

# Deal Trends in Latin America

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**S&P Global**  
Market Intelligence

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# Editor's 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 covers the period from 7/1/14 – 6/30/17.

## Key Highlights

- Latin American deal volume fell 13% in Q2 2017 LTM vs Q2 2016 LTM
- Transaction value rebounded by 30% to \$141 Billion USD in Q2 2017 LTM when compared to Q2 2016 LTM
- Argentina's credit rating has been upgraded from B- to B for both LT foreign and domestic currency
- Chile was downgraded from AA- to A+ LT Foreign Currency and from AA to AA- in LT local currency.
- Ecuador's credit rating was downgraded from B to B- for both LT foreign and local currency.
- Venezuela was downgraded from CCC to CCC- LT foreign currency and from AA to AA- in LT local currency.

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Data pulled for this report is as of July 31st, 2017 and excludes all asset/product target types. For more information on our methodologies, please e-mail [marketobservations@spglobal.com](mailto:marketobservations@spglobal.com).

LT Foreign Currency and LT Local Currency are S&P Long-Term Foreign Currency Rating and S&P Long-Term Local Currency Rating, respectively.

# Deal Activity In Latin America

## Despite Lower Deal Volume, Value Rebounds

Over the past three years, Latin America has experienced the same deal activity trends that have persisted in global markets: transaction volume continues to dwindle while deal sizes continue to grow. Only 1,055 deals were made in Latin America between Q2 2016 LTM\* and Q2 2017 LTM, representing a 13% drop off from the same period one year earlier during which 1,213 deals took place.

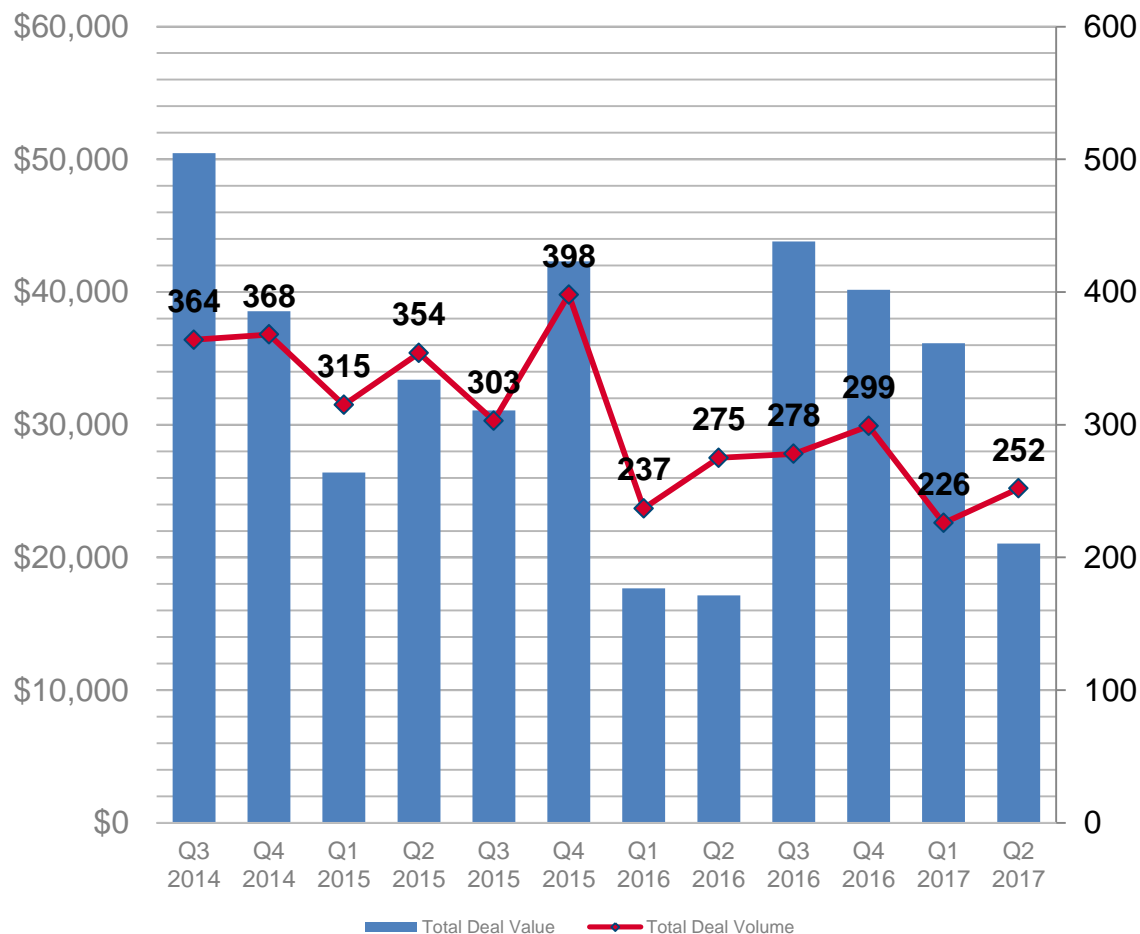
Despite lower deal volume, transaction value accelerated more than 30% to \$141B USD between Q2 2016 LTM and Q2 2017 LTM. The main driver of the rebound in deal value is high purchase price multiples; in the US, for example, purchase price multiples of leveraged buyouts have risen to an all-time high of 11.2x.<sup>1</sup>

