / (Discount) to USA						Premium / (Discount) to MSCI					
		2019 ^A	2020	2021	2022	2023	2024	2019 ^A	2020	2021	2022	2023	2024	2019 ^A	2020	2021	2022	2023	2024
USA	P/E (TTM)	20.84	35.59	26.43	23.79	21.75	24.61							39%	67%	89%	95%	48%	63%
	Forward P/E	15.38	22.40	21.30	20.18	19.57	21.49												
Brazil	P/E (TTM)	19.42	32.51	14.52	5.69	8.72	8.07	-7%	-9%	-45%	-76%	-60%	-67%	29%	53%	4%	-53%	-41%	-47%
	Forward P/E	12.95	12.55	10.94	6.81	8.18	7.09												
China	P/E (TTM)	14.55	16.39	16.39	13.24	12.82	15.45	-30%	-54%	-38%	-44%	-41%	-37%	-3%	-23%	17%	9%	-13%	2%
	Forward P/E	10.92	13.26	13.26	9.98	9.39	15.19												
India	P/E (TTM)	28.30	38.45	24.11	22.13	23.17	22.20	36%	8%	-9%	-7%	7%	-10%	88%	81%	72%	82%	58%	47%
	Forward P/E	18.81	23.90	23.32	21.69	22.05	22.05												
MSCI EM	P/E (TTM)	15.02	21.26	14.02	12.18	14.67	15.13	-28%	-40%	-47%	-49%	-33%	-39%						
	Forward P/E	12.58	15.11	12.04	11.51	11.85	11.87												
UK	P/E (TTM)	12.33	17.55	14.86	13.88	10.51	12.85	-41%	-51%	-44%	-42%	-52%	-48%	-18%	-17%	6%	14%	-28%	-15%
	Forward P/E	10.58	14.09	11.71	9.99	10.65	11.24												
Japan	P/E (TTM)	14.46	22.53	16.19	13.87	16.40	15.72	-31%	-37%	-39%	-42%	-25%	-36%	-4%	6%	15%	14%	12%	4%
	Forward P/E	12.17	18.17	13.84	11.96	13.79	14.64												

Source: Horizon Research, Bloomberg, FactSet, [www.siblisresearch.com](https://siblisresearch.com/data/emerging-markets-valuations/) <https://siblisresearch.com/data/emerging-markets-valuations/>

An analysis of trading per market participant reveals that Individual investors were once more numerous on the B3 - BRASIL BOLSA BALCÃO, accounting for as much as 31.4 per cent of market participation in January of 2010, a boom year. However, their participation has steadily declined with the stagnation of the economy and accounted for only 14.4 per cent of volumes towards the end of 2014. This increased to 18% in 2018 but has again declined to 13% in 2024. Foreign investors, by contrast, accounted for 35 per cent of Brazilian trade towards the end of 2011 and that has steadily increased to 54% in 2024.

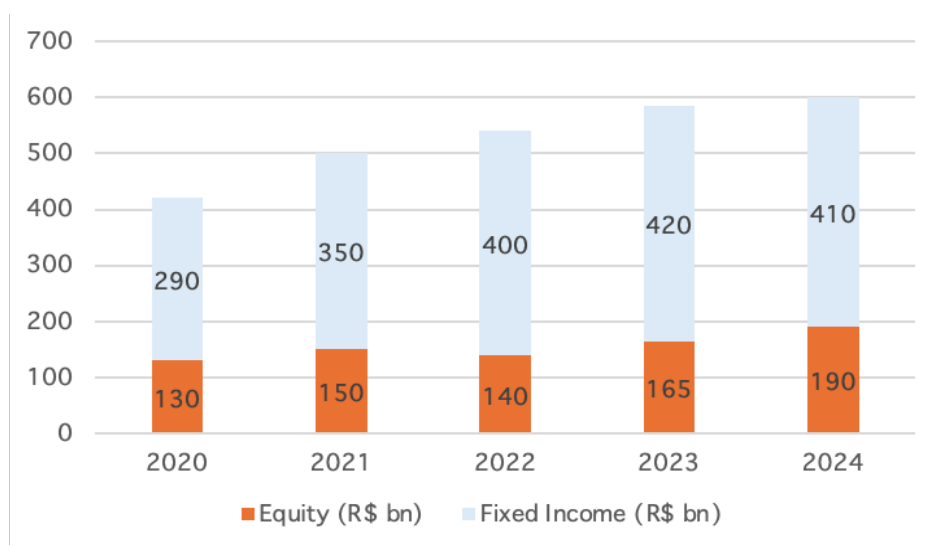
Figure 1: Investor Participation in volumes



Source: B3 - BRASIL BOLSA BALCÃO investor presentation 2Q 25

Equity capital raised in the Brazilian market has increased significantly from R\$420bn 2020 to R\$620bn in 2024 (Figure 2).

Figure 2: Capital raised in the Brazilian market (R\$ bn)



Source: B3 - BRASIL BOLSA BALCÃO investor presentation, Horizon Research

The Indices

The IBOVESPA Index was established in 1968 to serve as an average indicator of the stock market's behavior and has been calculated uninterruptedly ever since, without any methodological changes.

