



Latin American M&A update (Q1 2017)



JP Trouillot
Partner, Desk Leader
Tel: 305-913-2670
jtrouillot@kpmg.com

The Deal Advisory Latin America Desk practice is pleased to provide a summary of M&A activity and related topics of interest in the Latin American region for the quarter ended March 31, 2017.

M&A activity: Total number of publicly announced cross-border transactions decreased from 49 deals in YTD March-16 to 40 deals in YTD March-17 as a result of political and economic conditions. While Brazil (21 deals in 1Q16 vs. 13 deals in 1Q17) and Chile (7 deals in 1Q16 vs. 3 deals in 1Q17) had the largest declines in the number of deals announced, other countries had a more significant (percent) decline as compared to deals from prior periods. Although collectively 1Q17 was a period of decreased activity, Mexico sustained an increased number of publicly announced cross-border deals during 1Q17, as compared to the 1Q16 (8 deals in 1Q16 vs. 12 deals in 1Q17).

Industry activity: The publicly announced cross-border deals in 1Q17 was fairly consistent with 1Q16 across sectors, with the largest fluctuations in materials (1 deal in 1Q16 vs. 4 deals in 1Q17), and financials (2 deals in 1Q16 vs. no deals in 1Q17).

Currency fluctuations: A number of foreign currencies in Latin America have strengthened vis-à-vis the U.S. dollar during the quarter ended

March 2017, with the Mexican Peso and Brazilian Real gaining more than 9 and 4 percent of their value, respectively, since December 2016. In addition, other currencies such as the Chilean Peso and Peruvian Sol, recovered more than 3 percent of their value during the same YTD Mar-17 period, potentially reflecting a stronger future economic environment in the region.

Economic outlook: Slowdown of the Chinese economy, adoption of new measures by the new U.S. administration, and a continuous weak global economic environment have maintained a heightened level of uncertainty within the Latin American region. Furthermore, in spite of recovering oil prices in 1Q17, depressed commodity values, recurring rising levels of debt, and the prospect of increased global interest rates continue to impact the overall economic environment in the region. During 1Q17 cross-border Latin American M&A activity experienced a slight decline, but the strengthening of most influential currencies in the region suggest a more promising future outlook.

Please click on links below for recent news and cross-border deals in the region.

[Overview](#) [Recent news](#) [Recent cross-border deals](#)



Overview

Latin America political updates

A heightened level of uncertainty has impacted the Latin American and Caribbean region since U.S. elections concluded in late 2016 and the new administration took office in early 2017, as the direction of the White House on foreign policy is raising questions not only in Mexico, but across the entire region. In addition, a number of influential nations have elections approaching within the next two years, and results will directly impact policies within those individual countries as well as the Latin American and Caribbean regions as a whole.

Upcoming elections	
Chile	Nov-17
Colombia	May-18
Mexico	Jul-18
Brazil	Oct-18

Brazil economic update

In March 2017, Moody's changed Brazil's rating from negative to stable, based on signs of economic recovery and positive outlook for the rest of 2017 and 2018. Also, in March, the government closed a major deal with the privatization of four major airports in Brazil to international groups, for approximately \$5.0 billion.

Brazil tax update (significant Brazilian tax refunds opportunity)

The debates about tax reform are marching in Brazil and, according to Brazilian business press, the first step toward reform will be a substantial change on PIS and Cofins legislation, to be implemented in June. PIS and Cofins are value-added taxes charged by the Federal government (they represent around 20 percent of the Federal tax collection revenues and it is directed to fund Social Security). However, the current regulations set forth several types of payment parameters for these taxes and some tricky rules for the record of tax credits; therefore, a simplification has been long awaited by the Brazilian business environment. Also, another problematic Brazilian tax, ICMS (the State VAT) will be changed under this possible tax reform project, essentially targeting the reduction of "Fiscal War" among Brazilian States, a measure deemed as critical to reduce legal ambiguities and complexities.



Recent news

Latin America

LatAm M&A year kicks off with mixed signals (Business News Americas)

[LEXISNEXIS] – The total January value of deals M&A, venture capital and private equity in Brazil, Mexico, Chile, Argentina, Peru, and Colombia reached US\$19.8bn, up 127 percent from the same month of 2016. [More](#)

The region's banking week in 10 stories (Business News Americas)

[LEXISNEXIS] – The member nations of the Pacific Alliance trading group agreed on creating an 'associate nation' status to forge free trade agreements with non-member countries. [More](#)

Argentina

As Banco Patagonia heads to market, analysts see Argentina ripe for M&A (SNL Latin America Financials Daily) [LEXISNEXIS] – A potential merger of Banco Macro and Banco Patagonia comes amid a shifting landscape both within Argentina's economy and its banking industry that analysts say makes the space primed for further consolidation. [More](#)

Central bank chief: Argentine banks must rethink business model (*SNL Latin America Financials Daily*) [LEXISNEXIS] – With inflation expected to fall in coming years, local lenders will have to rethink their business strategy which for decades have leveraged rapidly rising inflation to bolster profits, Federico Sturzenegger, the president of Argentina's central bank, reportedly said. [More](#)

