



M&A activity
in Argentina

April 2023



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Year review 2022



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In Argentina, mergers and acquisitions transactions have shown significant growth during 2022, unlike the global scenario¹.

In the first quarter of 2022, the Argentine market registered 50 transactions and approximately **US\$ 890m** in mobilized capital². The second quarter closed with 96 transactions and **US\$ 1,367m** in mobilized capital³ and, the third quarter, with 143 transactions and **US\$ 3,795m** in mobilized capital⁴.

Overall, it is important to highlight that since the end of 2020 there has been a greater role of local investors who, generally speaking, have a greater tolerance for risk and volatility compared to foreign investors.

In the cross-border area, there was also a significant increase in the participation of foreign groups as buyers, mainly from the United States, Canada and Brazil, whose investments were mainly destined to the technology and natural resources sectors. For many of these groups, the purchase represented a first foray into Argentina.

In the case of foreign buyers who already had previous operations in the country, the acquisitions served as a mechanism to take advantage of local liquidity in pesos, given the exchange controls currently in force that limit, among other things, the transfer of dividends abroad, being consequently an alternative to such restriction, the use of

such liquidity in pesos to take advantage of purchase opportunities in cheaper terms compared to previous years. Thus, the more active participation in transactions would be explained in part by the use of fixed capital that could otherwise be subject to devaluation risk and high inflation rates.

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- 1 An analysis of the historical series shows that the highest peak in number of transactions took place in 2011 with a total of 178 transactions. Since then, there was a declining period until 2017 where a recovery stage began, to then enter a downward cycle that remained until 2021.
- 2 Cf. <https://www.ttrecord.com/es/publicaciones/informe-por-mercado/informe-mensual-argentina/Argentina-1T-2022/2093/> (last accessed 03/06/2023).
- 3 Cf. <https://www.ttrecord.com/es/publicaciones/informe-por-mercado/informe-mensual-argentina/Argentina-2T-2022/2111/> (last accessed 03/06/2023).
- 4 Cf. <https://www.ttrecord.com/es/publicaciones/informe-por-mercado/informe-mensual-argentina/Argentina-3T-2022/2123/> (last accessed 03/06/2023).

Year review 2022



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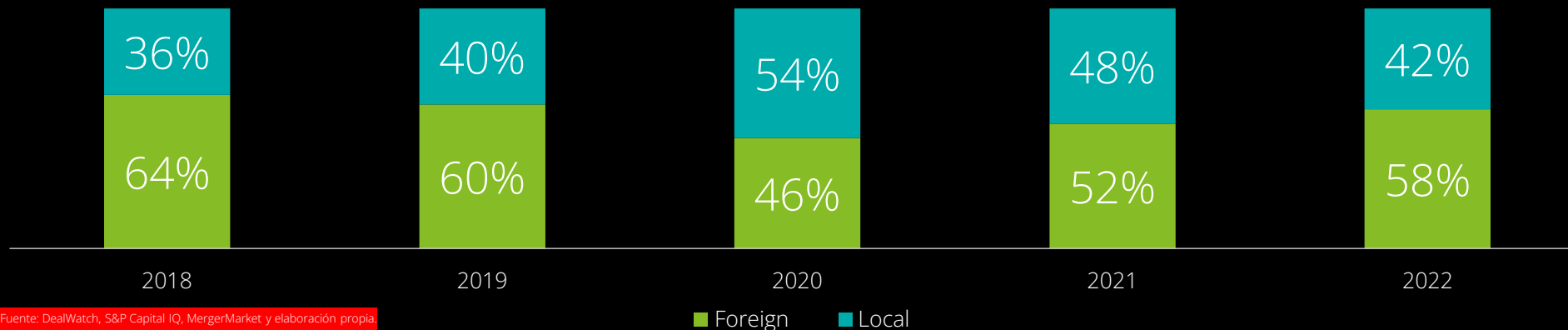
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M&A Argentina – Buyer’s origin

Period 2018/22 - Volume (#) of deals



Regarding venture capital, companies specializing in software and Internet have been the most attractive to investors.

At least 7 transactions were registered for amounts greater than US\$ 100 million, which did not happen since 2018 (in which 11 transactions were registered). There were 2 transactions in which the ticket was in the range of US\$ 1,000 million, these

were the transaction between Gangeng Lithium and the Pluspetrol group and, the operation between Technisys and SoFi.

