Deloitte.

M&A in Latin America

Americas region

Americas Financial Advisory

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Contents

Executive summary

Compared to 2015, M&A activity in 2016 remained weak, owing to challenging macroeconomic conditions and weak commodity prices. Energy & Resources (USD36.7 billion) and Consumer Business (USD21.1 billion) industries attracted the highest investments in 2016. Abundant reserves of natural resources in the region and huge consumer base could drive M&A activities. However, restrictive trade policies of the new United States president may act as a deterrent.

M&A trends in Latin America

- M&A activity in Latin America remained subdued in 2016 as a result of weak economic growth. Many of the Latin American countries are dependent on oil and gas and mining sector for growth. Therefore, weak oil and commodity markets have affected M&A activity in the region.[1,2,3,4,5,6]
- The election of Donald Trump as the 45th United States president may have adverse affects on Mexican M&A activities as the president has proposed special tariffs on Mexican manufacturing exports and fines on United States-based companies moving jobs and production to Mexico.[2]
- However, the depreciation of the local currency, mainly in Brazil and Argentina, may make the assets and companies in these countries more attractive to foreign investors in the mid-term.[1,6]

Industries

- Energy & Resources (E&R) industry observed the highest M&A activity in 2016 with ~USD36.7 billion in deal value. Ample reserves of oil and natural resources in the region, lower valuation of oil and gas assets resulting from decline in oil prices, government policies to promote renewable energy, and reforms in the mining sector could attract large investments in Latin America and drive M&A activity.[1,3,7]
- The emerging middle class and vast domestic markets of Brazil and Mexico may drive M&A activity in consumer facing industries like Consumer Business (CB) and Technology, Media, and Telecommunications (TMT).[1,2]
- However, the inflow of investments in Latin America's manufacturing industry (especially in Mexico) is uncertain amidst Trump's policies to promote manufacturing in the United States.[2]

Geographies

- In 2016, the majority of M&A activity in the region were intra-regional, with bigger economies, such as Brazil and Mexico, being top investors in the region.[7]
- North America (especially the United States) and Europe (countries such as Spain and Italy) have led cross-border M&A activity in Latin America as companies from these economies look to capture investment opportunities in developing markets.[7]

Challenges

- Despite implementing reforms and attractive valuation of assets for foreign investors, weak macroeconomic conditions, overdependence on commodities for growth, and falling oil and commodity prices continue to negatively impact the M&A activity in Latin America. [1,2,3,4,5,6]
- Political uncertainty, poor institutional environment, insufficient infrastructure, weak judicial system, rising inflation, and growing corruption, may also deter investors and dampen deal activity in certain Latin American markets. [1,2,3,4,5,6]

Refer to "Sources" appendix for citations.

2015-2016 M&A snapshot[7]

Latin America M&A deal in-flow totaled 2,610 deals worth USD181.9 billion between January 1, 2015 and December 31, 2016

Top Investor Countries

	Brazil	United States	Chile	Mexico	Italy
Value (USD bn)	$55	$24	$17	$14	$8
Volume of deals	747	303	153	211	23

Top Destination Countries

	Brazil	Bermuda	Chile	Mexico	Argentina
Value (USD bn)	$78	$26	$26	$24	$7
Volume of deals	1145	46	251	360	188

Top Target Industries

	Energy and resources	Financial services	Consumer business	Technology Media Telecom	Manufacturing
Value (USD bn)	$68	$47	$42	$11	$10
Volume of deals	499	489	728	390	348

Top Investor Companies

	Investor Group	State Grid Brazil Power	Exor SpA	Sompo Japan Nipponkoa Ins Inc	Nova Infraestrutura FIP
Value (USD bn)	$9	$8	$7	$6	$5
Volume of deals	154	4	1	1	1

Value (USD bn) | Volume of deals

Refer to "Sources" appendix for citations.

