

# Desafio Estratégico

Bain & Company - Localiza Case Study

## Piuzana Capital

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Localiza should buy Bum to consolidate itself as the market leader and also make a profitable deal

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## Consolidation as the biggest player

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Positive growth perspective



Highest NPS across all competitors

## Deal profitability

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Expected NPV increase after acquisition



Synergy gains



Localiza's cashflow improvement

Bum's standalone NPV is \$6.5 B in the most likely scenario

**Vrum**

Pessimistic	Volume continues to decrease with -1.61% CAGR	\$5.8 B
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**Ploft**

Pessimistic	OPEX decreases 2% in 2017, no G&A reduction	\$7.3 B
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**Bum**

Neutral	Volume increases with half the recent CAGR	\$6.5 B
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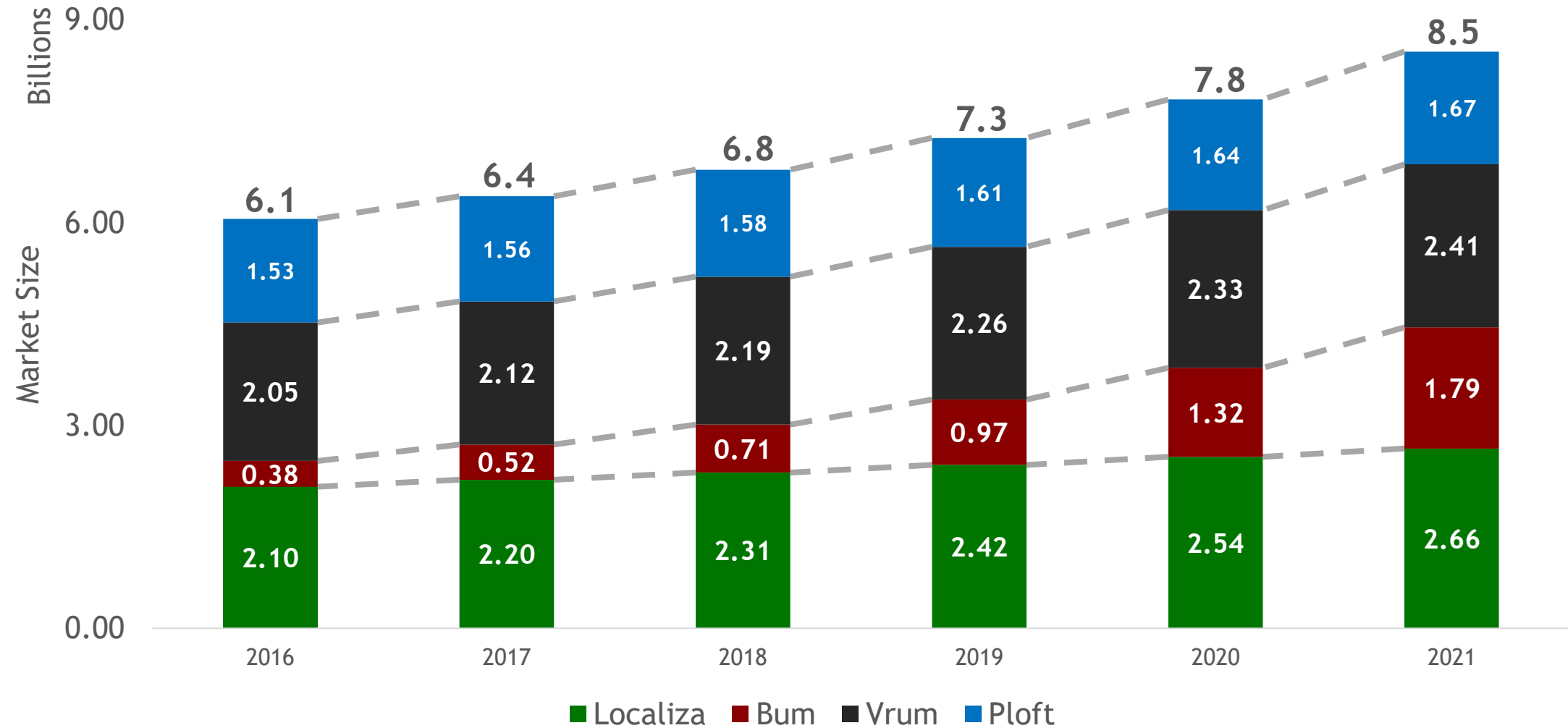
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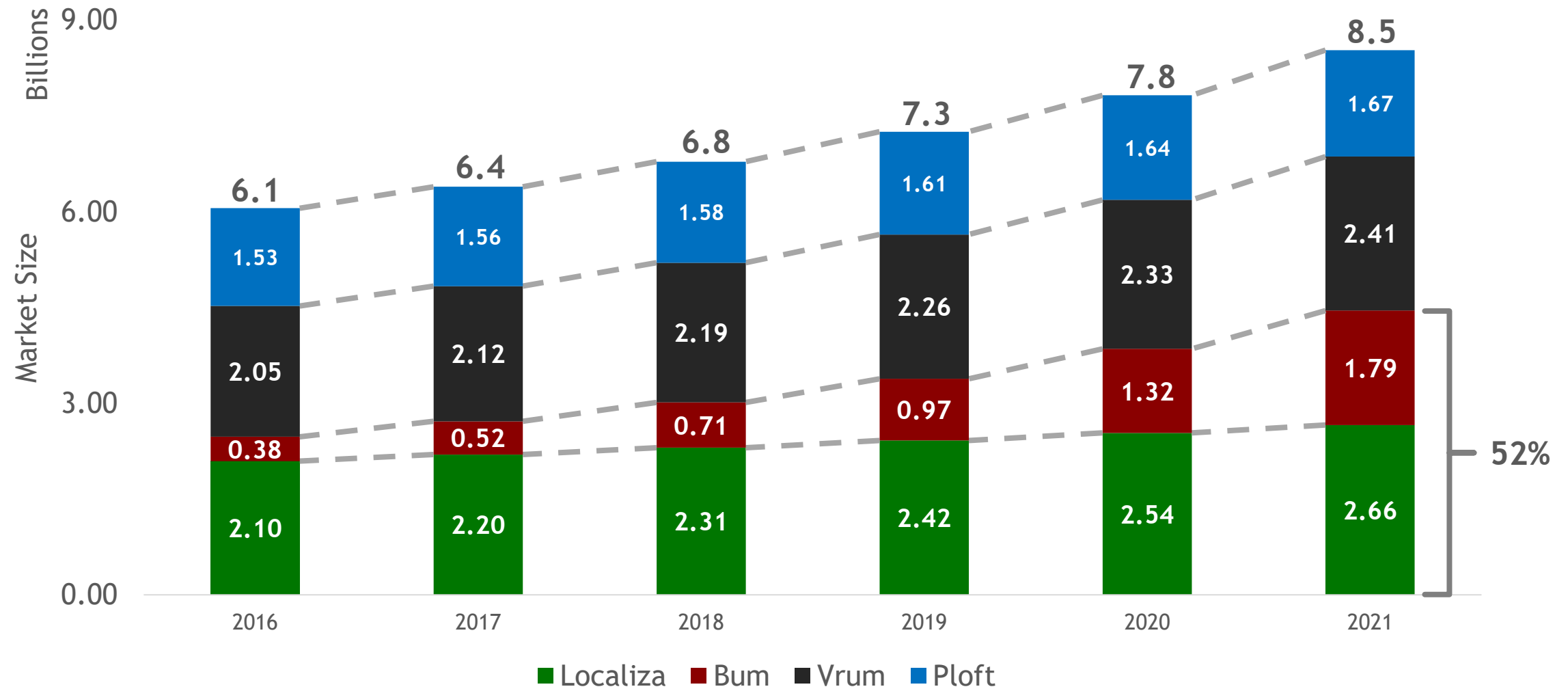
## Bum

