

Regional Overview

Latin America

Trend Report

In association with

iDeals 

FY 2021

Foreword

After the devastating impact of COVID-19 in 2020, Latin America, and especially Brazil, saw a major resurgence in the M&A market in 2021, with a seven-fold rise in value.

The pandemic has created a certain sense of urgency and investors have been eager to close deals fast. Energy led the way, as usual, with high value in oil and gas transactions and renewables. Technology was also a growth sector.

And as the world's major economies recovered, a renewed interest in cross-border deals has definitely included Latin America.

According to the International Monetary Fund's *World Economic Outlook*, published in October, the region saw a 7% decline in GDP in 2020, but major economies in the region then enjoyed robust growth in 2021. Among the larger economies, Brazil and Mexico are expecting growth rates of 5.2% and 6.2% respectively.

There was a similar pattern for the M&A market. Deals in 2020 were worth just under US\$63bn, a 26% fall from 2019. That downturn was dramatically ameliorated by the spurt of activity in Q4, which carried over into 2021.

A record number of deals were announced in 2021 with a combined value of US\$133.7bn, the highest annual value in a decade. Although early figures from Q4 suggest that the regional M&A market is slowing after its post-pandemic surge.

Private equity was also up, with twice the number of buyouts and more than triple the value. The volume of exits more than doubled, and their value rose almost sixfold, exceeding the previous record set in 2019.

Transactions involving bidders from outside of the region climbed to new highs in both number and value. US bidders were most prominent and Brazil was the main attraction. In fact, Brazil's domestic and inbound activity was the major contributor to the massive upswing in Latin American M&A in 2021.

Brazilian companies were targeted in eight of the 10 biggest transactions, including the tie-up between Hapvida and NotreDame to create the country's biggest hospital chain. The next largest contributors were Colombia and Mexico.

Financial services deals accounted for 20.1% of the market in value. Deals in the rapidly expanding fintech subsector were also significant and are expected to grow in the next few years. In value terms the energy, mining and utilities sector was the biggest, while technology saw the largest number of deals.

Three of the six largest deals were in the energy sector, including the second largest overall. That was Colombia's state-owned Ecopetrol acquiring Interconexión Eléctrica

from Colombia's finance ministry. The move is part of Ecopetrol's plans to diversify its energy portfolio away from hydrocarbons.

However, the IMF is only predicting 3% growth for the region in 2022. Mexico is expected to slow a little to 4%, but Brazil is only predicted to grow 1.5% compared with the 5.2% for 2021.

As well as the new variants of COVID-19 there are ongoing socio-political concerns and a couple of big elections coming up.

But on the whole, the prospects are good. As in 2021, there will be valuable opportunities in energy and natural resources, and especially in natural gas and renewables. The ever-growing technology segment – particularly fintech and consumer-tech – is also one to watch.



Lina Giraldo
Marketing & Growth manager
LATAM, iDeals

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€133.7bn

Latin American M&A value in 2021,
the highest annual total since 2010



33.6%

EMU share of M&A value (US\$45bn),
the most active sector by value



+103

Increase in number of tech deals
announced in Latin America in
2021 versus 2020

US\$88.6bn

Announced deal value in 2021 in
Brazil, the highest annual total on
Mergermarket record (since 2006)

8

out of the ten top deals targeted
Brazilian companies

US\$18bn

PE buyout value more than
tripled, from US\$5.2bn in 2020

LATAM M&A overcomes pandemic pain and political volatility

Like the rest of the world, Latin America suffered a major drop in output owing to the pandemic. According to the International Monetary Fund's latest *World Economic Outlook*, published in October, the region saw a decline in GDP of 7% in 2020, far ahead of the emerging market and developing economy average of -2.1%.

But the tables have quickly turned, with major economies in the region enjoying robust growth in 2021. Brazil and Mexico are expecting growth rates of 5.2% and 6.2% respectively, bested only by China (8%) and India (9.5%) among the larger developing economies.

That trend of dizzying decline and rapid recovery can also be observed in the Latin American M&A market. In 2020, the region logged 628 deals worth just under \$63bn in aggregate, down 14% and 26%, respectively, from 2019's figures. The year-on-year downswing would have been markedly more severe were it not for the whirlwind of activity recorded in Q4 2020, which carried over into 2021.

