



Latin American M&A Activity

Our latest Latin America M&A newsletter highlights trends in transaction activity for FTI Consulting's regional coverage (Argentina, Brazil, Chile, Colombia, Mexico and Peru) and dives into the historical composition of buyers across the region. The insights included herein were prepared by FTI Consulting's Latin America Transactions team with the support of local experts across the region. We hope you find the M&A-focused insights valuable and look forward to speaking with you about FTI Consulting's transactions capabilities in Latin America.

Transaction Activity Overview

M&A transaction activity in Latin America decreased in 2022 compared to deal volume in 2021, reflecting the lowest level of activity in the last 7 years. Total deal volume fell from a historical high of 1,311 deals in 2021 to 1,020 in 2022, representing a 22.2% decline. This trend is prevalent across all industries except for industrials, which showed a modest expansion in deal count (+10 transactions for a total of 176 deals in 2022).¹

Key drivers for the M&A transactions decline in 2022 include: 1) uncertain macro-economic and geopolitical environment, 2) election cycles and social unrest and 3) increase in interest rates and inflationary pressures.² Further insight for each relevant jurisdiction is included in the following pages.³

Exhibit 1.1 - Deals by country

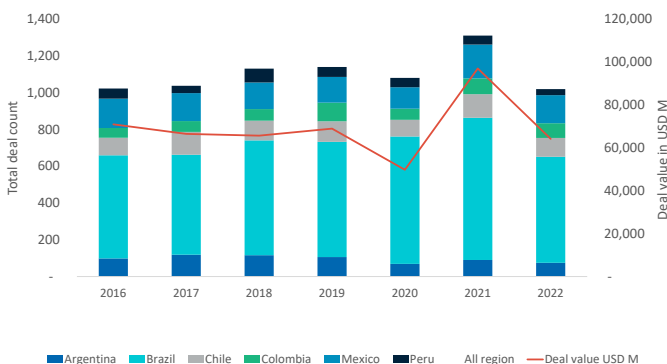
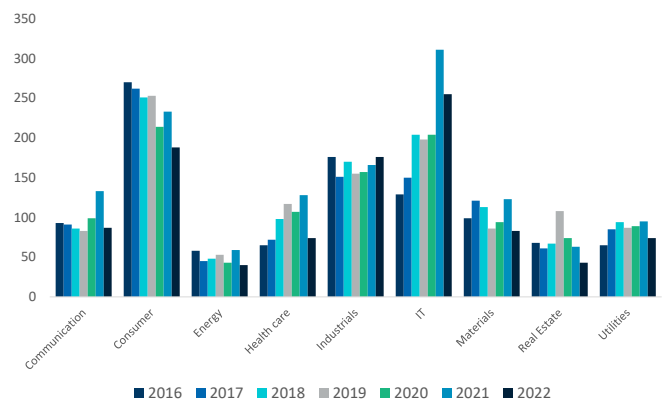


Exhibit 1.2 - Deals by industry



Transaction Activity By Country

Brazil

In 2022, Brazil accounted for 56.5% of total transactions within the region, compared to 59% in 2021. The country experienced a 25.5% reduction in deal-count in 2022, from 774 to 577 in 2022. An economic cycle and uncertainties around local politics⁴ can partially explain the decrease in activity as leftist President, Luiz Inacio Lula da Silva, was elected in 2022. The top industries in Brazil were information technology, industrial, consumer and health care accounting for 26.9%, 18.4%, 15.1% and 9.2% of total transactions, respectively.

