

Brazil Retail & Consumer Goods

Retail in focus – how European investors are looking to the sector

Selective interest remains, but appetite for Brazilian retail is rising

Feedback during our European meetings last week reinforces the growing investor interest in Brazilian domestic equities—including retail. While macro-related concerns persist and the overall tone remains cautious, there's a clear willingness to revisit names that combine structural resilience and good momentum with attractive valuation entry points. As in past discussions, investor attention remains highly concentrated in a few stocks—Renner, Mercado Libre, Raia Drogasil, and Assaí—, though we also noted growing curiosity about SmartFit and Azzas. Compared to our March roadshow (see [Selectively more positive](#)), the depth of engagement in company-specific topics has increased, with conversations centered around earnings momentum, competitive dynamics, and pricing power, as well as the scenario for consumption in the following quarters. Overall, we continue to see signs of portfolio repositioning, with retail names more visibly on investor radars.

Renner: Questions on margin sustainability and competitive pressure

Renner remained a key focus across meetings—we also hosted the company in a non-deal roadshow in the region this week (see [What's next for Renner? Messages from Europe](#)). Investor discussions largely revolved around the sustainability of gross margin gains and the company's ability to reignite top-line growth following a solid Q1. While the results were well received, many investors questioned Renner's ability to sustain pricing power amid mounting cross-border competition, particularly from Asian platforms, and potentially a more challenging macro outlook in 2H25, given the high interest rate environment. Still, we see a constructive bias from European investors, underpinned by Renner's recent improvements in execution, brand strength, and leveraged balance sheet.

MercadoLibre: Shipping policy prompts short-term margin debate

MELI remains one of the most consensual long positions in portfolios, but its recent move to lower Brazil's free-shipping threshold to R\$19 drew intense scrutiny (see [What to Watch Today: MercadoLibre lowers free shipping threshold in Brazil](#)), leading some investors to trim their exposure. Investors debated the short-term margin implications of this change and its potential to reshape the competitive landscape in low-AOV categories. Some flagged concerns about the risk of renewed subsidy cycles across platforms. Nonetheless, the long-term view remains intact: MELI's robust ecosystem, fulfillment capabilities, and first-mover advantage continue to underpin the investment case. Margin dilution is a concern, but most investors are willing to look through near-term volatility, assuming GMV growth and user engagement hold firm.

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Assaí and Raia Drogasil: Diverging bias for some value options

Assaí garnered investors' attention—but less than in previous quarters—, with discussions centered on store rollout, legacy store productivity, and recent SSS trends. That said, investor sentiment remains supportive of its deleveraging trajectory. In contrast, the tone on Raia Drogasil was more cautious. While the company retains long-term appeal as a compounder—anchored by scale, and superior store productivity—, near-term concerns dominate. These include margin pressure, weaker sales mix, and stiffer ecommerce competition in the HPC and OTC segments. Investors are looking for stabilization of margins and a rebound in SSS performance before re-engaging, particularly at current valuation levels.

Retail sentiment improving, but selectivity still rules

Although not yet a full-blown rotation, investor sentiment toward Brazilian retail is noticeably more constructive than earlier this year. Funds are clearly distinguishing between companies with operating momentum and those struggling to reset margins or defend market share. Multiple meetings pointed to partial re-entries into select retail names. However, with the sector having rallied in recent months, we believe further upside will depend on a combination of improving macro dynamics and continued earnings upgrades. With fundamentals increasingly in focus, we maintain a selective stance. Our preferred names include SmartFit and MELI (our two compounders), as well as C&A, Renner, and Azzas, all of which show decent near-term momentum.

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