The criteria used in our analysis were M&A and private placement activities between Q3 2014 and Q2 2017 in select Latin American countries. We looked in depth at each country, their industries, cross-border activity, and assessed macro-economic conditions in Latin America.

\*LTM is defined as Last-Twelve-Month

<sup>1</sup>Purchase price multiples are derived from Leverage Commentary & Data (LCD), Leveraged Buyout Review 3Q 2017.

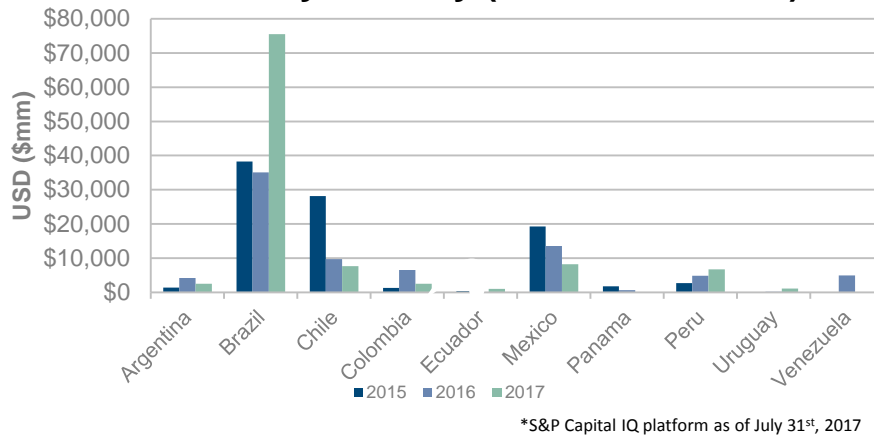
## DEAL VALUE AND VOLUME BY QUARTER (Q3, 2014 – Q2, 2017)



Source: S&P Capital IQ platform as of July 31<sup>st</sup>, 2017

# Deal Activity In Latin America: LTM YoY Trends By Country

## Deal Value by Country (2015 – 2017 LTM)



### Country Highlights

Between January 2015 and June 2017, deal values increased in Brazil, Ecuador, Peru, and Uruguay, while in Argentina, Chile, Colombia, Mexico, Panama, and Venezuela they decreased

As a result of political turmoil, sanctions, and a crippling economic crisis, Venezuela's deal volume fell to zero over the course of last twelve months. Despite relatively low deal volume in Ecuador, the purchase of Exxon Mobile's regional unit by a subsidiary of AntarChile S.A. drove deal value up by +830% from Q2 2016 LTM to Q2 2017 LTM.

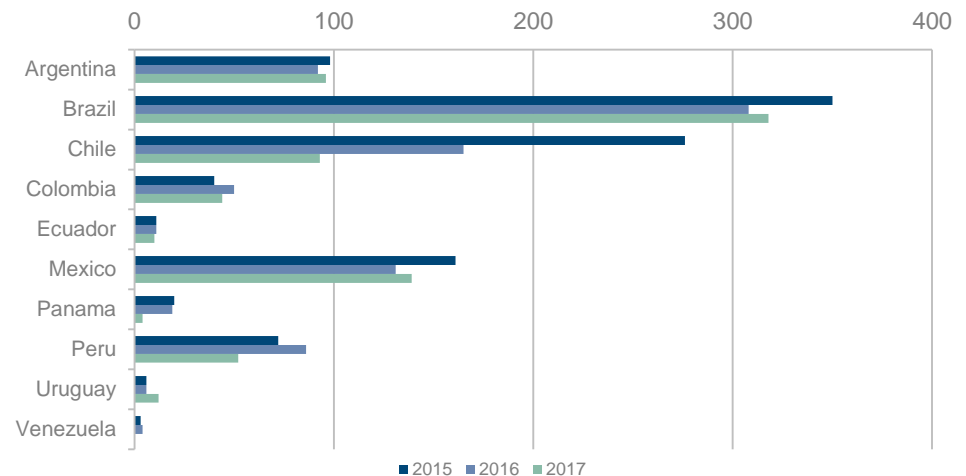
The two largest economies in the region – Brazil and Mexico – saw very different deal activity. Mexico experienced modest +6% deal volume growth between Q2 2016 LTM and Q2 2017 LTM, while its deal value dropped by -40% over the same timeframe.