Neutral	Volume increases with half the recent CAGR	\$6.5 B
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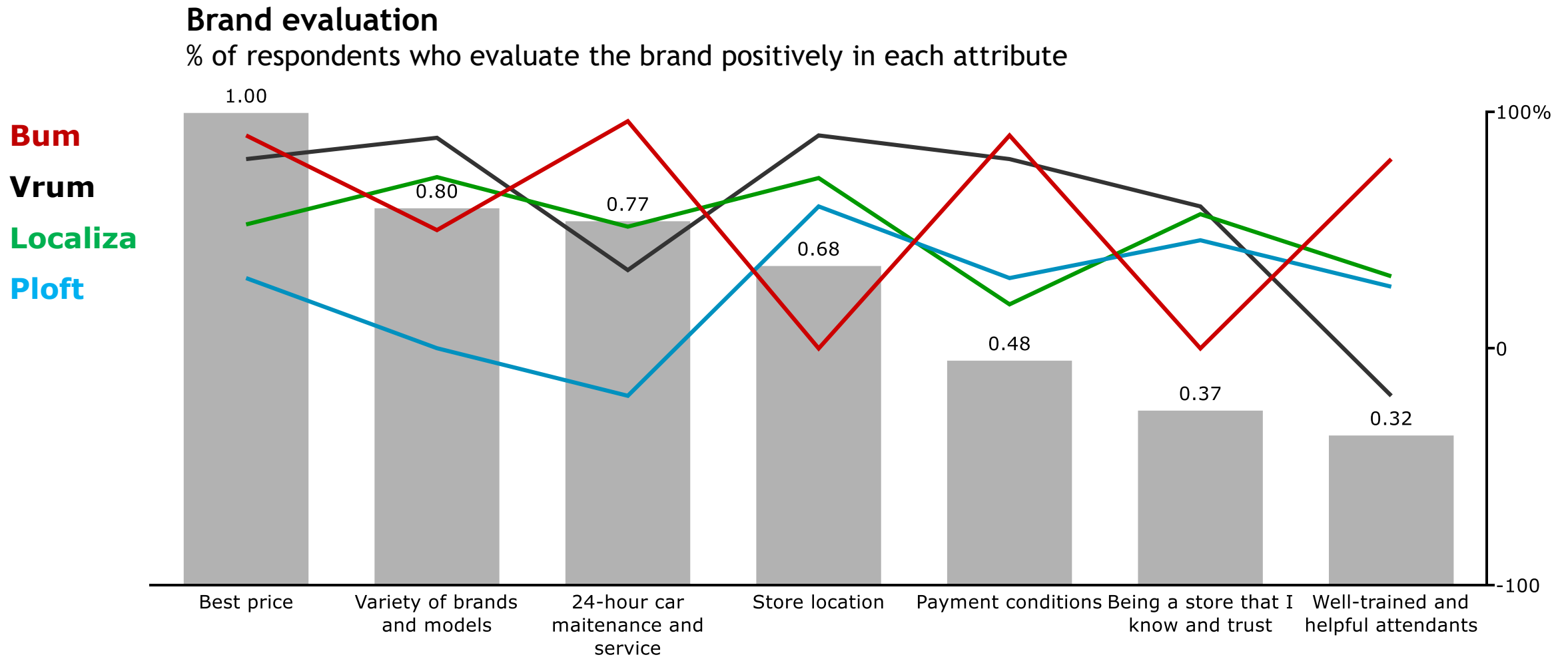
With Bum's acquisition, Localiza's projected market share in 2021 will be approximately 52%



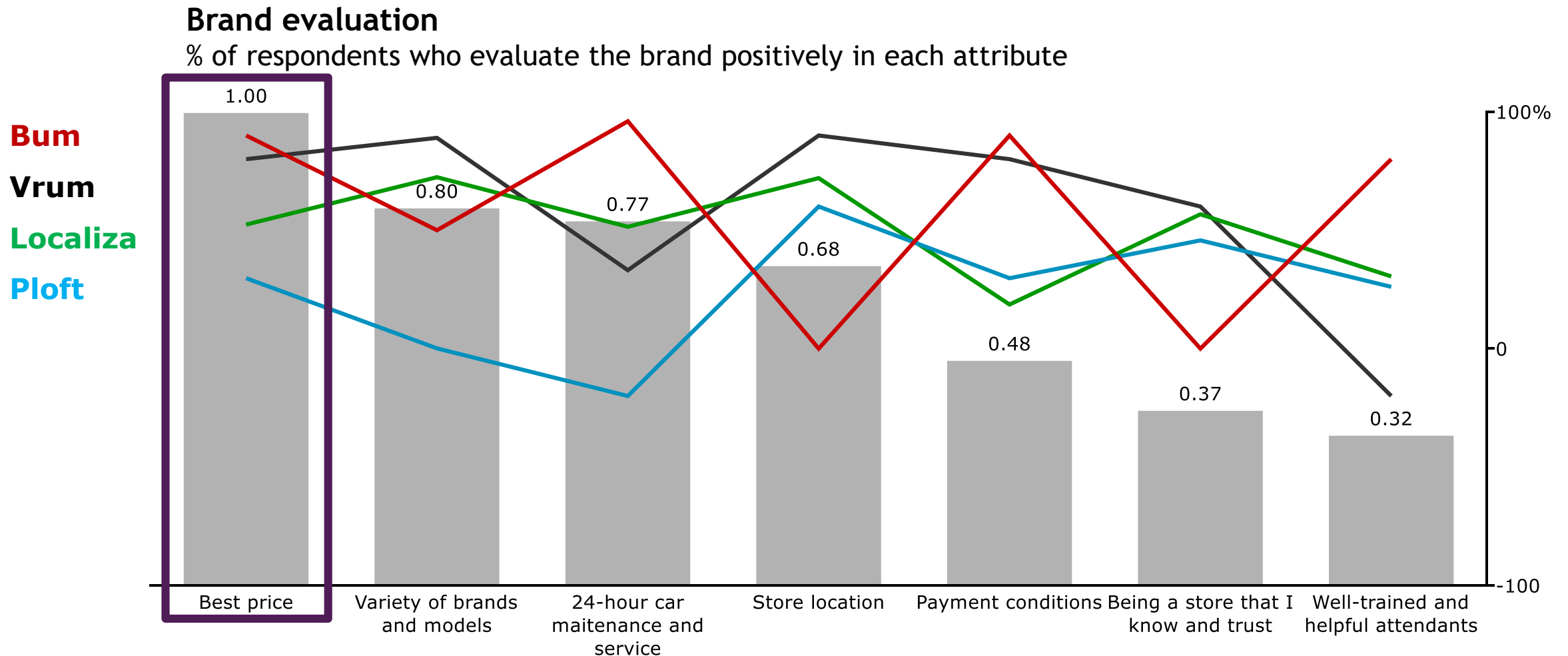
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Bum and Localiza have complementary strategic advantages. Therefore, potential synergies and low cannibalization rates are expected

