SHIFT CAPITAL

SHIFTPAR HOLDING S.A.

2024 Annual Letter

Letter to our stakeholders

We have decided to create this letter to communicate with you yearly, supporting our values of transparency and governance. The rationale behind it is that if you are an investor in any of our investment vehicles, being those the SPVs (special purpose vehicles holding a single asset), the Shift Alpha I fund, or have direct ownership in any of our invested companies, you may wonder what the "full picture" of Shift looks like. We appreciate your confidentiality with the information disclosed here. And make the disclaimer that, as our investments are "growth" companies still small in revenues and structure, most of the numbers here are non-audited and may show minor variations from "reality".

Mixed feelings

In our last annual letter, we started our remarks by stating that we were just overcoming the bearish period. I quote: "We are confident that things will be easier in 2024 and 2025 when we should face decreasing interest rates, controlled inflation, and a moderate macro-outlook for Brazil. Still, we think valuations will remain "decent", and there will be a renewed vintage of more conscious entrepreneurs and investors (until the next bull market, when reasonability will probably vanish again)."

We couldn't be more wrong about it. The tide shifted in Brazil, and now we face a prolonged period of high interest rates and limited liquidity flow. Nevertheless, we were right about valuations and a more conscious generation of entrepreneurs and company builders. As you may know, we are not enthusiastic about economic projections and prefer to stay out of such discussions, remaining cycle-agnostic. I personally prefer to read the news very selectively (I know how weird that sounds) simply because my (or Shift's) influence in macro is zero, and our actions in day-to-day activities vary very little according to our economic expectations for the future. **We invest and build companies in the microeconomy and for the long term.** Therefore, I prefer not to distract myself or our team with day-to-day apocalyptic news flow.

Although we don't make investment decisions based on macro, an international investor who we appreciate has asked whether we could include a bit of context on Brazil for our "gringo" friends. Click here to jump to this section

However, it is worth reflecting on *how a prolonged period of high interest rates or economic uncertainty may affect our business or our companies' businesses*. Like all things, it has its pros and cons:

For our investment activity, it is great. Valuations are lower, competition for deals is lower, and the noise is lower. On the other hand, it is terrible for raising money. It does not matter if the investment opportunity is excellent if you lack the funds to invest. Thankfully, we have some discretionary funds to deploy and have been able to capture a few opportunities (although much less than we would have liked to in such a buyer's favorable market). On the other hand, one must remain resilient and bold to operate long-term illiquid investments in such a market. Courage sometimes lacks when all you hear and see is a depreciating equities market – yes, psychology is a big pillar of private equity investing as much as it is in public/liquid markets (we discussed a little about this topic in our last letter, Managing Uncertainty).

For our exits, it is terrible. Buyers are skeptical, foreign companies (the "gringos") are more reluctant to deploy capital and efforts in Brazil, and exit valuations diminish due to higher opportunity costs. Especially for Shift's moment, it is very bad. While recognizing that our portfolio is still young and we can hold positions for longer (and honestly, we should), we also depend on exits to show institutional investors that we can produce cash returns.

For our invested companies, it is tricky but ultimately great. It reduces the number of new entrants and the capital available to them, easing the competition for well-managed innovative companies – that is the case for most of our companies. On the other hand, capital scarcity (equity and debt) is a challenge to overcome. We must be mindful that an important raw material for any company growing rapidly is capital. And the lack of it may kill a growth-oriented company. Even the best companies with great business models will require external funding when growing fast – for working capital, CAPEX, customer acquisition, etc. (customer acquisition costs are also a sort of Capital Investment). It is worth mentioning that Brazil is historically, due to interest rates and income conditions, a region of high working capital investments. Everything is paid for and received over longer periods. **The cost of growth in Brazil is high**.

Taking all those factors into consideration, the certainty we have is that the cycles are important to the nature of our private equity business. Some years are better for investing, others for raising funds and selling companies, and some are better for consolidating our companies into winners and overcoming competitors. We will never have a year that is good for all those things. The secret is knowing how to navigate the strengths and weaknesses of every cycle.

We feel that 2024 (and, by the looks of it, 2025 as well) has been a year of two different stories. **While the market conditions for the core financial gains for Shift Capital (raising funds and selling companies) have been challenging, the performance of our invested companies (measured mainly by growth and profitability) was once again above our expectations**. All things considered; we are very proud of the work that was done in 2024 in most of our invested companies.

It is confusing living in such a moment. While we endure a challenging period for our investment business due to a lack of fundraising activity and M&A, our portfolio companies continue to prosper.

The year of 2024

During the first semester of the year, we finally closed our first discretionary fund, the Shift Alpha. Despite being the first "discretionary" fund, it is the second investment vintage of Shift Capital. Raising less than initially expected, the fund reached ~R$90 million in committed capital and shall add another ~R$100 million of co-investment opportunities to our investors – reaching a total of ~R$200 million of capital deployed during this second vintage.

