

Eike's breaky heart

Can Brazil's best-known businessman save his crumbling empire?

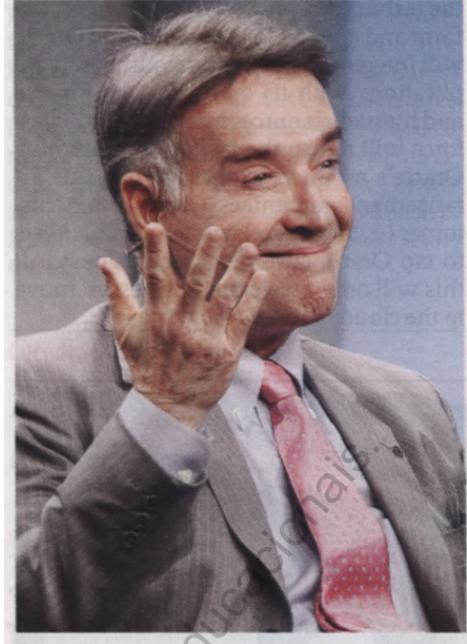
NO ONE could accuse Eike Batista of lacking ambition. He got a good start in life, as the son of a former minister of mines and energy who had also run Vale, Brazil's biggest mining firm. By 2009 the value of the firms he had built up himself, in businesses ranging from oil and gas to hotel-keeping and entertainment, had made him Brazil's richest man. He reckoned it was only a matter of time before he became the world's wealthiest. But such ambitions led him to overextend himself. And now the wave of euphoria about Brazil's prospects, which helped convince investors to pour cash into his firms, has turned to doubt—especially after the huge street protests of recent days. Shareholders and lenders nervously await more bad news. Mr Batista's fortune has dwindled.

Mr Batista's "x-Empire", the core of his business interests, consists of six listed businesses: MPX (power generation), MMX (mining), LLX (logistics), OGX (oil and gas), OSX (shipping) and CCX (coal). He runs these through a holding company, EBX. The share prices of the listed firms have plummeted—some are now worth less than a quarter of their value a year ago.

Mr Batista seems to be scrambling to reschedule their debts, or raise cash to repay them. This week he was said to be seeking a buyer for all or part of his stake in MMX. Meanwhile, OSX denied a newspaper report that it had missed a deadline to pay 500m reais (\$227m) to Acciona, a Spanish contractor building the port of Açu, a giant oil and iron-ore terminal, shipyard and industrial zone north of Rio de Janeiro. Since many of his firms' projects are at an early stage, they have little revenue and no profits, so he has relied on recent capital injections from Petronas of Malaysia, E.ON of Germany and BTG Pactual, Brazil's largest investment bank.

Mr Batista is a serial entrepreneur of long standing, well used to the ups and downs of business. But Brazil's emergence in the past decade as an economic powerhouse exporting raw materials to feed China's booming economy has allowed him to make much bigger bets than before. Mr Batista is a smooth and charming salesman, and in any case investors eager for a piece of the action needed little persuading. He also had strong backing from the Brazilian government, and in particular its development bank, the BNDES, which lent his firms billions of reais.

So it was all too easy for Mr Batista to



Easy come, easy go

take on more projects than he could easily handle. His firms soared to huge stock-market valuations when they had barely begun to work on their grand projects. But turning good ideas into reality has proved as much of a problem as negotiating Brazil's notorious official bureaucracy. Adding to the worries has been the rapid cooling of Brazil's formerly sizzling economy: growth last year was less than 1%, compared with 7.5% in 2010.

The fate of OGX, which raised \$4.1 billion in 2008 in Brazil's biggest initial public offering, shows what went wrong. The company hired some of the best managers from Petrobras, an oil and gas giant. Investors, desperate to profit from Brazil's hydrocarbons bonanza but wary of sinking money into state-controlled Petrobras, had nowhere else to turn and piled in. But the wells failed to deliver and last year the firm missed production targets by a mile. Its shares have since plunged by over 90%. The question now is whether Mr Batista can sell shares in some of his best businesses, such as MPX and MMX, to pay off debts in the ropy parts, and still hold his empire together. A government bail-out looks unlikely, especially after the recent protests, partly motivated by public anger at lavish state spending and perceived "crony capitalism".

It is too early to write off a savvy and experienced operator like Mr Batista. His businesses could still survive, albeit in much reduced circumstances and with little hope of returning to their former glories. The excessive optimism among investors that helped him build them will not return quickly, if at all. Some say that Mr Batista's ultimate aim was to amass a fortune big enough to acquire his father's old firm, Vale, now a global giant. That now looks likely to remain a dream.