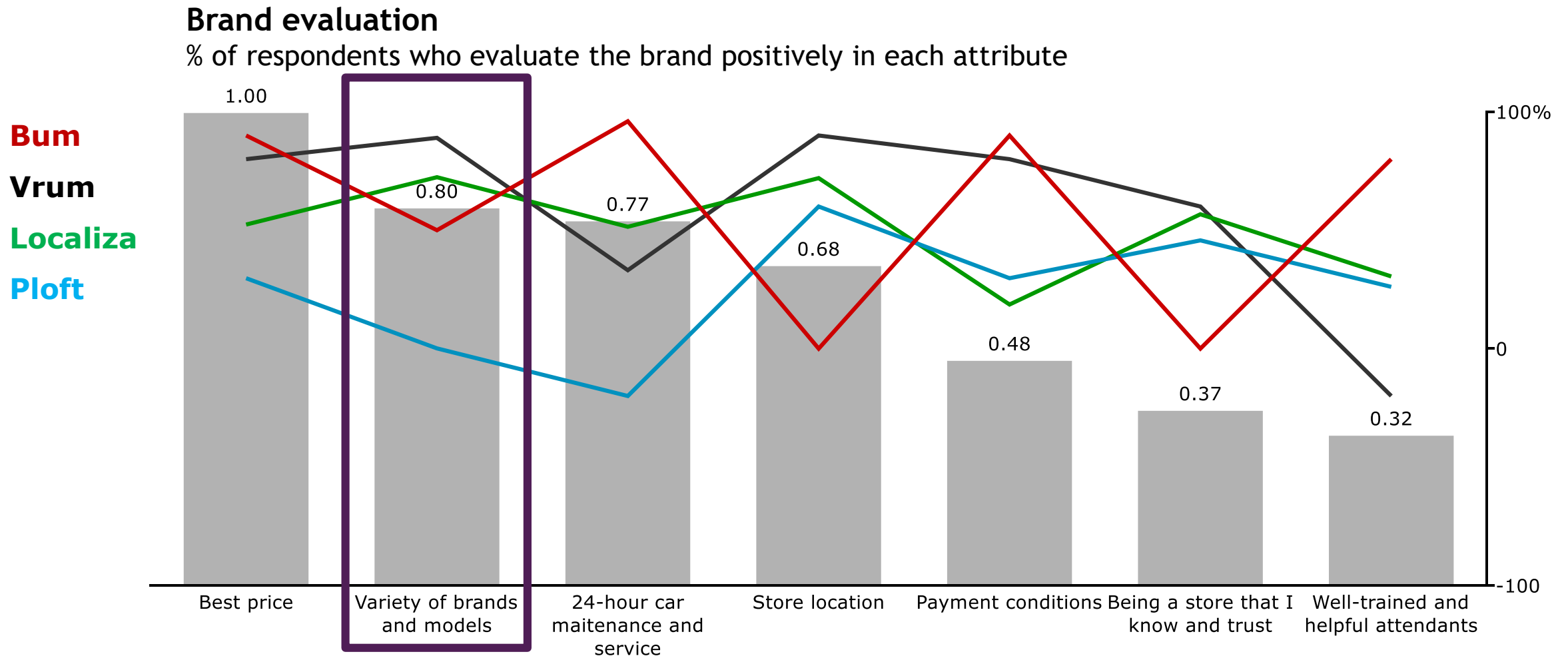


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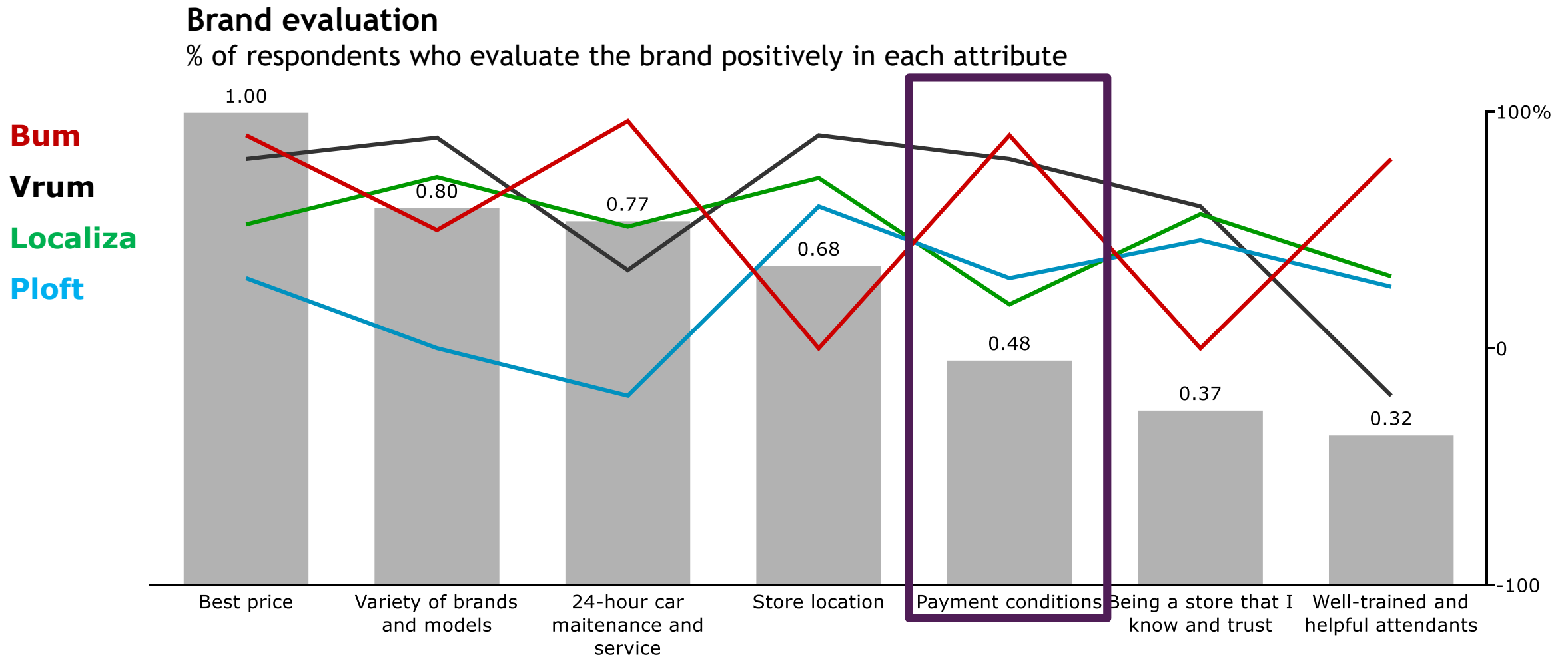




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# Scoring matrix featuring main aspects of the deal points at Bum as the most beneficial acquisition