When the fund reaches full allocation, we expect to have a total portfolio of 11-12 companies, composed of what we call our active/core positions (companies where Shift has a larger or more active allocation) and passive/non-core ones.

This year was also the stage for our best performance in terms of revenue growth. **Our companies added R$726 million in new revenues in the year, a solid 57% growth**. It is important to say that the base for such an addition is now larger, making it more of a challenge to grow at such a pace. We ended 2023 with R$1,3 billion in aggregated revenues, **evolving to R$2 billion in 2024**. This takes the "same company revenues" CAGR of the last 4 years to 71%. That is, on average, **our Shift companies have grown 71% per year**. It was also a period for solid evolution of profitability in the whole portfolio, meaning that our companies could deliver **growth together with profitability.** The bullets below may help you understand why we got so excited with 2024:

- **The companies added R$726 million of new revenues, a 57% growth over 2023**

- **In terms of EBITDA, the companies in which we are active investors added R$147M, a 193% growth, reaching R$223 million**
    - *They did that raising only R$12 million of equity capital during the year*
- **A little early to talk about returns given the company's maturity, but one can assume that ROE is good given the little capital those companies raised (in 2024 and historically)**
- **A few more tenured companies really exceeded our expectations – meaning that we will probably enjoy exponential compounding returns in some of those (About Time)**
- **While we celebrate growth and profitability, we also recognize that having no failures in the portfolio (so far) is a big win**
- **The looks of 2025 for our portfolio (again in terms of growth and profitability) are very positive, despite the issues in the "macro-Brazil" that we may face during the year**

This year also offered opportunities to deepen our relationship with companies we like and admire. Just like we did in 2023 with Skelt Beauty Brands, when we increased our position in the company through a new cash-in investment, reaching 37.5% ownership, in 2024, we also increased our positions in one equally promising company, Atlas Agro. In Atlas Agro, we conducted an internal cap table restructuring where the company purchased shares from previous partners and executives (a movement very similar to a share buyback program).

We are also happy to share that by the end of the year, Kovi, the car rental company aiming to service ride-hailing drivers (Uber and similar companies are giants in Brazil), a passive investment and one of our most tenured ones, signed a deal to merge with Moove, a company with a similar business model. Although Shift is a super tiny shareholder of Kovi, we received the deal with great enthusiasm. It forms a company with combined revenues of over R$1 billion, higher bargaining power with car suppliers, better access to capital, technology and talent, and essentially much more diversified in terms of geographies and products.

In addition to increasing positions in our current portfolio companies, the year also held two new investments, Regera and Acquion, both small companies joining our portfolio of company-building initiatives. We have deployed Shift people to assist the companies in building the necessary structures and capabilities to grow in two up-and-coming markets.

Growth and size are key, but capital efficiency is a better indication of equity returns

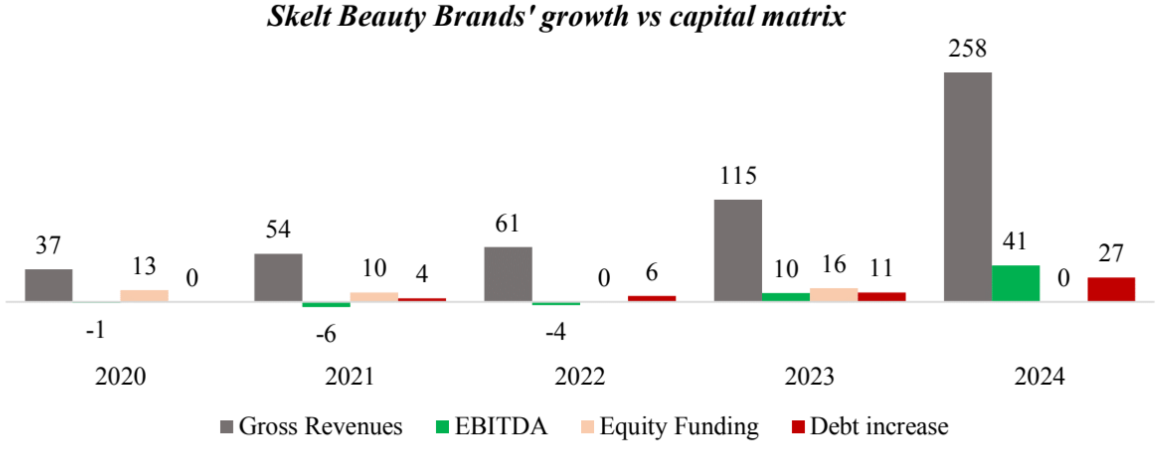
In a year marked by rising interest rates and capital scarcity, we paid close attention to our portfolio companies, some of which required extraordinary efforts to establish banking relationships and secure debt funding. Fortunately, the companies that embarked on this journey successfully raised the capital needed to maintain their growth trajectories.