In the meantime, Brazil's deal volume between Q2 2016 LTM and Q2 2017 LTM remained flat while deal value jumped by more than +115% over the same time period as strategic buyers took advantage of high share prices to bolster their businesses.

In Uruguay, historically modest deal volume jumped by +83% between Q2 2016 LTM and Q2 2017 LTM. Deal value, in the meantime, accelerated by +273% as a result of the sale of Weyerhaeuser's regional unit to BTG Pactual Holdings.

During this same time span, both deal volume and value fell in Chile, Columbia, and Panama, all of which are currently experiencing timid GDP growth and rising unemployment.

## Deal Volume by Country (2015 – 2017 LTM)



Source: S&P Capital IQ platform as of July 31<sup>st</sup>, 2017

# M&A Activity In Latin America

## Top Deals (Announced Or Closed) July 1, 2016 – June 30, 2017

Announced Date	Closed Date	Target/Issuer	Headquarters	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)
02/20/2017	08/14/2017	Valepar S.A.	Brazil	Steel	Vale S.A. (BOVESPA:VALE3)	21,071.68	-	-	-	-
07/01/2016	01/23/2017	CPFL Energia S.A. (BOVESPA:CPFE3)	Brazil	Electric Utilities	State Grid Brazil Power Participações Ltda.	12,045.05	10.28	2.29	14.75	28.82
09/08/2016	04/04/2017	Nova Transportadora do Sudeste S.A.	Brazil	Oil and Gas Storage and Transportation	Brookfield Brasil Asset Management Investimentos Ltda.	5,080.0	-	-	-	-
01/23/2017	-	CPFL Energia S.A. (BOVESPA:CPFE3)	Brazil	Electric Utilities	State Grid Brazil Power Participações Ltda.	3,719.6	10.28	2.29	14.75	28.82
12/19/2016	-	Vale Fertilizantes S.A.	Brazil	Fertilizers and Agricultural Chemicals	The Mosaic Company (NYSE:MOS)	2,760.0	6.01	-	-	-
07/29/2016	05/02/2017	BM-S-8 Offshore Licence in Santos Basin	Brazil	Oil and Gas Exploration and Production	Statoil Brasil Óleo e Gás Ltda.	2,500.0	-	-	-	-
08/17/2016	04/25/2017	BRK Ambiental	Brazil	Environmental and Facilities Services	Brookfield Business Partners L.P. (TSX:BBU.UN)	2,039.64	8.86	3.46	11.67	17.33
05/11/2017	-	XP Investimentos S.A.	Brazil	Investment Banking and Brokerage	Itaú Unibanco S.A.	1,997.34	-	-	-	-
12/21/2016	-	BMS-11 and BMS-9 Oilfields and Romulo de Almeida and Celso Furtado Power Plants	Brazil	Oil and Gas Exploration and Production	TOTAL S.A. (ENXTPA:FP)	1,825.0	-	-	-	-
10/29/2016	12/01/2016	Endesa Américas S.A.	Chile	Independent Power Producers and Energy Traders	Enel Américas S.A. (SNSE:ENELAM)	1,439.01	6.2	3.38	7.32	14.07

This chart includes the top 10 deals in Latin America by Total Transaction Value in USD between the second half of 2016 and the first half of 2017. Brazil and Chile were home to all of the top 10 deals, with Brazil continuing to host the majority of large deals in the region across multiple sectors. 60% of the top 10 deals were strategic M&A deals.

Chile's single entry into the top 10 deals occurred in the Energy sector. Chile is traditionally a great source of materials, industrials, and energy deals and the diversification of investments into the country continues to enhance the economy to make it one of the most stable in the region.

Vale S.A.'s acquisition of Valespar – a multi-holding company of materials and energy – in an amount exceeding \$21B USD represents the largest acquisition in 2017.

M&A Activity in Latin America is sorted by largest transaction values in USD. Data was derived from S&P Capital IQ platform as of July 31<sup>st</sup>, 2017.