Ibovespa is reassessed every four months and results from a theoretical portfolio of stocks. It is comprised of stocks and units of companies listed on B3 - BRASIL BOLSA BALCÃO that meet the criteria described in its methodology, accounting for about 80% of the number of trades and the financial volume of our capital markets³.

The Ibovespa Index is used as a proxy to track the 372 listed companies and currently constitutes 82⁴ companies (October 2025) in the broad B3 - BRASIL BOLSA BALCÃO stock market. In order for a company to be included in the index, it has to be amongst the eligible stocks that account for 85% in descending order by individual tradability ratio (IN); Traded in 95% of the trading sessions; 0,1% of the value traded on the cash equity market (round lots); and not be a penny stock. The filter is adjusted quarterly, based on the latest 12 months indicators.

Between 2020 and 2024 the IBOVESPA with a 0.2% CAGR in local currency terms and (4.1)% when indexed to the USD, has underperformed almost all comparable indices. In the current year to date period, the IBOVESPA with an 17% CAGR in local currency terms and 30.7% in USD terms has Outperformed most Developed and Emerging Market indices. (Table 3).

Table 2: Performance of Brazilian Vs. International Indices (2005-2025)

Index	Index level					CAGR			
	2005	2010	2020	2024	10/2025	2005-24	2010-24	2020-24	YTD 2025
Developed Markets									
S&P 500	1,248	1,258	3,756	5,882	6,553	8.5%	11.6%	11.9%	11.4%
NASDAQ Composite	2,205	2,653	12,888	19,311	22,204	12.1%	15.2%	10.6%	15.0%
Nikkei 225	16,111	10,229	27,444	39,895	48,089	4.9%	10.2%	9.8%	20.5%
FTSE 100	5,619	5,900	6,461	8,173	9,427	2.0%	2.4%	6.1%	15.3%
Emerging Markets									
S&P BSE Sensex	9,398	20,509	47,751	78,139	82,501	11.8%	10.0%	13.1%	5.6%
Indexed in USD	209	459	652	911	929	8.1%	5.0%	8.7%	2.0%
Shanghai Composite	1,161	2,808	3,473	3,352	3,897	5.7%	1.3%	-0.9%	16.3%
Indexed in USD	144	426	533	459	547	6.3%	0.5%	-3.6%	19.0%
IBOVESPA Index	33,456	69,305	119,306	120,283	140,680	7.0%	4.0%	0.2%	17.0%
Indexed in USD	15,055	41,708	22,988	19,470	25,439	1.4%	-5.3%	-4.1%	30.7%

Source: Horizon Research, Yahoo Finance (Index level taken at the last trading day of December or first day of January of the subsequent year for NIFTY)

There is a heavy concentration of market capitalization represented through the primary indices. The stocks that participate in the Ibovespa Index represent over 91.2% (USD 712 billion) of the annual value traded on the exchange and 87% of the sum of all Ibovespa company's market capitalization. The annual value traded on the Ibovespa Index decreased from USD 1,099 billion in 2022⁵ to USD 781 billion in 2025 (Table 3a).

³ b3.com.br. *Bovespa Index*. Retrieved from https://www.b3.com.br/en_us/market-data-and-indices/indices/broad-indices/ibovespa.htm

⁴ Three companies — Petrobras, Eletrobras, and Banco Bradesco — each have two share classes included in the IBOVESPA. To avoid double counting, only one security per company has been considered.

⁵ All references to 2022 are sourced from our previous report in 2022

The balance of shares not captured by the indices equates to approximately 293 companies, and result in opportunities for superior stock selection. Our efforts emphasize valuations with catalysts, and believe that a significant portion of small and mid-caps present opportunities for investment.

The Brazilian equity market quantity of traded companies offers investment diversification opportunities within the Brazilian market itself. The Ibovespa Index also offers diversity of the market, with the Ibovespa Index comprising companies across each of the 10 broad industry segments.

Concentration offers opportunities

A closer look at the market focusing on company size helps identify divergences amongst the listed companies. The largest 100 companies by market capitalisation continue to dominate but their representation of the broad market capitalization has increased to 93% from 91% in 2021. An analysis of value traded as a percentage of total traded volume reveals that in 2021 nearly 86.6%, compared to 91.2 % currently, of the total traded volume is restricted to the largest 100 companies by market capitalisation. On an aggregate basis, these companies offer attractive values (Table 3a and 3b).

The Top 100 companies continue to outperform the other remaining companies on several metrics. Leverage, measured in terms of net debt to enterprise value, increased from 47% in 2021 to 71% (current) for the Top 100 companies but it was 148% for the bottom 124 companies.

The Top 100 companies have a ROE of 30.6%, FCF yield of 12.4% and dividend yield of 6.1%. In contrast, the bottom 113 companies have an ROE of 1.9%, FCF yield of -4.6% and dividend yield of 5.1%.