Brazil

Tighter Brazilian regulation may delay M&A in 2017 (*See News Latin America*) [LEXISNEXIS] – Tighter regulatory measures in Brazil, fostered by civic pressure, might result in increased due diligence and a subsequent delay in merger and acquisition (M&A) deals in 2017, Reuters reported on Friday, citing bankers and lawyers. [More](#)

Brazil: Consolidation expects to concentrate long steel players (*Valor Economico*) [LEXISNEXIS] – Market observers believe the long steel industry has potential for M&A and mention the recent merger of ArcelorMittal and Votorantim. [More](#)

Chile

Chile's GDP growth continues to gain in January, but near-term risks remain high (*IHS Global Insight*) [LEXISNEXIS] – Surprisingly, Chilean GDP growth accelerated in January, amid downside risks that could mainly affect the mining sector in the near term. [More](#)

Colombia

Colombia: Asur purchases concessions in 12 Colombian airports (*El Tiempo*) [LEXISNEXIS] – Mexico's airport concessions group Asur has acquired the control of a majority stake of the Colombians Airplan and Aeropuertos de Oriente in a deal worth \$262 million. [More](#)

Mexico

M&A deals persist in January for uncertainty-plagued Mexico (*Business News Americas*) [LEXISNEXIS] – After averaging about 27 deals per month in 2016, Mexico registered 20 M&A deals in January, nine of which disclosed transaction values totaling US\$1.53bn. [More](#)

Mexican M&A activity slips further in February (*Business News Americas*) [LEXISNEXIS] – Mexico continued to see M&A activity slide in February with the number of transactions down 41.7 percent year-on-year and the total reported value of transactions falling 75.4 percent from February 2016. [More](#)

Delta-Aeroméxico deal a bright spot for troubled Mexico economy (*Business News Americas*) [LEXISNEXIS] – Delta Air Lines' first quarter

acquisition of a major stake in Mexico's largest airline Grupo Aeroméxico came as US-Mexican trade relations are under the microscope, offering some encouragement to the business community and helping to calm the uncertainty pervading the Mexican economy. [More](#)

Peru

Peru greenlights acreage transfer deal (*Business News Americas*) [LEXISNEXIS] – Peru's government cleared the transfer of a stake in jungle upstream acreage after approval from hydrocarbons licensing authority Perupetro. [More](#)



Recent cross-border deals

Argentina

Valdatana Servicios y Gestiones SLU (Spain) acquired a 50 percent interest in **Greenwind SA** (Argentina), electric power generation facility operator, from **Central Termica Loma de la Lata SA** (Argentina), for a total \$11.2 million (March 2017).

Brazil

HIG Capital LLC (United States) acquired **Bigsal Industria e Comercio de Suplementos para Nutricao Animal Ltda.** (Brazil) in a leveraged buyout transaction for an undisclosed amount (January 2017).

Chile

Motorola Solutions Inc. (United States) acquired **Interexport Chile S.A.** (Chile), a provider of telecommunications services for an undisclosed amount (March 2017).

Colombia

Paragon Technologies Inc. (United States) acquired **SED International de Colombia S.A.S.** (Colombia), a provider of computer systems design services for an undisclosed amount (March 2017).

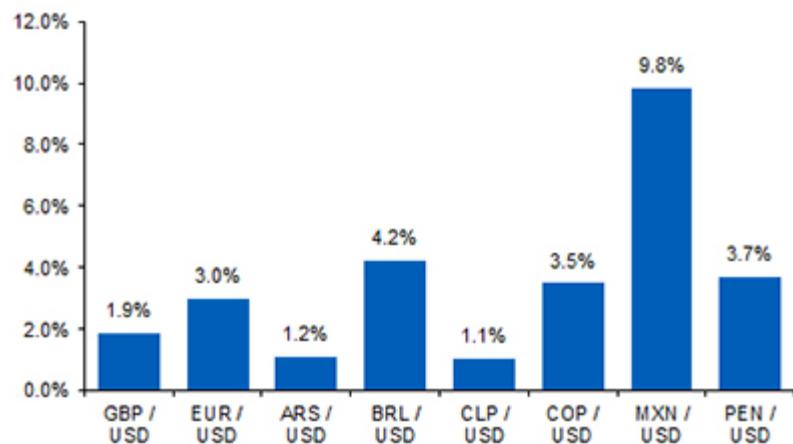
Mexico

Bodega Las Copas SL (Spain) acquired **Domecq & Pedro Domecq wine & brandy businesses of Pernod Ricard S.A.** (Mexico), a Paris Cedex-16-based distillery, for a total of \$86.9 million (March 2017).

