Deal Trends in Latin America

April 2018 | Issue Number 7

S&P Global
Market Intelligence
# Table of Contents

Deal Activity in Latin America ................................................................. 4  
Year-Over-Year Trends by Country ......................................................... 5  
2017 M&A Top 10 Closed Deals .............................................................. 6  
Sector Trends Year-Over-Year ................................................................. 7  
Year-Over-Year by Largest Subsector ...................................................... 8  
Cross-Border Intraregional Deals ........................................................... 9  
Cross-Border Deal Count ..................................................................... 10  
Key Metrics on Select Countries .......................................................... 12  
Argentina’s Broadband & Video Market Share ....................................... 13  
Behind the Data ..................................................................................... 14
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 31st, 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.

Contributors:

Brandon Newland
bnewland@spglobal.com
Market Development
Private Equity Solutions
S&P Global Market Intelligence

Andrei Tratseuski
atratseuski@spglobal.com
Market Development
Private Equity Solutions
S&P Global Market Intelligence

Katherine Mitchell
katherine.mitchell@spglobal.com
Marketing Manager
Private Equity Solutions
S&P Global Market Intelligence
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 Activity in Latin America: YoY Trends by Country

Deal Value by Country (2014 – 2017)

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 from foreign buyers and domestic intra-country deals fueled the increase in activity.

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.
M&A Activity in Latin America.  
Top Deals (Closed) January 1, 2017 – December 31, 2017

<table>
<thead>
<tr>
<th>Announced Date</th>
<th>Closed Date</th>
<th>Target/Issuer</th>
<th>Target HQ</th>
<th>Primary Industry (Target)</th>
<th>Buyers/Investors</th>
<th>Total Transaction Value ($USDmm)</th>
<th>Implied Enterprise Value/EBITDA (x)</th>
<th>Implied Enterprise Value/Revenues (x)</th>
<th>Implied Enterprise Value/EBIT (x)</th>
<th>Implied Equity Value/LTM Net Income (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2/20/2017</td>
<td>8/14/2017</td>
<td>Valepar S.A.</td>
<td>Brazil</td>
<td>Financials</td>
<td>Vale S.A. (BOVESPA:VALE3)</td>
<td>21,071.68</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1/23/2017</td>
<td>11/30/2017</td>
<td>CPFL Energia S.A. (BOVESPA:CPFE3)</td>
<td>Brazil</td>
<td>Utilities</td>
<td>State Grid Brazil Power Participações Ltda.</td>
<td>10,302.03</td>
<td>9.9</td>
<td>1.9</td>
<td>14.6</td>
<td>32.8</td>
</tr>
<tr>
<td>7/12/2017</td>
<td>9/20/2017</td>
<td>Alpargatas S.A. (BOVESPA:ALPA4)</td>
<td>Brazil</td>
<td>Consumer Discretionary</td>
<td>Itaúsa - Investimentos Itaú S.A. (BOVESPA:ITSA4);</td>
<td>1,288.19</td>
<td>14.8</td>
<td>1.8</td>
<td>17.2</td>
<td>14.7</td>
</tr>
<tr>
<td>7/11/2017</td>
<td>11/30/2017</td>
<td>LP Sementes Ltda</td>
<td>Brazil</td>
<td>Consumer Staples</td>
<td>CITIC Agri Fund Management Co., Ltd.</td>
<td>1,100.0</td>
<td>-</td>
<td>3.8</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>10/3/2017</td>
<td>11/13/2017</td>
<td>Volcan Compañía Minera S.A.A</td>
<td>Peru</td>
<td>Materials</td>
<td>Glencore Plc (LSE:GLEN)</td>
<td>732.65</td>
<td>17.4</td>
<td>6.1</td>
<td>22.1</td>
<td>50.7</td>
</tr>
<tr>
<td>2/13/2017</td>
<td>6/1/2017</td>
<td>Brasil Kirin Holding S.A.</td>
<td>Brazil</td>
<td>Consumer Staples</td>
<td>Bavaria S.A.</td>
<td>707.1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4/3/2017</td>
<td>12/1/2017</td>
<td>Telecom Personal S.A.</td>
<td>Argentina</td>
<td>Telecommunication Services</td>
<td>Telecom Argentina S.A., Prior To Reverse Merger With Cablevisión S.A.</td>
<td>669.0</td>
<td>5.0</td>
<td>1.4</td>
<td>7.0</td>
<td>13.6</td>
</tr>
<tr>
<td>1/13/2017</td>
<td>5/8/2017</td>
<td>Renova Eólica Participações S.A.</td>
<td>Brazil</td>
<td>Utilities</td>
<td>AES Tieté Energía S.A. (BOVESPA:TIE4)</td>
<td>576.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>10/6/2017</td>
<td>11/16/2017</td>
<td>Ductos Energéticos del Norte, S. de R.L. de C.V.</td>
<td>Mexico</td>
<td>Energy</td>
<td>Infraestructura Energética Nova, S.A.B. de C.V. (BMV:ENOVA *)</td>
<td>547.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