The Top 100 companies trade at a lower P/E and EV/ EBITDA multiple compared to the mid 112 and bottom 113 companies. As investors, we find opportunities masked in the aggregates and underscore that these broad differences provide opportunities in individual stock selection.

Table 3a: Analysis of performance highlights by market capitalization - 2025

Annualized (T. Return)																					
BY MARKET CAPITALISATION	Number of Co's	Market Cap (USD BN)	Mcap, % of All Stocks	Enterprise Value (USD BN)	Net Debt (USD BN)	Netd/ Debt/ EV	ROE: 2024	FCF Yld: 2024	Dvd Yld: 2022	Dvd Yld: 2023	Dvd Yld: 2024	P/E: 2024	EV/ EBITDA: 2024	P/BV: 2024	PEG Ratio	5-Year	1-Year	EPS T12M	Est.	Value Traded, % of All Stocks	Annual Value Traded, % of MCap
																			Annual Value Traded (USD BN)		
IBOVESPA STOCKS**	79	732	87%	820	605	74%	17.3%	5.5%	9.4%	7.3%	6.1%	10.4	4.8	1.6	0.8	14.3%	13.5%	0.7	712	91.2%	97.2%
All Brazil traded equities	372	846	100%	1,023	724	71%	19.6%	4.6%	8.7%	6.9%	5.9%	11.0	4.9	1.7	0.7	12.9%	12.9%	0.6	781	100.0%	92.4%
Top 10 Companies	10	409	48%	320	417	131%	16.2%	5.6%	14.3%	9.9%	8.1%	10.6	4.5	1.7	0.6	18.2%	11.5%	0.7	280	35.9%	68.4%
Top 25 Companies	25	591	70%	531	483	91%	17.2%	5.6%	10.8%	8.1%	6.8%	10.9	4.7	1.7	0.8	16.7%	14.9%	0.7	448	57.4%	75.9%
Top 50 Companies	50	705	83%	720	548	76%	18.0%	5.1%	9.5%	7.3%	6.3%	10.9	4.8	1.7	0.7	15.0%	13.9%	0.6	592	75.8%	84.0%
Top 100 Companies	100	791	93%	907	644	71%	20.4%	4.9%	9.1%	7.1%	6.1%	11.0	4.9	1.7	0.7	13.8%	12.9%	0.6	713	91.2%	90.1%
Top 200 Companies	200	838	99%	1,002	704	70%	19.8%	4.8%	8.8%	6.9%	6.0%	11.0	4.9	1.7	0.7	13.0%	12.7%	0.6	776	99.4%	92.6%
Top 124 Companies	124	811	96%	943	668	71%	20.2%	4.8%	9.0%	7.0%	6.0%	11.0	4.9	1.7	0.7	13.6%	12.7%	0.6	739	94.6%	91.1%
Mid 124 Companies	124	33	4%	69	40	58%	7.4%	3.7%	3.6%	3.6%	3.9%	-46.7	7.0	1.3	0.2	-2.7%	10.8%	0.2	41	5.3%	126.5%
Bottom 124 Companies	124	2	0%	11	16	148%	6.0%	-68.2%	1.7%	1.8%	1.3%	-2.0	-9.8	-4.3	-	-7.5%	115.1%	2.1	1	0.2%	55.1%

Source: Horizon Research, Bloomberg

Table 3b: Analysis of performance highlights by market capitalization - 2021

BY MARKET CAPITALISATION	Number of Co's	Market Cap (USD MN)	Mcap as a % of All Stocks	Enterprise Value (USD MN)	Net Debt (USD MN)	Debt/ EV	ROE: 2021	FCF Yld: 2021	Dvd Yld: 2021	P/E: 2021	EV/ EBITDA: 2021	P/BV: 2021	PEG Ratio	Total Return: Y-5 (I)	Total Return: Y-1 (I)	EPS T12M	Annual Value Traded (USD MN)	Value Traded as % of All Stocks	Annual Value Traded to Market Cap
Ibovespa	85	696,072	83%	1,322,145	626,073	47%	32.3%	14.2%	6.4%	14.5	7.0	2.4	0.5	195%	-4.8%	1.3	990,158	90.1%	142.2%
All Brazil traded equities, Cap Wgt.	337	840,803	100%	1,565,215	724,412	46%	28.6%	11.2%	6.0%	15.2	7.6	2.6	0.5	188%	-5.6%	1.1	1,098,616	100.0%	130.7%
Top 10 Companies	10	385,667	46%	851,738	466,070	55%	29.5%	16.9%	7.6%	8.6	5.1	2.1	0.6	208%	1.6%	1.7	435,945	39.7%	113.0%
Top 25 Companies	25	543,787	65%	1,084,933	541,147	50%	35.2%	14.3%	6.7%	11.0	6.0	2.4	0.6	186%	-0.8%	1.5	589,953	53.7%	108.5%
Top 50 Companies	50	665,080	79%	1,263,920	598,841	47%	32.8%	13.8%	6.3%	14.3	6.8	2.6	0.6	199%	-2.6%	1.3	774,564	70.5%	116.5%
Top 100 Companies	100	767,210	91%	1,424,860	657,649	46%	30.6%	12.4%	6.1%	14.3	7.2	2.6	0.5	198%	-4.1%	1.2	951,159	86.6%	124.0%
Top 200 Companies	200	829,633	99%	1,541,108	711,475	46%	28.9%	11.4%	6.0%	15.1	7.5	2.6	0.5	189%	-5.2%	1.1	1,067,097	97.1%	128.6%
Top 112	112	779,850	93%	1,448,138	668,288	46%	30.3%	12.2%	6.0%	14.4	7.3	2.6	0.5	196%	-4.2%	1.2	967,752	88.1%	124.1%
Mid 112	112	54,633	6%	99,389	44,757	45%	6.5%	-0.9%	6.6%	27.4	11.4	2.0	0.1	89%	-22.0%	0.3	114,847	10.5%	210.2%
Bottom 113	113	6,320	1%	17,688	11,368	64%	1.9%	-4.6%	5.1%	13.6	12.7	1.9	-	77%	-34.9%	0.3	16,018	1.5%	253.4%