# Deal Activity In Latin America: Sector Trends LTM YoY

## Deal Highlights

**Materials deal value experienced an abrupt rise and Utilities rebounded from a down period**

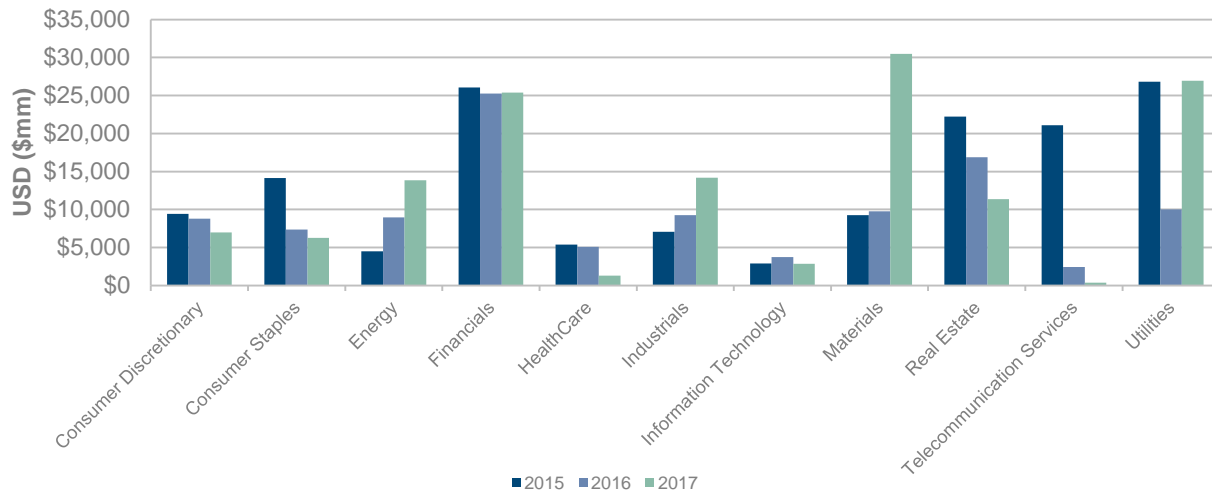
Deal value for Q2 2017 LTM grew in multiple sectors including Energy, Financials, Industrials, Materials, and Utilities compared with the same period a year prior. On the opposite side of spectrum, Consumer Discretionary, Consumer Staples, Healthcare, Info Tech, Real Estate, and Telecommunication sectors all saw a decline in deal value.

Despite only a slight +0.75% increase in deal volume, the Materials sector saw the biggest jump in deal value (+207%) perpetuated by Vale S.A.'s acquisition of Brazil's Valepar S.A. for more than \$21B USD.

Deal activity and value both rebounded in the Utilities sector as volume jumped +21% while value increased +168%. The Industrials sector continued to see gains as volume jumped by +6% and value grew by +53%.

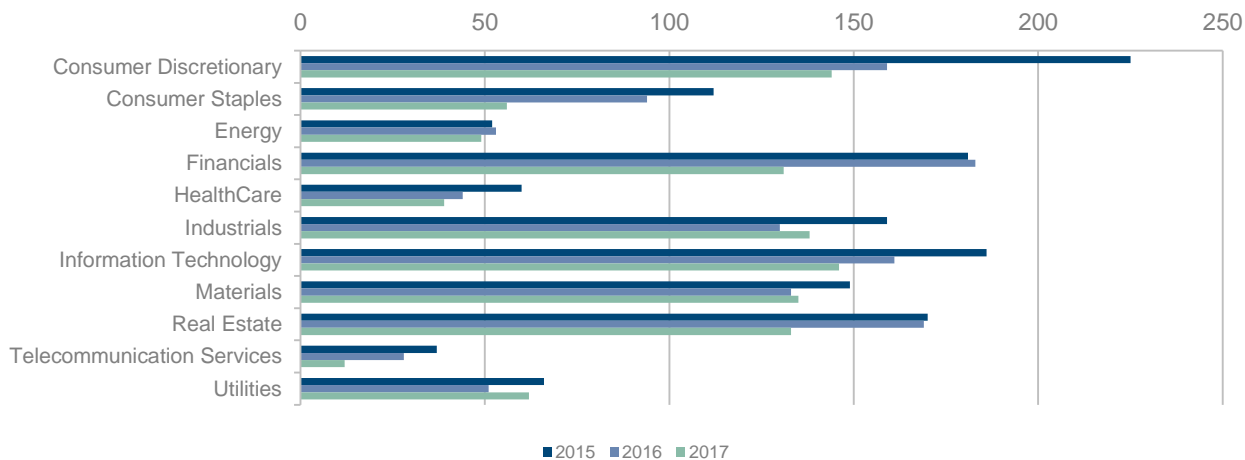
On the other hand, the Consumer Discretionary sector continued to see deal volume decline (-20%) and deal value slide (-9%). The Telecommunication sector saw the largest decline both in value (-57%) and in volume (-87%), as fewer large ticket acquisitions took place as a result of Mexico's anti-monopoly telecom reform.