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 value 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 Activity in Latin America: YoY by Largest Subsector

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)

<table>
<thead>
<tr>
<th>TARGET COUNTRY</th>
<th>BUYER COUNTRY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Argentina</td>
</tr>
<tr>
<td>Argentina</td>
<td>Brazil</td>
</tr>
<tr>
<td>Brazil</td>
<td>Chile</td>
</tr>
<tr>
<td>Chile</td>
<td>Colombia</td>
</tr>
<tr>
<td>Colombia</td>
<td>Mexico</td>
</tr>
<tr>
<td>Mexico</td>
<td>Peru</td>
</tr>
<tr>
<td>Peru</td>
<td>Uruguay</td>
</tr>
</tbody>
</table>

Deal Volume Key:

- Yellow = 0 to 5 deals
- Orange = 6 to 25 deals
- Light Orange = 26 to 50 deals
- Beige = 51 to 100 deals
- Light Pink = 101 to 200 deals
- Pink = 201 to 300 deals
- Dark Pink = 300+ deals
Deal Activity in Latin America: Cross Border Deal Count

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-.

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

*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 (%)

<table>
<thead>
<tr>
<th>OPERATOR NAME</th>
<th>REGION</th>
<th>MARKET</th>
<th>VIDEO PLATFORM</th>
<th>BROADBAND PLATFORM</th>
<th>MOBILE MARKET SHARE (%)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecom S.A.</td>
<td>Latin America and Caribbean</td>
<td>Argentina</td>
<td>DTH</td>
<td>Mobile, Broadband</td>
<td>32.1</td>
</tr>
<tr>
<td>Telefonica S.A.</td>
<td>Latin America and Caribbean</td>
<td>Argentina</td>
<td>DTH</td>
<td>Mobile, Broadband</td>
<td>30.1</td>
</tr>
</tbody>
</table>

### Fixed Broadband Market Share (%)

<table>
<thead>
<tr>
<th>OPERATOR NAME</th>
<th>REGION</th>
<th>MARKET</th>
<th>VIDEO PLATFORM</th>
<th>BROADBAND PLATFORM</th>
<th>FIXED BROADBAND MARKET SHARE (%)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cablevisión S.A.</td>
<td>Latin America and Caribbean</td>
<td>Argentina</td>
<td>Cable</td>
<td>Mobile, Broadband</td>
<td>38.2</td>
</tr>
<tr>
<td>Telefonica S.A.</td>
<td>Latin America and Caribbean</td>
<td>Argentina</td>
<td>DTH</td>
<td>Broadband</td>
<td>26.6</td>
</tr>
<tr>
<td>Telecom S.A.</td>
<td>Latin America and Caribbean</td>
<td>Argentina</td>
<td>DTH</td>
<td>Broadband</td>
<td>24.1</td>
</tr>
</tbody>
</table>

### Video Market Share (%)

<table>
<thead>
<tr>
<th>OPERATOR NAME</th>
<th>REGION</th>
<th>MARKET</th>
<th>VIDEO PLATFORM</th>
<th>BROADBAND PLATFORM</th>
<th>VIDEO MARKET SHARE (%)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cablevisión S.A.</td>
<td>Latin America and Caribbean</td>
<td>Argentina</td>
<td>Cable</td>
<td>Mobile, Broadband</td>
<td>28.9</td>
</tr>
<tr>
<td>DIRECTV S.A.</td>
<td>Latin America and Caribbean</td>
<td>Argentina</td>
<td>DTH</td>
<td>Satellite, Fixed Broadband</td>
<td>28.4</td>
</tr>
<tr>
<td>Telecom S.A.</td>
<td>Latin America and Caribbean</td>
<td>Argentina</td>
<td>DTH</td>
<td>Satellite, Fixed Broadband</td>
<td>0.0</td>
</tr>
<tr>
<td>Telefonica S.A.</td>
<td>Latin America and Caribbean</td>
<td>Argentina</td>
<td>DTH</td>
<td>Satellite, Fixed Broadband</td>
<td>0.0</td>
</tr>
</tbody>
</table>
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.

For illustrative purposes only
Contact Us

Brazil
Pedro Arlant
+55 11 3818 0935
parlant@spglobal.com

Mexico
Juan Carlos Perez Macias
+5255 1037 5260
jmacias@spglobal.com

All Regions
marketobservations@spglobal.com
Disclosures

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON “AS IS” BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT’S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

S&P Global Market Intelligence’s opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global’s public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.