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Top deals in 2015-2016[7]

Target	Target industry	Acquirer	Acquirer industry	Value of transaction (in USD million)
PartnerRe Ltd	Financial Services Industry (FSI)	EXOR SpA	Financial Services Industry (FSI)	6,715
Enersis SA-Chilean Power	Energy and Resources (E&R)	Shareholders	Financial Services Industry (FSI)	6,571
Endurance Specialty Holdings	Financial Services Industry (FSI)	Sompo Japan Nipponkoa Ins Inc	Financial Services Industry (FSI)	6,300
Nova Transportadora do Sudeste	Energy and Resources (E&R)	Nova Infraestrutura FIP	Financial Services Industry (FSI)	5,190
HSBC Bk Brasil SA Banco	Financial Services Industry (FSI)	Banco Bradesco SA	Financial Services Industry (FSI)	4,636
ANNEL-Hydropower Concession(2)	Energy and Resources (E&R)	China Three Gorges Brasil	Energy and Resources (E&R)	3,732
CPFL Energia SA	Energy and Resources (E&R)	State Grid Brazil Power	Energy and Resources (E&R)	3,624
Endesa-Latin America Business	Energy and Resources (E&R)	Shareholders	Financial Services Industry (FSI)	3,506
Ironshore Inc	Financial Services Industry (FSI)	Liberty Mutual Insurance Co	Financial Services Industry (FSI)	3,000
Souza Cruz SA	Consumer Business (CB)	British American Tobacco	Consumer Business (CB)	2,947

Refer to “Sources” appendix for citations.

Macroeconomic indicators[8]

2017 macroeconomic indicators (forecast)							
Country	**Nominal GDP (USD billion)**	**Real GDP change per annum (%)**	**GDP per head (USD)**	**Inward FDI flow/GDP (%)**	**Exchange rate LCU:USD**	**Consumer prices (% change per annum)**	**Lending interest rate (%)**
Argentina	585.9	2.5	13,301.3	2.1	17.0	22.2	23.1
Brazil	2,059.0	0.5	9,915.2	2.9	3.4	7.7	45.0
Chile	254.3	2.2	13,887.4	7.9	688.9	2.5	5.5
Colombia	303.7	2.4	6,188.4	4.1	3,056.2	3.2	14.1
Mexico	996.2	1.8	7,649.9	2.3	20.9	4.0	6.0
Peru	208.3	4.6	6,556.8	3.1	3.4	3.4	16.4

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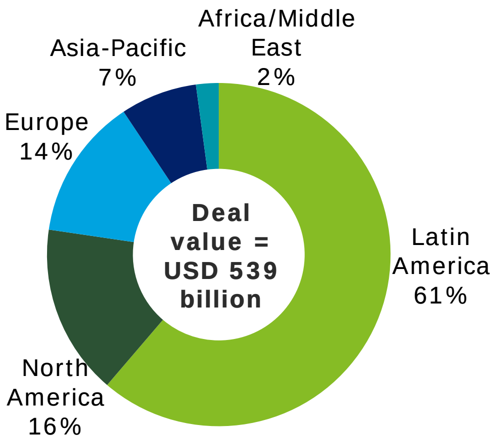
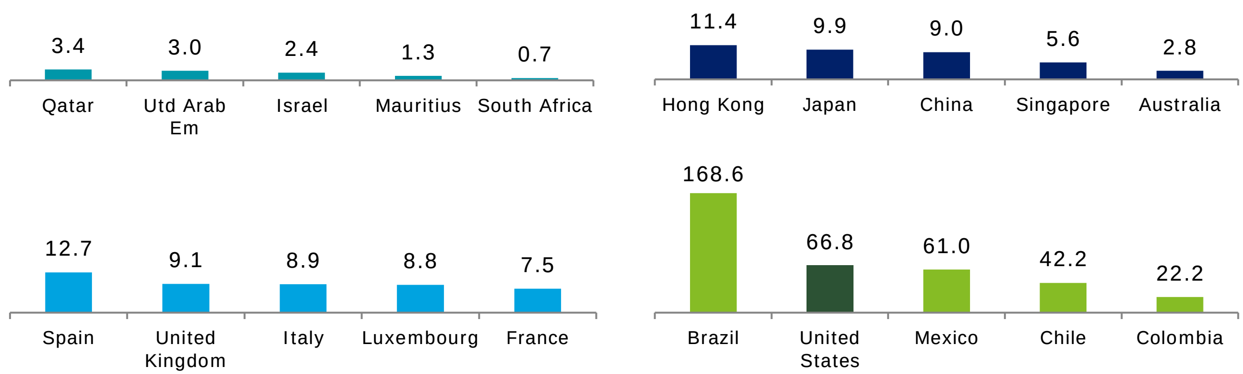
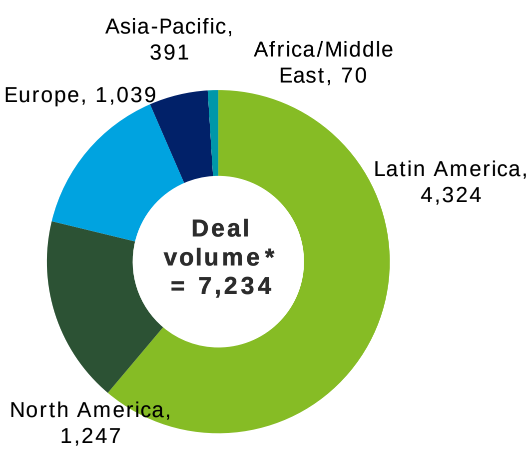
Geographical M&A activity