## Deal Value by Sector (2015 – 2017 LTM)



Source: S&P Capital IQ platform as of July 31<sup>st</sup>, 2017

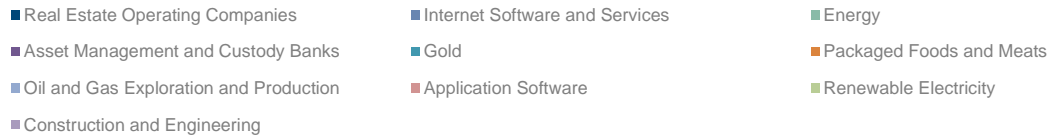
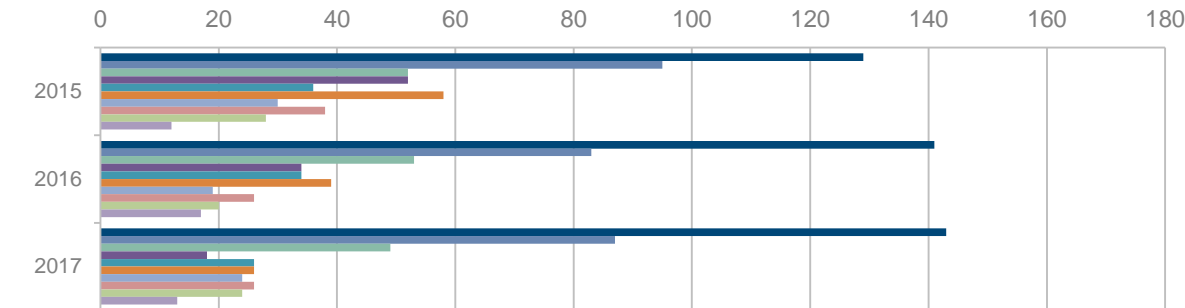
## Deal Volume by Sector (2015 – 2017 LTM)



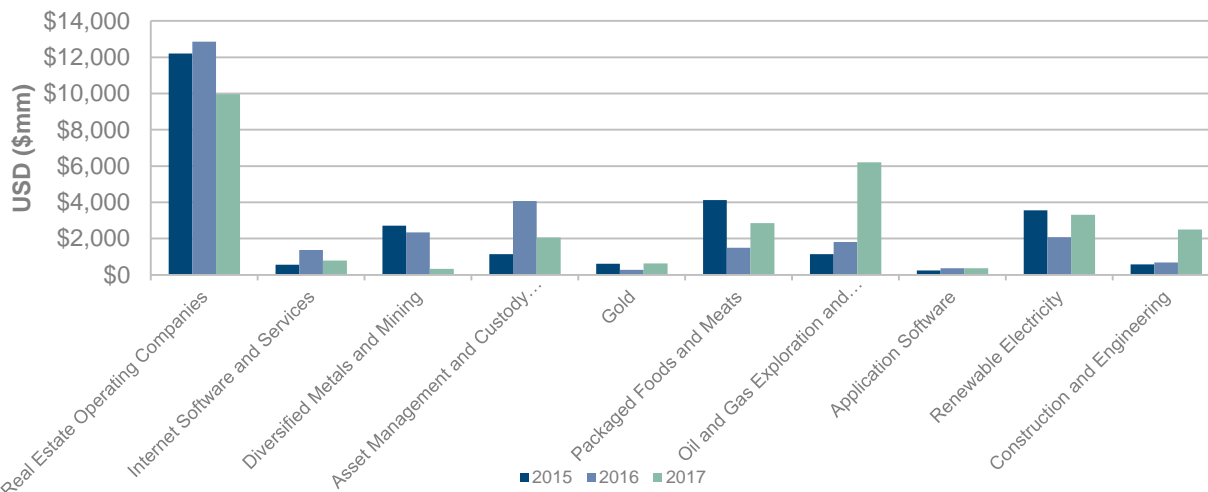
Source: S&P Capital IQ platform as of July 31<sup>st</sup>, 2017

# Deal Activity In Latin America: LTM YoY by Largest Subsector

## Deal Volume by Primary Industry (2015 – 2017 LTM)



## Deal Value by Primary Industry (2015 – 2017 LTM)



## Deal Highlights

Looking at the primary industries grouped by the largest number of deals between Q2 2015 LTM and Q2 2017 LTM, total deal value and volume was greatest in the Real Estate sector. Despite an accelerating trend to the upside in deal activity, overall value of deals continued to slide as domestic currencies in Latin America continue to weaken.

Oil & Gas Exploration and Production deal activity rebounded in Q2 2017 LTM as players took advantage of depressed asset prices by investing in the industry. Q2 2017 LTM saw deal activity bottom out and overall value increased by more than +240% to \$6.2 billion USD, representing the second highest deal value industry after Real Estate.

