

# Deal Trends in Latin America

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**S&P Global**  
Market Intelligence

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# Editors' Note

Deal Trends in Latin America is a publication brought to you by S&P Global Market Intelligence that explores the regional deal environment in Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Panama, Peru, Uruguay, and Venezuela and provides high-level statistical benchmarks.

Except where otherwise noted, deal activity analyzed in this report provides a calendar year analysis from the period from 1/1/14-12/31/17. Data pulled for this report is as of March 31<sup>st</sup>, 2018 and excludes all asset/product target types.\*

## Key Highlights

- Year-over-year (YoY) Latin American deal value increased 37.5%
- The strong activity in the region was fueled by activity in Brazil. Brazilian deal value was up 47% and volume was up 5.2% in 2017.
- In January 2018, Brazil's S&P long-term credit rating was downgraded for both foreign and domestic currencies from BB to BB-
- 50% of the total deals done in 2017 in Latin America were intraregional rather than foreign (non Latin-American)
- The United States and Canada represented 57% of the foreign deal activity in the region

\*For more information on our methodologies, please email [marketobservations@spglobal.com](mailto:marketobservations@spglobal.com).

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# Deal Activity in Latin America

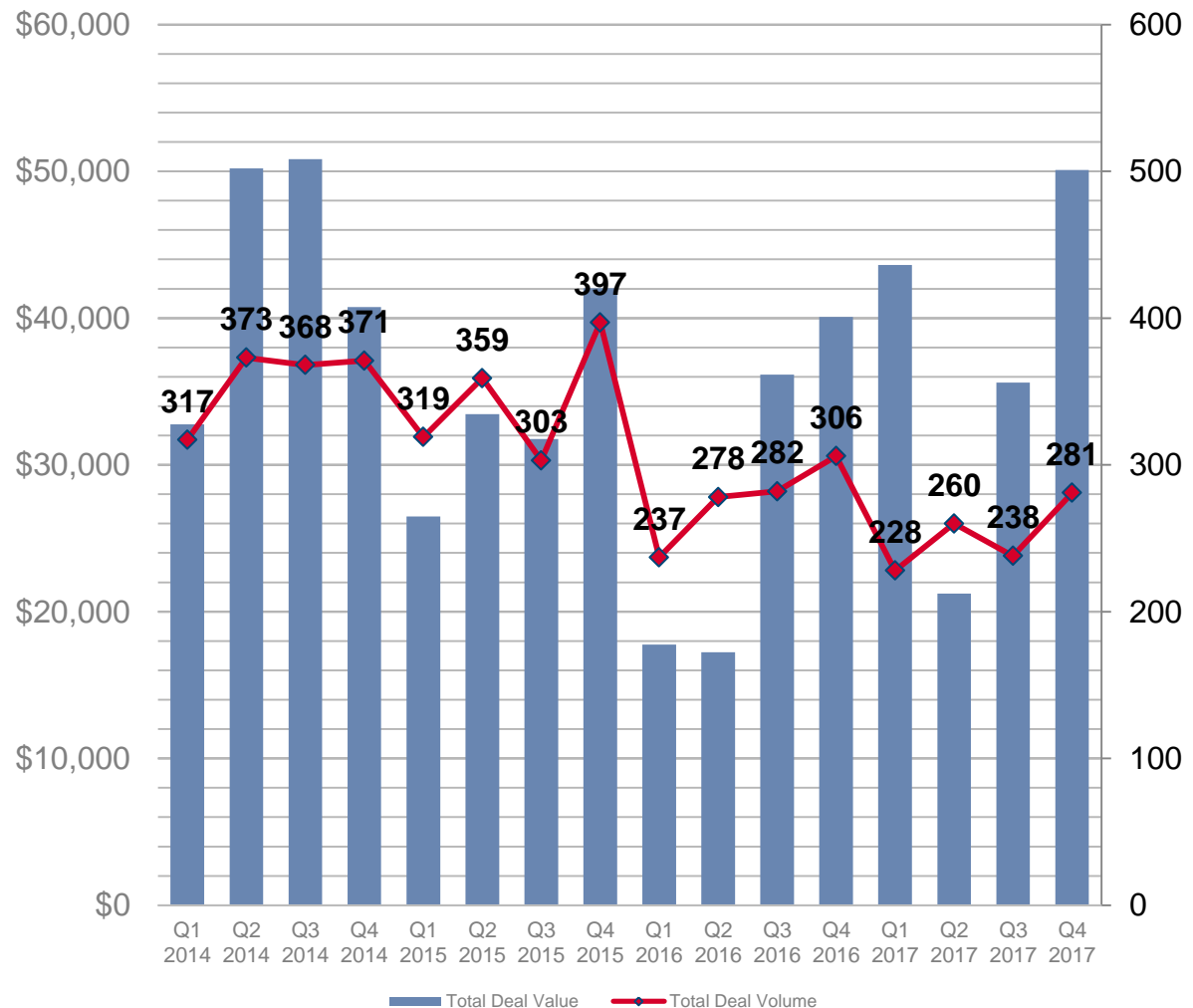
**Deal value hits three year high despite slightly lower deal volume in 2017.**

Latin American deals in 2017 were expensive, with YoY deal value increasing by 37.5%. Deal value in 2017 topped \$153B USD. By comparison, 2014 had the closest deal value to 2017 with \$171B USD, although the volume of deals was also greater (1,428 deals). This past calendar year there were fewer than 1,000 deals (979), which speaks to the inflated prices.