Peru

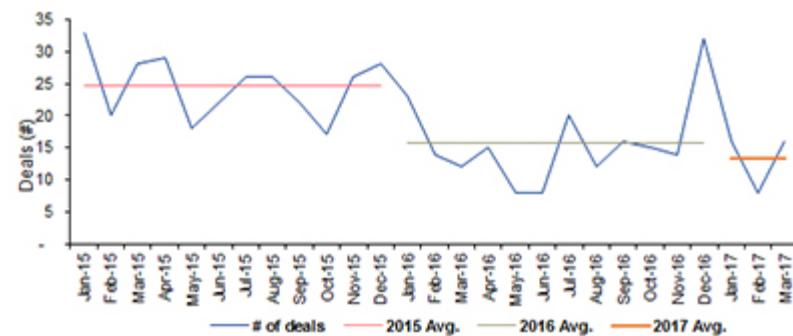
Red Electrica Internacional S.A. (Spain) acquired the remaining 45 percent stake, which it did not already own, in **Red Electrica del Sur S.A.** (Peru), an electric power distributor for an undisclosed amount (January 2017).

Fluctuations of Latin American and other global currencies in relation to the USD (YTD March-17)



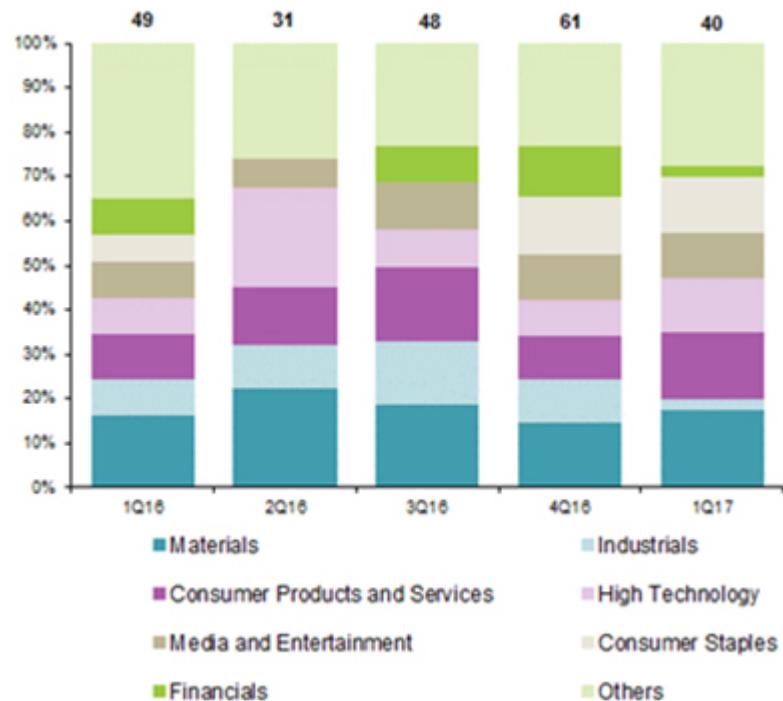
Source: www.snl.com

Number of publicly announced cross-border deals in Latin America



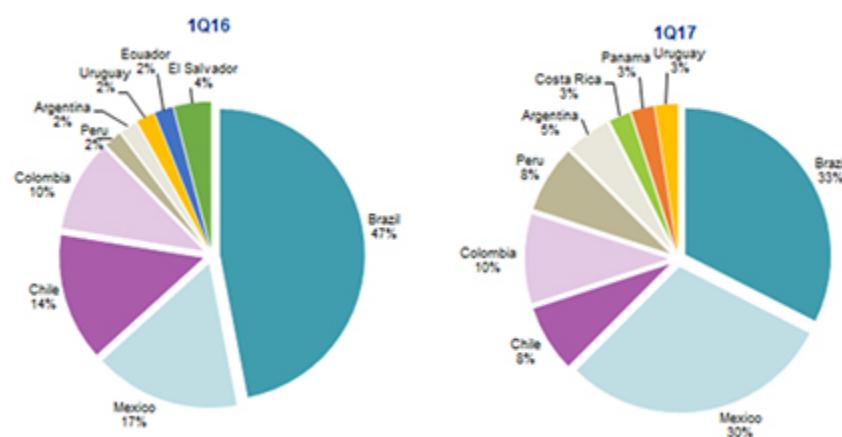
Source: Thomson Reuters

Publicly announced cross-border deals in Latin America by industry



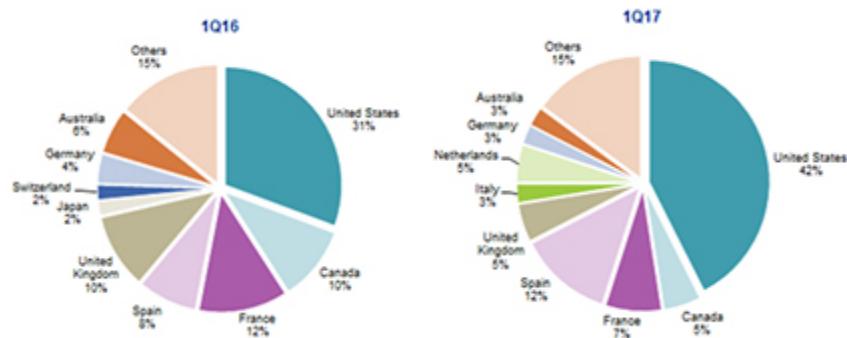
Source: Thomson Reuters

Publicly announced cross-border deals in Latin America by target country



Source: Thomson Reuters

Publicly announced cross-border deals in Latin America by acquiring country



Source: Thomson Reuters

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