



**SHIFT CAPITAL**  
**2025 Annual Letter**



## **Letter to our stakeholders**



*The objective of this letter is 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 a 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. And make the disclaimer that as our investments are “growth”, companies still small in revenues and structure, most of the numbers are non-audited and may show variations from reality.*

## **Crossing the inflection point**

If you have followed Shift’s trajectory, you may know that we have walked a somewhat unorthodox trajectory. We have endured more capital constraints and risks than most investment managers in our category. By having performed greenfield and brownfield entrepreneurship stories, perhaps because of our lack of access to capital, we have had significant risks tied to our “CPF”. That is one of the reasons why we can empathize so strongly with the entrepreneurs and partners of our companies. In 2025, we feel we finally advanced to a new phase of our story, where most of our companies have matured, surpassed their most important hurdles, and achieved size and structure enabling us to sleep better at night. **2026 will be the year where most of our portfolio (5 out of 10 companies) surpass the R\$200 million revenue hurdle** – and others will soon join this group (as a quick recap, we joined those companies when they had R\$10-40 million in topline). **With such growth, we are finally achieving the so expected compounding effect in most our holdings – adding significant MOIC with each new year of growth.**

We have invested little capital so far – in the range of R\$ 190 million. This is not our primary KPI. We do not see ourselves as a traditional asset management firm – rather as a partnership of investors and company builders. **The capital we invest is merely a means to an end – build great companies, and great partnerships – capable of compounding very powerful returns along many years.**

**The strategy we use to be able to compound such returns is investing early in those companies’ life, and managing to ensure there is growth – a lot of it.** We typically invest when revenues are in the range of R\$20 to R\$100 million, a zone where we can be comfortable enough with products and teams, but where there is still superb growth and return potential. The tradeoff is clear. We accept higher operational risk and intensive portfolio involvement in exchange for exposure to companies capable of compounding at 50%+ per year over five to seven years. **In our model, returns are driven by growth, not by leverage, financial engineering, or multiple arbitrages.**

That *growth-first* logic also shapes how we think about pace and portfolio management, with 2025 being a year of zero new investments, something we do not like. On the other hand, we feel our energy was well spent on the portfolio companies, delivering another outstanding year of growth across the board and some foundational projects for most recent investments. **The portfolio’s revenues grew 62% in 2025. A number again above our base-case expectations, which proves the strength of the thesis. Highlights this year go to Zerezes, Skelt Beauty Brands and Atlas Agro, companies that grew strongly despite an already larger base. And to Paketá, which grew above 3x and consolidated itself as one of the leading players in payroll credit in Brazil.**

**Alpha I, our first discretionary blind pool fund, is looking great.** The fund is approaching full deployment, with four active companies at different stages of maturity. Zerezes and Skelt have entered what we call the “compounding phase”. Meanwhile, Regeera remains in earlier phases, building foundations and structuring its biogas project pipeline. Acquion, however, deserves a special mention: after completing a critical turnaround phase under new leadership, the company grew triple digit in 2025. Having exited survival mode, Acquion now enters 2026 with high promises.



## The math nobody wants to hear

A little context before we start: our team is now revisiting old and new investors, talking about our companies, our performance, and the future. All those conversations are filled with questions about exits and DPI. Perhaps because of the macroeconomic environment, or because of the liquidity constraints that big Private Equity and Venture Capital players have endured. This has driven our team to revisit a few ideas and convictions *about time*.

The discussion is rather simple, but by the looks of our last conversations with allocators, we think it is worth offering our two cents on the subject. **We believe in a most fundamental basis that the private equity asset class was never built for liquidity. It was built for compounding returns – and pushing for liquidity may be a mistake of first principle.**

Let's examine the math.

Assume a company growing at 50% per year, a level not uncommon in our portfolio. If held for 3 years, the investment may yield 3x MOIC – amazing! Stretch that to 5 years, and the MOIC compounds to 7.6x. Over 7 years, it becomes 17x – a blast if compared to the 3x of the 3-year hold.