Intra-regional deals drove most M&A activity: North America and Europe lead the pack in inter-regional deals



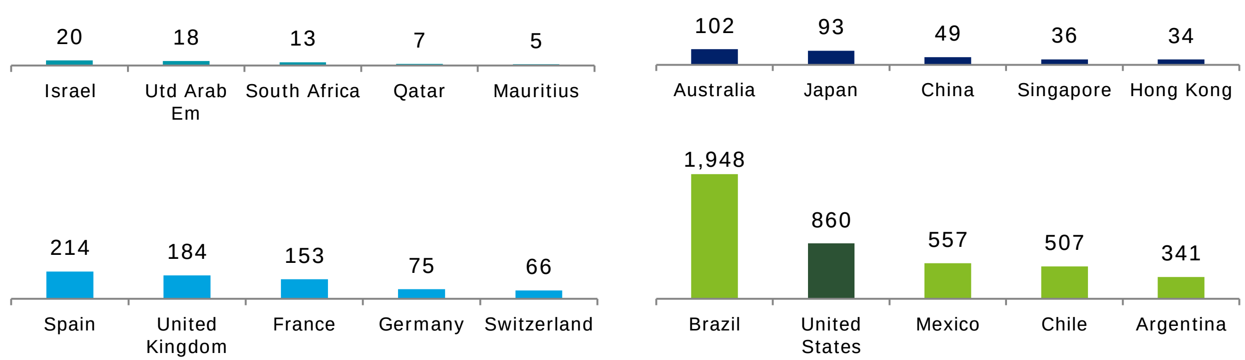
Top acquirer nations by deal value (2012-16) in USD billion[7]





*Region of 163 deals in not disclosed

Top acquirer nations by deal volume (2012-16)[7]



Refer to "Sources" appendix for citations.

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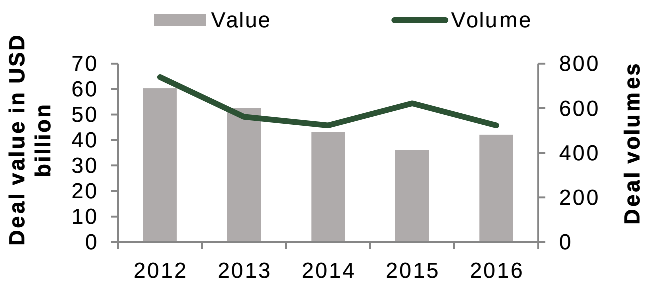
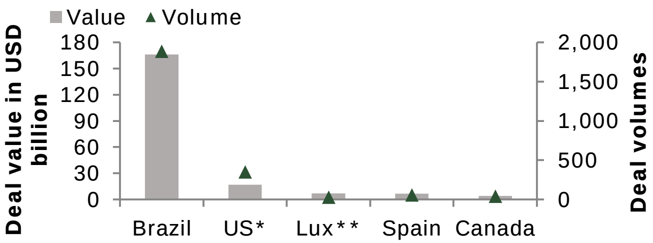
Brazil's political instability and weak macroeconomic fundamentals will likely hurt investment activity in near-term