Exhibit 2.1 - Deals in Brazil

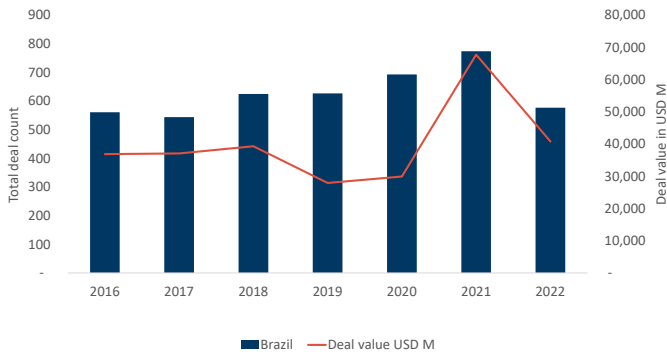
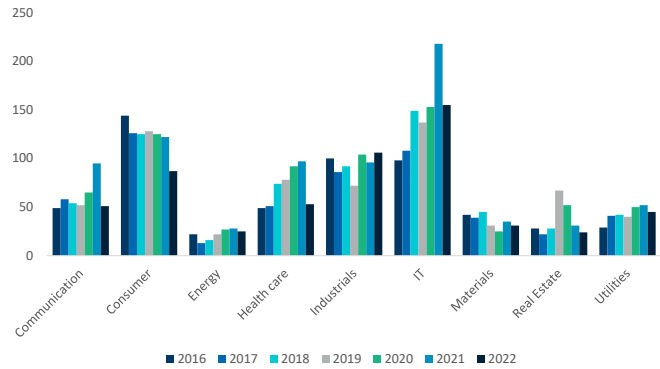


Exhibit 2.2 - Deals by industry in Brazil



Mexico

Mexico remains the second largest market for deals in the region. During 2022, the industrials sector had the most activity reaching 35 transactions, which is the highest level of activity in the historical period analyzed. Industrial activity has driven more transactions in transportation, logistics and supply chain as Mexico appears to be a beneficiary from nearshoring⁵ (the relocation of supply chains to geographically closer regions),⁶ in spite of an expected slowdown in the Mexican economy.⁷ M&A activity in the energy sector could remain subdued as the current administration embraces a nationalist approach to strategic industries such as oil & gas.⁸

Exhibit 3.1 - Deals in Mexico

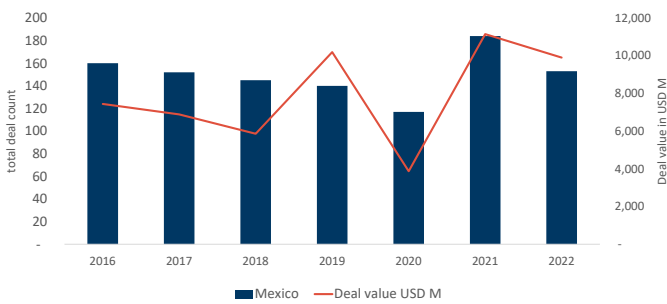
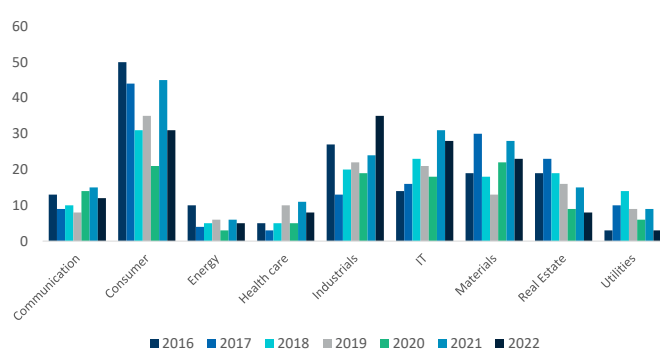


Exhibit 3.2 - Deals by industry in Mexico



Colombia

Colombia represented, based on the number of deals, the third largest market for M&A in this analysis. The country experienced a modest decrease in the number of transactions, decreasing from 86 in 2021 to 80 in 2022. Elections in the country in 2022, where the first leftist president, Gustavo Petro, was elected, could have contributed to the decrease in transactions as uncertainty increased in 2022.⁹ The most active sector based on deal activity during 2022 was consumer, with 22 transactions, which represented 27.5% of total deals during the year with e-commerce, restaurants and hotels contributing to the overall deal count. The second most important sector in Colombia in 2022 was information technology with 18 deals, particularly concentrated in application-software companies and data processing. The country has made inroads in the tech space over the last decade, contributing to the health of the sector.¹⁰ The industrials activity was the third highest with 14 deals, which came from scattered subsectors such as construction and engineering, facilities services, airports and marine ports services.