Source: Horizon Research, Bloomberg

iBovespa securities

There is an increasing dominance of iBovespa securities, which are relatively larger in terms of their size and trading volume, in most of the industries (Table 4a and 4b). For instance, 17 iBovespa securities accounted for 69% (compared to 64% in 2021) of the total market capitalisation of USD 47 billion of 84 companies in consumer discretionary industry. A similar trend with even larger percentages is seen in basic materials, energy, financials and industrials.

In addition, we observe that the market capitalisation of a small number of companies within each industry sector constitute a majority of that industry sectors broad market capitalisation. For example, in the broad market there are 8 energy companies of which 4 companies constitute almost 100% of the market capitalisation. This trend is repeated in the Healthcare industry where 4 companies out of 16 healthcare companies in the broad market constitute 87% of the market capitalization (Table 4b).

Table 4a: Concentration of market capitalisation by industry - 2021

BY SECTOR	BROAD MARKET		iBOVESPA Index		Market Cap of iBOVESPA securities as a % of the broad market
	Number of securities	Cap in USD MN	Number of securities	Market Cap in USD MN	
Materials	29	147,889	10	136,549	92%
Consumer Staples	26	98,823	11	88,394	89%
Consumer Discretionary	72	42,338	14	27,062	64%
Financials	39	199,633	11	184,306	92%
Health Care	17	34,713	5	27,231	78%
Industrials	54	65,891	9	47,224	72%
Energy	12	111,084	5	97,457	88%
Information Technology	14	10,703	4	6,302	59%
Communication Services	13	24,247	3	21,703	90%
Real Estate	22	9,804	3	4,878	50%
Utilities	39	95,676	10	54,964	57%

Source: Horizon Research, Bloomberg

Table 4b: Concentration of market capitalisation by industry - 2025

BY INDUSTRY	BROAD MARKET		IBOVESPA STOCKS		Market Cap of securities as a % of the broad market
	Number of securities	Market Cap in USD MN	Number of securities	Market Cap in USD MN	
Communication Services	17	32,893	2	31,297	95%
Consumer Discretionary	84	47,480	17	32,537	69%
Consumer Staples	25	58,956	8	49,707	84%
Energy	8	87,460	4	87,389	100%
Financials	41	269,776	11	258,481	96%
Health Care	16	28,964	4	25,104	87%
Industrials	57	80,876	7	61,291	76%
Information Technology	10	6,792	1	5,064	75%
Materials	30	85,255	10	80,440	94%
Real Estate	47	11,905	3	6,384	54%
Utilities	37	135,307	12	94,725	70%

Source: Horizon Research, Bloomberg

Industry sectors oriented for growth

The financials, materials, utilities and energy industries are amongst the largest industry sectors by market capitalisation in the Brazilian equity market with respective participation of 32%, 10%, 16% and 10%. We observed a marginal increase in the domination of financials and utilities industry as they accounted for 24% and 11% of the total market capitalization of Brazilian equity market in 2021.

Each sector of the Brazilian market has its particular economics, and it would not always be accurate to compare two industries using the same financial indicator. However, certain trends are discernible when we analyze performance highlights by industry grouping (Table 5a & 5b).

