Deloitte.

M&A in Latin America

Americas region
Americas Financial Advisory
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Contents

Executive summary

M&A activity in Latin America increased in 2016-17 driven by improving macroeconomic conditions, rising government support, and increasing consumption. The Energy & Resources industry attracted most of the investments (USD80 bn) in 2016-17 because of the abundance of natural resources in the region. Brazil witnessed the highest number of deals (1,054) and attracted significant investments (USD95 bn) owing to its recovering economy and vast consumer base.

M&A trends in Latin America

- M&A activity in Latin America in 2017 resulted from improving economic growth and rising consumption. Many Latin American countries have rich resources driving investments in the Oil & Gas and mining sectors. Further, increasing disposable income and government reforms stimulate M&A activity in the region.[1-6]
- Brazil's growing GDP, increasing consumer spending, and decreasing Selic rate help boost investor confidence, attracting business activity to the country.[8,9,10]
- Argentina's huge reserves of shale oil, strong government support, and rising disposable income may strengthen investments in energy, telecom, retail and other consumer facing sectors .[6,11]

Industries

- Over 2016-17, Energy & Resources (E&R) registered the highest M&A activity (deals worth ~USD80 bn).[7]
    - Abundant reserves of copper, lithium and cobalt to boost investments in the metals & mining sector, while deepwater and shale reserves to attract Oil & Gas companies and drive business investments.[11,12]
- Consumer & Industrial Products (C&IP) recorded deals worth ~USD49 bn over 2016-17 owing to a rise in disposable income.[7]
- M&A in Financial Services was primarily driven by growth in the insurance sector, while that in Technology, Media, Telecommunications was ascribed to a surge in 3G and 4G subscriptions.[13, 14]

Geographies

- In 2016-17, the majority of M&A activity in the region was intra-regional, with bigger economies, such as Brazil and Mexico being the top investors in the Latin American region.[7]
- North America (especially the United States) and Europe (countries such as Spain and the United Kingdom) were the top investors in Latin America's inter-regional deals, as companies from these economies look to capture investment opportunities in developing markets.[7]

Challenges

- Overdependence on commodities, and volatile oil and commodity prices could result in M&A activity in Latin America. [1-6]
- Political uncertainties, corruption, and lack of sufficient infrastructure could also weaken market perception, thus affecting M&A activity. [1-6]

Refer to "Sources" section for citations.

2017 includes data from January 1, 2017 to October 31, 2017

2016-2017 M&A snapshot[7]

Latin America's M&A deal inflow totaled 2,354 deals worth USD167.55 bn between January 1, 2016 and October 31, 2017

Top Investor Countries

Country	Value (USD bn)	Volume of deals
Brazil	$69	734
United States	$17	275
Mexico	$12	177
Argentina	$11	118
Canada	$10	136

Top Destination Countries

Country	Value (USD bn)	Volume of deals
Brazil	$95	1,054
Argentina	$15	202
Mexico	$14	296
Bermuda	$14	47
Chile	$10	217

Top Target Industries

Industry	Value (USD bn)	Volume of deals
Energy & Resources	$80	502
Consumer & Industrial Products	$49	993
Financial Services	$25	420
Technology Media Telecom	$13	272
Life Sciences & HealthCare	$2	165

Top Investor Companies

Company	Value (USD bn)	Volume of deals
Vale SA	$21	2
Investor Group	$13	130
State Grid Brazil Power	$9	5
Sompo Japan Nipponkoa Ins Inc	$6	1
Telecom Argentina SA	$6	1

Value (USD bn) Volume of deals

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Refer to "Sources" section for citations.

2017 includes data from January 1, 2017 to October 31, 2017

Top deals in 2016-2017[7]

Target	Target industry	Acquirer	Acquirer industry	Value of transaction (in USD mn)
Valepar SA	Energy and Resources (E&R)	Vale SA	Energy and Resources (E&R)	20,957
Endurance Specialty Holdings	Financial Services Industry (FSI)	Sompo Japan Nipponkoa Ins Inc	Financial Services Industry (FSI)	6,301
Cablevision SA	Technology Media and Telecom (TMT)	Telecom Argentina SA	Technology Media and Telecom (TMT)	5,874
Nova Transportadora do Sudeste	Energy and Resources (E&R)	Nova Infraestrutura FIP	Financial Services Industry (FSI)	5,190
Eldorado Brasil Celulose SA	Consumer and Industrial Products (C&IP)	CA Investment Brazil SA	Financial Services Industry (FSI)	4,456
CPFL Energia SA	Energy and Resources (E&R)	State Grid Brazil Power	Energy and Resources (E&R)	3,659
Ironshore Inc	Financial Services Industry (FSI)	Liberty Mutual Insurance Co	Financial Services Industry (FSI)	2,935
Vale Fertilizantes SA	Consumer and Industrial Products (C&IP)	The Mosaic Co	Consumer and Industrial Products (C&IP)	2,760
Petrobras-Block BM-S-8	Energy and Resources (E&R)	Statoil Brasil Oleo e Gas Ltda	Energy and Resources (E&R)	2,500
Cemig-Hydropower Con Sao Simao	Energy and Resources (E&R)	State Power Invest Overseas Co	Financial Services Industry (FSI)	2,268

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Macroeconomic indicators[10]

2017 macroeconomic indicators (forecast)							
Country	**Nominal GDP (USD bn)**	**Real GDP change per annum (%)**	**GDP per head (USD)**	**Inward FDI flow/GDP (%)**	**Exchange rate LCU:USD**	**Consumer prices (% change per annum)**	**Lending interest rate (%)**
Argentina	631	2.7	14,249	1.7	18.0700	26.2	25.5
Brazil	2,076	0.7	9,997	3.3	3.1570	3.4	48.7
Chile	275	1.4	15,244	3.7	635.3000	2.1	4.6
Colombia	313	1.7	6,375	4.5	2,999.9000	4.3	13.7
Mexico	1,111	2.1	8,599	2.6	18.9800	5.9	7.1
Peru	216	2.6	6,765	2.7	3.2960	3.0	16.5