Exhibit 4.1 - Deals in Colombia

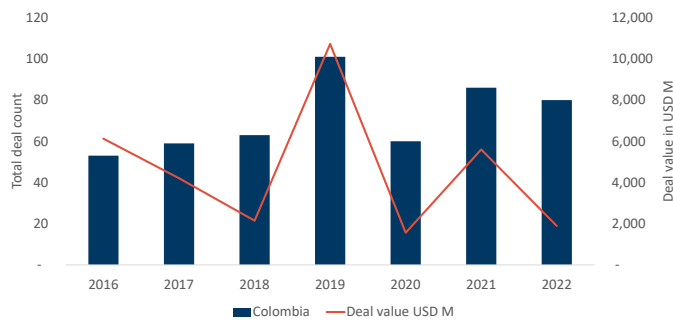
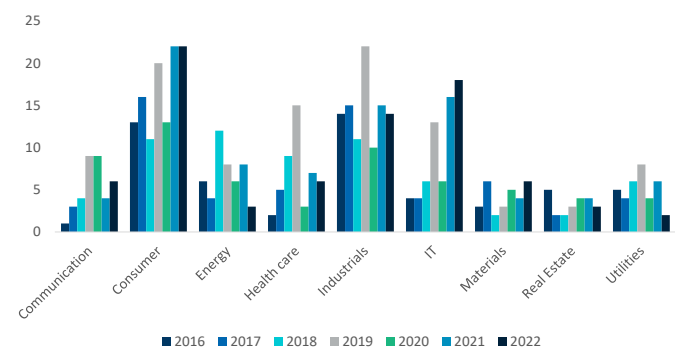


Exhibit 4.2 - Deals by industry in Colombia



Chile

Chile’s GDP grew at 11.7% in 2021, supported by consumption, and fiscal aid.¹¹ However, in 2022, tighter fiscal and monetary conditions, withdrawal of pandemic-related support and a spike in inflation led to a deceleration in GDP projected to be 1.9% in 2022.¹² Chile represented 10% of total deal count during 2022, experiencing a decrease of 20.3% when compared with 2021 transactions. Materials and utilities experienced the most significant decrease YoY from 50 transactions in 2021 to 26 transactions in 2022 (decrease of 48%). This was slightly offset by the consumer sector, which experienced an increase of 73.3% (11 more deals than in 2021). During 2022, this sector represented 25.5% of transactions during the year, compared to 11.7% in 2021. IT (mainly application software) remains the cornerstone of transactions in the country representing 22.5% of total transactions during the year.

Exhibit 5.1 - Deals in Chile

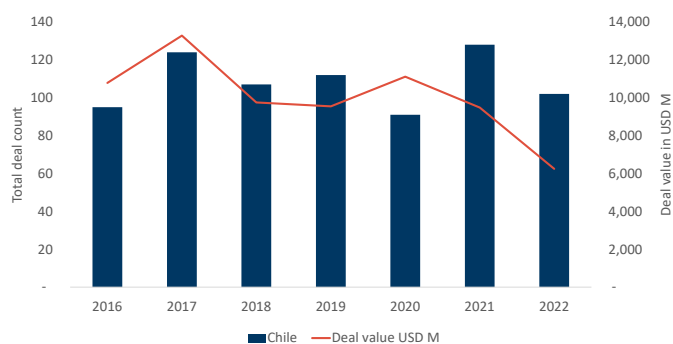
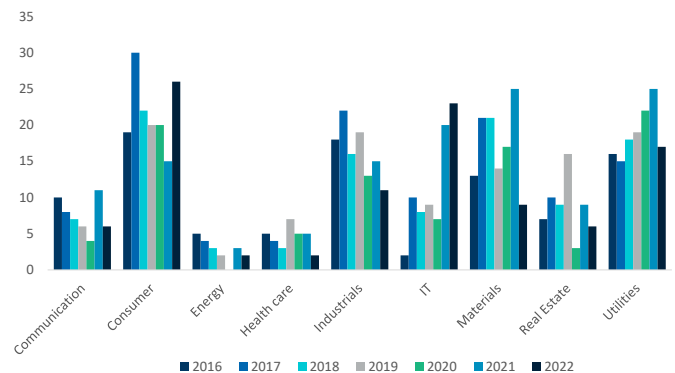