Although, in general, it can be observed that the number of terms transactions in the Argentine market grew during the course of 2022, the volume of capital mobilized fell in large proportions compared to other periods. As for this fall,

it is mainly attributed to the impact of the COVID-19 pandemic, combined with macroeconomic factors that contributed to the fall in the values of some assets – which, in turn, could explain the growth in the number of transaction.

Sectoral analysis



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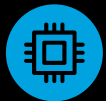
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During the first half of 2022, the most active sectors were TMT (Technology, Media & Telecommunications), Energy & Resources and Food & Agribusiness. Together, these industries accounted for more than 80% of the transactions carried out and the total amount operated during the period.⁵

At a global level, these sectors have gained great relevance, which is why they are attractive for investors despite the complex local context.



Technology, Media & Telecommunications

Driven by a scenario of increasing digitalization both in Argentina and in the rest of the world, TMT was one of the most active sectors during 2022 and continues to be one of the strongest sectors with the best projections in M&A.

In this sense, TMT transactions represented approximately 50% of the total volume traded, and of the amount during the first semester, characterized by acquisitions of local technology companies with high added value by international buyers⁶. The acquisition by SoFi Technologies Inc. of the Argentine software developer focused on the banking sector Technisys for an amount of US \$ 1,100 million – it was the most important transaction of the semester.



Food and Agriculture

Transactions were varied, including agribusiness (inputs, services, and production), food and beverages, forestry and fisheries.

In food, the acquisition by CCU of 49% of the share package of Aguas Danone de Argentina, leader of the mineral water market in the country, was highlighted. Moreover, Adecoagro acquired the rice business unit in Argentina and Uruguay, owned by Viterra Ltd (formerly Glencore Agriculture).

⁵ Cf. <https://www.ambito.com/economia/fusiones/y-adquisiciones-argentina-aumentaron-20-el-primer-semester-del-ano-n5508573> (last accessed 10/30/22)

⁶ Cf. Ibid.

Sectoral analysis



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Energy & Resources

In this area, investments for the development of lithium deposits and the exploration and production of hydrocarbons predominated.

In oil and gas, Vista Oil & Gas purchased 50% of the Aguada Federal and Bandurria Norte blocks in Vaca Muerta, belonging to Wintershall Dea, for a reported value of US\$140 million. With this operation, Vista completes a 100% interest in the two aforementioned blocks, after having acquired the first 50% in 2021 from ConocoPhillips. Wintershall, for its part, will focus on gas production operations it owns in the country.

In the sector the most active segment was lithium, lithium today is one of the sectors with the greatest potential in Argentina and a focus of foreign investment.

In electric energy, the acquisition by SCC Power (MSU Energy) of four thermal power plants belonging to Stoneway Capital⁷ stood out.



Financial services

Transactions related to the cryptocurrency segment (where buyers were mostly foreigners) and virtual wallets (in which local groups are positioning) were registered, among others.

⁷ Cf. <https://lexlatin.com/noticias/grupo-energetico-scc-power-compra-activos-de-stoneway-capital> (last accessed 10/30/22).

Fundraising and Venture Capital

In Argentina in 2022, *fundraising* and *venture capital* activity have remained very active, but with lower amounts.

Despite the complex economic situation at the local and international level, capital raising transactions continue to grow.

In the first six months of 2022, at least 27 fundraising operations involving Argentine companies and startups were registered, representing almost the same volume of operations carried out in all of 2021.

At least **40 transactions** were recorded during the year (compared to fewer than 30 transactions in 2021) for a total value of approximately **US\$ 250 million**.

There were no rounds for tickets above US\$ 100 million, which had been seen in 2021 (the average value of the round ticket in 2022 was US\$ 10 million compared to almost US\$ 20 million in 2021 – not including Ualá transactions). However, last year, for example, between Ualá, Satellogic and Tiendanube, more than US \$ 1,000 million was captured.



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Outlook in Argentina for the year 2023



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In relation to what may be the trend for the year 2023, it is possible to expect that the trend that was seen throughout year 2022 will continue.