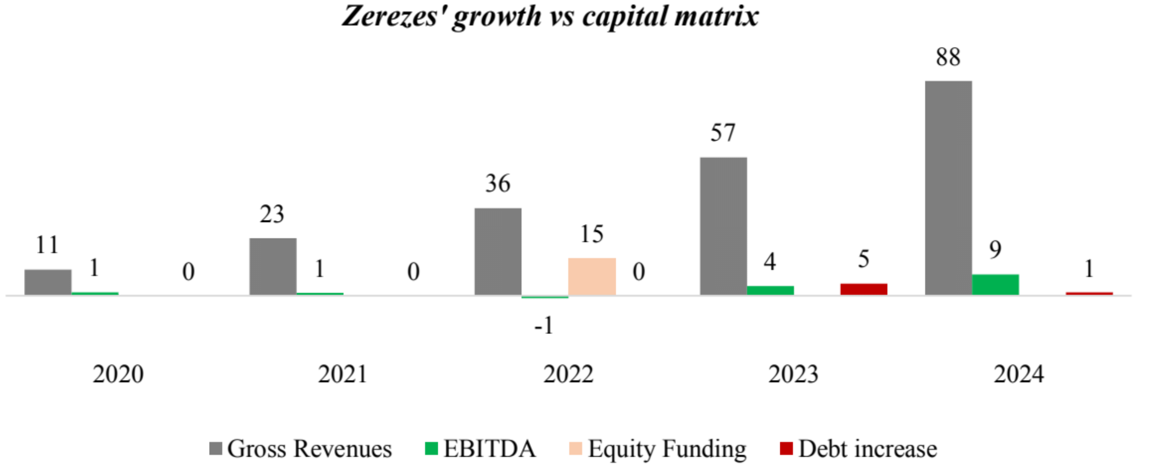
On the other hand, Zerezes, a verticalized eyewear brand with 24 proprietary physical stores across nine states (and our first Shift Alpha investment), stood out as a prime example of operational efficiency and financial discipline. Instead of driving their attention to fundraising, they focused entirely on executing their growth strategy, relying primarily on reinvesting operational cash flow and minimal working capital financing from banks. The results were remarkable: Zerezes grew 55%, increasing its revenue from R$56 million to R$88 million, renewing the goal to R$140 million plus for 2025 – **accomplished with no additional equity funding**. Over its lifetime, Zerezes has raised approximately R$15 million, with its last and only equity round in 2022.

Similarly, Skelt Beauty Brands more than duplicated its revenues, evolving from R$115 million in 2023 to R$258 million in 2024 **also with no additional equity funding**. Even with high investments in working capital, financed with debt and cash generation, the company was able to deliver an exceptional year.

Both are what the market would define as "real economy" companies. A concept that we do not fully agree or understand. Both are very, *very* capital efficient – challenging the common sense that the "real economy" is usually cash-intensive compared to software or tech.

The analysis below correlates revenue growth, EBITDA evolution, and capital needs from both Skelt Beauty Brands and Zerezes. This view is important for every growth company and helps us to estimate if the return on equity is on the right path.





During years of capital scarcity, businesses like Zerezes and Skelt Beauty Brands are invaluable. Their ability to grow rapidly with limited external funding provides a significant advantage in uncertain markets. However, systematically identifying cash-efficient companies in the early stages remains a challenge. Factors such as incomplete financial visibility, inflated G&A expenses, unknown CAPEX needs and immature margins/business models can impair this assessment.

What matters the most

We have written a few times along our 7-year journey about investment analysis, investment decisions, and investment philosophy. This year, with a little more maturity in our portfolio and as investors, we have reflected on **what matters the most for a company to succeed**. Take into consideration that (i) we only invest in Brazil, (ii) we invest in companies that are, in general, out of the VC track and in the real economy, and (iii) we typically invest in companies between R$15 and R$100 million in annual revenues (that is, just after they have reached product-market fit and start their growth trajectory) and (iv) we also invest in special situations that require more active involvement and management.

This is far from an exact science, but we can already see some correlations between our portfolio companies regarding what matters the most. Contrary to what we have heard and read from other managers, mostly in the US, our experience shows that in Brazil, the most important factors are not TAM, product/technology, or barriers to entry. The most important ones are **execution capability and market tailwinds**. In our opinion, these two elements are not only a common factor in successful companies at an earlier stage but also an essential condition for qualifying a company to achieve high growth. One can run a decent, profitable business in a promising sector, but without superior execution, capital, and tailwinds, it is unlikely to become an enterprise of accelerated, sustainable growth. The same holds true in reverse: it is incredibly challenging to grow rapidly if you are "swimming against the tide" in a stagnant market.