At time of writing, 896 deals worth US\$133.7bn were announced in Latin America in 2021, the former being a new record and the latter representing the highest annual total since 2010. However, early figures from Q4 - 155 deals announced worth US\$23.4bn, versus averages of 247 transactions worth US\$36.7bn

in each of the previous three quarters - hint towards moderation in the regional M&A market following the post-pandemic surge.

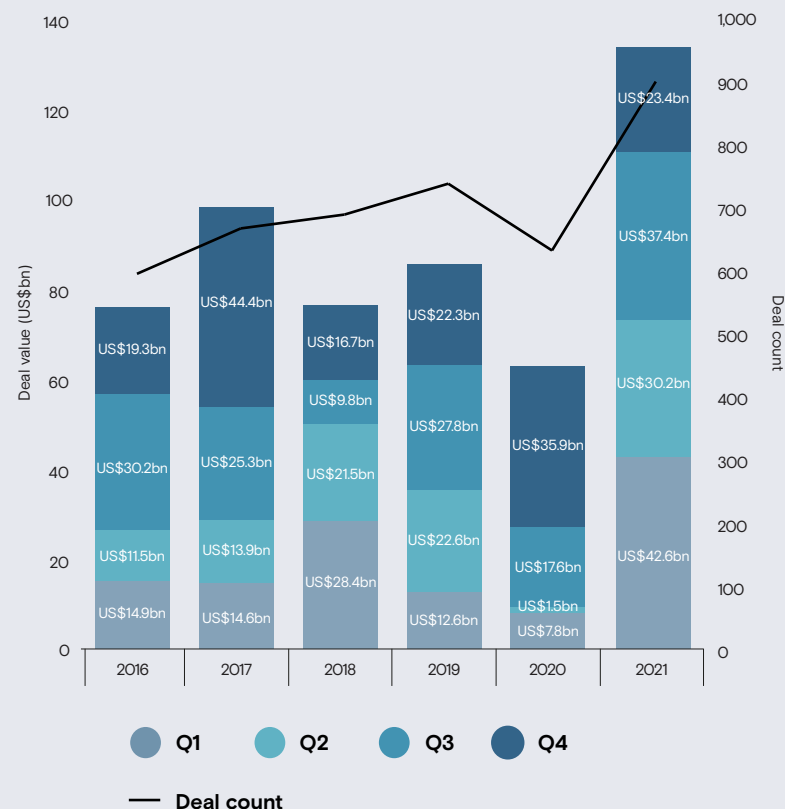
Private equity was also upwardly mobile in 2021. After the tumult of 2020, the number of buyouts doubled year on year from 78 to 157 in 2021, with the aggregate value of said buyouts more than tripling from US\$5.2bn to US\$18bn. Exit activity was even more pronounced - the volume of exits more than doubled (32 to 68) and their value rose almost sixfold to US\$21.1bn, more than double the previous record (2019's US\$8.6bn).

Brazil blazes ahead

Both domestic and inbound activity contributed to the massive upswing in Latin American M&A in 2021. Transactions involving bidders from outside of the region climbed to new highs of 541 deals worth US\$92.6bn in aggregate, representing increases of 168% and 513%, respectively, from 2020. The most prominent international bidders hailed from the US, with American acquirers being involved in two of the 10 largest deals.

When it came to targets, Brazil, the largest economy in the region, was the main attraction. Transactions involving Brazilian targets made up two-thirds of total dealmaking in both value and volume terms. The next largest contributors were Colombia and Mexico, which each contributed 11% and 10% of total deal value.

Latin America M&A activity 2016-2021



Data analysis continued

Brazilian companies were targeted in eight of the 10 biggest transactions, including the largest overall, the early-year tie-up between Hapvida and NotreDame. That deal, worth US\$9.9bn, between Brazil's largest health insurance companies created the country's largest hospital chain.

Green is good

The Hapvida-NotreDrame transaction helped push financial services towards the top of the table of the largest sectors by value in Latin America in 2021. Altogether, there were 86 financial services transactions announced in the region, with these being worth US\$26.9bn in aggregate (representing 20.1% of the market). The region's fast-burgeoning fintech subsector also contributed strongly to the deal total and is only going to grow in the coming years.