Deal volume decreased by 8.7% in 2017, which is much less than the 19.8% drop that occurred in 2016. Despite volume continuing to decrease, sponsor-backed volume increased 5.2%. Q4 of 2017 saw \$50B USD in activity, representing the third largest quarter of deal value over the last four years. For perspective, global deal volume dropped for the third year in a row. Global deal volume decreased in 2017 by 7.4%, while global deal value dropped only 2.9%.

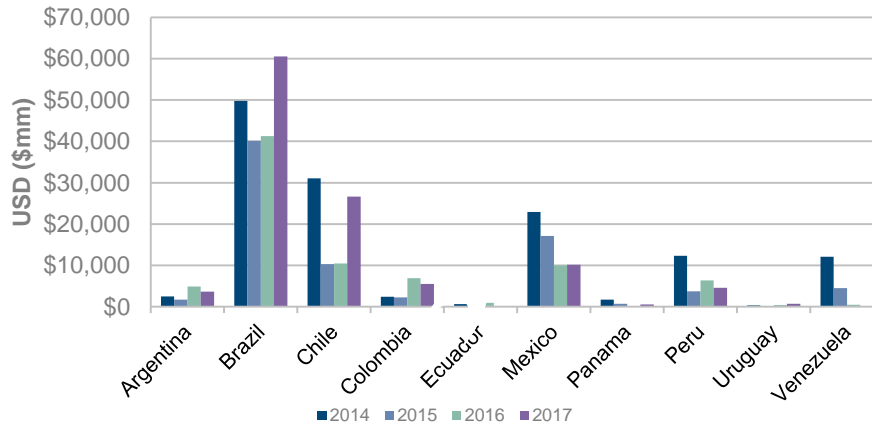
The criteria used in our analysis throughout this report were M&A and private placement activities over the **past four calendar years** in select Latin American countries. We applied various lenses for country, industry, and cross-border activity. Our report concludes with a detailed view of the Telecom and Broadband market share in Argentina.

## Deal Value and Volume by Quarter (Q1 2014 – Q4 2017)



# Deal Activity in Latin America: YoY Trends by Country

## Deal Value by Country (2014 – 2017)



In Mexico, deal value and volume both decreased from 2017. With fewer Telecom deals, deal volume fell 8.5% YoY, although deal value increased slightly (1.5%). Mexico's deal volume was driven by investment firm activity; 46% of all deals announced or closed in Mexico in 2017 had participation from a financial buyer. In Brazil 30% of deals had participation from financial buyer in 2017.

One final highlight of 2017 was Panama. Deal volume increased 150% YoY while deal value increased 323% compared to 2016. 70% of the deals in Panama were in the industrials and materials sectors.

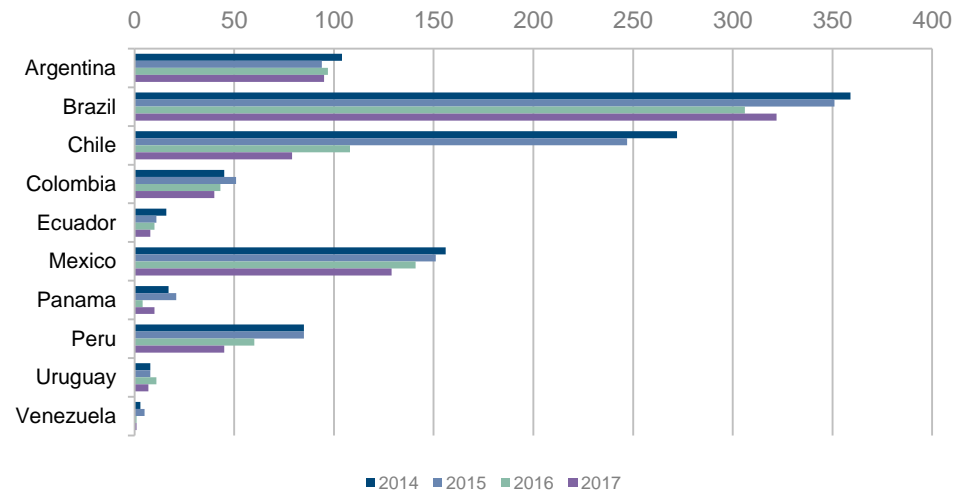
## Country Highlights

Deal value in 2017 mirrored global markets with deals becoming more expensive in the region. Despite volume decreasing across most countries with the exception of Brazil and Panama, deal value was up compared to 2016.

