Entrepreneurship in Brazil – perspectives from the ground
ENDEAVOR MULTIPLIES THE GROWTH POTENTIAL OF ENTREPRENEURS IN BRAZIL
ENDEAVOR GLOBAL NETWORK

28 COUNTRIES
GOVERNANCE

Our Board

- FÁBIO BARBOSA
- BETO SICUPIRA
- JORGE PAULO LEMANN
- LAÉRCIO COSENTINO
- NELSON SIROTSKY
- PAULO CÉZAR ARAGÃO
- MARIA SILVIA BASTOS MARQUES
- PEDRO PASSOS
- RODRIGO GALINDO
- ROMERO RODRIGUES
- SONIA HESS
- TIAGO MENDONÇA
STARTING FROM A HANDBUFUL OF SELECTED ENTREPRENEURS, WE OUTREACH LEARNINGS AND INSIGHTS THAT CAN IMPACT THE BUSINESS ECOSYSTEM AS A HOLE

1. A FEW HIGH POTENTIAL ENTREPRENEURS ARE SELECTED AND SUPPORTED TO BECOME ROLE MODELS

2. LEARNINGS AND INSPIRING STORIES FROM OUR NETWORK ARE DISSEMINATED ONLINE TO THOUSANDS

3. THE MAIN BARRIERS FOR GROWTH ARE MAPPED SO WE CAN ADVOCATE FOR A BETTER BUSINESS ENVIRONMENT
Our portfolio of 61 companies from different sectors and regions of the country is performing well above the average of the Brazilian Economy over the last 5 years.
ADVOCACY FOR WHAT?
LACK OF MIDDLE-SIZED FIRMS

Active firms in Brazil, 2015

<table>
<thead>
<tr>
<th># of firms (k)</th>
<th>CAGR 12-15 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No employees</td>
<td>0</td>
</tr>
<tr>
<td>1 - 9 employees</td>
<td>-3</td>
</tr>
<tr>
<td>+10 employees</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>-3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>No employees</th>
<th>4,552</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 9 employees</td>
<td>2,077 (46%)</td>
</tr>
<tr>
<td>+10 employees</td>
<td>476 (10%)</td>
</tr>
</tbody>
</table>

# of firms with 10+ employees - US & Germany

US: 1.2 MM (out of 5.6 MM)
Germany: 450 K firms (out of 2.5 MM)

Source: IBGE
LACK OF PERFORMANCE

**Concept: high growth firms (HGF)**
- Growth: >20% in number of employees for 3 years in a row
- 10+ employees

**HGF Evolution**

*Only 26k HGFs – 0.6% of total*

<table>
<thead>
<tr>
<th>Year</th>
<th># high growth firms (k)</th>
<th>% total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>31</td>
<td>0.8%</td>
</tr>
<tr>
<td>2009</td>
<td>31</td>
<td>0.7%</td>
</tr>
<tr>
<td>2010</td>
<td>33</td>
<td>0.7%</td>
</tr>
<tr>
<td>2011</td>
<td>35</td>
<td>0.8%</td>
</tr>
<tr>
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<td>35</td>
<td>0.7%</td>
</tr>
<tr>
<td>2013</td>
<td>33</td>
<td>0.7%</td>
</tr>
<tr>
<td>2014</td>
<td>31</td>
<td>0.6%</td>
</tr>
<tr>
<td>2015</td>
<td>26</td>
<td></td>
</tr>
</tbody>
</table>

*Less than 10% of HGF’s keep growing for 6 years*

<table>
<thead>
<tr>
<th>Year</th>
<th>Continuous High Growth (# de HGF’s for 6 years in a row)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>31, 94% (2)</td>
</tr>
<tr>
<td>2009</td>
<td>31, 97% (3)</td>
</tr>
<tr>
<td>2010</td>
<td>33, 91% (3)</td>
</tr>
<tr>
<td>2011</td>
<td>35, 92% (3)</td>
</tr>
<tr>
<td>2012</td>
<td>35, 94% (2)</td>
</tr>
</tbody>
</table>

Source: IBGE
~30-50% of Brazilian entrepreneurs start a business necessity driven…

Entrepreneurs motivation in Brazil, 2010 - 2016

Necessity-driven
- 40% 10
- 40% 11
- 34% 12
- 33% 13
- 33% 14
- 47% 15
- 50% 16

Opportunity-driven
- 60% 10
- 60% 11
- 66% 12
- 67% 13
- 67% 14
- 53% 15
- 50% 16

Ranking
Brazil #
35
35
33
36
37
53
57

# of countries:
59
55
67
70
70
60
64

Crisis

…with a higher level of necessity based entrepreneurship than other countries

Entrepreneurs motivation, selected countries (2016, %)

Necessity based
- 59% Jamaica
- 56% Brasil
- 56% Indıa
- 50% China
- 45% Israel
- 40% Chile
- 28% Peru
- 16% USA
- 14% França
- 14% Georgia

Opportunity based
- 41% Jamaica
- 44% Brasil
- 44% Indıa
- 50% China
- 55% Israel
- 60% Chile
- 72% Peru
- 84% USA
- 86% França
- 86% Cazaquistão

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LACK OF AMBITION

~4-10% of brazilian entrepreneurs have growth aspirations …

% of new entrepreneurs with plans to hire more than 5 employees over the next 5 years

...demonstrating a lower level of ambition compared to most of the countries

Growth aspiration in selected countries, 2016

Jamaica 1% Brasil 2% Indonesia 4% India 5% Grecia 10% França 21% Israel 22% Peru 25% China 27% USA 34% 34%
Brazil ranks low in all Innovation Leverages At Global Competitiveness Index

...with an overall lower level of innovation compared to the majority of countries

Global Competitiveness Index, selected indicators

- Innovation Pillar: 85
- Government acquisitions of high end innovation goods: 118
- Availability of scientists and engineers: 90
- Quality of Scientific Research Institutions: 77
- Capacity for innovation: 73
- University – Industry Cooperation for R&D: 70
- Private spending on R&D: 62
- # of patents / population: 53

Global Competitiveness Index, selected countries (1 to 7, 2017)

- Yemen: 2.4
- Peru: 2.8
- Brasil: 3.2
- Chile: 3.5
- India: 4.1
- China: 4.1
- França: 4.9
- Israel: 5.8
- USA: 5.8

Brazil ranks low in all Innovation Leverages At Global Competitiveness Index...
<table>
<thead>
<tr>
<th>Subject</th>
<th>Main objectives</th>
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</thead>
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<tr>
<td>Regulatory environment</td>
<td>• Radically simplify process for opening, licensing and closing of firms</td>
</tr>
<tr>
<td></td>
<td>• To approve a tax reform that reduces the amount of time and the number of processes that the entrepreneur must comply with</td>
</tr>
<tr>
<td>Access to capital</td>
<td>• To simplify and guarantee transparency of the approval criteria for credit in public agencies such as BNDES</td>
</tr>
<tr>
<td></td>
<td>• Increase the amount of resources available for credit to middle-sized companies</td>
</tr>
<tr>
<td>Innovation</td>
<td>• Review process and legislation to reduce the time needed to register and protect intellectual property</td>
</tr>
</tbody>
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