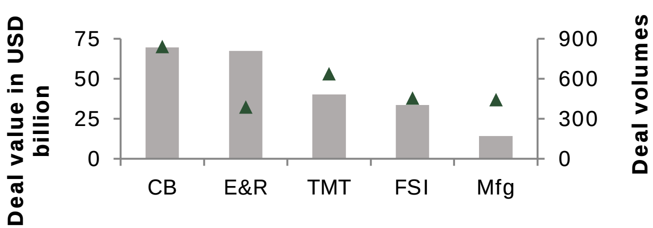
Brazil's political instability is exposed to the likely fallout from high-profile investigations into corruption. The GDP growth is also set to face major near-term headwinds given the structural challenges facing the economy. However, the vast domestic market and attractive asset prices (owing to currency devaluation) may appeal to investors.

M&A deals in Brazil 2012-16[7]



M&A deals in Brazil by investor country and target industry (2012-16)[7]





* United States
** Luxembourg

M&A favorable factors

- The Economist Intelligence Unit (EIU) predicts a gradual weakening of the Brazilian real until 2020 (R3.85 : USD1.0), thus making Brazilian assets and companies more attractive to foreign investors.[1]
- Moreover, investors continue to see long-term potential in Brazil, as a result of its vast domestic consumer market and ample natural resources.[1]
- Brazilian banks are increasingly adopting digital channels to cater to the growing number of online account holders. The number of online accounts are expected to grow from 55 million in 2015 to 70 million by 2018. This may drive M&A in the Financial Services Industry (FSI).[9]
- Mobile phone penetration and data services usage are growing in Brazil. The government's initiatives and the trend of people buying multiple SIM cards can emerge as growth drivers in the telecom sector.[10]
- The Central Bank of Brazil has started to reduce interest rates at a faster pace (currently at 12.25%) resulting in the lowest real interest rate in recent years, which will contribute to a reduction in interest expenses of corporations and families, therefore helping to generate more cash for investments and to reduce leverage.
  - Inflation is consistently going down on a monthly basis, and the exchange rate is appreciating (it is now at ~R$/USD 3,0, which hurts exports but helps companies with dollar-denominated debt)
  - GDP is expected to grow ~0.5% this year (forecasts vary a lot, but in all scenarios we will have above zero growth), which favors economy recovery
  - IPO's are back again after a long time without any new listings
- In summary, political instability is still one of the main factors affecting the economy, but there are signs that the market will recover, especially starting in the second semester of 2017. However, after a downfall of around 8% in the last 2 years, it will take some time to get back to 2014 levels.

M&A unfavorable factors

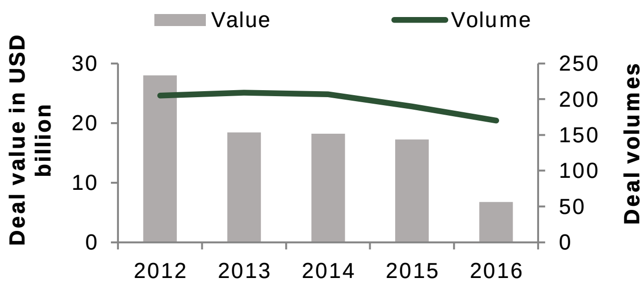
- Bribery charges against companies have had investment repercussions not only in oil and gas but also in industries like infrastructure where major companies are involved. Further, the Rio Olympics compounded the deficit. Rio state owes the federal government USD53 million and its accounts will be frozen until the debt is paid.[11,12]
- Services sector, which constitutes 70% of GDP, is unlikely to recover much growth in the medium-term, resulting from challenges such as low productivity, and skills shortage, despite rising unemployment.[13]
- Weakening economic conditions, rising fiscal deficit, and public debt are increasing the cost of finance for households.[1]
- Rising household debt/disposable income (46.3% in 2015 vs. 24% in 2014), coupled with rising unemployment (peaked 12.6% in 2016) and decreasing disposable income (-4% decrease in 2015) will make it difficult to repay the loans.[1]

Refer to "Sources" appendix for citations.