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Refer to "Sources" section for citations.
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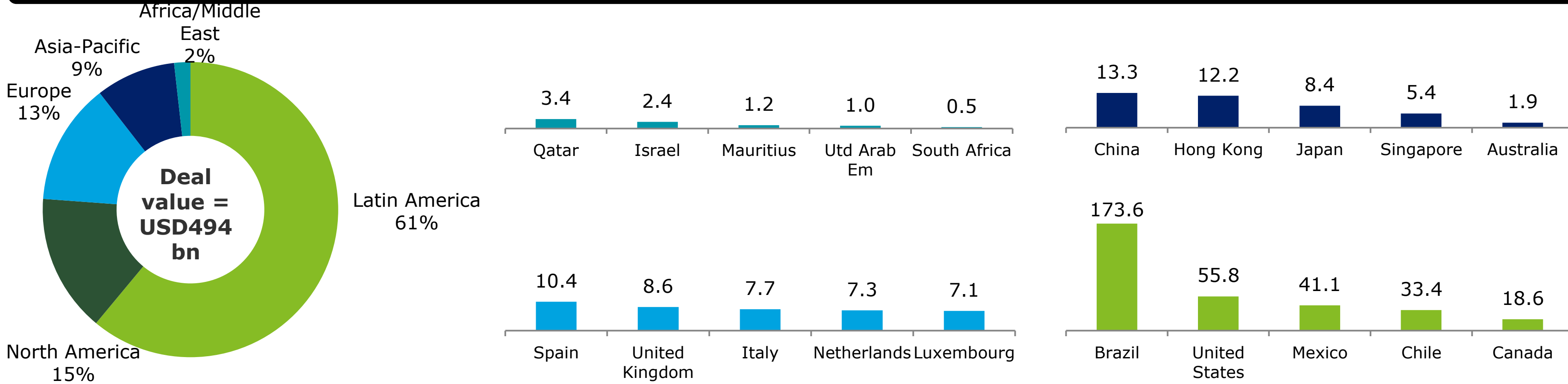
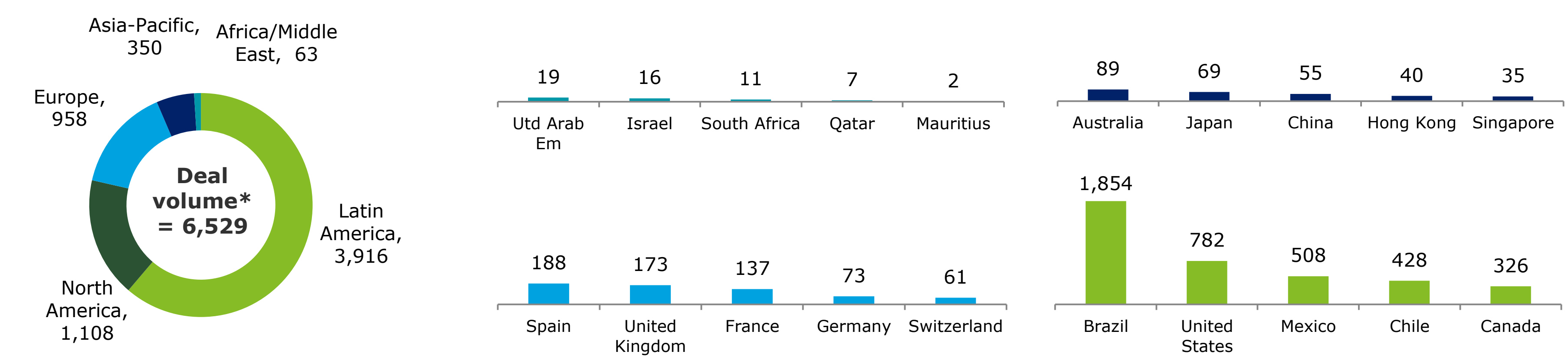
Geographical M&A activity

Intra-regional deals drove most M&A activity; North America and Europe lead the pack in regional deals

Top acquirer nations by deal value (2013-17) in USD bn[7]



Top acquirer nations by deal volume (2013-17)[7]



*It includes 134 deals for which the acquirer nation is not disclosed.

Refer to "Sources" section for citations.

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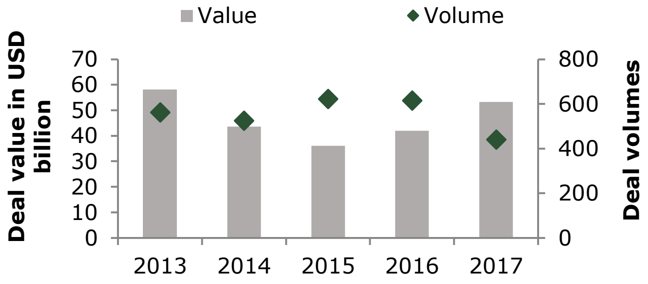
2017 includes data from January 1, 2017 to October 31, 2017

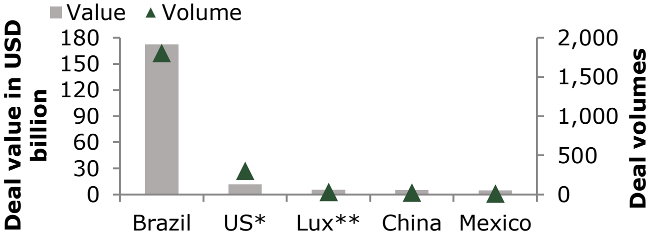
Brazil's emerging economy could attract business investments due to improving macroeconomic factors

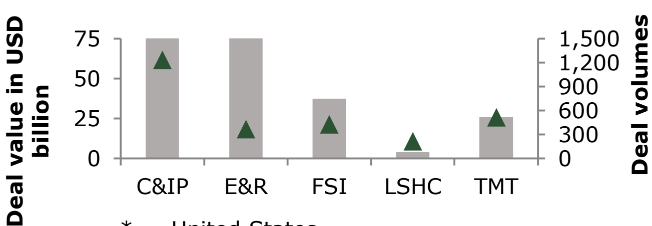
Expected GDP growth, controlled inflation (CPI target of 4.5% in 2017), and significant decline in Selic rate (7.5% in November 2017) to offset Brazil's elevating debt-to-GDP ratio (83% in 2017) amid political uncertainties and support economic recovery over 2017-20.

M&A deals in Brazil 2013-17[7]



M&A deals in Brazil by investor country and target industry (2013-17)[7]





* United States
** Luxembourg

M&A favorable factors

- Brazil's emergence from two years of economic **recession** in 2015 and 2016 on the back of **improving** macroeconomic variables, such as **GDP** growth, **inflation**, and the benchmark interest (**Selic**) rate could **favor M&A** activities

GDP:

- The **IMF** estimates Brazil's real **GDP** growth rate to stabilize at **2.0%** over 2019-22, recovering from **0.2%** in **2017**[8].
- The recovery will likely be led by increasing **consumer spending**[17], as low interest rates reduce finance costs and controlled inflation increases purchasing power[18].

Inflation:

- Brazil's central bank targets **CPI**[9] to reach **4.0%** by **2020** (4.5% in 2017), which could **boost** Brazil's long-term growth by **reducing investor uncertainty**.