Over time, once companies gain scale and deepen their financial capabilities, they can invest more aggressively in shaping deeper product differentials and competitive advantages, which then becomes a key competitive edge. Note that this is essentially different from what we think happens in mature markets such as the US, where in order to qualify to compete, the companies usually have to invest heavily in product development or technology.

A prime example from our portfolio is **Skelt Beauty Brands**, which initially thrived as a mostly e-commerce cosmetics company during the pandemic boom. As consumer behavior shifted back to brick-and-mortar and the cost of digital acquisition increased, the founding team showed the foresight and resilience to broaden the company's strategy into physical retail, thus reinforcing its growth trajectory. Even though, at the time of our investment, the company already had a strong brand and product, it would not have reached its current level of success without the formidable execution capabilities of the founders, coupled with the accelerated growth that the beauty/skincare segment has had in Brazil. Today, with a more robust portfolio, enhanced marketing, and greater financial strength, Skelt has created tough differentials (anchored by a powerful brand and an ongoing cycle of innovation – pioneering numerous products in the country), broadening its competitive advantages and making it harder for entrants and other challengers to compete.

Another example is **Terra Magna**, which already had a solid underwriting and credit product at the time of investment, foreshadowing a potential barrier to entry in the sector. However, it was especially the founders' ability to navigate varying agribusiness cycles that enabled the company to truly build the moats it enjoys today – serving not only as a critical credit source for the input distributors (the "revendas") but also the most accurate one, with remarkably low default rates even under difficult market conditions. Just like Skelt, Terra Magna has established a firmly entrenched market position that will be hard to disrupt. Although Terra Magna's product was strong from the outset, we believe that without the founder's execution skills and the solid tailwinds behind it, the company would not have succeeded in transforming a promising solution into a competitive advantage.

However, despite the promising start and execution capability of both companies' teams, they would not have thrived without **access to capital**.

Within "**execution capabilities**," two factors stand out above all: **operational expertise** and the ability to **secure funding**. Growth in Brazil is expensive, and capital can be scarce; consistently accessing it is, therefore, a fundamental skill for any entrepreneur, particularly in a landscape of bearish markets and short, steep economic cycles. We do not foresee this dynamic change anytime soon, so **maintaining robust operational execution and reliable capital access remains an indispensable pillar for success in growth stages**. Of course, developing a strong product and advantageous competitive positioning is vital for any robust, successful company, but these attributes are far from sufficient on their own.

Regarding **market tailwinds**, while we appreciate large Total Addressable Markets (TAM), **we prefer clear tailwinds**. A niche market with strong underlying trends is often more valuable than a broad market with no clear direction. In this sense, **Skelt Beauty Brands' Creamy Skincare** and **Atlas Agro** illustrate how operating in well-defined niches can lead to robust growth at reasonable costs.

Larger, more stable markets are generally less receptive to new players, requiring an even higher level of execution and capital to break through – which is, *per se*, a challenge in Brazil. On the other hand, smaller markets with strong tailwinds tend to be more flexible and open to companies offering innovative solutions. Once operational expertise is validated, the market itself can drive a company's growth.

Atlas Agro serves as a good example: by offering farmers the possibility to cultivate sesame during the "safrinha" (second crop cycle of the year), the company leverages on favorable crop characteristics, extra economic gains for farmers, and surging global demand. Today, Atlas is one of Brazil's leading sesame exporters. If it maintains solid operational performance, it will likely continue to expand on the back of both established and emerging tailwinds (such as the opening of the Chinese market for Brazilian sesame and, eventually, crop diversification).

Had Atlas chosen to compete in a much larger but more stable market, such as soybean, it probably would not have achieved anywhere near the level of growth it has – despite having a highly capable team. It would also demand much more capital than what has been employed at the company so far.

Closing a chapter, embracing a new one
By João Maia, co-founder of Shift Capital

In January, I concluded a management cycle at Bluefit, one of the key companies in Shift Capital's portfolio. My journey with Bluefit began in 2018 when we became franchisees, opening our first Bluefit store in Goiania. Over the years, I led a strong expansion strategy, which ultimately resulted in a merger between our franchised operation, Shift Fitness, and Bluefit, in 2022. Following the merger, I took on the role as Bluefit's CEO, leading the company's growth trajectory for two and a half years.

One of the biggest challenges was post-merger integration – aligning teams, processes, and systems while ensuring efficiency gains and continued growth. With key structural and leadership changes, the student base surpassed historical records, driving EBITDA growth of 70% in a year. Store openings were reaccelerated, totaling 24 in 2023.