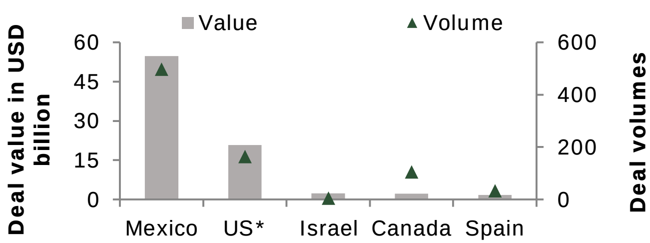
Mexico's future investments face uncertainty in the context of US President Trump's "Buy American" and "Hire American" strategies

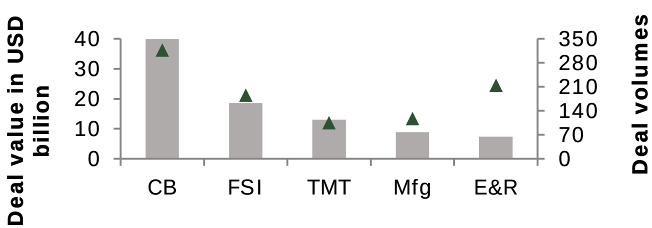
Mexico may face challenges in maintaining relationship with the United States and in managing any potential economic and political fallout arising from regulatory changes in the latter's economy. Moreover, the Mexican president will struggle to implement structural reforms amid high corruption and crime levels.

M&A deals in Mexico 2012-16[7]



M&A deals in Mexico by investor country and target industry (2012-16)[7]





* United States

M&A favorable factors

- The Mexican government is focused on implementing the structural reforms passed in 2013-2014. Additionally, Mexico also enjoys abundant international reserves and two-year flexible credit line of USD88 billion with the International Monetary Fund (IMF).[2]
- Considering the country has considerable deep-water oil reserves and shale potential, the reforms in the energy sector can encourage foreign investment and bring new entrants into the market.[2]
- A decline in electricity prices and greater connectivity with the North American energy grid will also reduce input costs for businesses.[2]
- An emerging middle class, low inflation, vibrant consumer spending, and a rise in credit could boost the aggregate demand and drive M&A growth in various consumer-facing industries.[2]

M&A unfavorable factors

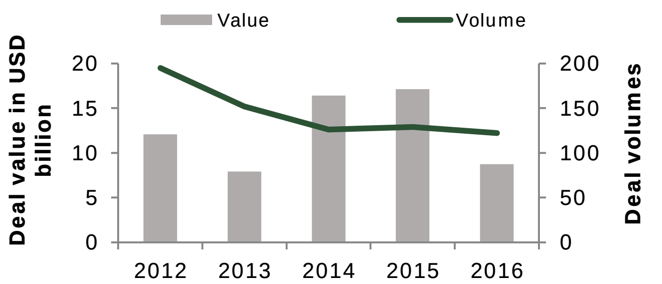
- New proposed polices under US President Trump could have impact on growth in 2017-2018 by putting investment on hold and depressing business and consumer confidence further.[2] Examples include:
  - The renegotiation of the North American Free Trade Agreement (NAFTA) to apply special tariffs on key Mexican manufacturing exports.[2]
  - Consideration of taxes or fines on United States-based companies moving jobs and production to Mexico.[2]
- Domestically, fiscal austerity and recent interest-rate increases can also contribute to sluggish growth and dampen the current boom in consumer spending. This may hamper M&A in consumer facing industries.[2]
- Implementing structural reforms amidst rising corruption and crime remains a challenge. This may increase deal approval time.[2]

Refer to "Sources" appendix for citations.