Selic rate:

- With inflation under control, the central bank has cut the benchmark Selic rate to **7.5%** in **November 2017** (down 675 basis points from October 2016)[11].
- The bank is expected to reduce the Selic rate further by 50 basis points to 7.0% in December 2017, which may **accelerate** investments in Brazil.[15]

- Moreover, confidence about future business activity in Brazil is the second highest[5] globally according to **IHS Markit**.

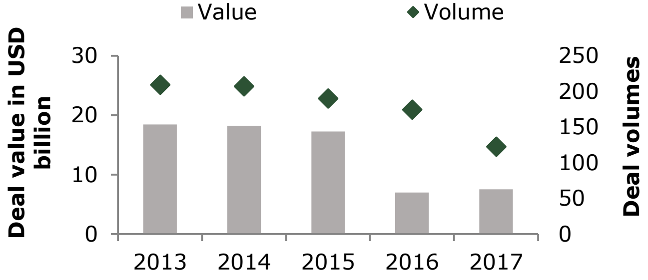
M&A unfavorable factors

- Political **instability** regarding the upcoming presidential elections (October 2018) could deter growing investor optimism in Brazil and threaten future investments
  - It also raises **uncertainties** regarding implementation of **reforms**[16], such as simplification of **tax** structure, creditor protection in **bankruptcy**, and **pension** system, which are key to ensuring low interest rates
- Brazil's ballooning **debt-to-GDP ratio** could also **weaken investor sentiments**
  - **International Monetary Fund (IMF)** forecasts Brazil's debt-to-GDP ratio to expand to ~**94%** by **2020**[19] from ~83% in 2017
  - As majority of the firms are focused on **debt reduction**, corporate **investment** in new facilities and equipment is **unlikely** to improve substantially

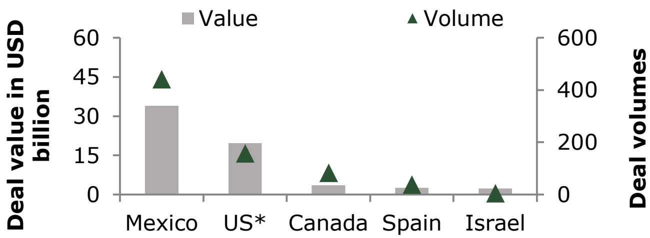
Economic uncertainties and expected change in trade policies could dent Mexico's business outlook and threaten investments

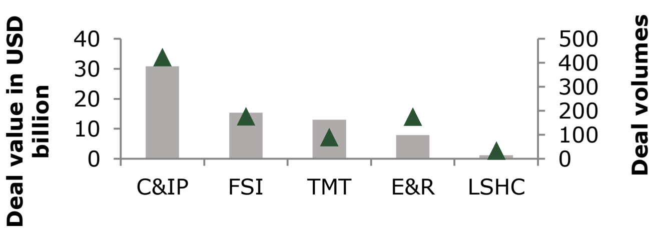
Decelerating growth (GDP growth rate of 2.1% in 2017), high inflation (CPI at 6.4% in November 2017), currency volatility, and proposed changes in the North American Free Trade Agreement (NAFTA) could negatively impact foreign investments in Mexico.

M&A deals in Mexico 2013-17[7]



M&A deals in Mexico by investor country and target industry (2013-17)[7]





* United States

M&A favorable factors

- The Mexican government is focused on implementing the structural reforms passed in 2013-2014 to boost the **energy** sector and attract foreign investments.
  - Some of the largest O&G companies[27], such as Exxon, Chevron, Total, Statoil, and CNOOC, invested in Mexico's **deepwater** resources.[22]
  - The government announced plans to furnish additional **tenders** over 2017-18 for developing its deepwater basins.
- Moreover, Mexico's renewable energy market is gaining traction, buoyed by the country's rising electricity demand and competitive pricing, with **USD25.8 mn** investment planned to develop 10,000 **solar** power systems.[29]
- Mexico's export-oriented manufacturing contributes to better integration into the US value chains, positively impacting the country's business outlook.[2]
- **IMF** forecasts Mexico's **debt-to-GDP** ratio to decline slightly to ~**52.5%** in **2020**, from ~53.3% in 2017. This could help the country to attract business investments.[28]

M&A unfavorable factors

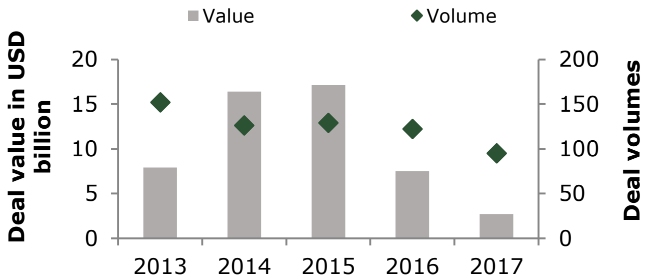
- The IMF forecasts Mexico's **GDP** growth to decline to **1.9%** in **2018** from 2.1% in 2017.[26]
- Although IMF expects Mexico's inflation to ease by the end of 2018, it continues to face price pressures currently with annual **CPI** at **6.37%** in **2017.**[20,25]
- Ramifications of the North American Free Trade Agreement (**NAFTA**) remain unclear and could negatively impact investor sentiments as Mexico is heavily reliant on the US for trade.[21,24]
  - The US has **proposed** a **50%** minimum **US limit** in NAFTA **automobile** content for the vehicles to be **tariff-free.**
  - The **US** accounts for over **80%** of Mexico's goods **exports.**
  - Mexico registered a **trade surplus** of ~USD53.1 bn[23] with the US over January-September 2017.
- The peso is expected to weaken in 2017-19 if higher US interest rates strengthen the USD, thus making it difficult to curb inflation and increasing the value of external debt (from 50.2% of GDP in 2016 to 55% of GDP by 2018), which may threaten M&A investments.[2]

2017 includes data from January 1, 2017 to October 31, 2017

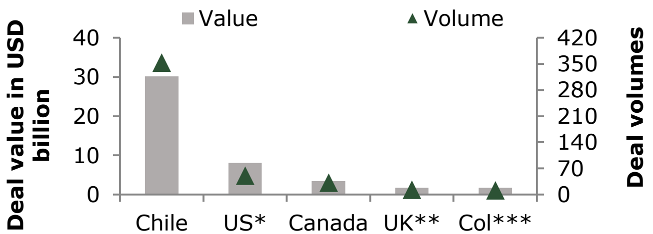
Chile's recovering economic fundamentals could contribute to positive investor sentiments and boost M&A activity in the country

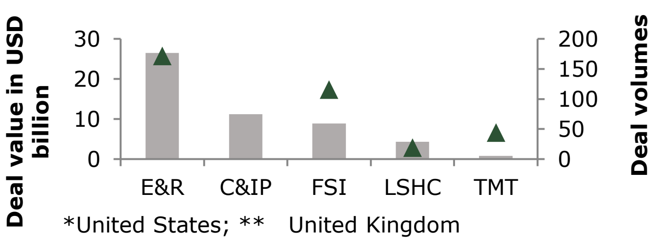
Chile's GDP growth (3% in 2018) and declining fiscal deficit (1.9% in 2018), coupled with abundant copper and lithium reserves, could encourage foreign investments in the country, resulting in increased M&A transactions.