Exhibit 5.2 - Deals by industry in Chile



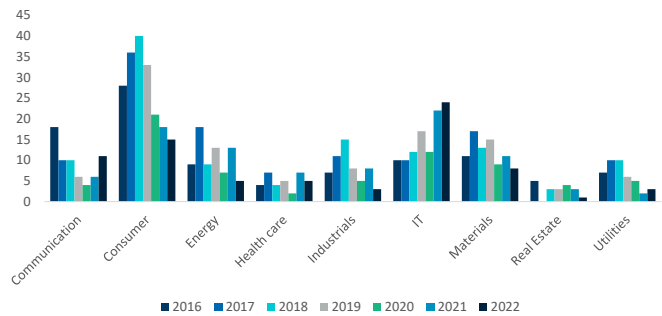
Argentina

Transactions in Argentina decreased from 90 in 2021 to 75 in 2022, representing a decrease of 16.7%. As in 2021, the IT sector (mainly application software) represented a majority of the transactions in the country, 32% of total deals in 2022. This is followed by the consumer industry, which represented 20% of total transactions in the year; most of the transactions in this sector were seen in packaged foods and meats and agricultural products. The country continues to deal with a stubbornly high inflation rate (95% in 2022),¹³ which is expected to negatively affect investor appetite in the country.

Exhibit 6.1 - Deals in Argentina



Exhibit 6.2 - Deals by industry in Argentina



Peru

In 2022, Peru had the lowest level of transactions in the analyzed period with 33 deals. Political uncertainty and social unrest is expected to continue to impede M&A activity. The country has had six sitting presidents over the last seven years.¹⁴ During 2021, Peru counted 20 transactions in the materials sector, a historical number. In contrast, there were only six such deals in 2022, mainly related to mining (gold, silver and copper). Other sectors have shown a persistent level of stagnation including communications, energy, healthcare and real estate.

Exhibit 7.1 - Deals in Peru

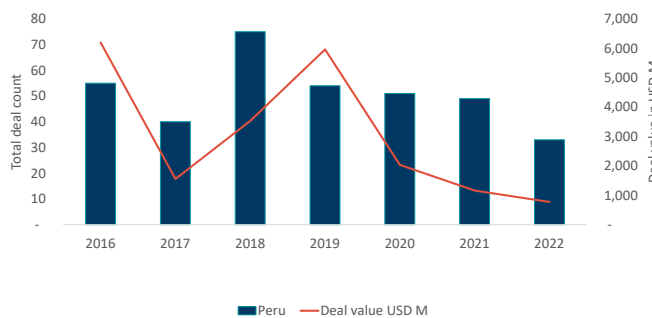
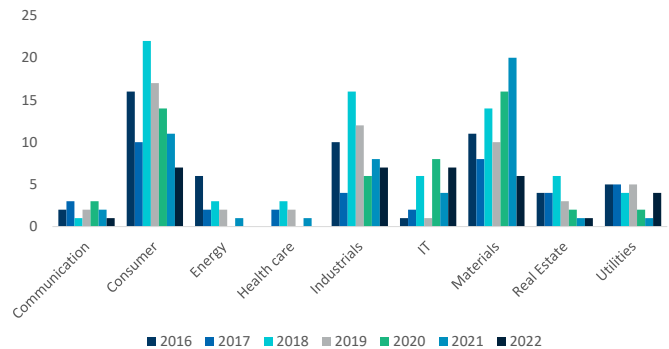