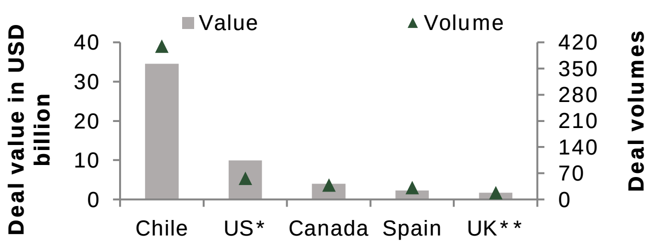
Chile's abundance of natural resources will continue to attract investments in renewable energy and mining sectors

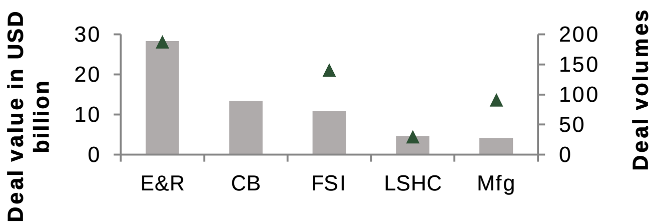
The government's commitment to renewable energy deployment and initiatives to reduce barriers for foreign investment in the mining sector may boost M&A activities. However, declining copper prices and uncertainty associated with the upcoming elections in November 2017 may restrict overall growth.

M&A deals in Chile 2012-16[7]



M&A deals in Chile by investor country and target industry (2012-16)[7]





* United States
** United Kingdom

M&A favorable factors

- Strong economic fundamentals, an open investment regime, recovering private consumption, and a large network of free-trade agreements are likely to boost investment and support M&A activities in Chile.[3]
- The government's reforms in the energy sector are likely to encourage investment in renewable energy. This could further drive M&A activity in the energy sector.[3] The EIU predicts that the government's target to draw 20% of energy requirements from renewable sources could be achieved by 2020 (11.5% in 2015).[3]
- The government's initiatives to reduce barriers to foreign investment in the mining sector may attract investments and support M&A activity.[14]
- As per industry projections, private and public sector investments in the Chilean mining sector are expected to be close to USD28 billion between 2016 and 2024.[15]
- Chile has vast reserves of lithium, accounting for about 62% of the global market share. Rising demand from the battery-powered automotive industry is expected to increase lithium demand and production, attracting investors.[15]

M&A unfavorable factors

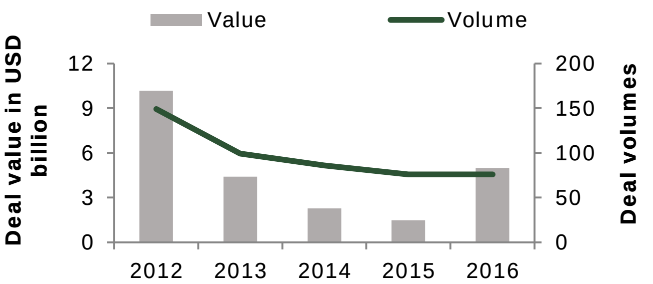
- The EIU estimates that after a slight recovery in 2017 (2.2%), Chile's growth may suffer a hit from the potential sharp slowdown in economic growth in China in 2018 and the anticipated recession in the United Stated in 2019.[3] Projection of Chile's GDP growth will slip to 1.2% in 2018 and to 1.3% in 2019.[3]
- Impending presidential elections in November 2017 may shake up the political scenario of Chile as it could delay clearances and approvals of the M&A deals.[3]
  - Moreover, weak economic growth resulting from low copper prices and voter fatigue arising from dramatic reforms may prevent the new government from taking radical steps. The new government may likely focus on achieving modest improvements to the business environment.[3]

Refer to "Sources" appendix for citations.

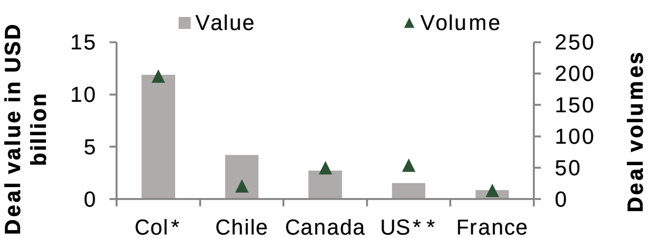
Colombia's peace deal with the rebels and efforts to boost investment could support the growth of M&A activities

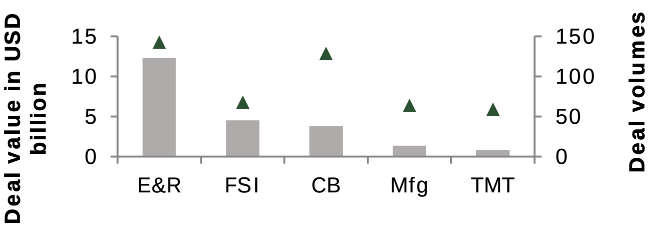
The peace deal with rebels could help strengthen administration, improve consumer confidence, and boost private investment in the long term. The government's efforts to strengthen infrastructure capabilities could also support M&A activity. However, declining oil resources and increasing taxes could present challenges in attracting investments.