The strong activity in the region was fueled by the activity in Brazil. Brazilian deal value was up 47% and volume was up 5.2% in the calendar year of 2017. Even when normalizing for Brazil's largest deal (Valespar), the volume still points to an active year.

Chile also had a strong year in 2017. While volume was down (-27%), value was up 155%. Materials and electric utilities deals in from foreign buyers and domestic intra-country deals fueled the increase in activity.

## Deal Volume by Country (2014 – 2017)



# M&A Activity in Latin America.

## Top Deals (Closed) January 1, 2017 – December 31, 2017

Announced Date	Closed Date	Target/Issuer	Target HQ	Primary Industry (Target)	Buyers/Investors	Total Transaction Value (\$USDmm)	Implied Enterprise Value/EBITDA (x)	Implied Enterprise Value/Revenues (x)	Implied Enterprise Value/EBIT	Implied Equity Value/LTM Net Income (x)
2/20/2017	8/14/2017	Valepar S.A.	Brazil	Financials	Vale S.A. (BOVESPA:VALE3)	21,071.68	-	-	-	-
1/23/2017	11/30/2017	CPFL Energia S.A. (BOVESPA:CPFE3)	Brazil	Utilities	State Grid Brazil Power Participações Ltda.	10,302.03	9.9	1.9	14.6	32.8
7/12/2017	9/20/2017	Alpargatas S.A. (BOVESPA:ALPA4)	Brazil	Consumer Discretionary	Itaúsa - Investimentos Itaú S.A. (BOVESPA:ITSA4);	1,288.19	14.8	1.8	17.2	14.7
7/11/2017	11/30/2017	LP Sementes Ltda	Brazil	Consumer Staples	CITIC Agri Fund Management Co., Ltd.	1,100.0	-	3.8	-	-
6/14/2017	7/26/2017	OHL México, S.A.B. de C.V. (BMV:OHLMEX)	Mexico	Industrials	OHL Concesiones, S.A.; IFM Global Infrastructure Fund	737.51	9.6	7.1	9.7	4.7
10/3/2017	11/13/2017	Volcan Compañía Minera S.A.A	Peru	Materials	Glencore Plc (LSE:GLEN)	732.65	17.4	6.1	22.1	50.7
2/13/2017	6/1/2017	Brasil Kirin Holding S.A.	Brazil	Consumer Staples	Bavaria S.A.	707.1	-	-	-	-
4/3/2017	12/1/2017	Telecom Personal S.A.	Argentina	Telecommunication Services	Telecom Argentina S.A., Prior To Reverse Merger With Cablevisión S.A.	669.0	5.0	1.4	7.0	13.6
1/13/2017	5/8/2017	Renova Eólica Participações S.A.	Brazil	Utilities	AES Tietê Energia S.A. (BOVESPA:TJET4)	576.0	-	-	-	-
10/6/2017	11/16/2017	Ductos Energéticos del Norte, S. de R.L. de C.V.	Mexico	Energy	Infraestructura Energética Nova, S.A.B. de C.V. (BMV:IENOVA *)	547.0	-	-	-	-

Deals sorted by transaction value.

\*Telecom Argentina S.A. (BASE:TECO2) signed a preliminary merger agreement to acquire remaining 0.008% stake in Telecom Personal S.A. from Nortel Inversora S.A. (NYSE:NTL) for ARS 4 million on March 31, 2017. Transaction closed on December 1<sup>st</sup>, 2017.

# Deal Activity in Latin America: Sector Trends YoY

## Deal Highlights

**Financials, Healthcare, and Utilities deal activity is up after a soft year in 2016.**

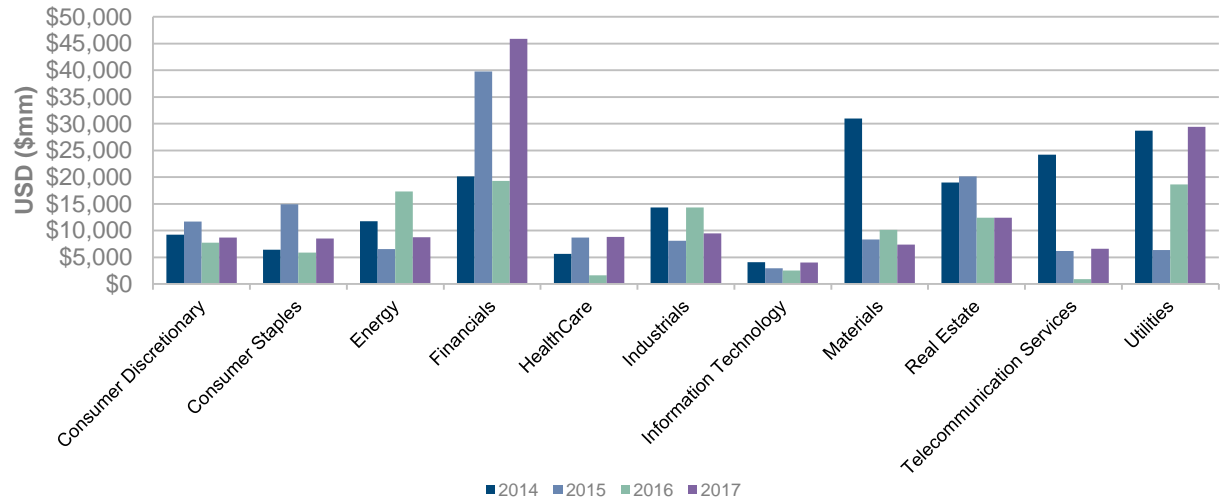
In 2017, deal value grew across the consumer discretionary, consumer staples, financials, healthcare, IT, and utilities sectors. The steepest declines in deal value in 2017 belonged to the energy (-49%) and industrials sectors (-34%). Deal volume also dropped (-12%) and (-6%) respectively.