M&A deals in Chile 2013-17[7]



M&A deals in Chile by investor country and target industry (2013-17)[7]





*United States; ** United Kingdom
*** Colombia

M&A favorable factors

- Expected GDP growth, declining fiscal deficit, and increasing inflation could help Chile to attract business investments.

  GDP:
  - Chile's finance minister estimates the country's **GDP** to grow **1.5%**[2]
  - Disruptions in the **Escondida** copper mine significantly impacted Chile, trimming its GDP growth in **2017** by 0.2%[30].

  Fiscal deficit:
  - Expected growth in Chile's economy will enable the country to trim its **fiscal deficit** to **1.9%** of GDP in **2018** from 2.7% in 2017[31].

  Inflation:
  - Chile's **CPI** increased to **1.9%** in October 2017, from 1.5% in September 2017[32,33].
  - Although Chile's central bank maintained the **benchmark interest rate** unchanged at **2.5%** in November's (2017) monetary policy meeting, it indicated that it could tweak the benchmark rates to get **CPI** in line with its target of **3%**[32,33]**.**
- The first round of presidential elections took place on November 19th and there will be a second-round run-off election that will take place on December 17th between Sebastián Piñera and Alejandro Guillier. Outcome of the Presidential **elections** could include an **amendment** of laws that have impeded the **mining** industry in Chile
  - According to Financial Times, **Sebastián Piñera** is the strong favorite to win the elections and **lead reforms** in the mining industry[34]
  - Private and public sector investments in the Chilean **mining sector** are expected to be close to **USD28 bn** over **2016-24**
- Chile has vast reserves of **lithium**, accounting for about 62% of the global market share. Rising demand from the booming **electric vehicle** industry is expected to increase lithium demand and production, resulting in higher foreign investments. [13]

M&A unfavorable factors

- **Debt-to-GDP ratio:**
  - Chile's debt-to-GDP ratio increased to **24.9%** in **2017**, from 21.3% in 2016, which could negatively impact M&A activity in Chile.[35]
- Slowdown in the Chinese economy (6.7% GDP growth in 2016) and volatility in copper prices could negatively impact Chilean exports (down 8.9% y-o-y in 2016) and restrict M&A activity in the country.[36,37]

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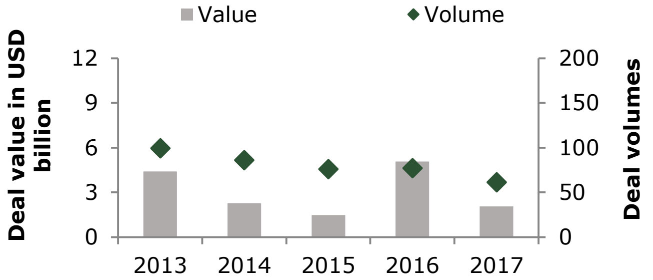
2017 includes data from January 1, 2017 to October 31, 2017

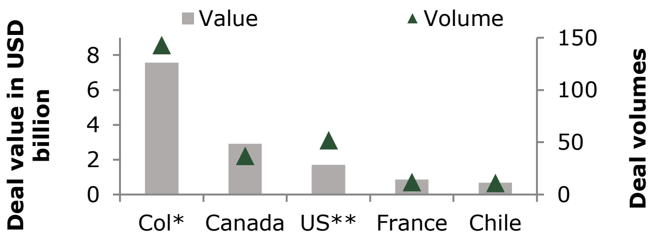
Despite weak oil prices, Colombia's peace deal with FARC, GDP growth, and increasing disposable income may boost M&A activity

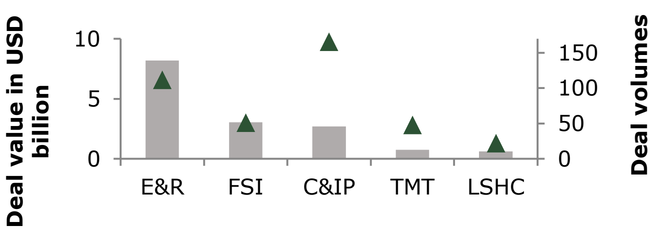
The peace deal with Fuerzas Armadas Revolucionarias de Colombia (FARC) in 2016 could help reinforce security and strengthen investor confidence. Rising domestic demand and increasing disposable income can contribute to M&A activity in consumer-facing sectors. However, a fall in oil production and higher wage costs could pose challenges in attracting investments.

M&A deals in Colombia 2013-17[7]



M&A deals in Colombia by investor country and target industry (2013-17)[7]





* Colombia
** United States

M&A favorable factors

- In December 2016, the Colombian government signed a peace deal with revolutionary armed forces of Colombia (FARC). Also, prospects for a similar peace deal with ELN, the country's second-largest rebel group, will likely strengthen security, improve business environment, and boost investments particularly in rural areas.[4,39]
- Pro business policy reforms, efforts to introduce Basel III standards, and a growing banked population contribute to the growth of Colombia's banking sector.
  - The country's total banking assets as % of GDP are forecasted to grow from 66.5% in 2017 to 72.6% in 2021. This could attract investments in this sector.[39]
- Rising level of disposable income (from USD3,750 per head in 2016 to USD4,510 per head in 2020), increasing domestic demand, and regulatory changes may attract M&A activity in the insurance, consumer, and retail sectors in the long term.[4,10]
- The gradual recovery of oil prices and infrastructure investment may help GDP grow from 2.5% in 2018 to 3.4% in 2022. This may help strengthen M&A activity in the country.