M&A deals in Colombia 2012-16[7]



M&A deals in Colombia by investor country and target industry (2012-16)[7]





* Colombia
** United States

M&A favorable factors

- In December 2016, the Colombian government signed a peace deal with revolutionary armed forces of Colombia (FARC). This deal is likely to improve security, consumer confidence, domestic consumption, and boost investments.[4]
- According to Colombia's planning department, this deal could triple the FDI inflow to USD36 billion and boost its annual economic growth to 5.9%.[16]
- The government's efforts to improve economic ties in the region through the Pacific Alliance and reinforcing ties with the network of Free Trade Agreements (FTAs), with the United States, European Union, and Asian countries, could bolster trade.[4]
- The Colombian economy is expected to grow at an average of over 3% during 2017-20, aided by government investment and private consumption.[4]
  - The investments in fourth generation (4G) public private partnership infrastructure program focused on roads is expected to drive growth.[17]
  - More competitive currency and a rise in domestic productive capacity are

M&A unfavorable factors

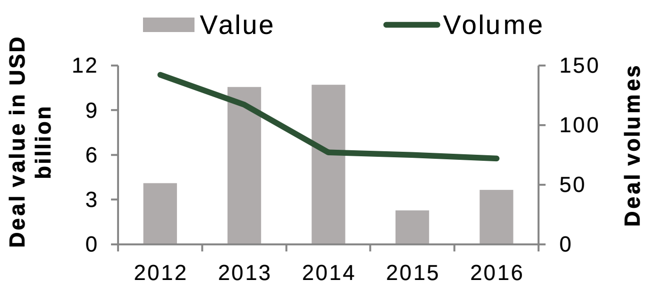
- The EIU estimates, in 2016, as a result of low oil prices (USD43 per barrel) and oil-related investment declines (USD4.4 billion), the trade deficit has widened further and GDP growth slowed down to 1.8% (compared with 3.1% in 2015) and is expected to remain flat in 2017 (2.4%).[4]
- Decline in investments will lead to a lower level of exploration and production activities. Colombian oil companies may not be able to find new sources of oil before their existing oil wells dry up in early 2020s. This may deter investors in the oil and gas industry.[4]
- In October 2016, the government submitted a tax reform bill, with a proposal to increase VAT from 16% to 19%.[18]
  - Increase in taxes could dampen private consumption and restrict M&A activities in consumer-facing sectors.[18]

Refer to "Sources" appendix for citations.

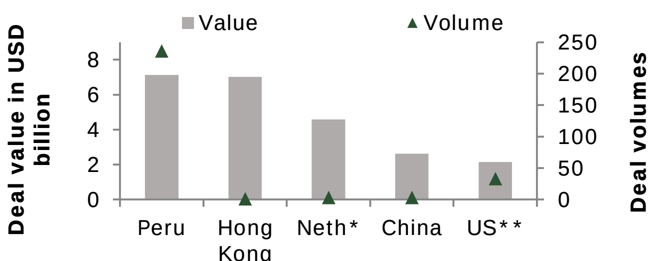
Peru's M&A activities during 2017-2021 may remain weak, compared to the previous decade, despite adhering to pro-business policies

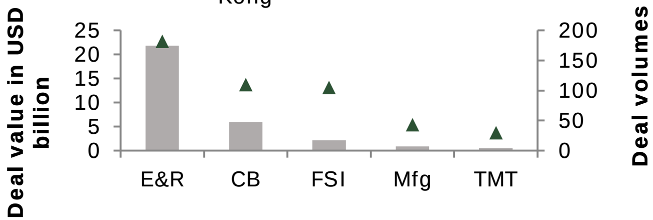
Decreasing demand from China, coupled with declining commodity prices, may affect overall M&A activity in Peru. Additionally, social conflicts to oppose mining and infrastructure projects, and widespread corruption could hurt investor sentiments.