It is no news that such relationship is exponential. **That is the power of compounding growth in high-quality businesses – and it is precisely what the private equity structure is designed to capture.**

From our perspective, liquidity is not a feature of the asset class. **Illiquidity is. And that illiquidity only makes sense if matched with return potential that justifies it.** For a 2-3x return, there are far more flexible options in Brazil. But for a 5-10x outcome, there is no shortcut – it takes time, discipline, and the ability to bear duration without a big sacrifice.

This is why we see duration not as a constraint, but as a strategic axis. **In the Private Equity category, short holding periods (3-4 years) should be viewed as opportunistic – welcome when they happen but not core to the thesis.** Instead, the full return potential of the asset class is only unlocked when duration is embraced, particularly in companies with strong growth trajectories.

Despite all the math, we see many allocators, especially individual LP's and family offices, and managers, trying to reshape the logic of private equity to push for secure liquidity, sacrificing returns to seek shorter durations, early secondaries, or artificial DPI accelerators, often as a reaction to frustrations with a specific vintage or cycle.

**But this approach is dangerous. Structuring deals sacrificing equity returns in favor of liquidity, or pushing for early secondaries, undermines the first principles of the asset class, especially in Brazil where the required equity return premium for “illiquidity” should be larger.**

Private equity was never meant to be a liquidity provider. It is a compounding engine – and compounding takes time. If duration becomes a constraint, so does return. **The right answer, in our view, is not to distort the structure of the asset class, but to adjust your portfolio strategy around it.** That may mean allocating less capital to the category, but doing it with the proper expectations, timeframes, and conviction. The rewards, when the structure is respected, can be extraordinary. And they should be. Because that is the trade: **illiquidity, for exponentiality.**



## New world, new boss

We remember playing Mario Bros in our childhood, where every phase, and every world, had a new set of challenges. At Shift we have a similar feeling. Many of the things and challenges we face are a first for us. Our companies grew every year, but in 2025, it was the year that we had to invest much time and resources in structural projects so the companies could continue growing – on scale.

Quite honestly, when we started many of our companies and investments, it was not tangible to us that one day we would be preparing them to pursue the R\$1 billion revenue threshold. Now, we see that many of them are vigorously surpassing our base cases, and even our bull cases, and have unlocked a new world in our “Mario Bros”, **where a new, first of its kind, challenge emerged: managing and preparing companies for larger scale.**

**What worked brilliantly when companies were smaller requires strong updates when they reach R\$300-500 million or aspire to cross the one billion goal. This transition marks a profound change in how companies operate.** Complexity increases non-linearly, coordination becomes harder, and the margin for error narrows. Decisions that once affected small teams now ripple across entire organizations, making **alignment and clarity far more critical than speed alone.**

**This reality became especially evident through Skelt.** When we invested, the company was generating approximately *undisclosed* in annual revenue. As time went on, it grew at an exceptional pace, nearly doubling year after year, reaching *undisclosed* in 2025. Yet this rapid ascent also revealed how unforgiving scale can be when **structural evolution does not keep pace with growth.**

As Skelt grew this last year, some decisions that would have been easily corrected in a smaller organization took longer to surface. **Information became more distributed, execution more fragmented, and feedback loops slower.** An ERP transition turned out to be far more disruptive than anticipated. Commercial policies became misaligned with the company’s overall plan, sales execution drifted, and cost discipline weakened. Because of the company’s size, **these issues were not immediately visible and once identified, they required time and coordination to correct.**

The acquisition of a manufacturing unit added significant complexity to the procurement sector, **requiring the company to gradually build ingredient purchasing expertise throughout the year.** This materially delayed the factory ramp-up and further contributed to the **information and challenges dissonance across the organization.**