M&A unfavorable factors

- BMI research estimates a negative outlook for Colombia's oil and gas sector due to sustained oil price weakness (sharp decline from USD98 per barrel in 2013 to USD43.82 per barrel in 2016). In spite of gradual recovery in oil prices during 2018-22, they will be well below 2013 prices. This could result in private sector investors turning away from Colombian markets in an effort to boost their core assets.[40].
  - Production of oil fell by 2.5% YoY in 2017, and is expected to be below 1mn barrels/ day in 2017-22. Crude oil production stood at 1.006 bn barrels/day in 2015.
- A poor business environment in light of Colombia's high wage and non-wage costs and insufficient infrastructure may fail to attract M&A activity.[38]
  - Colombia ranks 84/138 on the infrastructure pillar of Global competiveness report 2016-2017; much behind Brazil, Mexico, and Chile.[41]

Refer to "Sources" section for citations.
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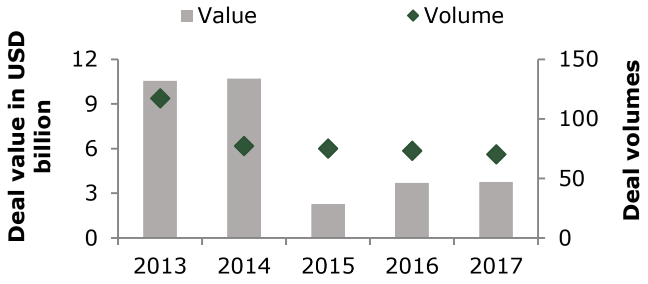
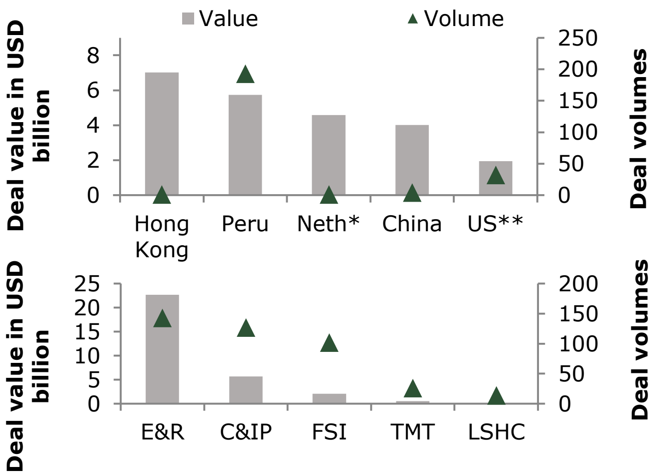
Growth in Peru's mining and agri-business sectors can help improve M&A activity in the country

Government initiatives, lower operating costs, ample mineral reserves, and rise in consumer spending will boost investments in these sectors. However, corruption scandals involving the former Peruvian president will impact investor sentiments.

M&A deals in Peru 2013-17[7]



M&A deals in Peru by investor country and target industry (2013-17)[7]



*The Netherlands
**United States

M&A favorable factors

- Peru's president, Pedro Pablo Kuczynski, has stated publically that he plans to continue with the country's business-friendly policy framework during 2018-22. His regime is expected to boost infrastructure spending, supporting the country's long-term growth and attracting investments.
    - The budget for 2018 calls for USD7.9 bn infrastructure plan that may likely boost GDP expansion.[5]
    - Further, the government has created new and lower tax brackets for small businesses and changed regulations to make the registration of companies and the application of business licenses easier.[5]
- In July 2017, the country's agriculture sector was one of the largest contributors to economic growth, resulting from favorable climatic conditions and rise in grain harvesting areas. Peru's agriculture sector is forecasted to increase from a 2% YoY growth in 2017 to 4% YoY growth in 2022, attracting M&A activity in the agri-business sector.[5]
- Peru's low labor costs, ample mineral reserves, and supportive political environment will aid the growth of mining sector (annual average growth of 8.2% during 2017-21). In 2016, Peru was ranked first among Latin American countries in terms of investment attractiveness for the mining sector according to Fraser institute rankings.[42,43]
- Despite a fall in private consumption due to recent floods in Peru, consumer spending is likely to remain positive over the long term, according to BMI forecasts.
    - Peru's consumer spending is expected to grow at an CAGR of 4.9% during 2018-2021, from 3.2% YoY growth in 2016, driven by stronger economic activity, and low and stable inflation. This could attract investments in consumer-facing sectors.[46]

M&A unfavorable factors

- The Peruvian economy is negatively affected by corruption scandals. In July 2015, Peru's former president Ollanta Humala and his wife were jailed over charges of accepting illegal donations from Brazilian construction giant Odebrecht. This has stalled infrastructure projects in Peru and has shaken investor confidence.[44]
- Together, the floods and corruption scandals have caused growth to fall from 3.9% in 2016 to 2.8% in 2017.[45]
- Further, a slowdown of the Chinese economy in 2018-19 and the US in 2020 will negatively affect Peru's GDP growth during 2018-22.[5]

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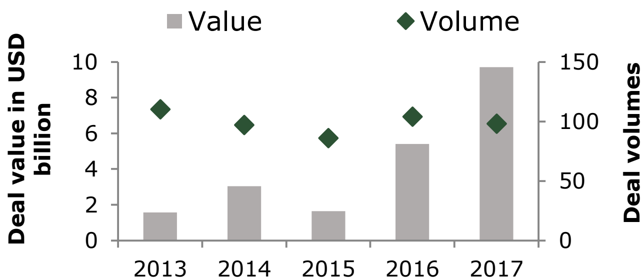
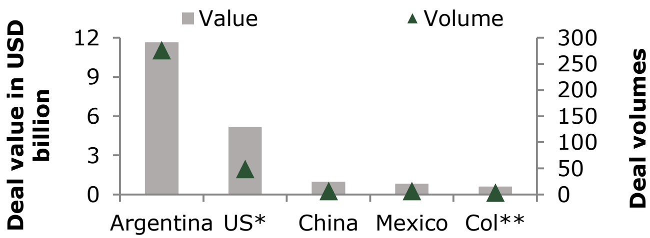
Shale oil resources and rising private consumption are expected to boost investments in Argentina’s telecom and energy sectors

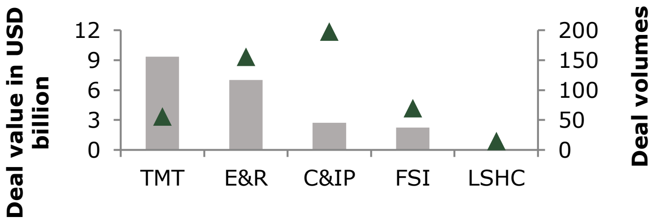
Vast shale oil resources and tax incentives for mine exports will likely strengthen M&A activity in Argentina’s energy sector. Further, increase in private consumption due to reduction of unemployment should attract investments in consumer-facing sectors like telecom. However, rising labor costs could hamper foreign investments in the manufacturing sector.