The healthcare sector rebounded in 2017. Deal value increased 427%, in part due to the announcement of two large deals in the second half of the year. The first was United Healthcare's acquisition of Banmédica S.A. for \$3.6B, which was closed on January 31, 2018. The second deal was a private investment in public equity (PIPE) for Instituto de Diagnóstico in Chile for \$2.6B. Healthcare volume increased 19% 2017 fueled by smaller venture deals.

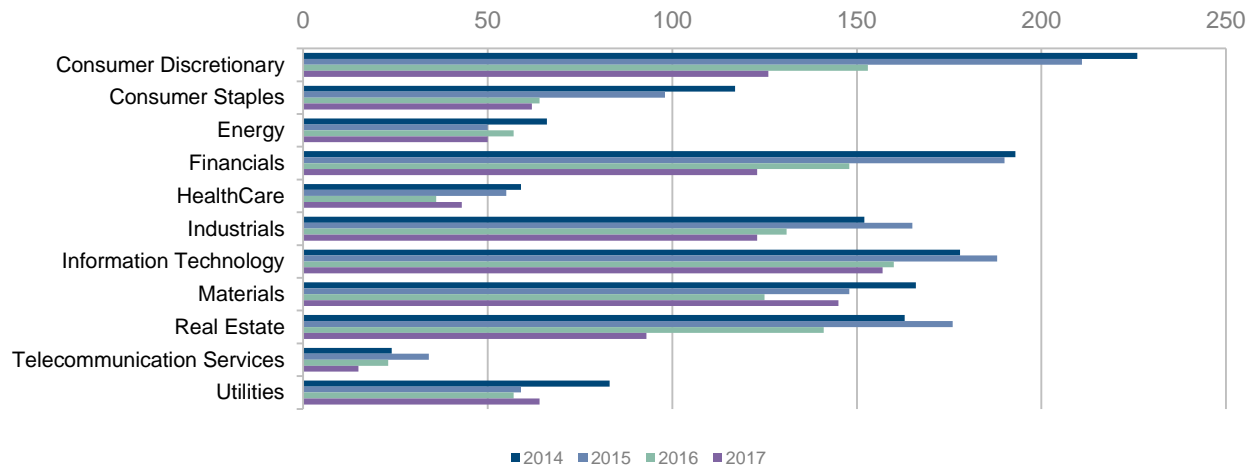
Outside of healthcare, the largest movers were financial and utilities sectors. As shown on page 6, State Grid Brazil Power Participações Ltda.'s purchase of CPFL Energia S.A was a major contributor to the substantial increase in deal value in the utilities sector, representing a 58% increase from the previous year. Deal volume also improved 12% in 2017 due to an increase in the electric utilities subsector.

Financials were bolstered by the real estate subsector. Deal value hit \$45.9B in 2017, rebounding from a soft 2016 during which deal value was only \$19.3B. This is reminiscent of what happened in 2014 and 2015; 2015 financials hit \$39.8B in deal value after a softer year in 2014 at \$20.1B.