**Strategically, the company was pursuing the right path,** expanding distribution through well-defined channels and verticalizing its production chain to gain greater R&D control and margin expansion. However, **tactically, and especially operationally, execution did not keep pace. The company’s strategic ambition was aligned to the desired scale, while its tactical capabilities and operational structure remained closer to a smaller organization.**

At scale, **errors are not only more expensive; they are harder to diagnose and slower to reverse.** In earlier-stage companies, founders sit close to every decision, problems surface quickly, and course corrections happen in real time. **Speed compensates for imperfection.** In larger organizations, performance depends far less on intuition and far more on structure. **Systems, incentives, data, and processes must be aligned for the organization to move cohesively in the right direction.**

This distinction reshaped our understanding of what it means to support companies at different stages. Scaling from tens to hundreds of millions requires a management team capable of operating ahead-of-the-curve. **It demands anticipating complexity, professionalizing early, and building leadership**



depth before the organization visibly “needs” it. In Skelt’s case, some of these moves came later than ideal, creating friction at a moment when execution needed to be especially precise.

**Managing for scale is less about heroic execution and more about designing resilient organizations where information flows clearly, accountability is well defined, and problems surface early.** Entering this new world challenged our companies and challenged us as investors and partners.

### **Optimizing the company building journey**

While 2025 challenged us with the complexities of scaling our more mature portfolio companies, we have been equally focused on refining what happens in the critical early years of an investment. The logic is simple: **if we get the foundation right early, the scaling challenges we face later become far more manageable.** This focus on systematizing our value creation process is about building muscle to invest in more companies and ensuring a repeatable, high-quality approach.

We have identified three distinct phases in our partnerships, each requiring a different posture from Shift. Value creation, therefore, is not constant over time. It evolves with the company:

- *Phase I (years 0-1): Foundations*

**The first years following a Shift investment remain the most intense period of structural transformation. This is when we work the hardest to align structure with strategy – a mantra our investment partner Gilberto Zancopé often repeats.** During this phase, our focus is overwhelming on acceleration: building teams, implementing processes, establishing KPI frameworks, and aggressively scaling go-to-market. Growth takes precedence over EBITDA optimization. Governance, while present, is not yet the protagonist.

Within this critical initial window, the first 100 days are pivotal. This concentrated period sets the foundation for everything that follows. Our approach during these initial months centers on four core workstreams: **First**, we establish the rhythms and systems that allow Shift and the company to work in sync – implementing KPI tracking, refining reporting cadences, and building operational muscle memory. **Second**, we co-create what we call the “**Plano JK**” – a five-year strategic roadmap named after President Juscelino Kubitschek’s “50 years in 5” development plan. This becomes our North Star. **Third**, we capture low-hanging fruits across sales optimization, channel expansion, and financial controls. **Fourth**, we calibrate Shift’s engagement model for each specific company, tailoring our involvement to each founder’s needs and assembling the appropriate board and advisor structure.

- *Phase II (years 2-3): Build momentum*

Once foundations are in place, focus shifts to acceleration. Shift acts as a business development partner, prioritizing growth even if it means temporarily sacrificing EBITDA margins. **This phase is chaotic by nature – complexity increases quickly, teams stretch, and execution errors are inevitable. What makes it survivable is the groundwork laid during Phase I.**

This is when strategy meets reality. Hypotheses are stress-tested at speed. Shift’s role becomes less about designing systems and more about helping management prioritize ruthlessly, allocate



capital efficiently, and maintain focus while everything accelerates. Board meetings may become monthly. Interaction with management often happens weekly. Decisions must be made quickly, with imperfect information.

- ***Phase III (years 4-5-6-7): Structure and compound***

As companies approach larger scale, different dynamics emerge. The C-level team built earlier may become inadequate, requiring senior talent upgrades. Companies are now evaluated not only on growth, but on consistency, margins, leadership depth, and strategic clarity.

Our day-to-day involvement becomes less operational but not less important – shifting toward decision quality, capital allocation, organizational design, and strategic positioning. This is when margins start to matter more, not as an end in themselves, but as a signal of maturity. It is also when Shift's returns compound the most. Judgment matters more than intensity.