M&A deals in Argentina 2013-17[7]



M&A deals in Argentina by investor country and target industry (2013-17)[7]





* United States
** Colombia

M&A favorable factors

- The government of President Mauricio Macri is focused on implementing economic policy adjustments. For instance, in November 2017, the government has proposed tax reforms that will reduce tax burden by 1.5% of GDP in the next five years, and will help make the economy competitive and attractive for M&A activity.[47]
- Private consumption is forecasted to increase from USD8,210 per head in 2016 to USD11,080 per head in 2020, resulting from job growth, lower inflation, and rise in disposable income. This could help strengthen M&A activity in consumer-facing sectors like retail, telecom and agri-business.[6,10]
  - For instance, 3G/4G subscriptions in Argentina are expected to increase from 35.8mn in 2017 to over 56.8mn by the end of 2021, thus attracting investments in telecom sector.[12]
- Argentina’s energy sector, including mining, renewables and shale oil and gas, has an optimistic outlook for attracting investments to the sector.[6]
  - The Vaca Muerta shale formation in Argentina's Neuquén Province is now considered to hold prospective resources of 21.2bn barrels of oil equivalent, thus attracting investors.[48]
  - Moreover, President Macri has reached an agreement with labor unions in January 2017 by addressing their concerns and allowing for more flexible contracts that may support M&A activity.[49]
  - In 2016, Argentina slashed export taxes for several mined commodities. This is likely to strengthen investment activity in the sector.[50]

M&A unfavorable factors

- As the economy recovers, GDP growth is expected to reach 3.3% in 2018 from 2.5% in 2017. However, GDP growth will slow down in 2018-19, resulting from weakening of Chinese import demand and a cyclical downturn in the United States’ economy. This could affect investor sentiments.[6]
- According to the EIU, the peso will continue to weaken in 2017-2021, creating volatility that would weigh on investor sentiments.[6]
- Further, rising labor and production costs could hinder foreign investments in Argentina’s manufacturing sector.
  - Average monthly wage is expected to increase from USD777 in 2016 to USD992 in 2021, which will be higher than other major Latin American countries like Brazil, Mexico, Peru, and Colombia.[10]

Refer to "Sources" section for citations.

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M&A activity across industries

Brazil registered the highest M&A activity in the E&R industry; investments were primarily driven by the metals & mining sector

Latin America (especially Brazil) could serve as an attractive destination for investors in the mining sector, underpinned by the expected surge in demand for metals, such as copper, lithium, and cobalt that are crucial for manufacturing electric vehicles.[51,52]

% of deals by top destination countries[7]

- Brazil 27%
- Mexico 13%
- Chile 13%
- Argentina 12%

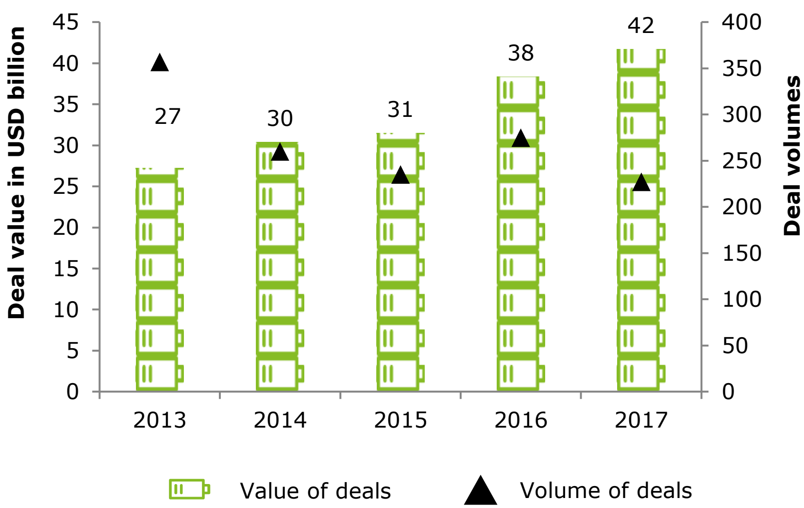
% of deals by top investor countries[7]

- Brazil 19%
- Canada 18%
- Chile 8%
- United States 7%

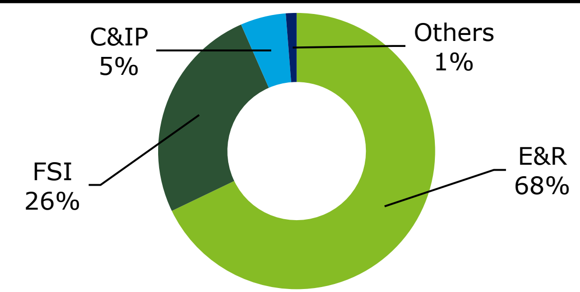
% of deals by top E&R sectors[7]

- Metals & Mining 45%
- Oil & Gas 23%
- Power 18%
- Alternative Energy Sources 7%

M&A Deals in E&R from 2013-17[7]



M&A deals by acquirer industry from 2013-17[7]



Industry	Value of transaction (USD billion)	Number of transactions
E&R	109.4	919
FSI	56.8	346
C&IP	2.4	72
Others	0.6	17

Refer to "Sources" section for citations.

2017 includes data from January 1, 2017 to October 31, 2017

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Brazil continues to attract majority of investments in the C&IP industry, driven by growing population and rising private consumption

Brazil has the largest population among Latin American countries. This, coupled with a high urbanization rate and a large number of young adults offers an attractive demographic profile for consumer-facing sectors. Brazil's private consumption per head and retail sales is forecasted to grow at a CAGR of 6% and 3% during 2016-21, respectively.[53,54]

% of deals by top destination countries[7]

- Brazil 45%
- Mexico 15%
- Chile 10%
- Argentina 7%

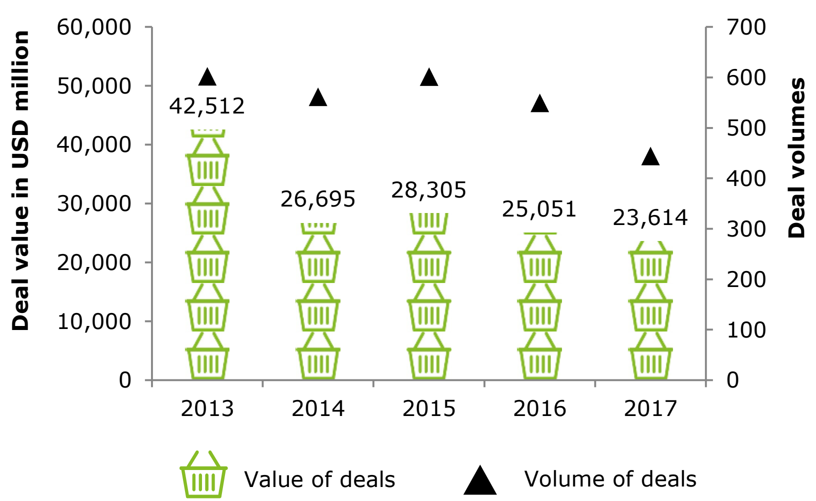
% of deals by top investor countries[7]

- Brazil 27%
- United States 13%
- Mexico 10%
- Chile 7%

% of deals by top C&IP sectors[7]

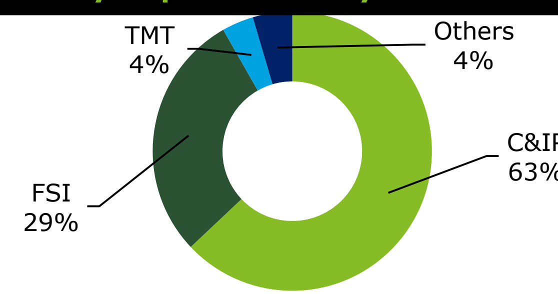
- F&B 13%
- Transportation 11%
- Professional Services 10%
- Hotels 6%

M&A Deals in C&IP from 2013-17[7]



Note: C&IP includes Consumer Business (CB) and Manufacturing (MFG)

M&A deals by acquirer industry from 2013-17[7]



Industry	Value of transaction (USD million)	Number of transactions
C&IP	87,823	1,736
FSI	49,645	794
TMT	2,104	101
Others	6,605	126

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Refer to "Sources" section for citations.