After experiencing a small dip, Renewable Electricity saw a rebound in overall deal value activity in Q2 2017 LTM, with deal value increasing by +20% from Q2 2016 LTM while deal volume accelerated by nearly +60%. Despite a significant drop in deal volume equating to one-third of what had taken place over the previous 12 months, Packaged Foods saw growth in deal value jump by nearly +90%.



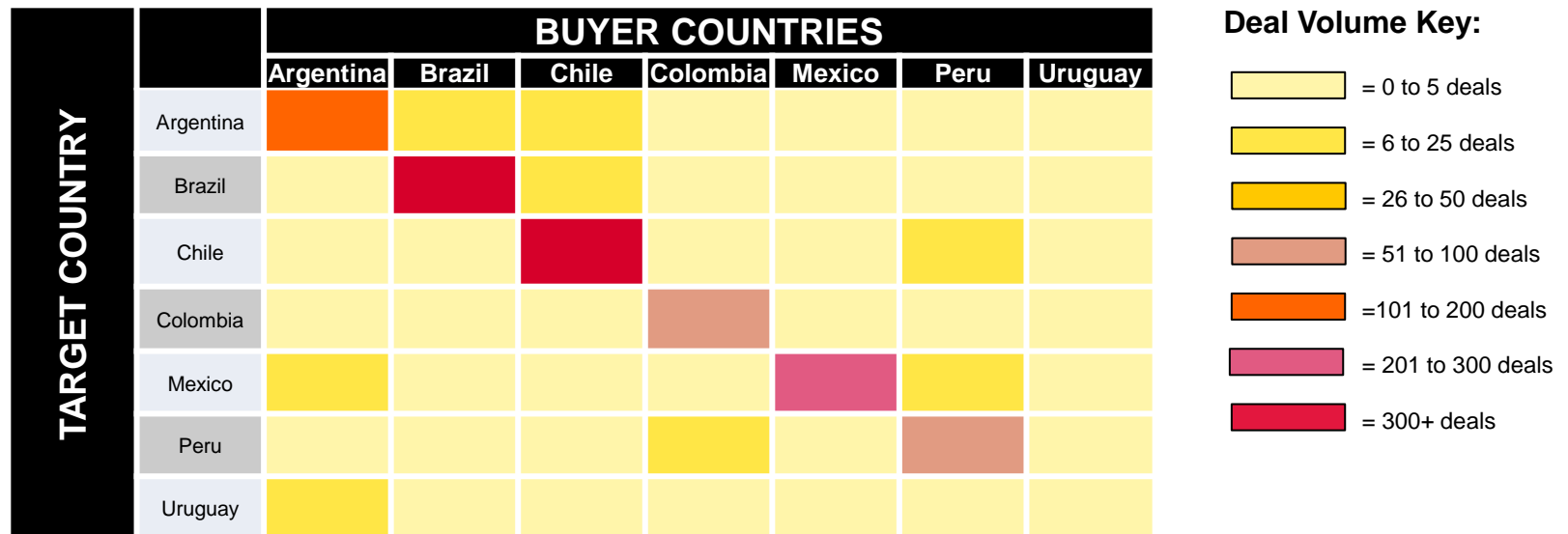
# Deal Activity In Latin America: Cross Border Intra-regional Deals

## Deal Highlights

Nearly 90% of all deals from Q1 2014 through Q2 2017 in Argentina, Brazil, Chile, Colombia, Mexico, Peru, and Uruguay were done by intra-regional rather than foreign buyers. The majority of the deals continue to be intra-country, with the exception of Uruguay which has experienced the lowest number of deals in the region.