## Deal Value by Sector (2014 – 2017)

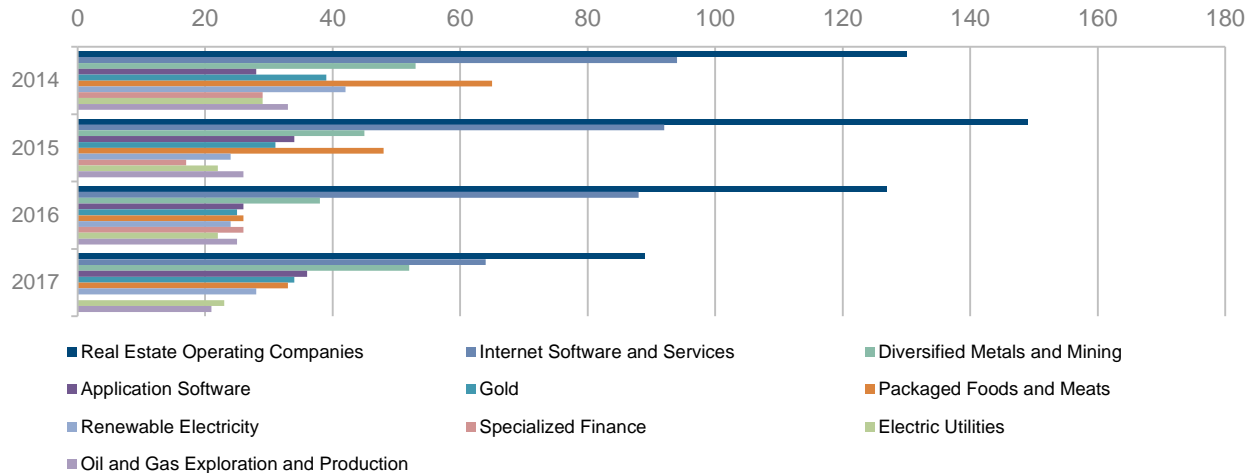


## Deal Volume by Sector (2014 – 2017)

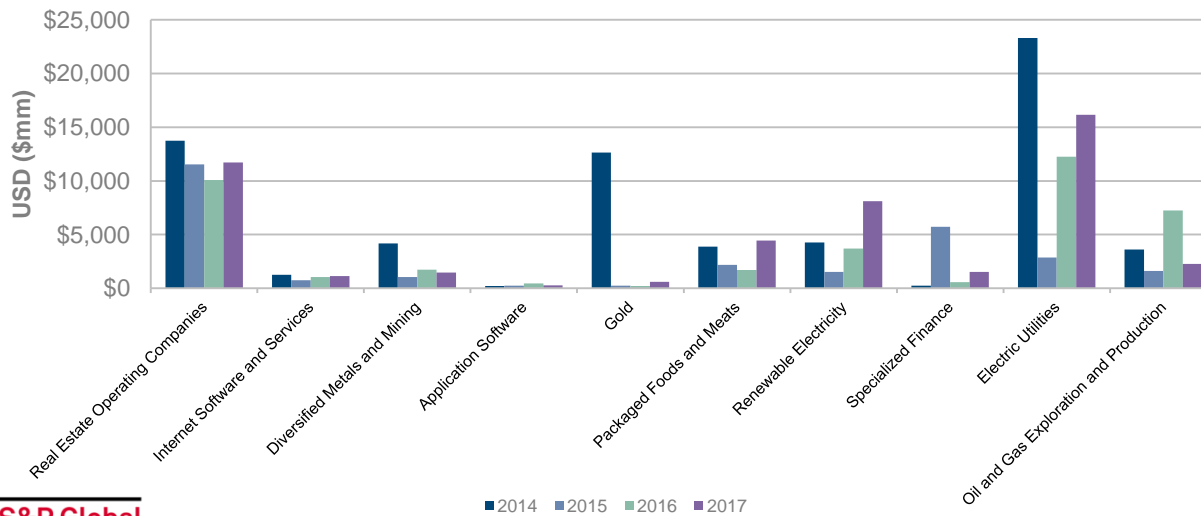


# Deal Activity in Latin America: YoY by Largest Subsector

## Deal Volume by Primary Industry (2014 – 2017)



## Deal Value by Primary Industry (2014 – 2017)



### Deal Highlights

During the four year period from 2014 to 2017, total deal volume was consistently greatest in the Real Estate industry. In 2017, deal volume increased in a number of subsectors, including application software, oil & gas exploration, specialized finance, packaged foods & meats, and diversified metals & mining.

Electric utilities volume increased only slightly by 4.5%, while real estate operating companies saw a decrease of 29.9%. However, deal value increased \$3.9B for electric utilities and \$1.6B for real estate operating companies in 2017.

Application software, diversified metals and mining, and oil & gas exploration and production deal volume increased in 2017 while deal value decreased from 2016. In the application software sector, there was a higher deal volume at a slightly lower average price per deal. In the diversified metals & mining and oil & gas exploration and production sectors, deal volume increased over 2016.