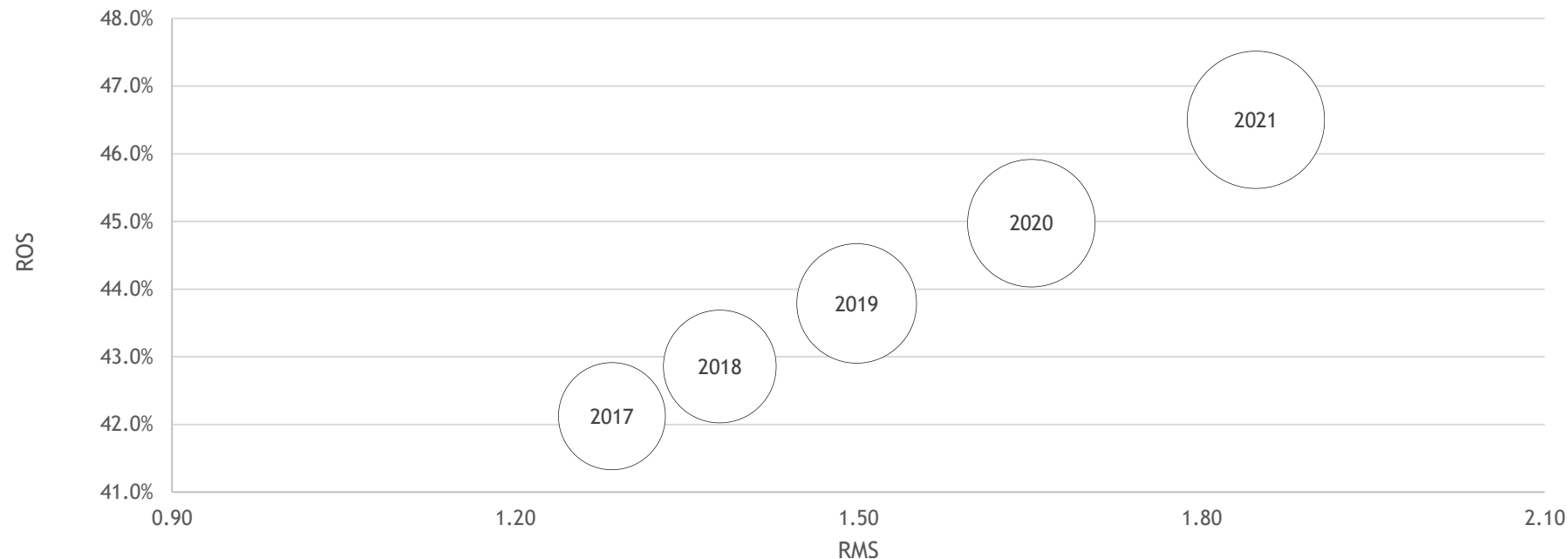
Factors	Potential Synergies	Loyalty (NPS)	Growth (CAGR)	Recall (funnel)	Score
Vrum	1	2	2	3	17
Ploft	2	1	1	2	15
Bum	3	3	3	1	28
(weight)	(4)	(3)	(2)	(1)	

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# Incorporating Bum would improve Localiza's ROS due to economies of scale

RMS / ROS for Localiza and Bum combined  
Projection

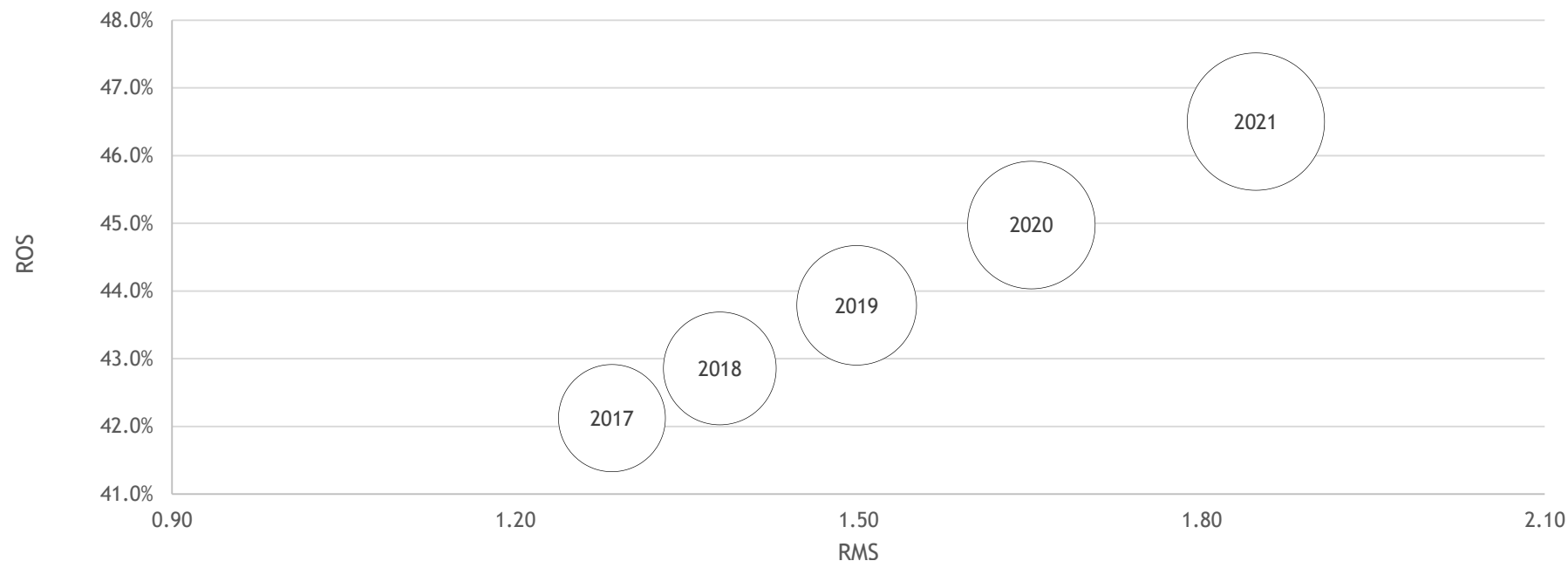


## Localiza + Bum

	2017	2018	2019	2020	2021
<b>Revenue [k\$]</b>	2,719,410	3,015,809	3,385,762	3,854,230	4,455,126
<b>RMS Localiza + Bum</b>	1.28	1.38	1.50	1.65	1.85
<b>ROS Localiza + Bum</b>	42.1%	42.9%	43.8%	45.0%	46.5%
<b>ROS Localiza Only</b>	40.2%	40.3%	40.5%	40.6%	40.7%