Exhibit 7.2 - Deals by industry in Peru



Transaction Activity By Type Of Buyers

In the analyzed period, most of the transactions have been consummated by acquirers from Latin America. Nevertheless, during 2021 and 2022, investors from the United States and Canada have shown relatively greater appetite for conducting deals in Latin America (approximately 25% of all transactions in the region). In 2022, investors from Europe also gained more relevance as they participated in just more than 18% of the transactions compared with only a little more than 14% in 2021. However, buyers from the Asia/Pacific region decreased from 4.1% to 3.5% in 2021 and 2022, respectively. The expected re-opening of China may provide a boost to commodity-heavy Latin American countries.¹⁵

In 2021 Softbank, a key investor from Asia and Europe (based on the country of the legal entity participating in the transaction), engaged in 33 transactions across the territories, 23 of which were in Brazil. In contrast, during 2022, Softbank participated in only 7 deals in the region, all in Brazil.¹⁶

During 2022, it was private companies that participated in almost 55% of the deal volume, whereas public companies and private equity firms participated in a smaller proportion compared to 2021. Private-equity acquisitions decreased from 20.4% of the transactions in 2021 to 17.5% in 2022. The decrease in private-equity activity was particularly notorious in two countries where the number of deals involving this type of buyer fell during 2022; from 45 to 29 in Mexico and from 154 to 90 in Brazil — the two biggest markets in the region. Relative lower valuation and a stronger dollar could make the region more attractive in the near- to mid-term.

Exhibit 8.1 - Buyers by Region

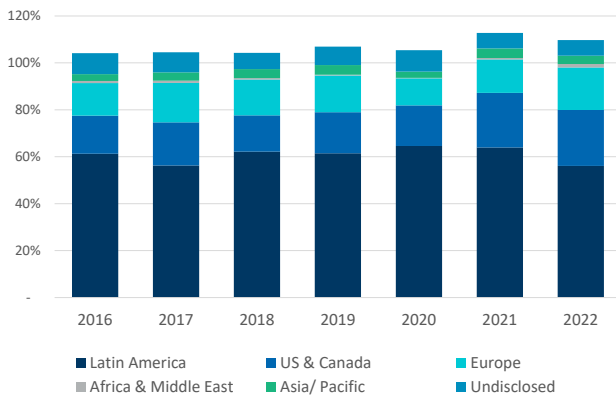
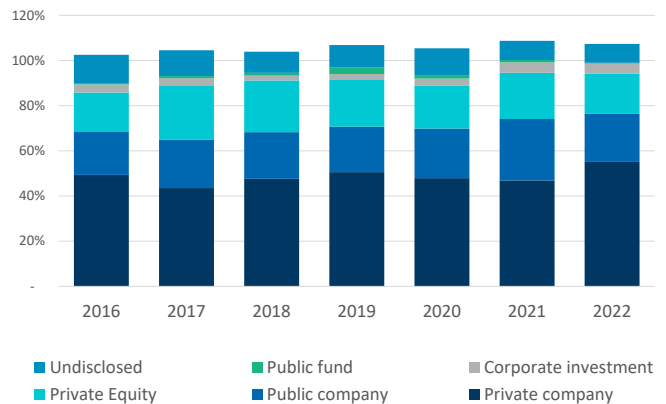


Exhibit 8.2 - Buyers by Type



Note: Total exceeds 100% as some transactions have multiple acquirers

Endnotes:

1. S&P Capital IQ. (2023). Retrieved January 11, 2023, from S&P Capital IQ database
2. Rafael Gayol, “Chart: Economists Forecast Somber Year for Latin American Economies, Especially Chile,” Bloomberg Linea (January 21, 2023), <https://www.bloomberglinea.com/english/chart-economists-forecast-somber-year-for-latam-economies-especially-chile/>
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14. Marco Aquino, “Factbox: Peru’s presidents and years of political turmoil,” Reuters (December 7, 2022), <https://www.reuters.com/world/americas/perus-presidents-years-political-turmoil-2022-12-07/>.
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