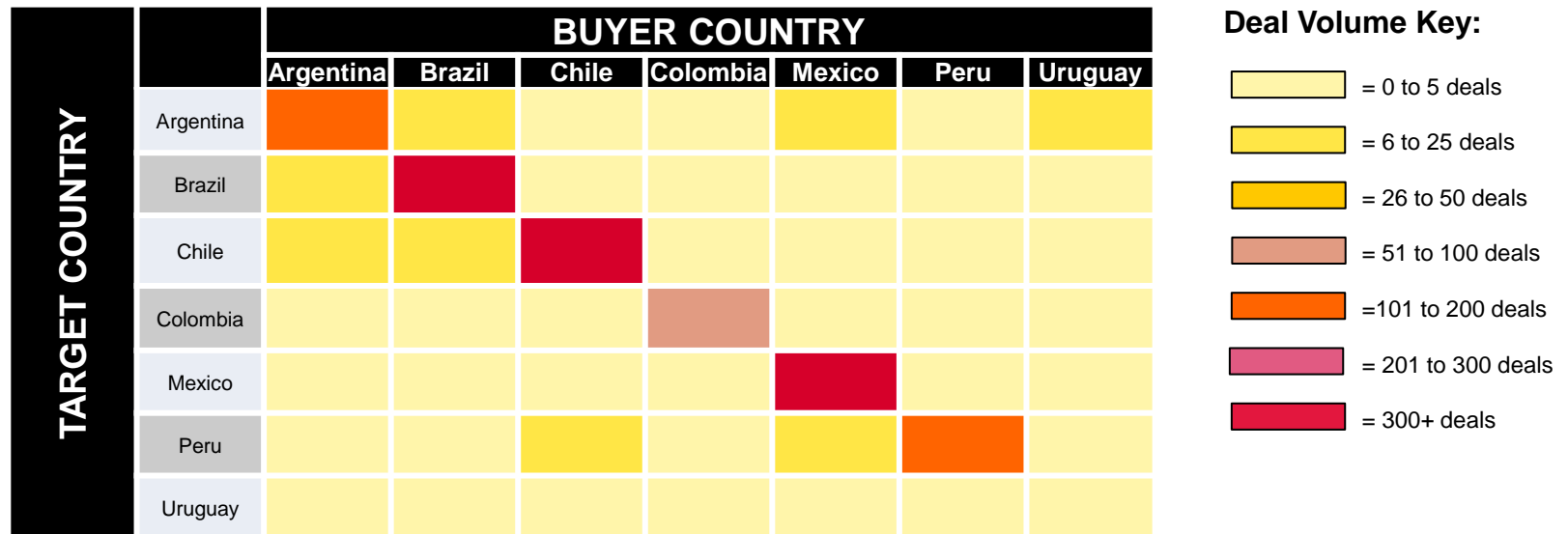


# Deal Activity in Latin America: Cross Border Intraregional Deals

## Deal Highlights

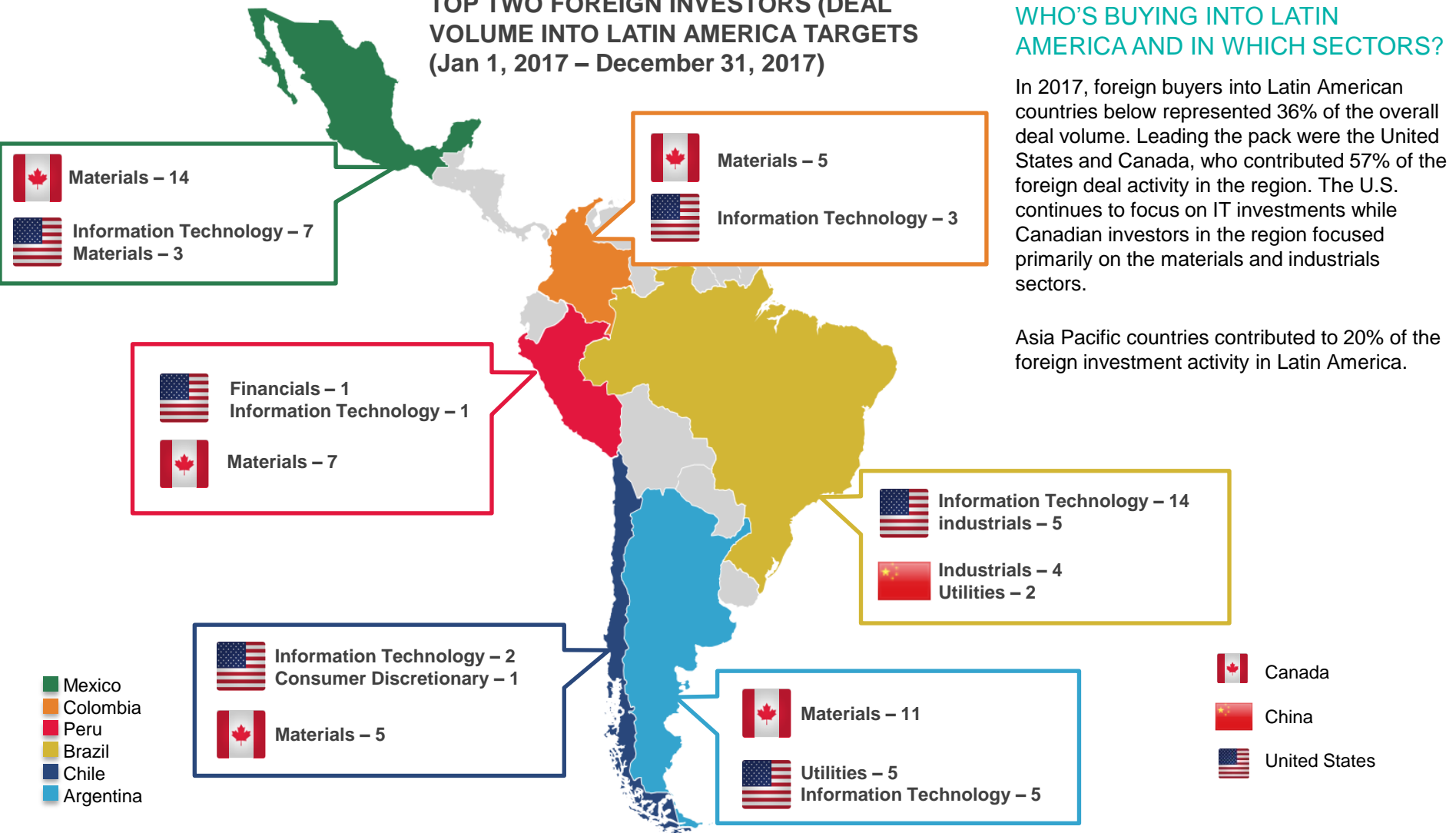
50% of the total deals done in 2017 in Latin America were intraregional vs. foreign (non-Latin American). This represents a drop in intra-region buyers from 55% in 2016 and 56% in 2015. The majority of deals continue to be intra-country with exception of Uruguay, which has seen the lowest number of deals in the region.