That same year, Bluefit reached another milestone: its transaction with Mubadala Capital. This marked a new phase of transformation, preparing the company for accelerated growth. I led efforts to redesign key processes, restructure the organization, and build a strong executive team with expertise in growth, retail, and services. Even amid restructuring, expansion accelerated, with 41 new stores opening by the end of the year – a record. With Bluefit now operating at a new level, I initiated a leadership transition and continue to be involved as an investor through Shift Capital, proud of the initiatives I undertook that led the company from R$218 million in revenues in 2022 to R$456 million in 2024—and outstanding perspectives for the years to come.

Key takeaways from a high-growth journey

The main lesson I took from such an experience is the importance of strong foundations. While immediate results matter, long-term sustainability must always be the priority. Growth itself is one of the greatest challenges for any company. Many companies sacrifice intensive preparation and structural work to favor short-term speed, which often leads to inefficiencies or even failure down the road. Managing a company in rapid growth, with limited resources and relentless demands, can turn even minor operational inefficiencies into important bottlenecks.

At the same time, waiting for perfect conditions is unrealistic. Rapid execution and action are critical and essential skills to a manager/entrepreneur of a high-growth business, but having a solid base and a scalable structure allows a company to sustain its pace for longer. During acceleration, I encountered many short-term opportunities that seemed attractive but were not sustainable in the long run. The key is balancing short-term performance with long-term business health.

Another crucial takeaway is the need to keep moving and learning. A company is either evolving or declining – there is no standing still. That's why I believe in fostering a culture of continuous improvement, self-disruption, and adaptability. Even the best-laid plans must evolve; failing to keep learning can mean missing key opportunities or overlooking risks.

Above all, I know that success depends on people. Scaling a business is intense and demanding, and I have seen firsthand how essential it is to build a strong, high-integrity team that collaborates effectively. Beyond skills, having the right culture ensures resilience, problem-solving, and shared victories—making the journey worthwhile. As Jim Collins suggests, a leader's success is measured by how well a company performs after their departure. With that in mind, I leave Bluefit proud of the exceptional team I helped build—one that will continue driving the company forward—as well as our equity returns.

Our investments

Similar to 2023, in 2024, our portfolio has experienced very few equity transactions that marked their valuations "at market". As the portfolio matures and relies less on external equity, those types of mar-ups will happen less often. We have once again opted to maintain most asset "prices" flat and focus on analyzing and disclosing to our investors the financial and operational performances of their companies – which should certainly mean more than markups.

The table below lists all our holdings as of December 31st, totaling 10 companies (8 active positions). From those, we have worked to increase ownership in Atlas Agro and Terra Magna, two companies that faced capital challenges and are still going through rapid growth.

Date of the first investment	*Company (trade name)*	*Type*	*Percentage Owned*
Jun – 2018	Shift Fitness / Bluefit	Active	~8.0
Apr – 2019	Kovi	Passive	2.0
Jun – 2019	The Coffee	Passive	1.3
Nov – 2020	Atlas Agro	Active	23.6
Nov – 2020	Skelt Beauty Brands	Active	37.5
Jun – 2020	Paketá	Active	10.1
Aug – 2021	Terra Magna	Active	14.6
Aug – 2022	Zerezes	Active	9.1
Mar – 2024	Regera	Active	TBD
Aug – 2024	Acquion	Active	45.0

While 2023 was important for delivering the first year of profitability to most portfolio companies, 2024 was excellent in terms of revenue growth and scale gains, further improving margins and EBITDA volume. Most companies are now in a stage with less risk of complete capital loss, and returns will start to compound rapidly.

As usual, we bring our portfolio companies' main figures. This has been another consecutive year of rapid growth for Shift companies, resulting in a 71% average revenue CAGR for the last 4 years.

			Gross Revenues (R$ million)			
Date of the first investment	*Company (trade name)*	*Type*	*2023*	*2024*	*YoY growth (%)*	*2024 EBITDA Margin*
Jun – 2018	Shift Fitness/Bluefit	**Active**	360	456	27%	22.9%
Apr – 2019	Kovi	**Passive**	502	551	10%	-23.4%
Jun – 2018	The Coffee	**Passive**	31	44	42%	5.8%
Nov – 2019	Atlas Agro	**Active**	94	453E	380%	9.3%
Jun – 2018	Paketá	**Active**	13	19	40%	-22.0%
Aug – 2021	Terra Magna	**Active**	109	139	27%	21.1%
Nov – 2019	Skelt Beauty Brands (Alpha I)	**Active**	115	258	124%	18.0%
Aug – 2022	Zerezes (Alpha I)	**Active**	57	88	55%	12.3%
Total			**1,281**	**2,008**	**57%**	

Having invested so far only R$172 million, we are proud to say that **our companies generated over R$2 billion in revenues in 2024, a 57% increase compared to 2023**. More importantly, those companies added almost R$150 million in incremental EBITDA, a substantial evolution compared to last year, denoting the power of scale gains in high-quality companies. We expect EBITDA margins to keep evolving, as most companies are still maturing in terms of scale and margins.