2017 includes data from January 1, 2017 to October 31, 2017

M&A activity in Latin America's TMT industry recovered in 2017, after a fall during 2015-2016

Increased spectrum availability, competition and new services support the growth of the telecom market in Latin America. The region may witness a 6% growth in cellular mobile phone subscribers and a 33% growth in 3G/4G subscribers during 2017-21. Brazil and Mexico captured 69% of deals as these markets are scalable and consumers have a high tendency to adopt new technologies.[14]

% of deals by top destination countries[7]

- **Brazil** 59%
- **Mexico** 10%
- **Argentina** 6%
- **Colombia** 5%

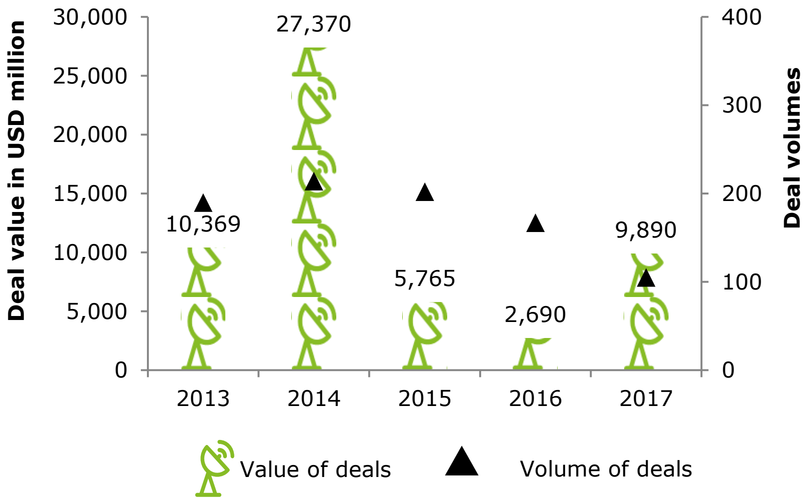
% of deals by top investor countries[7]

- **Brazil** 39%
- **United States** 19%
- **Spain** 4%
- **Argentina** 4%

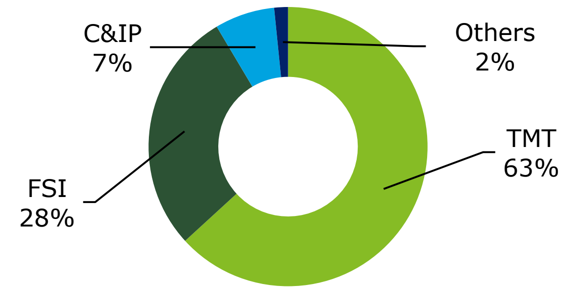
% of deals by top TMT sectors[7]

- **IT consulting & services** 18%
- **Software** 14%
- **Advertising & Marketing** 11%
- **Telecom Services** 9%

M&A Deals in TMT from 2013-17[7]



M&A deals by acquirer industry from 2013-17[7]



Industry	Value of transaction (USD million)	Number of transactions
TMT	41,418	555
FSI	13,050	248
C&IP	1,555	61
Others	62	14

Refer to "Sources" section for citations.

2017 includes data from January 1, 2017 to October 31, 2017

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M&A activity remained subdued in FSI in 2017, following a slowdown in the economic growth in Latin America post 2015

M&A activity in FSI was underpinned by the insurance sector, especially in Brazil, driven by growth of middle class and retirement-age population. Majority (88%) of M&A deals in FSI was conducted by acquirers within the industry.[7,55]

% of deals by top destination countries[7]

- **Brazil** 36%
- **Mexico** 15%
- **Chile** 10%
- **Peru** 9%

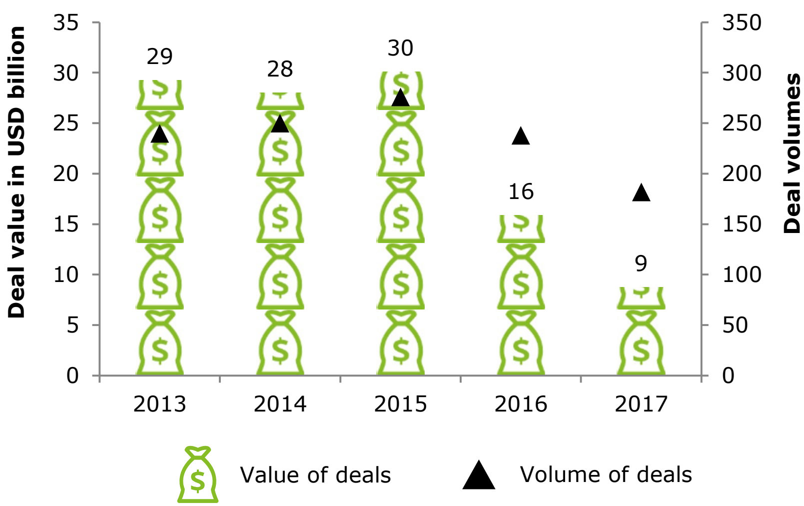
% of deals by top investor countries[7]

- **Brazil** 29%
- **Mexico** 11%
- **United States** 9%
- **Chile** 8%

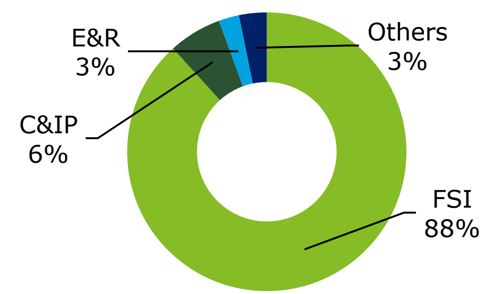
% of deals by top FSI sectors[7]

- **Other financials** 19%
- **Insurance** 18%
- **Non residential** 15%
- **Banks** 10%

M&A Deals in FSI from 2013-17[7]



M&A deals by acquirer industry from 2013-17[7]



Industry	Value of transaction (USD billion)	Number of transactions
FSI	102.4	1047
C&IP	7.6	73
E&R	0.8	28
Others	1.2	38

Refer to "Sources" section for citations.