Latin America Buyers Into Latin America Targets (January 1, 2014 – December 31, 2017)



# Deal Activity in Latin America: Cross Border Deal Count

TOP TWO FOREIGN INVESTORS (DEAL VOLUME INTO LATIN AMERICA TARGETS)  
(Jan 1, 2017 – December 31, 2017)



## WHO'S BUYING INTO LATIN AMERICA AND IN WHICH SECTORS?

In 2017, foreign buyers into Latin American countries below represented 36% of the overall deal volume. Leading the pack were the United States and Canada, who contributed 57% of the foreign deal activity in the region. The U.S. continues to focus on IT investments while Canadian investors in the region focused primarily on the materials and industrials sectors.

Asia Pacific countries contributed to 20% of the foreign investment activity in Latin America.

# Latin America Key Metrics & Telecom Broadband Sector Analysis

# Key Metrics by Country

In October 2017, Argentina's S&P long-term credit rating for both foreign and domestic currencies was upgraded from **B** to **B+**. In January 2018, Brazil's S&P long-term credit rating was downgraded for both foreign and domestic currencies from **BB** to **BB-**. In December 2017, Colombia's S&P long-term credit ratings were downgraded by 1 notch for both foreign and domestic currencies. Also in 2017, Mexico's S&P domestic long-term credit rating was downgraded from **A** to **A-**.

COUNTRY	Argentina	Brazil	Chile	Colombia	Ecuador	Mexico	Panama	Peru	Uruguay	Venezuela
S&P Long-Term Rating	<b>B+</b>	<b>BB-</b>	<b>A+</b>	<b>BBB-</b>	<b>B-</b>	<b>BBB+</b>	<b>BBB</b>	<b>BBB+</b>	<b>BBB</b>	<b>SD</b>
S&P Outlook	<b>Stable</b>	<b>Stable</b>	<b>Stable</b>	<b>Stable</b>	<b>Stable</b>	<b>Stable</b>	<b>Stable</b>	<b>Stable</b>	<b>Stable</b>	<b>NA</b>
SNL Country Political Risk Score	<b>Medium</b>	<b>Medium</b>	<b>Low</b>	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>Low</b>	<b>Medium</b>	<b>Low</b>	<b>High</b>
2017 Real GDP (in local currency)	<b>724.6B</b>	<b>1,163.2B</b>	<b>147.5B</b>	<b>551.7B</b>	<b>70.4B</b>	<b>18,163.1B</b>	<b>39.6B</b>	<b>514.6B</b>	<b>701.1B</b>	<b>41.7B</b>
2017 GDP Growth Rate (%)	<b>2.8</b>	<b>1.0</b>	<b>1.5</b>	<b>1.8</b>	<b>2.0</b>	<b>2.1</b>	<b>5.5</b>	<b>2.5</b>	<b>3.1</b>	<b>(14.9)</b>
2017 Unemployment Rate (%)	<b>8.6%</b>	<b>11.8%</b>	<b>6.6%</b>	<b>9.4%</b>	<b>4.4%</b>	<b>3.4%</b>	<b>5.5%</b>	<b>6.9%</b>	<b>7.9%</b>	<b>22.6%</b>
2017 CPI Growth (%)	<b>26.5</b>	<b>3.4</b>	<b>2.2</b>	<b>4.3</b>	<b>0.4</b>	<b>6.0</b>	<b>0.9</b>	<b>2.8</b>	<b>6.2</b>	<b>767.2</b>
2017 Budget Balance/ GDP%	<b>(5.7)</b>	<b>(8.0)</b>	<b>(2.7)</b>	<b>(2.2)</b>	<b>(5.6)</b>	<b>(1.1)</b>	<b>(1.0)</b>	<b>(3.2)</b>	<b>(3.4)</b>	<b>(15.5)</b>
2017 GDP per Capita(\$)	<b>14,961</b>	<b>9,944</b>	<b>15,342</b>	<b>6,302</b>	<b>5,785</b>	<b>8,928</b>	<b>14,194</b>	<b>6,820</b>	<b>17,502</b>	<b>NA</b>