Equally important, **we now have 4 companies that surpassed the R$200 million revenue target** and others that may pass it during 2025. Now, we have seen, executed, and lived through a few growth stories, taking those companies from ~R$20 million to R$200 million-plus in a few years. The experience coming from those stories is stacking up in our toolbox. The challenges faced in these growth stages are certainly very different from the ones faced during the R$20-100M revenue stage. Now, as those companies prepare and plan for the bigger game (getting revenues to the R$1 billion target), the challenges are more related to corporate structure, business development, processes, incentives, capital structure, governance, and so on. And the volumes of capital are also very different…

(For instance, Skelt Beauty Brand's marketing budget for 2025 is equal to their revenues for 2022, which was only 2 years ago. As well as their credit need for working capital and CAPEX. Similarly, Bluefit's CAPEX for 2025 is expected to be larger than its revenues for 2022).

The Alpha fund

As we conclude 4Q24 results and, consequently, full-year figures, we are proud of the shape Shift Alpha I is taking. Our 2022 and 2023 investments, Zerezes and Skelt Beauty Brands, **have significantly outperformed our expectations. With less than 3 years of the fund and having deployed only ~60% of it, we will already start to enjoy the effects of compounding growth/returns in these two companies.** We also took the chance to expand our check size into Skelt, acquiring an additional R$2 million through secondary shares.

Regarding investment activity, we successfully met our goal of making two new investments in 2024 – Regera and Acquion – maintaining what we consider a good/conservative investment pace.

Founded a decade ago, Regera develops biogas plants that process agricultural waste, transforming it into gas to generate electricity, heat, or renewable natural gas (biomethane). Meanwhile, the residual solids are repurposed as organic fertilizer. Brazil ranks as the world's second-largest emitter of methane from agricultural waste. With a notable absence of gas grid infrastructure in its agriculturally rich central regions, biomethane plants offer a promising solution. These facilities not only mitigate emissions and replace fossil fuels but also lower operational costs and create a new revenue stream for agribusinesses. With our support, the company expects to capture the abundant agricultural waste present in the Brazilian countryside and transform it into profits.

Acquion is an industry specializing exclusively in developing and producing collagen in Poços de Caldas, Minas Gerais. Collagen is a protein derived from cowhide and has high nutritional value for both human and animal consumption. Brazil, home to the world's largest cattle population, predominantly pasture-raised, provides an abundant supply of cowhide with low commercial value. This positions Brazil as the primary supplier of collagen raw material, offering it at affordable prices and in an environmentally sustainable manner.

The original founder of Acquion made mistakes regarding capital structure, which put the company under financial stress (despite the healthy margins) due to indebtedness and accrued payables. This has driven him to pursue a flash sale of the company. Shift has partnered with OrderVC, and together, we acquired a 100% stake in the company. OrderVC is a fund owned by Gilberto Zancopé, an experienced investor in restructuring and growth. They are also our partners at Zerezes and Atlas Agro, and we feel this combination has been a winning one. From the outset, we knew Acquion's restructuring and growth would require a dedicated CEO. Together with OrderVC, we initiated the search for this person – someone with proven experience structuring and scaling a growth company. We are thrilled to share that João Maia, Shift's founding partner and former CEO of Bluefit, has stepped down from his role at Bluefit and joined Acquion as its new CEO.

João played a pivotal role in building Shift Fitness, our franchise operation of Bluefit, which merged into Bluefit. After the merger, João joined Bluefit as its CEO, and under his leadership, the company grew to R$ 456 million in revenues. Those familiar with our story may recall the early days of Shift Fitness, and João's strategic leadership was instrumental in its journey. The restructuring task of Acquion has proven more challenging than we initially expected, but we are confident that João, with the support of Mauricio Grin (Shift's partner who has been at Acquion since the acquisition), will now lead Acquion through a promising 2025, and we couldn't be more excited about it.

While part of our team is fully engaged in scaling these companies, another group remains dedicated to sourcing and analyzing new investment opportunities. We aim to fully deploy the fund by 2025, allowing us to focus exclusively on value creation within the portfolio.