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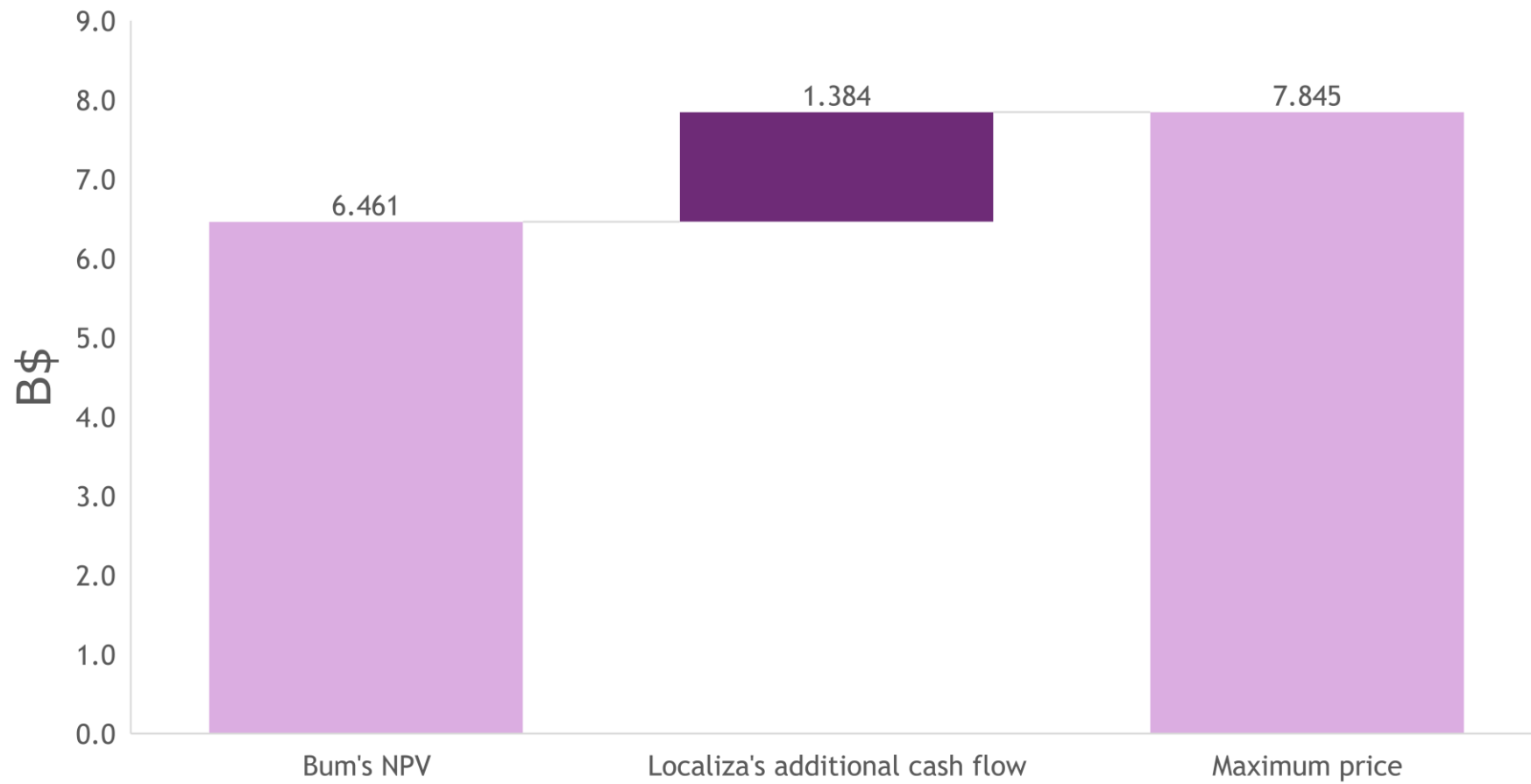
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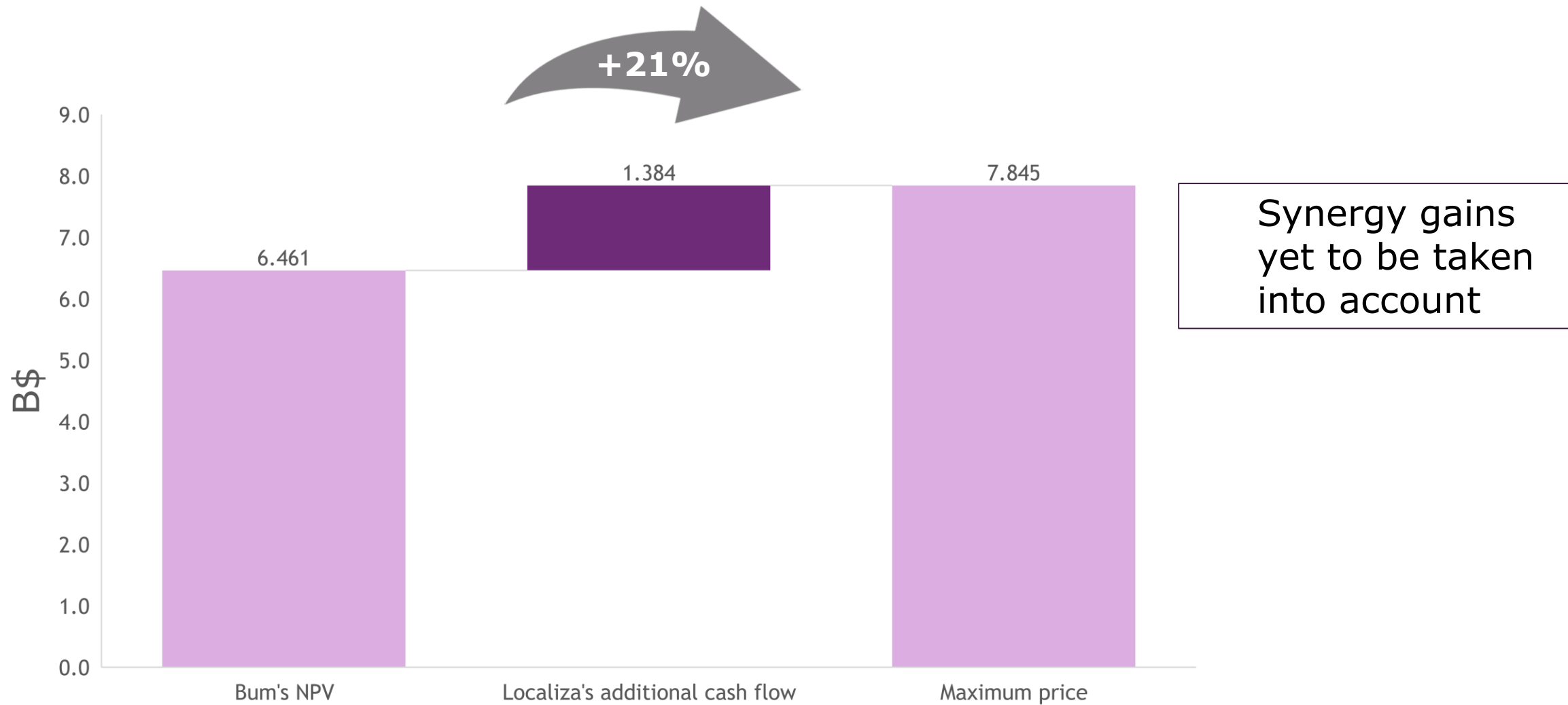
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## Additional factors were taken into account when choosing Bum as the target company

- Buying one of two biggest competitors could lead to legal issues regarding antitrust regulations
- Not acquiring Bum represents a good opportunity to other competitors, which threatens the CEO's goal to consolidate Localiza as the market leader
- Bum's recent growth did not affect Localiza's market share as much as Vrum and Ploft's, indicating low cannibalization rates

	<b>CAGR</b>	<b>CAGR</b>	
	<b>2011 - 2013</b>	<b>2014 - 2016</b>	<b>Var %</b>
<b>Ploft</b>	2.8%	1.0%	-64.3%
<b>Vrum</b>	5.6%	1.1%	-80.4%
<b>Localiza</b>	8.9%	4.9%	-44.9%

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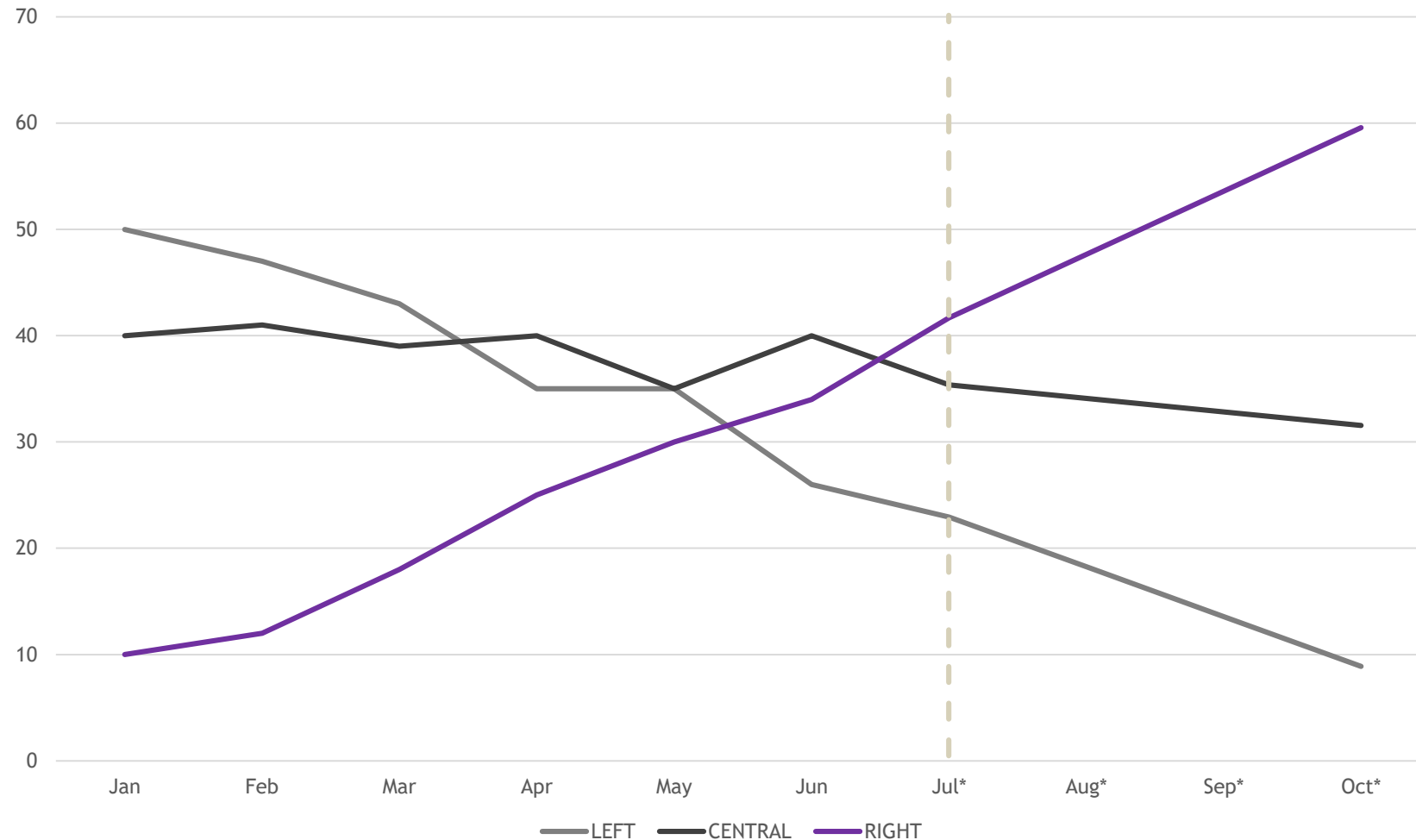
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# Tax policies were applied considering a Right Party win at the national elections