\*Source: S&P Capital IQ, Market Intelligence Platform data as of March 31, 2018. Latest available quarterly data in \$bns. Credit ratings are provided by S&P Global Ratings, which is analytically and editorially independent from any other analytical group at S&P Global. An obligor rated 'SD' (selective default) or 'D' is in default on one or more of its financial obligations including rated and unrated financial obligations but excluding hybrid instruments classified as regulatory capital or in non-payment according to terms.

# Argentina's Market Share – Mobile, Broadband, and Video

On June 30, 2017, Cablevisión S.A entered into a preliminary merger agreement to acquire Telecom Argentina S.A. (BASE:TECO2) from Nortel Inversora S.A. (NYSE:NTL), Fintech Advisory, Fintech Telecom, LLC and others in a reverse merger transaction. This transaction ultimately closed on January 1, 2018. With this merger, Telefonica Argentina will add its mobile market share to Cablevisión Argentina's, which already has a strong foothold in video market share.

## Mobile Market Share (%)

OPERATOR NAME	REGION	MARKET	VIDEO PLATFORM	BROADBAND PLATFORM	MOBILE MARKET SHARE (%)*			
					2016Q4	2017Q1	2017Q2	2017Q3
Telefónica Argentina ▼	Latin America and Caribbean	Argentina		DSL, FTTP	32.1	30.5	30.1	30.0
Telecom Argentina ▼	Latin America and Caribbean	Argentina		DSL, FTTP, Fixed Wireless	30.1	29.1	29.5	28.8

## Fixed Broadband Market Share (%)

OPERATOR NAME	REGION	MARKET	VIDEO PLATFORM	BROADBAND PLATFORM	FIXED BROADBAND MARKET SHARE (%)*			
					2016Q4	2017Q1	2017Q2	2017Q3
Cablevisión Argentina ▼	Latin America and Caribbean	Argentina	Cable	Cable, FTTP	30.2	29.1	29.8	30.3
Telefónica Argentina ▼	Latin America and Caribbean	Argentina		DSL, FTTP	25.6	23.8	23.3	22.7
Telecom Argentina ▼	Latin America and Caribbean	Argentina		DSL, FTTP, Fixed Wireless	24.1	22.9	22.9	22.4

## Video Market Share (%)

OPERATOR NAME	REGION	MARKET	VIDEO PLATFORM	BROADBAND PLATFORM	VIDEO MARKET SHARE (%)*			
					2016Q4	2017Q1	2017Q2	2017Q3
Cablevisión Argentina ▼	Latin America and Caribbean	Argentina	Cable	Cable, FTTP	36.9	34.9	34.9	34.8
DIRECTV Argentina ▼	Latin America and Caribbean	Argentina	DTH	Satellite, Fixed Wireless	28.4	26.0	26.8	26.6
Telecom Argentina ▼	Latin America and Caribbean	Argentina		DSL, FTTP, Fixed Wireless	0.0	0.0	0.0	0.0
Telefónica Argentina ▼	Latin America and Caribbean	Argentina		DSL, FTTP	0.0	0.0	0.0	0.0

# Behind The Data

The information in this publication was aggregated using data from S&P Global Market Intelligence. [Request a trial](#) of the powerful S&P Capital IQ platform and access the data behind the insights.

S&P Global Market Intelligence has financials for more than [10,000 Brazilian](#) companies in our comprehensive database of public and private company information. By combining timely and transparent data with our powerful analytics, S&P Global Market Intelligence gives you the power to assess risk and uncover opportunities that others may not even see—in Brazil and across the globe.

The screenshot displays the S&P Capital IQ interface. On the left, a financial overview for S&P Global, Inc. is shown, including a balance sheet and income statement summary. The main area features a detailed private company profile for CP Kelco Brasil S.A., including its status as an operating subsidiary, employee count (156), and founding year (1985). The profile also includes a business description, primary office location, and financial information such as total revenues and market capitalization. A table of financial metrics is provided at the bottom of the profile.

Financial Metric	Value	Financial Metric	Value
Total Revenue	304,668.1	Market Capitalization	NA
EBITDA	NA	Total Enterprise Value	NA
EBIT	57,369.8	Cash & ST Invest.	16,664.3
Net Income	94,636.9	Total Debt	517,173.8
Capital Expenditure	(134,661.9)	Total Assets	557,559.8
U.S. Number of Employees 2018	-	U.S. Number of Employees 2017	-

For illustrative purposes only

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