To support this more nuanced and stage-specific approach, we have been structuring what we call the Shift Growth Team (SGT). **In practice, the SGT provides structure and continuity to workstreams that have always been part of how we operate, but that are now being executed with greater clarity, discipline, and resources.** It acts as an execution layer that complements the Deal Team, ensuring that priorities remain clear and that critical initiatives continue to move forward as companies grow in complexity.

**This evolution is closely linked to the maturation of our most tenured portfolio companies.** As several of them move deeper into Phase III, our role naturally shifts from hands-on execution to higher-leverage tactical and strategic involvement. The challenge in these companies is no longer about building basic structure or accelerating growth at all costs. It is about improving decision quality, strengthening leadership depth, placing the right technological systems in place, allocating capital thoughtfully, and preparing the organization to engage with the market on its own terms.

**In many ways, this mirrors the journey of our companies. As they professionalize to sustain growth, Shift must do the same. Formalizing our value creation process is not about adding bureaucracy. It is about embedding the lessons learned through repetition into a structure that can endure.**

## **Our investments**

As mentioned before, 2025 was a year of no new investments, and an increased focus on the performance of our portfolio companies.

**Investing and managing should not eclipse each other, but since we are still in a phase of Shift where human capital is scarce and budgets are constrained, we seldom face such trade-off.**

The portfolio has remained concentrated at 10 companies, of which 7 are now active positions, with Shift board members and/or management teams. Bluefit has transitioned to a “Passive” position as we phased out from management and kept an observer board seat.

The table below lists all our holdings as of December 31<sup>st</sup>, totaling 10 companies (8 active positions).



<i>Date of the first investment</i>	<i>Company (trade name)</i>	<i>Type</i>	<i>Percentage Owned</i>
Jun – 2018	Bluefit	Passive	<i>undisclosed</i>
Jun – 2019	Kovi	Passive	<i>undisclosed</i>
Nov – 2019	The Coffee	Passive	<i>undisclosed</i>
Jun – 2020	Atlas Agro	Active	<i>undisclosed</i>
Nov – 2020	Skelt Beauty Brands	Active	<i>undisclosed</i>
Dez – 2020	Paketá	Active	<i>undisclosed</i>
Aug – 2021	Terra Magna	Active	<i>undisclosed</i>
Set – 2022	Zerezes	Active	<i>undisclosed</i>
Apr – 2024	Regera	Active	TBD
Aug – 2024	Acquion	Active	<i>undisclosed</i>

**Despite the operational challenges faced during the year, this has been another year of strong growth and momentum.** With the companies already larger in size, we can clearly see compounding effects on revenue and EBITDA, which will probably translate into compounding returns, validating our early thesis that the lower middle market is a sweet spot, where we can sustain a higher growth profile for several years, culminating in a compounded return profile.

**When looking at our cases that are at, or close to entering Phase III, the compounding effect becomes quite clear, and the numbers tell the story well.**