Table 5a: Analysis of performance highlights by industry - 2021

BY INDUSTRY	Number of Co's	Market Cap (USD MN)	Mcap as a % of All Stocks	Enterprise Value (USD MN)	Net Debt (USD MN)	Debt/ EV	ROE: 2021	FCF Yld: 2021	Dvd Yld: 2021	P/E: 2021	EV/ EBITDA 2021	P/BV: 2021	Total Return: Y-5 (I)	Total Return: Y-1 (I)	EPS T12M	Annual Value Traded (USD MN)	Value Traded as % of All Stocks	Annual Value Traded to MCap
Materials	29	147,889	18%	183,726	35,836	20%	76%	26%	11%	4	3	2.5	313%	-7%	3.4	273,250	24.9%	184.8%
Consumer Staples	26	98,823	12%	134,396	35,573	26%	25%	7%	4%	18	9	3.1	87%	-14%	0.5	91,925	8.4%	93.0%
Consumer Discretionary	72	42,338	5%	64,607	22,269	34%	7%	-1%	2%	27	18	2.9	52%	-44%	0.2	123,961	11.3%	292.8%
Financials	39	199,633	24%	646,177	446,544	69%	19%	2%	5%	11	4	1.8	129%	-14%	0.5	173,956	15.8%	87.1%
Health Care	17	34,713	4%	48,501	13,788	28%	12%	1%	2%	44	18	4.4	7%	-39%	0.1	24,991	2.3%	72.0%
Industrials	54	65,891	8%	105,222	39,331	37%	19%	-9%	1%	46	17	5.3	201%	-18%	0.3	107,543	9.8%	163.2%
Energy	12	111,084	13%	166,777	55,692	33%	25%	35%	8%	6	4	1.5	369%	42%	1.7	186,549	17.0%	167.9%
Information Technology	14	10,703	1%	11,667	964	8%	12%	1%	2%	22	23	2.9	60%	-20%	0.1	21,784	2.0%	203.5%
Communication Services	13	24,247	3%	34,001	9,754	29%	4%	7%	3%	19	5	1.2	70%	6%	0.5	24,780	2.3%	102.2%
Real Estate	22	9,804	1%	14,676	4,872	33%	7%	3%	20%	31	15	1.2	60%	-22%	0.2	16,358	1.5%	166.8%
Utilities	39	95,676	11%	155,465	59,789	38%	14%	11%	8%	9	8	2.7	189%	5%	0.6	53,521	4.9%	55.9%

Source: Horizon Research, Bloomberg

Table 5b: Analysis of performance highlights by industry - 2025

														Annualized (T. Return)						Est. Annual	Value	Annual
			Mcap,	Enterprise		Nedt	FCF	Dvd	EV/								EPS	Value	Value	Value		
	Number	Market Cap	% of All	Value	Net Debt	Debt/	ROE:	Yld:	Yld:	P/E:	EBITDA:	P/BV:	PEG	5-Year	1-Year	T12M	Traded (USD	Traded, %	Traded, %	Traded, %		
BY MARKET CAPITALISATION	of Co's	(USD MN)	Stocks	(USD MN)	(USD MN)	EV	2024	2024	2024	2024	2024	2024	Ratio					MM)	of All	of MCap		
Communication Services	17	32,893	4%	39,519	6,358	16%	9.1%	7.5%	2.4%	19.8	6.9	2.0	0.9	15.0%	33.2%	0.3	16,822	2.2%	2.2%	51.1%		
Consumer Discretionary	84	47,480	6%	99,767	45,689	46%	15.7%	4.5%	4.6%	13.4	6.7	1.5	0.6	-1.9%	17.7%	0.4	115,675	14.8%	14.8%	243.6%		
Consumer Staples	25	58,956	7%	84,513	22,270	26%	6.7%	8.9%	3.9%	13.6	6.7	2.3	1.2	1.1%	1.0%	0.2	58,487	7.5%	7.5%	99.2%		
Energy	8	87,460	10%	155,758	66,411	43%	12.3%	10.2%	16.6%	11.0	3.8	1.3	0.0	35.3%	-8.5%	1.1	76,352	9.8%	9.8%	87.3%		
Financials	41	269,776	32%	65,214	367,880	564%	21.1%	1.3%	5.8%	10.2	17.2	2.0	0.6	15.7%	22.1%	0.5	181,453	23.2%	23.2%	67.3%		
Health Care	16	28,964	3%	37,488	7,679	20%	12.0%	5.2%	1.2%	25.4	11.3	3.2	0.7	-9.7%	16.3%	0.2	30,502	3.9%	3.9%	105.3%		
Industrials	57	80,876	10%	139,498	55,942	40%	16.5%	3.4%	2.3%	27.8	14.9	5.5	1.0	7.6%	-6.9%	0.3	93,638	12.0%	12.0%	115.8%		
Information Technology	10	6,792	1%	7,120	189	3%	13.1%	1.7%	1.4%	36.3	24.7	5.8	0.9	4.4%	36.2%	0.2	10,622	1.4%	1.4%	156.4%		
Materials	30	85,255	10%	153,640	62,181	40%	40.7%	8.8%	7.5%	8.9	4.7	1.4	0.1	6.8%	-0.3%	0.8	100,702	12.9%	12.9%	118.1%		
Real Estate	47	11,905	1%	16,508	6,707	41%	12.5%	4.3%	3.6%	12.4	11.1	1.5	0.7	9.2%	20.8%	0.5	14,554	1.9%	1.9%	122.2%		
Utilities	37	135,307	16%	223,969	83,050	37%	22.2%	3.0%	4.2%	10.6	8.1	1.4	1.1	15.1%	24.7%	0.8	82,209	10.5%	10.5%	60.8%		

Source: Horizon Research, Bloomberg

The basic materials industry, which includes chemicals, metals and mining, construction material, etc., represents 10% of all market capitalization and 12.9% of value traded. In contrast, the basic materials industry represented 18% of all market capitalization and 24.9% of value traded in 2021. The sector's net debt to enterprise value has increased from 40% in 2025 to 20% in 2021. The 2024 ROE of the sector is 41%, FCF yield is 8.8% and the dividend yield is 7.5%. The sector trades at a P/E of 8.9x and 4.7x 2024 EV/EBITDA. The 2021 ROE of the sector was 76%, FCF yield was 26% and the dividend yield was 11%. The sector traded at a P/E of 4x and 3x 2021 EV/EBITDA.