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Skelt Beauty Brands *(Skelt Beauty Brands S/A)*

The performance of Skelt Beauty has been distinguished. After the fruitful year of 2023, when the company grew 87% in revenues and delivered its first year of profits, it once again beat the budget. In 2024, the company grew 138%, reaching 258M in annual revenues (vs R$115M in 2023 and R$187M of the 2024 budget). This growth was coupled with considerable improvement in profitability levels. The company reached an 18% EBITDA margin, and there is much room for further evolution. The growth was mainly driven by further exploring a few of its growth avenues. What we like most about this case is the abundance of potential growth avenues: channel expansion, category expansion, and brand expansion. The company has just started to explore the "offline" channel initiatives (pharmacies, perfumeries, proprietary stores) and has room to strongly develop its brands, as it still has few products and few categories.

Besides growth and potential, our take is that the Creamy brand is developing remarkably, being recognized as one of the most promising skincare brands in the country. It was recognized as the 9th most trending skincare brand on Instagram! The only Brazilian brand featured in this study. This must mean something.

The challenges for 2025 are a little different than 2024. While the company must keep its growth pace (we have an ambitious goal of R$500M in revenues for the year, a 100% increase YoY), it needs to work hard to secure the necessary structures needed for continued growth – as the size changes, so does the challenges. Team structuring, processes, IT, and capital sourcing (debt and equity) are key for 2025 success. To illustrate, the company grew from 150 employees by the beginning of 2024 to over 300 by the end of the year.

Bluefit *(Bluefit Academias de Ginástica e Participações S.A)*

Under João Maia's and Mubadala's leadership, Bluefit has delivered another year of strong organizational structuring and growth. The company hired most of its C-levels during the year, forming a very strong team to deliver the desired growth of its business plan. With a strong structure, João has successfully delivered his most important goals as CEO and stepped down to join another challenge within Shift's portfolio companies. Alessandra Mattos Sekeff, a former high executive at Boticário and Coca Cola, has taken his place as the new CEO with the task of leading the company through its high growth period.

In terms of financial results, Bluefit delivered a 27% revenue growth in 2024, reaching R$456 million, with R$93 million EBITDA, in line with expectations. For 2025, we expect growth to be stronger in both revenues and EBITDA, as the new stores opened in 2024 and to be opened in 2025 mature. Indeed, the acceleration of expansion takes some time to translate into growth.

We remain confident in the Brazilian fitness/wellness market, in the team and in the controlling shareholder's ability to sustainably grow the company throughout the next years.

Atlas Agro *(Atlas Agro Comércio e Exportação de Grãos S.A)*

This year was one of strong growth of ~300% for Atlas Agro – and the many challenges that came with it. The company had a volume evolution from 11k tons of sesame in the last crop (2023-24) to over 40k tons in the current crop. Now, we're proud to say that Atlas has become a leader in sesame seeds in Brazil and is on its way to becoming a relevant global player in seeds processing and trading. This is an outcome of the efforts being made since 2020, when we invested in Atlas. Not only did we invest in it, but we also have high levels of engagement, having Bernardo Gacia, Shift's co-founder, allocated as the company's CEO.

Such volume growth demanded fierce execution by the team led by Bernardo, which engaged with operational activities to be able to source, receive, process, and export such volumes. Also, with capital activities to be able to purchase that volume from a working capital perspective and deploy new infrastructure in our facilities in Canarana – with 3 new silos and many processing improvements. Still, even with all that effort, the new facilities were finished with a delay from the initial expectations, impacting the timeline of exports and, therefore, cashflows.

Although we are happy and grateful with the year – expected to finish with over R$450 million in revenues and R$60 million in EBITDA – we do not recommend such growth for any company. The operational challenges that emerged from it demanded larger-than-ideal efforts, risks from our team, and costly hair treatment to replace Bernardo's hair loss due to stress during this year. For the next year, we intend to grow Atlas at a slightly more "boring" pace compared to +300% in 2024 to be able to improve operational efficiency and pave the road that will lead to new acceleration.

Paketá *(Paketá Serviços Financeiros Ltda.)*

2024 was a pivotal year in Paketá's trajectory. Transitioning from a company in the "VC track," it moved beyond the high-growth-at-all-costs model that characterized an era of abundant liquidity and shifted toward a sustainable growth strategy aiming to achieve profitability.

Initially a technology provider for private payroll loans in Brazil, Paketá identified a greater opportunity: becoming the capital provider for these loans as well. Rather than a simple "pivot," this strategic shift enhanced the company's ability to capture value. Our investment in 2020, in a company smaller than our typical targets today, involved inherent risks – but overcoming them was part of the journey.

In 2024, Paketá successfully structured its proprietary facility to provide payroll loans in partnership with XP Investimentos (one of Brazil's largest brokerage firms) and strengthened relationships with multiple funding providers. This approach enabled the company to achieve a positive EBITDA milestone in the last quarter – after years of intense cash burn – while also growing gross revenue by 40% YoY.

Looking ahead, 2025 will be a year of consolidation. The focus will be on reinforcing the company's balance between growth and profitability while optimizing its capital structure, given the leverage taken alongside past equity rounds to support the business during its cash-burn phase.