The current economic situation and various political expectations (2023 is a presidential election year) could, however, generate a slight slowdown in M&A transactions motivated by uncertainty. In any case, it is also expected that the trend of liquidity surpluses in pesos will continue, which, combined with the acceleration of inflation and exchange restrictions indicated above, favors transactions and investments in the real economy in key sectors and for strategic investors.

The technology, lithium and oil sectors are expected to be the big drivers of M&A activity in the short to medium term. Today they are strategic and demanded, where investors, who are mainly foreigners, give more importance and priority to access to capabilities and resources, than to local economic conditions.

When it comes to the workforce, in an international context where there is scarcity and high competition for resource attraction, international M&A transactions are increasingly being used to acquire talent. Argentina in this sense is very well positioned, since it has a highly trained workforce and labor costs -measured in dollars- are often lower than international ones. Even for the current economic situation, there is an additional attraction that is the experience that Argentine managers have in the management of inflation since it is an issue that in developed economies is impacting for the first time in decades.

Likewise, and depending on how the year goes by in political terms, there could be the phenomenon of beginning to see transactions in order to achieve "positioning" anticipating some post-election political change; especially considering the relative values that remain significantly low for certain assets under the current situation, thus generating purchase opportunities.

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M&A Process



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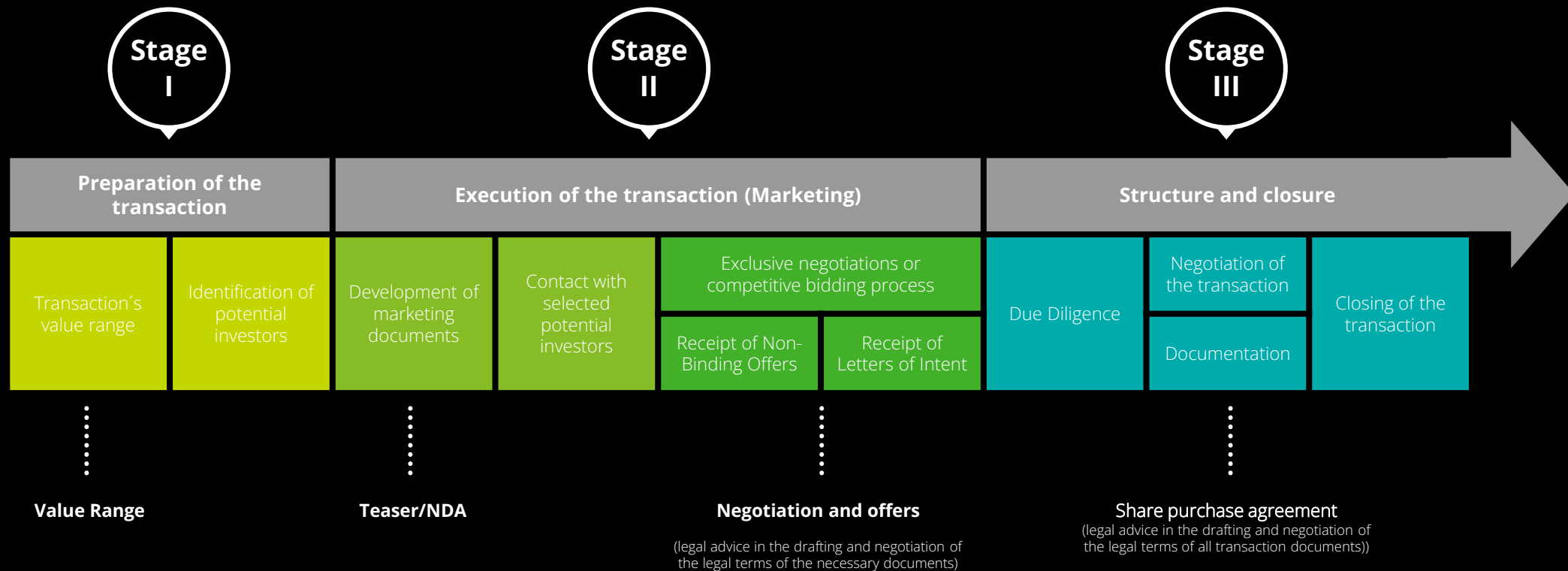
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Deloitte's Financial Advisory services also complemented by the legal advice of Deloitte Legal.





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