## Current Year

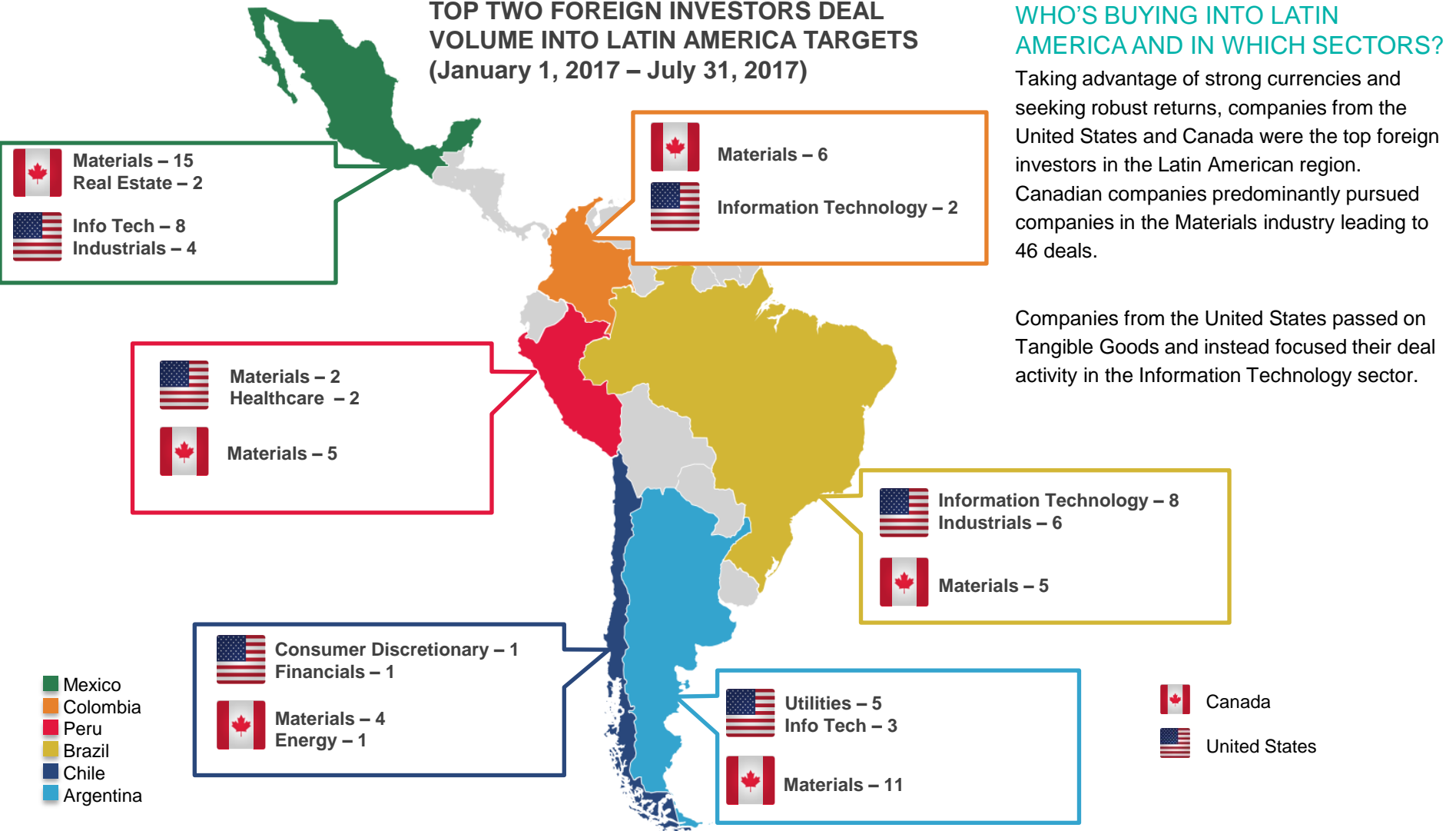
Latin America Buyers Into Latin America Targets  
(January 1, 2014 – June 30, 2017)



Source: S&P Capital IQ platform as of July 31<sup>st</sup>, 2017

# Deal Activity In Latin America: Cross Border Deal Count

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



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











Taking advantage of strong currencies and seeking robust returns, companies from the United States and Canada were the top foreign investors in the Latin American region. Canadian companies predominantly pursued companies in the Materials industry leading to 46 deals.

Companies from the United States passed on Tangible Goods and instead focused their deal activity in the Information Technology sector.

# Latin America Key Metrics & Financials Sector Analysis

# Key Metrics By Country

Argentina's credit rating has been upgraded from B- to B for both LT Foreign and Domestic Currency. Chile was downgraded from AA- to A+ LT Foreign Currency and from AA to AA- in LT Local Currency. Ecuador's credit rating was downgraded from B- to B for both LT Foreign and Local Currency. Venezuela was downgraded from CCC to CCC- LT Foreign Currency.

COUNTRY	Argentina	Brazil	Chile	Colombia	Ecuador	Mexico	Panama	Peru	Uruguay	Venezuela
										
S&P Sovereign Rating Long-Term foreign currency	B	BB	A+	BBB	B-	BBB+	BBB	BBB+	BBB	CCC-
S&P Sovereign Rating Long-term local currency	B	BB	AA-	BBB+	B-	-A	BBB	A-	BBB	CCC-
SNL Country Political Risk Score	Medium	Medium	Low	Low	High	Low	Low	Medium	Low	High
Real GDP (in local currency)	723.8B	1,149.4B	147.7B	550.7B	69.0B	14,774.7B	39.6B	514.7B	703.3B	44.3B
2017 GDP Growth Rate (%)	2.7	0.2	1.2	1.7	(0.5)	2.4	5.6	2.5	3.4	(9.3)
Unemployment Rate (%)	8.6%	13.4%	6.9%	9.4%	4.8%	4.3%	5.0%	7.6%	8.1%	19.0%
CPI Growth (%)	26.0	3.6	2.4	4.0	0.5	6.0	0.8	3.1	6.2	719.5
Budget Balance/GDP%	(6.1)	(8.1)	(3.0)	(3.3)	(5.6)	(1.9)	(1.0)	(2.7)	(3.7)	(19.5)
GDP per Capita(\$)	14,132	9,801	15,091	6,333	5,820	8,747	14,384	6,750	17,517	NA

Source: S&P Capital IQ and SNL Financial data as of June 30, 2017. 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.