TerraMagna *(Terramagna Tratamento de Dados LTDA)*

If you do not closely follow Brazil's agribusiness, you may not realize it is facing a major crisis. After the boom of 2021 and 2022 – driven by soaring commodity prices – the market turned. Commodity prices plummeted, and those who leveraged their businesses during the good times, relying on low interest rates, were hit hard. Input resellers, stuck with expensive inventory, also suffered. As a result, 2023 was already a challenging year, but 2024 was even worse, with a wave of judicial recovery filings (Brazilian Chapter 11 equivalents) from both farmers and input resellers. Margins shrank, interest rates climbed, and mistakes became costly. Default rates skyrocketed, major banks drastically pulled back credit, and the "Faria Limers" (Brazil's Wall Street crowd) panicked.

Being a high-tech credit provider in Brazil, TerraMagna was right in the middle of the hurricane.

You might assume we are setting the stage to explain a failed case. Quite the opposite. 2024 was the year the market finally saw and confirmed what we knew: TerraMagna is a winner in this space.

TerraMagna started as an intelligence provider – leveraging aerospace analysis, big data, and other advanced analytics – for traditional lenders. It added so much value to its clients that it evolved into a lender itself. Through credit facilities where it holds the junior quotas, TerraMagna grew its loan book from R$50 million in 2021 – the year Shift invested – to nearly R$2 billion in 2024. And it didn't just grow; it maintained one of the best credit performances, operating with near-zero default rates. In 2024, its subordinated quota in the flagship debt facility delivered +100% returns – a feat that few, if any, other lenders achieved in such a turbulent environment. Additionally, the company had its first full year of relevant net income.

What makes TerraMagna exceptional? It is hard to pinpoint just one factor. Perhaps it is the CEO – an ITA alumnus (Brazil's equivalent of MIT). Or its risk-driven mentality. Or the vast datasets it has accumulated and processed with precision. Or maybe it's its ability to structure and distribute credit in ways the industry hadn't seen before. Whatever the reason, 2024 proved what we believed all along: TerraMagna is the standout winner in this space.

At a time when agriculture credit is scarce and major players are pulling back, TerraMagna is not just surviving – it is expanding its loan book with even higher-quality assets. That is the goal for 2025. Meanwhile, it continues to grow its SaaS revenue stream and is broadening its value proposition beyond credit. By offering banking services, payments, float management, and other non-credit revenue streams, TerraMagna is becoming the reference player for credit disbursement in Brazilian agribusiness.

At the core, TerraMagna's real edge is its ability to lend and, just as importantly, to get repaid. In a market where many failed, TerraMagna's expertise in structuring, monitoring, and collecting credit has set it apart – a reality that became clear in 2024.

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Brazil – a (very) brief overview from someone who does not often read the news

In 2024, Brazil's economy showed resilience despite global uncertainties, with GDP expected to grow 3.5%, driven mainly by strong domestic consumption and expansionary government policies. Increased public spending and credit stimulus helped sustain growth but at the cost of rising fiscal pressures. The unemployment rate dropped to 6.2% by year-end, the lowest level in nearly a decade, reflecting a stronger labor market, particularly in services and construction. However, wage growth remained sluggish, and informal employment still accounted for a large share of the workforce.

Inflation, measured by the IPCA, closed the year at 4.8%, slightly above the Central Bank's target range (3% ±1.5%). In response, the Selic rate started the year at 11.75%, was cut to 10.50% mid-year, but then reversed course, ending at 12.25% in December. This shift reflected the independent Central Bank's increasing concerns over inflationary pressures and the government's inability to deliver a credible fiscal adjustment.

Fiscal uncertainty remained the elephant in the room. The government struggled to implement meaningful spending cuts, failing to instill confidence in the markets. The primary deficit ended the year at 0.4% of GDP, exceeding initial projections, while gross public debt climbed to 78% of GDP. On top of that, the ongoing friction between the Executive and Congress made fiscal policymaking even more challenging, with frequent clashes delaying key economic measures. Despite attempts to introduce a fiscal package, markets remained skeptical due to resistance to deeper structural reforms. As a result, the Brazilian real depreciated by nearly 22% against the U.S. dollar, reflecting investor uncertainty and broader global risk aversion.

Looking ahead, Brazil remains a major emerging market with long-term opportunities, backed by a large and growing consumer base of nearly 215 million people and a relatively stable institutional framework. While fiscal concerns persist, the country's democratic process continues to function, and all eyes are now on the 2026 presidential elections. Markets are already speculating on the potential for a more market-friendly administration, which could help restore investor confidence and accelerate much-needed reforms in taxation, public spending, and regulatory efficiency.

Best regards,

Fernando Jamra & Shift Capital team

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