Financial services was bested in value terms only by the energy, mining & utilities sector's (EMU) US\$45bn (33.6%) from 140 deals. Only one industry was more prolific in volume terms, that being the up-and-coming technology space, which posted 199 deals worth US\$15.5bn (11.6% of the market).

That the EMU industry dominated proceedings is unsurprising given the regions' resource richness. As Lina Giraldo, Marketing & Growth manager LATAM at iDeals says, "The sector is pretty attractive for foreign investors, especially those from China. Most countries are transitioning to renewable energy, and this will continue to drive M&A."

Three of the six largest deals in Latin America in 2021 fell in the energy sector, including the second largest overall. In that US\$9.4bn transaction – also Colombia's largest – state-owned Ecopetrol acquired Interconexion Electrica from Colombia's finance ministry. The move is part of Ecopetrol's plans to diversify its energy portfolio away from hydrocarbons.

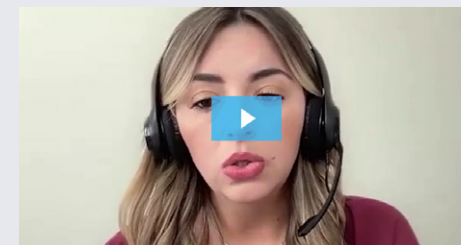
Election season

As in 2021, dealmakers will be able to discover valuable opportunities in Latin America's crucial M&A arenas, including energy and natural resources, and especially in natural gas and renewables. Beyond that, the ever-growing technology segment – particularly in respect of fintech and consumer-tech – will increasingly capture dealmakers' attention.

But the region is not free of concerns. Referring again to the IMF's World Economic Outlook, Latin America and the Caribbean is currently forecast to enjoy economic expansion of 3% in 2022; hardly bad, but a far cry from the 6.3% for 2021. Mexico is expected to slow a little to 4% GDP growth next year, while Brazil's deceleration is even more stark – from 5.2% growth forecast for 2021 to just 1.5% predicted for 2022.

This may reflect a variety of risks, some of which dealmakers may be able to absorb, and others that may prove more volatile. One is the spread of COVID-19 variants, particularly in light of the persistent deficit of vaccines in countries with weaker public healthcare systems. And then there is political volatility.

As Giraldo clarifies, "Political issues have always been a major factor in Latin America, and next year we have presidential elections in both Brazil and Colombia, which could affect M&A. The prospects are good, but political factors will undoubtedly play a part in how investors view the region."



Looking for more insights into the
Latin America market?
[View our discussion here](#)

Top deals

Announcement date	Target company	Target dominant sector	Target dominant geography	Bidder company	Bidder dominant geography	Seller company	Seller dominant geography	Deal value (US\$m)
27-Feb-21	Notre Dame Intermedica Participacoes S.A.	Financial Services	Brazil	Hapvida Participacoes e Investimentos SA	Brazil	Bain Capital, LP.	USA	9,908
02-Aug-21	Interconexion Electrica SA (51.4% Stake)	Energy	Colombia	Ecopetrol SA	Colombia	Ministry of Finance and Public Credit	Colombia	9,379
01-Feb-21	XP Inc. (41.05% Stake)	Financial Services	Brazil	Itau Unibanco Holding S.A.(Shareholders)	Brazil	Itau Unibanco Holding S.A.	Brazil	9,163
13-Apr-21	Grupo Televisa, S.A.B. (Media, Content and Production Assets)	Media	Mexico	Univision Communications Inc.	USA	Grupo Televisa, S.A.B.	Mexico	4,800
30-Sep-21	Petroleo Brasileiro SA (Albacora oil fields in the Campos Basin) (100% Stake); Petroleo Brasileiro SA (Albacora Leste oil fields in the Campos Basin) (100% Stake)	Energy	Brazil	ACS, Actividades de Construccion y Servicios, S.A.; Petro Rio SA	Brazil	Petroleo Brasileiro SA; Repsol Sinopec Brasil	Brazil	4,000
13-Jan-21	Hygo Energy Transition Ltd.	Energy	Brazil	New Fortress Energy LLC	USA	Golar LNG Limited; Stonepeak Infrastructure Partners	USA	3,100
03-Nov-21	Lojas Americanas SA (100% Stake)	Consumer: Retail	Brazil	Americanas S.A	Brazil			2,734
08-Feb-21	Biosev S.A.	Consumer: Foods	Brazil	Raizen Energia S.A.	Brazil	Louis Dreyfus Company B.V.	Netherlands	2,719
25-Feb-21	Getnet Adquirencia e Servicos para Meios de Pagamento S.A.	Internet / ecommerce	Brazil	Banco Santander Brasil S.A.(shareholders)	Brazil	Banco Santander Brasil S.A.	Brazil	2,640
12-Apr-21	Brasil Telecom Comunicacao Multimidia S.A.	Telecommunications: Carriers	Brazil	Globenet Cabos Submarinos S.A.	Brazil			2,275