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

S&P Global Market Intelligence has introduced private company financials for [Brazil](#) to its comprehensive database of standardized and comparable financial data for public and private companies. With the addition of timely, transparent, and comparable financial data for over 10,000 Brazilian private companies, combined 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.

### Country Risk

Control Risks Ratings

COUNTRY / PROVINCE	POLITICAL	OPERATIONAL	SECURITY	TERRORISM
Afghanistan	High	Extreme	Extreme	High
Albania	Medium	High	Low	Insignificant
Algeria	High			
Andorra	Insignificant			
Angola	Medium			
Anguilla	Insignificant			
Antigua and Barbuda	Low			
Argentina	Medium			
Armenia	Medium			
Aruba	Low			
Australia	Low			
Austria	Low			
Azerbaijan	Medium			
Bahamas	Insignificant			
Bahrain	Medium			
Bangladesh	Medium			
Barbados	Insignificant			
Belarus	High			
Belgium	Low			
Belize	Low			

### Property Transactions

Property Transaction For Latin America And Caribbean

COMPANY	PROPERTY NAME	PERCENT OWNED (%)	CITY	STATE OR PROVINCE AND COUNTRY	SOLD DATE	SALE PRICE (\$'000)	PORTFOLIO SALE?	PORTFOLIO SALE PRICE (\$'000)	PERCENT OF PROPERTY SOLD (%)
Starwood Hotels & Resorts	Sheraton-Lima	100.00	Lima	Lima, Peru	09/23/2016	NA	No	NA	NA
Hilton Worldwide Holdings Inc	Hilton-São Paulo								
Starwood Hotels & Resorts	Sheraton-Rio de Janeiro								
Starwood Hotels & Resorts	Sheraton-Buenos Aires								
Starwood Hotels & Resorts	Luxury Collection-Park Tower								
Hyatt Hotels Corp.	Hyatt Ziva-Rose Hall								
Hyatt Hotels Corp.	Hyatt Ziva-Cancun								
Hyatt Hotels Corp.	Hyatt Zilara-Cancun								
Hyatt Hotels Corp.	Hyatt Ziva-Puerto Vallarta								
Hyatt Hotels Corp.	Hyatt Ziva-Los Cabos								
Hyatt Hotels Corp.	Hyatt Zilara-Rose Hall								
Starwood Hotels & Resorts	Sheraton-Maria Isabel								
Multi-Use									
Dolphin Capital Investors Ltd.	Playa Grande Golf and Resort								
JHSF Participações S.A.	Praça Vila Nova								
Behringer Harvard Opp. REIT I	Royal Island								
Dolphin Capital Investors Ltd.	Pearl Island								

### Power Summary

ISO Day-Ahead - Daily On Peak Prices

LOCATION	9/15/2017	9/18/2017	9/19/2017
AEP GEN HUB	32.66	38.89	18.48
AEP-DAYTON HUB	32.69	40.11	19.05
ATSI GEN HUB	32.36	38.54	15.54
CHICAGO GEN HUB	37.90	35.47	16.41
CHICAGO HUB	32.47	36.48	8.99
DOMINION HUB	35.37	42.32	19.66
EASTERN HUB	30.68	28.26	7.56
N ILLINOIS HUB	20.61	36.00	17.62
NEW JERSEY HUB	31.09	27.87	10.26
OHIO HUB	32.82	40.23	18.94
WEST INT HUB	33.89	39.69	17.09
WESTERN HUB	33.88	37.81	11.60

### ISO Real-Time - Daily On Peak Prices

LOCATION	9/15/2017	9/21/2017	9/22/2017
AEP GEN HUB	34.41	136.09	295.47
AEP-DAYTON HUB	35.63	146.96	212.52
ATSI GEN HUB	35.58	145.79	309.74
CHICAGO GEN HUB	43.65	121.21	177.88
CHICAGO HUB	40.31	140.47	248.46
DOMINION HUB	37.03	133.06	259.33
EASTERN HUB	32.43	95.33	193.94
N ILLINOIS HUB	36.45	132.25	262.82
NEW JERSEY HUB	32.03	89.69	180.03
OHIO HUB	35.91	149.35	217.08
WEST INT HUB	35.68	137.49	285.30
WESTERN HUB	35.68	128.22	259.28

**For Illustrative Purposes Only**

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