## National election polls

% of electors (\* refers to projections)



Major risks regarding national elections:

- Left or center party win
- Winner not keeping promise

## Before proceeding with acquisition, further analysis should be performed

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### Other risks

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- Bum might not sustain its projected growth
- Differences in business models and cultures may result in integration difficulties
- Cannibalization rates could be above expected
- Economies of scale could slow down as companies size increase

### Additional factors

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- Additional investments and marketing costs might be necessary to sustain Bum's 29.7% projected CAGR
- Synergy gains with the acquisition should be calculated

## Q&A Session

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## Attachments

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## NPV for all three scenarios and companies

### Vrum

Pessimistic	Volume continues to decrease with -1.61% CAGR	\$5.824 B
Neutral	Volume stays flat after 2016	\$6.779 B
Optimistic	Volumes increases with Market CAGR, 0.1889%	\$6.895 B

### Ploft

Pessimistic	OPEX decreases 2% in 2017, no G&A reduction	\$4.031 B
Neutral	OPEX decreases 3% in 2017, 1pp G&A reduction	\$4.151 B
Optimistic	OPEX decreases 4% in 2017, 2pp G&A reduction	\$4.271 B

### Bum

Pessimistic	Volume increases with Market CAGR, 0.1889%	\$0.765 B
Neutral	Volume increases with half the recent CAGR, 29.7%	\$6.461 B
Optimistic	Volume increases with recent CAGR, 59.39%	\$23.014 B

# Simplified DCF results for Vrum - pessimistic scenario

Simplified Results Table						Company: Vrum
NPV - As it is						Scenario: Pessimistic
	2017	2018	2019	2020	2021	2022
<b>Gross Revenues [k\$]</b>	<b>2,117,070</b>	<b>2,187,134</b>	<b>2,259,518</b>	<b>2,334,296</b>	<b>2,411,550</b>	<b>2,491,360</b>
<b>Net Revenues [k\$]</b>	<b>1,930,768</b>	<b>1,994,667</b>	<b>2,060,680</b>	<b>2,128,878</b>	<b>2,199,334</b>	<b>2,272,121</b>
COGS [k\$]	219,354	226,843	234,035	240,936	247,555	253,898
Operating Expenses [k\$]	918,110	927,291	936,564	945,930	955,389	964,943
SG&A [k\$]	42,002	43,053	44,139	45,261	46,419	47,617
<b>EBIT [k\$]</b>	<b>751,302</b>	<b>797,479</b>	<b>845,942</b>	<b>896,751</b>	<b>949,970</b>	<b>1,005,663</b>
<b>NOPAT (EBIT - PROFIT TAXES) [k\$]</b>	<b>601,041</b>	<b>637,983</b>	<b>676,753</b>	<b>717,401</b>	<b>759,976</b>	<b>804,530</b>
CAPEX [k\$]	10,080	9,702	7,409	4,862	5,105	5,360
<b>Company's Cash Flow [k\$]</b>	<b>590,961</b>	<b>628,281</b>	<b>669,345</b>	<b>712,539</b>	<b>754,871</b>	<b>799,170</b>
Company's Cash Flow (discounted) [k\$]	513,879	475,071	440,105	407,396	375,304	345,503
<b>DCF Valuation Result [k\$]</b>	<b>5,823,835</b>					



# Simplified DCF results for Vrum - neutral scenario

Simplified Results Table						Company: Vrum
NPV - As it is						Scenario: Neutral
	2017	2018	2019	2020	2021	2022
<b>Gross Revenues [k\$]</b>	<b>2,151,713</b>	<b>2,259,298</b>	<b>2,372,263</b>	<b>2,490,876</b>	<b>2,615,420</b>	<b>2,746,191</b>
<b>Net Revenues [k\$]</b>	<b>1,962,362</b>	<b>2,060,480</b>	<b>2,163,504</b>	<b>2,271,679</b>	<b>2,385,263</b>	<b>2,504,526</b>
COGS [k\$]	222,943	234,328	245,713	257,098	268,483	279,868
Operating Expenses [k\$]	918,110	927,291	936,564	945,930	955,389	964,943
SG&A [k\$]	42,522	44,136	45,830	47,609	49,478	51,439
<b>EBIT [k\$]</b>	<b>778,787</b>	<b>854,725</b>	<b>935,397</b>	<b>1,021,042</b>	<b>1,111,913</b>	<b>1,208,276</b>
<b>NOPAT (EBIT - PROFIT TAXES) [k\$]</b>	<b>623,029</b>	<b>683,780</b>	<b>748,317</b>	<b>816,834</b>	<b>889,531</b>	<b>966,621</b>
CAPEX [k\$]	10,080	9,702	7,409	4,862	5,105	5,360
<b>Company's Cash Flow [k\$]</b>	<b>612,949</b>	<b>674,078</b>	<b>740,908</b>	<b>811,972</b>	<b>884,426</b>	<b>961,261</b>
Company's Cash Flow (discounted) [k\$]	532,999	509,700	487,159	464,247	439,716	415,579
<b>DCF Valuation Result [k\$]</b>	<b>6,778,516</b>					

# Simplified DCF results for Vrum - optimistic scenario

Simplified Results Table						Company: Vrum
NPV - As it is						Scenario: Optimistic
	2017	2018	2019	2020	2021	2022
<b>Gross Revenues [k\$]</b>	<b>2,155,778</b>	<b>2,267,844</b>	<b>2,385,736</b>	<b>2,509,756</b>	<b>2,640,224</b>	<b>2,777,473</b>
<b>Net Revenues [k\$]</b>	<b>1,966,070</b>	<b>2,068,274</b>	<b>2,175,791</b>	<b>2,288,898</b>	<b>2,407,884</b>	<b>2,533,056</b>
COGS [k\$]	223,364	235,214	247,109	259,047	271,029	283,056
Operating Expenses [k\$]	918,110	927,291	936,564	945,930	955,389	964,943
SG&A [k\$]	42,583	44,264	46,032	47,893	49,850	51,908
<b>EBIT [k\$]</b>	<b>782,013</b>	<b>861,505</b>	<b>946,086</b>	<b>1,036,029</b>	<b>1,131,616</b>	<b>1,233,148</b>
<b>NOPAT (EBIT - PROFIT TAXES) [k\$]</b>	<b>625,610</b>	<b>689,204</b>	<b>756,869</b>	<b>828,823</b>	<b>905,293</b>	<b>986,519</b>
CAPEX [k\$]	10,080	9,702	7,409	4,862	5,105	5,360
<b>Company's Cash Flow [k\$]</b>	<b>615,530</b>	<b>679,502</b>	<b>749,460</b>	<b>823,961</b>	<b>900,188</b>	<b>981,158</b>
Company's Cash Flow (discounted) [k\$]	535,243	513,801	492,782	471,102	447,552	424,182
<b>DCF Valuation Result [k\$]</b>	<b>6,895,109</b>					