The consumer staples industry represents 7% of market capitalization and 7.5% of traded volume. In contrast, the consumer staples industry represented 12% of market capitalization and 8.4% of traded volume in 2021. The FCF yield and dividend yield of the sector is currently 8.9% and 3.9% as compared to 7% and 4% in 2021. The sector trades at a 2024 P/E ratio of 13.6x and 6.7x EV/EBITDA. In comparison, the consumer staples industry currently trades at a 2021 P/E ratio of 18x and 9x EV/EBITDA. These disconnects in financial ratios versus the index respond to secular trends in the sector (e.g. increasing disposable income leading to higher demand).

The consumer discretionary industry represents 6% of all market capitalization and 14.8% of value traded. In contrast, the consumer discretionary industry represented 5% of all market capitalisation and 11.3% of value traded in 2021. The leverage of the industry increased substantially as indicated by the change in net debt to enterprise value from 20% in 2021 to 46% currently. The consumer discretionary industry has a 2024 ROE of 15.7%, with FCF yield of 4.5% and dividend yield of 4.6%. In comparison, it had a 2021 ROE of 7%, with FCF yield of -1% and dividend yield of 2%. The consumer discretionary industry has seen a contraction in valuation multiples with P/E increasing from 27x in 2021 to 13.4x in 2021.

The financials industry, which includes banks, asset management, mortgage finance and thrifts represents 32% of all market capitalization and 23.2% of value traded. The ROE of the sector increased from 19% in 2021 to 21.1% in 2024 and the dividend yields increased from 5% to 5.8% during the same period. The sector P/E increased to 10.2x in 2024 from 11x in 2021, and the P/B ratio increased from 1.8x in 2021 to 2x in 2024.

The healthcare industry represents 3% of the total market capitalization and 3.9% of total value traded. In comparison, it represented 4% of the total market capitalization

and 2.3% of total value traded in 2021. The ROE and dividend yield remained stable from 12% and 2% in 2021 to 12% and 1.2% in 2024, FCF yield decreased from 6.6% in 2021 to 5.2% in 2024. The sector traded at 2024 P/E of 25.4x (44x in 2021) and 2021 EV/EBITDA of 11.3x (18x in 2021).

The Industrials industry represents 10% of market capitalization and 12% of traded volume. In contrast, Industrials represented 8% of all Brazilian market capitalization and 9.8% of all value traded in 2021. The sector has a net debt to enterprise value of 40%, compared to 37% in 2021. ROE and dividend yield of the sector is 16.5% and 2.3% compared to 19% and 1% in 2021. Industrials traded at 2024 P/E of 28x (46x in 2021) and 15x 2024 EV/EBITDA (17x in 2021).

The Energy industry, which includes oil, gas and coal exploratory companies and allied services, represents 10% of all market capitalization and 9.8% of value traded. In contrast, it represented 13% of all market capitalization and 17% of value traded in 2021. The energy industry has a 43% net debt to enterprise value ratio. The energy industry has a 2024 ROE of 12.3%, with FCF yield of 10% and dividend yield of 16.6% and in comparison, had a 2021 ROE of 25%, with FCF yield of 35% and dividend yield of 8%. The energy industry is trading at 11x 2021 P/E (6x 2021) and 3.8x 2021 EV/EBITDA (5.5x 2021).

The Technology industry represents 1% of all market capitalization and 1.4% of value traded. In contrast, it represented 1% of all market capitalization and 2% of value traded in 2021. The sector has net debt to enterprise value of 3%, which decreased from 8% in 2021. The 2024 ROE of the sector is 13.1% (12% in 2021), 2024 FCF yield is 1.7% (1% in 2021) and 2024 dividend yield is 1.4% (1% in 2021). The technology industry traded at a 2024 P/E of 36x (2021 P/E of 22x).

The Telecommunication industry represents 4% of all Brazilian market capitalization and 2.2% of all value traded. In contrast in 2021, it represented 3% of all Brazilian market capitalization and 2.3% of all value traded. The sector has a net debt to enterprise value of 16%, which decreased from 29% in 2021. The ROE of the sector increased from 9.1% in 2015 in 4% in 2021. The 2024 FCF yield of the sector is 7.5% (7% in 2021) and the 2024 dividend yield is 2.4% (3% in 2021). The Telecommunication industry has seen consistent valuation multiples with P/E and EV/EBITDA at 19.8x and 6.9x in 2024 and at 19x and 5x in 2021.