League tables

Financial advisor league table by value – mid-market (US\$5m-US\$250m)

Ranking				
2021	2020	Company name	Value (USDm)	Deal count
1	9	Banco BTG Pactual	2,209	21
2	5	Banco Bradesco BBI	1,684	12
3	2	Santander Corporate Investment Banking (SCIB)	1,558	9
4	3	Banco Itau BBA	1,372	13
5	29	JPMorgan	1,082	7
6	15	Rothschild & Co	1,049	11
7	8	Citi	938	8
8	1	BR Partners	798	7
9	6	Bank of America	790	6
10	4	Goldman Sachs & Co	708	6

Financial advisor league table by deal count – mid-market (US\$5m-US\$250m)

Ranking				
2021	2020	Company name	Value (USDm)	Deal count
1	4	Banco BTG Pactual	2,209	21
2	2	Banco Itau BBA	1,372	13
3	5	Banco Bradesco BBI	1,684	12
4	8	Rothschild & Co	1,049	11
5	3	Santander Corporate Investment Banking (SCIB)	1,558	9
6	12	Citi	938	8
7	30	JPMorgan	1,082	7
8	1	BR Partners	798	7
9	-	Credit Agricole	413	7
10	6	Bank of America	790	6

Legal advisor league table by value – mid-market (US\$5m-US\$250m)

Ranking				
2021	2020	Company name	Value (USDm)	Deal count
1	2	Pinheiro Neto Advogados	4,313	45
2	1	Mattos Filho, Veiga Filho, Marrey Jr. e Quiroga Advogados	3,415	32
3	7	Stocche Forbes Advogados	1,937	15
4	8	Machado Meyer Sendacz e Opice	1,328	15
5	9	Barbosa, Mussnich & Aragao	1,319	15
6	21	Wilson Sonsini Goodrich & Rosati	1,135	12
7	3	Cescon, Barrieu, Flesch & Barreto Advogados	1,047	11
8	-	Bronstein, Zilberberg, Chueiri & Potenza Advogados	909	22
9	29	Morrison & Foerster	793	7
10	17	Lobo de Rizzo Advogados	750	5

Legal advisor league table by deal count – mid-market (US\$5m-US\$250m)

Ranking				
2021	2020	Company name	Value (USDm)	Deal count
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6	8	Barbosa, Mussnich & Aragao	1,319	15
7	19	Wilson Sonsini Goodrich & Rosati	1,135	12
8	4	Cescon, Barrieu, Flesch & Barreto Advogados	1,047	11
9	3	Demarest Advogados	512	9
10	27	Morrison & Foerster	793	7

The advisor league tables by value and volume have been run from 01/01/2021 to 20/12/2021 and exclude lapsed and withdrawn deals. The tables are based on advice to a Latin American bidder, target or vendor and cover all sectors.

Criteria

All data is based on transactions over USD 5m and is based on the Mergermarket's M&A deals database. Deals with undisclosed deal values are included where the target's turnover exceeds USD 10m. Deals where the effective stake acquired is less than 30% will only be included if the value is greater than USD 100m. Full deal inclusion criteria can be found [here](#).

Trend data: Based on the dominant geography of the target company and excludes lapsed and withdrawn bids. Sector trends based on the dominant sector of the target.

Top deals: Based on the dominant geography of the target company.

League tables: Based on the dominant geography of the target, bidder or seller, and excludes lapsed and withdrawn bids.

All values are in USD
M&A Trends and Top Deals correct as of 9am (GMT),
22-Dec-2021.

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