2017 includes data from January 1, 2017 to October 31, 2017

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LSHC industry may attract more investments in 2017-21, owing to rising demand for medicines and regulatory advancements

Brazil may witness growth in pharmaceutical sales and healthcare spending at 14% and 18%, respectively during 2017-21, driven by an aging population and rising disposable income. Mexico (the second-largest LSHC market in the region) may attract investments owing to its aging population, higher consumer expenditure on prescription drugs, and strong regulatory environment.[56,57]

% of deals by top destination countries[7]

- Brazil 62%
- Mexico 10%
- Colombia 6%
- Chile 5%

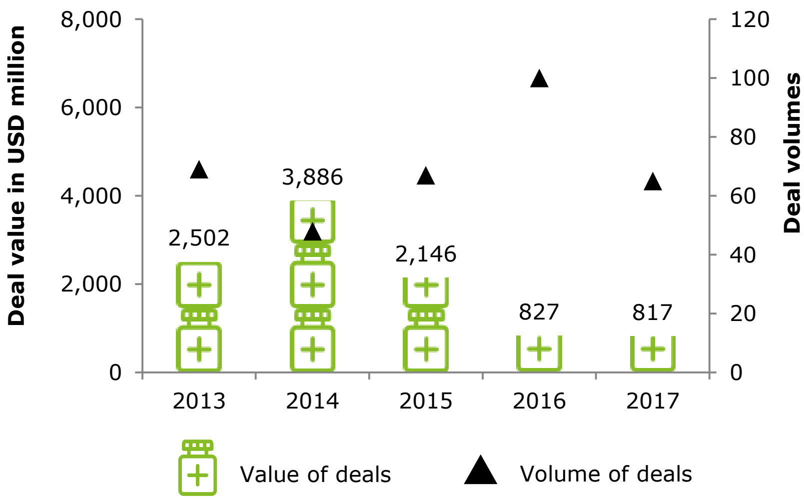
% of deals by top investor countries[7]

- Brazil 46%
- United States 14%
- France 5%
- Mexico 4%

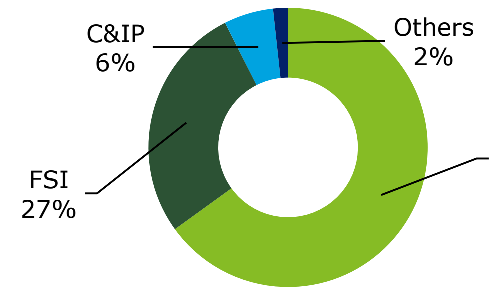
% of deals by top LSHC sectors[7]

- Healthcare Equipment & Supplies 28%
- Pharma-ceuticals 25%
- Healthcare Providers & Services (HMOs) 24%
- Hospitals 19%

M&A Deals in LSHC from 2013-17[7]



M&A deals by acquirer industry from 2013-2017[7]



Industry	Value of transaction (USD million)	Number of transactions
LSHC	5,707	227
FSI	3,870	96
C&IP	500	20
Others	102	6

Refer to "Sources" section for citations.

2017 includes data from January 1, 2017 to October 31, 2017

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Perspectives

Perspectives

Deloitte produces original and informative articles drawn from experiences throughout our professional services organization. Listed below are recent pieces which provide insights for businesses on events and trends in the Americas region.

In the wake of the Panama Papers: A guide for multinational corporations[58]
The Panama Papers have brought business interactions with offshore holding companies to the forefront. Learn how companies are assessing whether any corruption or fraud exists within their operations and how they can implement policies, procedures, and controls to mitigate risk.

The state of the deal: M&A trends 2018 [59]
Deloitte's annual comprehensive look at M&A activity. The Deloitte M&A trends report looks at M&A activity by surveying more than 1,000 executives at corporations and private equity firms about the current year and their expectations for the next 12 months. The results of our fifth survey point to strong deal activity ahead. Nearly 70 percent of executives at US-headquartered corporations and 76 percent of leaders at domestic-based private equity firms say deal flow will increase in the next 12 months. Further, there is virtually unanimous sentiment that deal size will increase, if not stay the same, compared with deals brokered in 2017.

Wall Street Journal (WSJ) CFO Journal: How to Address FCPA Risks in Emerging Market M&A Deals[60]
Gain additional insights about how to address FCPA risks in this piece based on the article M&A in emerging markets: A fresh look at successor liability associated with the Foreign Corrupt Practices Act.

Human Capital Considerations in Cross-border Deals[61]
Acquiring an overseas company can open up new markets and business opportunities. However, foreign companies may also require a number of unique human capital considerations that can impact deal value. Read more about the impact of these key human capital considerations.

Acquisition Due Diligence Bribery & Corruption Risk[62]
Buyers that are considering an acquisition usually encounter a competitive and time-sensitive diligence process focused on assessing the target's performance key risks. Learn more about how a buyer's failure to adequately consider bribery and corruption risk may lead to the purchase of an overvalued company and serious collateral consequences.

Market Consolidation Outlook – Investment strategies and merger & acquisition activity[63]
Deloitte Brazil presents the results of its survey that tackles its challenging local M&A market. The survey, led by Deloitte Brazil's Corporate Finance Advisory practice, presents the opinions of top executives from 221 companies operating in several industry segments. Read more about how M&As have become an alternative to organic growth in Brazil, the expectations for the M&A market in the next two years, and experiences and challenges for closing deals in Brazil.

Mexico Mergers and Acquisitions What's ahead: The potential impact of the new US administration [64]
This report explores what the uncertainty around NAFTA and new US domestic policies might mean for cross-border investment and M&A. Read more about the potential impact on Mexico's key sectors, including manufacturing, agriculture, energy, telecommunications and financial services.

Argentina - A Destination for Investment? [65]
New government initiatives aim to make the country healthier and more open to foreign investors. This report looks at how a new influx of foreign investors has helped accelerate Argentina's deal flow to date and how an even greater wave of interest is likely to develop in the years to come. Read more about how an improved economy could buoy all sectors.

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Presentation notes

For purposes of this presentation:

- Latin America includes Mexico and countries in Central America and South America.
- Latin American target companies have been classified based on the dominant geography of the target company in Latin America.
- The region and country of the acquirer have been determined from the location of the ultimate parent.
- "Cross-border inbound M&A" refers to M&A deals where the acquirer is from non-Latin American countries and the dominant geography of the target company is Latin America.
- Completed and pending deals have been considered in the data presented. Abandoned deals have not been considered.

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