The Real Estate industry represents 1% of all market capitalization and 1.9% of value traded. The sector's net debt to enterprise value was 41%. The 2021 ROE of the sector was -7%, FCF yield was 3% and the dividend yield was 20%. In comparison the current ROE of the sector is 12.5%, FCF yield is 4.3% and the dividend yield is 3.6%. The sector traded at 2021 P/E of 31x and 15x 2021 EV/EBITDA and currently trades at 2024 P/E of 12.4x and 11.1x 2024 EV/EBITDA.

The utilities industry, which includes independent power producers & energy traders, electric, water and gas utilities represents 16% of all market capitalization and 10.5% of value traded. In contrast in 2021, it represented 11% of all market capitalization and 4.9% of value traded. The sector has net debt to enterprise value of 37.0%, marginally decreasing from 38% in 2021. The ROE of the sector increased to 22% in 2021 from

14% in 2021. The FCF yield and dividend yield was 11% and 8% in 2021 and 3% and 4.2% in 2024. The sector traded at 2024 P/E of 10.6x (9x 2021) and 8.1x 2024 EV/EBITDA (8x 2021).

THE BRAZILIAN ECONOMY

Brazilian GDP (at current USD) has decreased from USD 2,412 billion in 2012 to USD 2,171 billion in 2024, the total market capitalisation to GDP ratio is above global levels leading to higher valuations in the Indian equity markets. Indian broad market capitalization of USD 5,131 billion in 2024 represented 131% of Indian GDP. This was above the long-term average trend. In comparison, the ratio of US and China market capitalization to GDP in 2024 was 213% and 38% (Table 6a).

Table 6a: Market Capitalisation to GDP ratio

	GDP			Market Cap			Market Capitalisation/GDP		
	2012	2019	2024	2012	2019	2024	2012	2019	2024
USA	16,768	21,381	29,185	18,668	34,086	62,186	111%	159%	213%
India	1,836	2,836	3,909	1,139	2,163	5,131	62%	76%	131%
Brazil	2,412	1,873	2,171	1,020	1,187	659	42%	63%	30%
China	8,387	14,341	18,748	3,949	3,410	7,186	47%	24%	38%

Source: Horizon Research, Bloomberg, World Bank data, WFE. For MCap China Shanghai only, India NSE only

Brazilian GDP (at current USD) has decreased from USD 2,412 billion in 2012 to USD 2,171 billion in 2024. The total market capitalisation to GDP ratio is below global levels leading to lower valuations in the Brazilian equity markets. Brazilian broad market capitalisation of USD 659 billion in 2024 represents 30% of Brazilian GDP. This is below the long-term average trend and is lower than the recent peak in 2010 of 70%. In comparison, the ratio of US, China and India market capitalisation to GDP in 2021 are higher (Table 6a).

We believe Brazilian GDP will continue to grow at it's an average of 3-4% in the long term, which will provide an added impetus to companies across capitalisation and industry sectors.

EXPANDING EQUITY UNIVERSE

Over the past decade, equity market capitalisation has increased meaningfully in several emerging markets, with the most substantial growth observed in China and India. (Chart 1).

This growth is mirrored in the number of listed companies, where India and China have shown the largest gains (Chart 2). Changes in the number of listed companies reflect both new issuances and delistings, making this a useful indicator of net growth in market depth. In contrast, some developed markets, such as London, have seen limited listings activity in recent years. We believe this highlights a broader and expanding universe of opportunities for stock selection in emerging markets.

Chart 1: Global Equity Market Capitalizations⁶ (USD mn)