<i>Date of the first investment</i>	<i>Company (trade name)</i>	<i>Type</i>	<i>Gross Revenues (R\$ million)</i>		<i>YoY growth (%)</i>	<i>CAGR since investment</i>
			<i>2024</i>	<i>2025</i>		
Jun – 2018	Bluefit	<b>Passive</b>	<i>undisclosed</i>	<i>undisclosed</i>	37%	<b>32%</b>
Jun – 2019	Kovi	<b>Passive</b>	<i>undisclosed</i>	<i>undisclosed</i>	19%	<b>42%</b>
Nov – 2019	The Coffee	<b>Passive</b>	<i>undisclosed</i>	<i>undisclosed</i>	21%	<b>153%</b>
Jun – 2020	Atlas Agro	<b>Active</b>	<i>undisclosed</i>	<i>undisclosed</i>	382%	<b>118%</b>
Dez – 2020	Paketá	<b>Active</b>	<i>undisclosed</i>	<i>undisclosed</i>	318%	<b>164%</b>
Aug – 2021	Terra Magna	<b>Active</b>	<i>undisclosed</i>	<i>undisclosed</i>	22%	<b>119%</b>
Nov – 2020	Skelt Beauty Brands (Alpha I)	<b>Active</b>	<i>undisclosed</i>	<i>undisclosed</i>	58%	<b>61%</b>
Set – 2022	Zerezes (Alpha I)	<b>Active</b>	<i>undisclosed</i>	<i>undisclosed</i>	63%	<b>58%</b>
Apr – 2024	Regera (Alpha I)	<b>Active</b>	<i>undisclosed</i>	<i>undisclosed</i>	104%	<b>104%</b>
Aug – 2024	Acquion (Alpha I)	<b>Active</b>	<i>undisclosed</i>	<i>undisclosed</i>	129%	<b>129%</b>
<b>Total</b>			<b>1.6bn</b>	<b>2.6bn</b>		

Take Skelt. In 2025 alone, the company added *undisclosed* in gross revenue. Using gross revenue growth as a proxy for returns, an approach we will contextualize shortly, **that single year represents approximately a 4.9x increase compared to 2020 entry levels when Skelt was generating roughly *undisclosed* in annual revenues. Cumulative from our entry point, the company has now**



**delivered approximately a 13.2x revenue increase on that same proxy basis.** That is the compounding engine at work: not a one-time multiple expansion event, but sustained annual growth layering on top of itself, year after year.

Zerezes sits a chapter behind. **We entered at approximately *undisclosed* in revenues as well, in 2022, and 2025 alone compounded a ~2x MOIC on the same basis.** It has not yet reached its golden moment, but the trajectory is clear, and we expect the next two to three years to look outstanding in terms of return composition as the business approaches and crosses that Phase III threshold.

A word on methodology. This gross revenue growth-as-MOIC proxy holds when exits occur at entry-comparable multiples, something we actively work to ensure from day one. Our investment approach in the lower middle market is deliberately calibrated around this: **we do not build return models grounded on multiple expansion, nor do we like to pay a premium upon entry (as structurally happens in the VC strategy).**

For investments like Bluefit, Atlas, Regea, and Acquion, the revenue proxy is a less precise instrument – either because we entered at near-zero revenues, or because the entry configuration was more structured or more opportunistic. In those cases, the return story is still growth-driven, but the baseline mechanics are different, and the analysis requires a fuller picture.

**What remains constant across all of them is the underlying logic: growth is the common denominator.** When we enter at the right moment in a company's lifecycle, at a sensible valuation, and with the organizational conditions to sustain compounding, which is precisely what the SGT is designed to protect, revenue growth translates almost mechanically into return generation, year after year. The longer we can extend that window, the more the math works in our favor.

And ultimately, in a portfolio that almost unanimously grows at double digits, you can attest that the companies are delivering on their core function. **Aggregate gross revenues crossed R\$2.6 billion in 2025, up from R\$1.6 billion the year prior, a R\$1 billion addition in a single year.** More than the aggregate, what gives us confidence is the consistency: **eight out of ten companies grew meaningfully, six of them above 50% in the year, and the CAGRs since entry remain well above what we would consider base-case outcomes.**

**All of this to say that, even though in our business making early conclusions is a dangerous and treacherous road, this kind of broad-based, sustained growth gives us conviction that the thesis is working.** And the support structure we are building around our companies is not incidental to that result; it is part of it. This is particularly evident in the Alpha I fund, where Skelt, Zerezes, Regea, and Acquion happen to sit at four different moments of the same journey: one deep into Phase III, one approaching its inflection point, and two in its structural phases. **Each partnership carries forward the lessons of the one ahead of it. That continuity, we believe, compounds in ways that are harder to see in a single year but increasingly difficult to ignore over time.**

Best regards,

Shift Capital team



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