



Farm Talk

Argentine agri investor, Alex Quentin, explains why the sector looks set to boom...

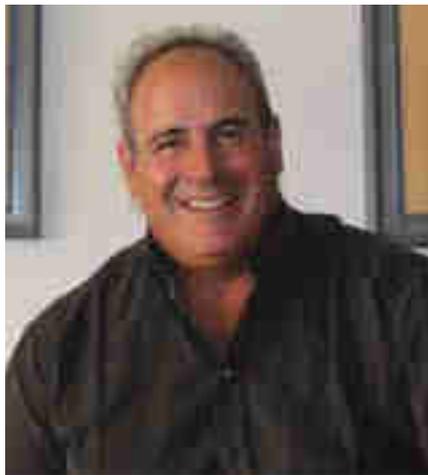
LatAm INVESTOR: *How did Pampa Capital start out?*

Alex Quentin: My family has been in the agribusiness sector for over a century. My great grandfather, Alfredo Hirsch, worked for Dreyfus in Europe and then in the 1902 moved to Argentina to work in Bunge & Born. I studied in the US and spent my summers working on different farms in the American mid-west, which gave me real 'hands on' experience.

Eventually I ended up linking up with Soros Fund Management. After the 2001 crisis hit Argentina we realized that there were important opportunities in land. In October of 2002, we bought a land and cattle firm called Pecom Agropecuaria and renamed it Adeco Agro. It was basically a family deal between Soros and us and that's when Pampa started.

My partner Juan Pablo Trujillo and I have been together since early 2003 and have built a solid management company with high qualities and motivated resources and a valuable track record in executing deals in the agribusiness and food sector. The team went on to help raise further capital for Adeco and expand the business first in Uruguay then Brazil.

Pampa and the management team it assembled in Adeco was responsible for executing an important turnaround taking the company from a cattle business and diversifying into row crop agriculture. The management team that we put in place did an incredible job implementing the turnaround. Pampa



Alejandro (Alex) Quentin, Managing Director, Pampa Capital

LAI: *The last eight years have been incredibly difficult for Argentine agriculture; how did Pampa Capital survive?*

AQ: It was an unexpected and incredibly difficult environment, but we never lost sight of our purpose. We acquired solid family-owned companies, improved their corporate structure, management, governance, MIS and productivity and then rolled them up into bigger companies. We always had an eye on the long-term, knowing that when things reverted to normal these companies had fundamentals that would resurface and be valuable for strategic investors.

Lastly, you cannot survive this without the support and patience of your investors. Pampa's has a terrific LP base that has allowed us to overcome this cycle. When things got difficult they were always the first to know and always supportive of our recommendations. We strongly believe that the Private Equity model is based on transparent partnership with investors.

LAI: *So if this cycle is coming to an end, what is Pampa Capital's next move?*

AQ: Our focus is to capitalize on the efforts of the last few years and the very positive current momentum to maximize the value of our current investments and successfully close this cycle. We are considering raising capital for a new fund to take advantage of the new opportunities we are seeing in the sector and the region. We have always been disciplined investors, tried to stay ahead of the curve and avoid rushing to market based merely on trends. Success in this industry comes from identifying untapped opportunities early on and effectively and patiently executing on them. We have a very valuable and unique learning curve and pipeline and a seasoned execution team.

Our seed platform is a very attractive company. It started out as separate firms and germplasm bases that we acquired across Paraguay, Brazil and Argentina and we turned it into one of the largest independent seed company in Latin America. We don't do the R&D at the GMO level, but we invest heavily in developing

our own germplasm. It's an advantage as it means that we can choose which product to license from a range of suppliers. It's like owning the horse and being able to change the jockey.

Our success is demonstrated by the fact that we have the number one performing corn hybrid in Argentina. The performance of our products in Brazil is continuously improving from a top quality genetic base. We're beating the big multinationals in terms of yield so it's a great success. Our proprietary business has enjoyed strong market growth, despite the tough conditions.

It's very attractive to strategic investors because it automatically gives the purchaser a strategic position to expand in Latin America without having to do at least 10 years of R&D. This is a unique experience that may be also replicable in other geographies and we have the resources to do so.

LAI: How would the strategy change for the new fund?

AQ: In essence the strategy keeps on being the same one of identifying undervalued / undermanaged assets in the agribusiness and food space and growing them to maximize value to our investors. We believe that Latin America still has unexploited opportunities in a normalized environment and this shall continue being our main focus. However, we are considering leveraging our learning curve in other geographies. For example, Australia and New Zealand is one region that we have been exploring and believe it may offer some untapped opportunities.

We also believe it may be a moment to look again at land. Our first investment with Soros invested only in land. Back then the play was investing in cattle land, changing farming practices and

turning it into high-value farming land. Basically, we went from low-value proteins to producing a high-value crop that could then be fed back to proteins. This generated private equity-like returns for our investors.

We maintain our focus in the 'picks and shovels' approach, but we believe that we should also be open to considering land in certain geographies where the conditions may be arising in order to make private equity returns (as was the case of the beginning of the past decade when we did farmland in Argentina and Brazil).

In Argentina that is still complicated as there are regulations and restrictions that govern foreign ownership of land. Although an important change in legislation is expected. However, regions like Australia and New Zealand present some potential worth exploring. Over the last years Pampa has dedicated time and energy there and we think this is a region we can take a lot of the lessons and know-how that we've gained here and use them very profitably over there.

We have successfully farmed the northern, tropical part of Brazil and Australia's Northern Territory and North WA regions are very similar in terms of climate and soil types. Australia and New Zealand have an extensive banking system, credit and fantastic rule of law, so it gives you another basket of opportunities, especially in land and industries, which require working capital for growth.

LAI: Why should LatAm INVESTOR readers invest in Pampa Capital?

AQ: If they have the interest and stomach to profit from opportunities in the agribusiness and food sector in the region, we have what I believe the most

seasoned and solid investment team to identify and execute on attractive private equity opportunities. We have been pioneers in our sector and have a no nonsense and transparent approach with our LPs. We don't see any other way to partner in what is a profitable but potentially bumpy long-term ride. We try to see things from my investors' perspective. So when times were tough in Argentina or Brazil, we wanted our investors to know about the situation they are facing before they read about it in the paper.

It is important to understand that management and good execution and not capital is many times the scarce resource here. Key to success is to hire capable CEOs and put together good executive teams. On the same note, it is crucial to be able to correct course when things not go as planned and/or management doesn't deliver. The biggest mistake you can make as a private equity manager is not being true to yourself and not taking the necessary steps to fix a situation when something is not working. It's not always easy and it certainly requires control and takes time but you can't stop until you get it right. Then once you have someone good you need to give them the incentives to retain them. We have a fantastic group of CEOs.

Generally speaking I also think that private equity has a lot of advantages over public markets. The agribusiness sector is a significant portion of the Argentine and Brazilian GDP and the public markets are very limited if investors look to invest in this space.

At Pampa Capital all of the assets are real, you know what they produce, we control its management and are not significantly leveraged. We have always been very careful in terms of finances because we didn't want to over reach.