# Simplified DCF results for Ploft - pessimistic scenario

Simplified Results Table						Company: Ploft
NPV - As it is						Scenario: Pessimistic
	2017	2018	2019	2020	2021	2022
<b>Gross Revenues [k\$]</b>	<b>1,557,220</b>	<b>1,584,066</b>	<b>1,611,375</b>	<b>1,639,155</b>	<b>1,667,414</b>	<b>1,696,161</b>
<b>Net Revenues [k\$]</b>	<b>1,494,931</b>	<b>1,520,703</b>	<b>1,546,920</b>	<b>1,573,589</b>	<b>1,600,718</b>	<b>1,628,314</b>
COGS [k\$]	146,900	147,008	146,966	146,783	146,469	146,032
Operating Expenses [k\$]	679,944	693,542	707,413	721,562	735,993	750,713
SG&A [k\$]	59,174	57,026	54,787	52,453	50,022	67,846
<b>EBIT [k\$]</b>	<b>608,913</b>	<b>623,127</b>	<b>637,754</b>	<b>652,791</b>	<b>668,234</b>	<b>663,723</b>
<b>NOPAT (EBIT - PROFIT TAXES) [k\$]</b>	<b>487,130</b>	<b>498,501</b>	<b>510,204</b>	<b>522,233</b>	<b>534,587</b>	<b>530,979</b>
CAPEX [k\$]	4,200	5,292	6,483	7,779	9,189	10,721
<b>Company's Cash Flow [k\$]</b>	<b>482,930</b>	<b>493,209</b>	<b>503,721</b>	<b>514,454</b>	<b>525,398</b>	<b>520,258</b>
Company's Cash Flow (discounted) [k\$]	419,939	372,937	331,205	294,141	261,215	224,922
<b>DCF Valuation Result [k\$]</b>	<b>4,030,893</b>					

# Simplified DCF results for Ploft - neutral scenario

Simplified Results Table						Company: Ploft
NPV - As it is						Scenario: Neutral
	2017	2018	2019	2020	2021	2022
<b>Gross Revenues [k\$]</b>	<b>1,557,220</b>	<b>1,584,066</b>	<b>1,611,375</b>	<b>1,639,155</b>	<b>1,667,414</b>	<b>1,696,161</b>
<b>Net Revenues [k\$]</b>	<b>1,494,931</b>	<b>1,520,703</b>	<b>1,546,920</b>	<b>1,573,589</b>	<b>1,600,718</b>	<b>1,628,314</b>
COGS [k\$]	146,900	147,008	146,966	146,783	146,469	146,032
Operating Expenses [k\$]	673,005	686,466	700,195	714,199	728,483	743,052
SG&A [k\$]	57,617	53,858	49,953	45,896	41,685	50,885
<b>EBIT [k\$]</b>	<b>617,408</b>	<b>633,372</b>	<b>649,807</b>	<b>666,711</b>	<b>684,081</b>	<b>688,345</b>
<b>NOPAT (EBIT - PROFIT TAXES) [k\$]</b>	<b>493,927</b>	<b>506,697</b>	<b>519,846</b>	<b>533,369</b>	<b>547,265</b>	<b>550,676</b>
CAPEX [k\$]	4,200	5,292	6,483	7,779	9,189	10,721
<b>Company's Cash Flow [k\$]</b>	<b>489,727</b>	<b>501,405</b>	<b>513,363</b>	<b>525,589</b>	<b>538,075</b>	<b>539,956</b>
Company's Cash Flow (discounted) [k\$]	425,849	379,135	337,544	300,507	267,519	233,438
<b>DCF Valuation Result [k\$]</b>	<b>4,151,039</b>					

# Simplified DCF results for Ploft - optimistic scenario

Simplified Results Table						Company: Ploft
NPV - As it is						Scenario: Optimistic
	2017	2018	2019	2020	2021	2022
<b>Gross Revenues [k\$]</b>	<b>1,557,220</b>	<b>1,584,066</b>	<b>1,611,375</b>	<b>1,639,155</b>	<b>1,667,414</b>	<b>1,696,161</b>
<b>Net Revenues [k\$]</b>	<b>1,494,931</b>	<b>1,520,703</b>	<b>1,546,920</b>	<b>1,573,589</b>	<b>1,600,718</b>	<b>1,628,314</b>
COGS [k\$]	146,900	147,008	146,966	146,783	146,469	146,032
Operating Expenses [k\$]	666,067	679,389	692,976	706,836	720,973	735,392
SG&A [k\$]	56,060	50,690	45,119	39,340	33,348	33,923
<b>EBIT [k\$]</b>	<b>625,904</b>	<b>643,617</b>	<b>661,860</b>	<b>680,630</b>	<b>699,928</b>	<b>712,967</b>
<b>NOPAT (EBIT - PROFIT TAXES) [k\$]</b>	<b>500,723</b>	<b>514,894</b>	<b>529,488</b>	<b>544,504</b>	<b>559,942</b>	<b>570,374</b>
CAPEX [k\$]	4,200	5,292	6,483	7,779	9,189	10,721
<b>Company's Cash Flow [k\$]</b>	<b>496,523</b>	<b>509,602</b>	<b>523,005</b>	<b>536,725</b>	<b>550,753</b>	<b>559,653</b>
Company's Cash Flow (discounted) [k\$]	431,759	385,332	343,884	306,874	273,822	241,953
<b>DCF Valuation Result [k\$]</b>	<b>4,271,185</b>					

# Simplified DCF results for Bum- pessimistic scenario

Simplified Results Table		Company: Bum				
NPV - As it is		Scenario: Pessimistic				
	2017	2018	2019	2020	2021	2022
<b>Gross Revenues [k\$]</b>	<b>402,886</b>	<b>423,830</b>	<b>445,862</b>	<b>469,040</b>	<b>493,423</b>	<b>519,073</b>
<b>Net Revenues [k\$]</b>	<b>348,094</b>	<b>366,189</b>	<b>385,225</b>	<b>405,251</b>	<b>426,317</b>	<b>448,479</b>
COGS [k\$]	49,003	52,233	55,475	58,729	61,996	65,274
Operating Expenses [k\$]	148,670	153,130	157,724	162,456	167,330	172,350
SG&A [k\$]	16,115	21,191	26,752	28,142	29,605	31,144
<b>EBIT [k\$]</b>	<b>134,305</b>	<b>139,634</b>	<b>145,274</b>	<b>155,923</b>	<b>167,387</b>	<b>179,711</b>
<b>NOPAT (EBIT - PROFIT TAXES) [k\$]</b>	<b>107,444</b>	<b>111,707</b>	<b>116,219</b>	<b>124,738</b>	<b>133,909</b>	<b>143,769</b>
CAPEX [k\$]	29,400	30,870	32,414	34,034	35,736	37,523
<b>Company's Cash Flow [k\$]</b>	<b>78,044</b>	<b>80,837</b>	<b>83,806</b>	<b>90,704</b>	<b>98,173</b>	<b>106,246</b>
Company's Cash Flow (discounted) [k\$]	67,864	61,125	55,104	51,860	48,809	45,933
<b>DCF Valuation Result [k\$]</b>	<b>764,972</b>					