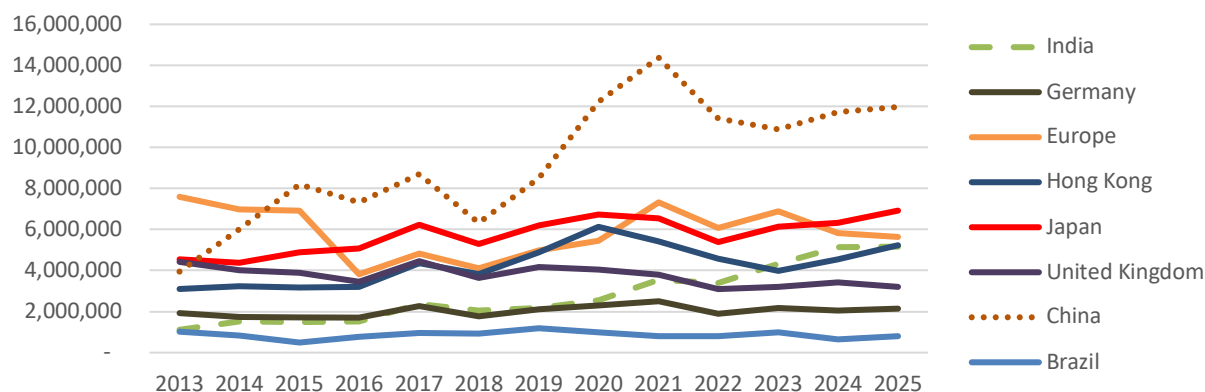
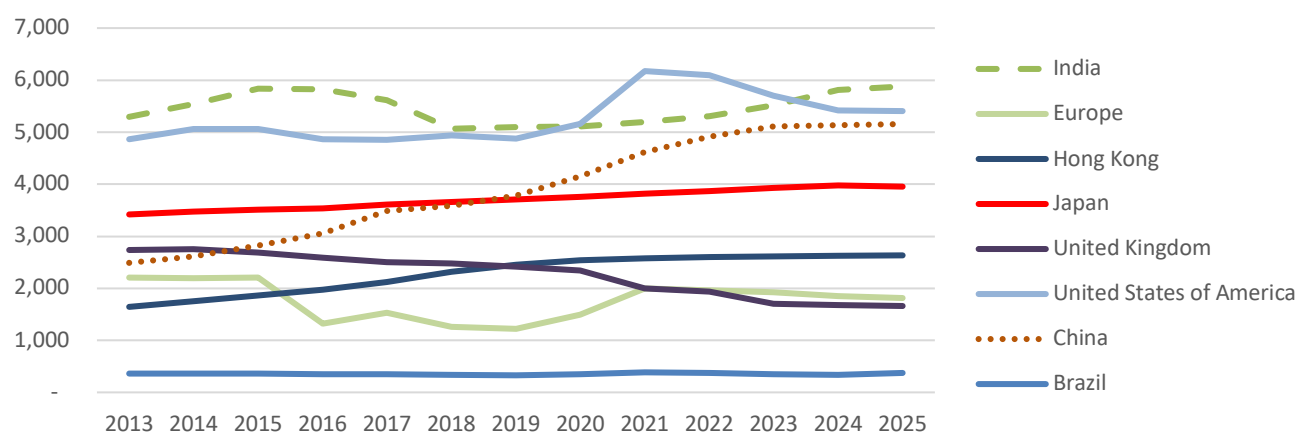


Chart 2: Global Equity Markets - Number of Listed Companies⁷



⁶ International Monetary Fund, World Economic Outlook Database, April 2025, accessed July 10, 2025, <https://www.imf.org/en/Publications/WEO/weo-database/2025/april/download-entire-database>

⁷ World Federation of Exchanges, WFE Statistics Database, accessed July 10, 2025, <https://statistics.world-exchanges.org/ReportGenerator/Generator>

Manjit Singh Kalha, the analyst who prepared this report, hereby certify that the views expressed in this report accurately reflect the analyst's personal views about the subject companies and their securities. The Research Analyst has not been, is not and will not be receiving direct or indirect compensation for expressing the specific recommendation or view in this report.

Manjit Singh Kalha, Managing Director

Horizon Research 2025

Important Disclosures

A 34 Mohan Cooperative, Mathura Road New Delhi 110044 **Horizon Research TEL (+91 11) 9810023768**

Horizon Research ("we" or "us") attempts to provide timely, value-added insights into companies or industry dynamics for institutional investors. Our research reports generally contain a recommendation of "buy," "hold," "sell" or "non-rated." We do not undertake to "upgrade" or "downgrade" ratings after publishing a report.

Ratings

Analysts' ratings are largely (but not always) determined by our "private market value," or PMV methodology. Our basic goal is to understand in absolute terms what a rational, strategic buyer would pay for an asset in an open, arms-length transaction. At the same time, analysts also look for underlying catalysts that could encourage those private market values to surface.

A **Buy** rated stock is one that in our view is trading at a meaningful discount to our estimated PMV. We could expect a more modest private market value to increase at an accelerated pace, the discount of the public stock price to PMV to narrow through the emergence of a catalyst, or some combination of the two to occur.

A **Hold** is a stock that may be trading at or near our estimated private market value. We may not anticipate a large increase in the PMV, or see some other factors at work.

A **Sell** is a stock that may be trading at or above our estimated PMV. There may be little upside to the value, or limited opportunity to realize the value. Economic or sector risk could also be increasing.

We prepared this report as a matter of general information. We do not intend for this report to be a complete description of any security or company and it is not an offer or solicitation to buy or sell any security. All facts and statistics are from sources we believe to be reliable, but we do not guarantee their accuracy. We do not undertake to advise you of changes in our opinion or information. Unless otherwise noted, all stock prices reflect the closing price on the business day immediately prior to the date of this report. We do not use "price targets" predicting future stock performance. We do refer to "private market value" or PMV, which is the price that we believe an informed buyer would pay to acquire 100% of a company. There is no assurance that there are any willing buyers of a company at this price and we do not intend to suggest that any acquisition is likely. Additional information is available on request.

Disclosure of interest:

- Neither Horizon Research nor its affiliates received any compensation from the company (s) covered herein in the past twelve months for Issue Management, Mergers & Acquisitions, Buyback of shares and other corporate advisory services.
- Affiliates of Horizon Research are currently not having any mandate from the subject company (s).
- The Equity Analyst holds no shares of the company (s) covered as on the date of publication of the research.
- Directors of Horizon Research do not hold shares of the company (s).