# Simplified DCF results for Bum - neutral scenario

Simplified Results Table						Company: Bum
NPV - As it is						Scenario: Neutral
	2017	2018	2019	2020	2021	2022
<b>Gross Revenues [k\$]</b>	<b>521,545</b>	<b>710,249</b>	<b>967,229</b>	<b>1,317,189</b>	<b>1,793,770</b>	<b>2,442,786</b>
<b>Net Revenues [k\$]</b>	<b>450,615</b>	<b>613,655</b>	<b>835,686</b>	<b>1,138,051</b>	<b>1,549,817</b>	<b>2,110,568</b>
COGS [k\$]	63,435	87,532	120,345	164,928	225,377	307,184
Operating Expenses [k\$]	148,670	153,130	157,724	162,456	167,330	172,350
SG&A [k\$]	20,862	35,512	58,034	79,031	107,626	146,567
<b>EBIT [k\$]</b>	<b>217,648</b>	<b>337,481</b>	<b>499,583</b>	<b>731,636</b>	<b>1,049,485</b>	<b>1,484,467</b>
<b>NOPAT (EBIT - PROFIT TAXES) [k\$]</b>	<b>174,118</b>	<b>269,985</b>	<b>399,667</b>	<b>585,309</b>	<b>839,588</b>	<b>1,187,574</b>
CAPEX [k\$]	29,400	30,870	32,414	34,034	35,736	37,523
<b>Company's Cash Flow [k\$]</b>	<b>144,718</b>	<b>239,115</b>	<b>367,253</b>	<b>551,275</b>	<b>803,852</b>	<b>1,150,051</b>
Company's Cash Flow (discounted) [k\$]	125,842	180,805	241,475	315,193	399,656	497,199
<b>DCF Valuation Result [k\$]</b>	<b>6,460,958</b>					

# Simplified DCF results for Bum - optimistic scenario

Simplified Results Table							Company: Bum
NPV - As it is							Scenario: Optimistic
	2017	2018	2019	2020	2021	2022	
<b>Gross Revenues [k\$]</b>	<b>640,964</b>	<b>1,072,739</b>	<b>1,795,372</b>	<b>3,004,796</b>	<b>5,028,927</b>	<b>8,416,581</b>	
<b>Net Revenues [k\$]</b>	<b>553,793</b>	<b>926,847</b>	<b>1,551,202</b>	<b>2,596,143</b>	<b>4,344,993</b>	<b>7,271,926</b>	
COGS [k\$]	77,960	132,205	223,384	376,236	631,856	1,058,397	
Operating Expenses [k\$]	148,670	153,130	157,724	162,456	167,330	172,350	
SG&A [k\$]	25,639	53,637	107,722	180,288	301,736	504,995	
<b>EBIT [k\$]</b>	<b>301,524</b>	<b>587,874</b>	<b>1,062,371</b>	<b>1,877,163</b>	<b>3,244,072</b>	<b>5,536,185</b>	
<b>NOPAT (EBIT - PROFIT TAXES) [k\$]</b>	<b>241,219</b>	<b>470,299</b>	<b>849,897</b>	<b>1,501,731</b>	<b>2,595,258</b>	<b>4,428,948</b>	
CAPEX [k\$]	29,400	30,870	32,414	34,034	35,736	37,523	
<b>Company's Cash Flow [k\$]</b>	<b>211,819</b>	<b>439,429</b>	<b>817,483</b>	<b>1,467,697</b>	<b>2,559,522</b>	<b>4,391,425</b>	
Company's Cash Flow (discounted) [k\$]	184,191	332,272	537,508	839,160	1,272,535	1,898,534	
<b>DCF Valuation Result [k\$]</b>	<b>23,013,980</b>						



# Simplified DCF results for Bum - optimistic scenario

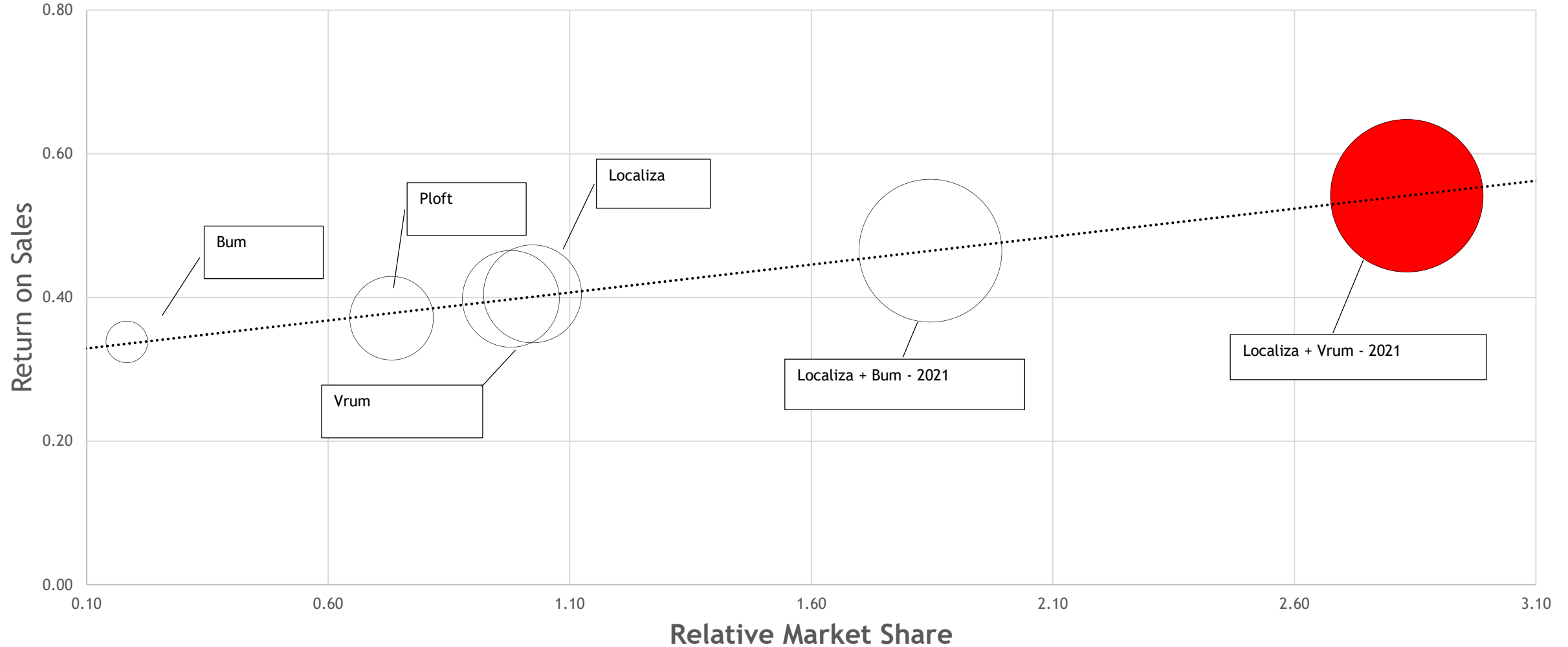


Note: Numbers are rounded  
Source: Online Interview 2017



# RMS and ROS projections for 2021 considering different acquisition options

RMS / ROS for Companies  
(2021) - Projected



Este é o nosso slide padrão. Ele só serve para dar CNTRL C CNTRL V nos demais slides.  
Por favor não apague este slide.

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