M&A deals in Peru 2012-16[7]



M&A deals in Peru by investor country and target industry (2012-16)[7]





*The Netherlands
**United Stated

M&A favorable factors

- Peru's president, Pedro Pablo Kuczynski, plans to continue with the country's business-friendly policy framework during 2017 and 2021.[5]
- Peru is expected to continue to back regional integration efforts such as the Alianza del Pacífico (a Pacific alliance, an economic integration pact that also includes Colombia, Chile and Mexico) and bilateral FTAs, especially with Asian and Pacific countries.[5]
- The currency is likely to depreciate slightly; however, strong foreign reserves and firm capital inflows will prevent a sharp decline.[5]
  - The EIU expects the FDI inflow to increase from USD6 billion in 2016 to USD9 billion in 2021.[8]
- Increased access to credit, falling poverty and inequality, and rising incomes, will likely boost private consumption. Higher consumption is likely to attract investment in sectors such as retail, tourism, and transport sectors. Peru will also witness productivity gains from agro-industrial sector.[5,19]

M&A unfavorable factors

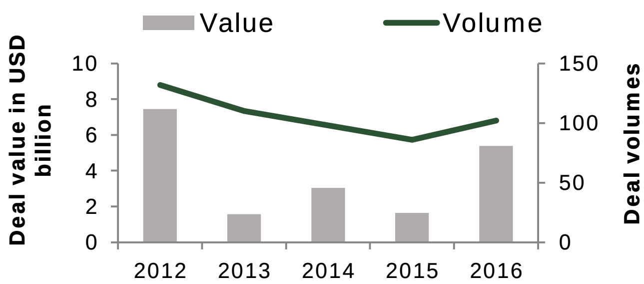
- The EIU predicts that Peru's economic growth will be weaker during 2017-2021 than the average in the last decade, because of low commodity prices.[5]
  - Declining prices of commodities like copper in the international market and a slowdown in China–Peru's principal trading partner, could hamper exports and affect the overall trade balance.[5]
  - Peru's dependence on the mining sector for growth, and periodic social conflicts in mining investments could affect investor sentiment.[5]
- Moreover, slow progress in addressing structural deficiencies translates into lower productivity. This includes a poor institutional environment, inadequate infrastructure, and rigid labor.[5]
- Finally, weakness in the judiciary, perceived police corruption, growing urban crime, and illicit drug production threaten M&A activity.[5]

Refer to "Sources" appendix for citations.

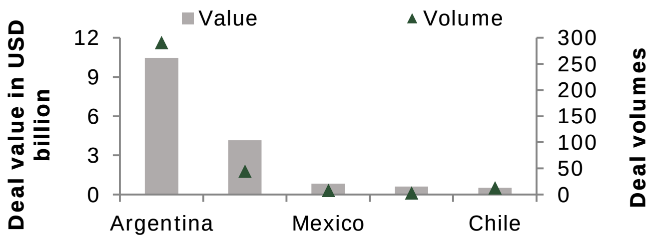
Argentina's pro-business government policies and weakening of Argentine Peso could attract large investments

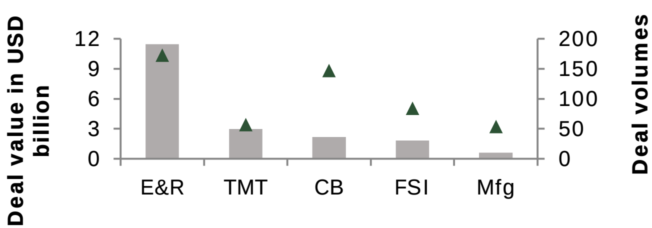
Optimism in the newly elected government coupled with the weakening of the currency, may support the growth of M&A activity in the country. However, issues arising from high inflation and poor economic growth resulting from weak external conditions could arrest the growth momentum.

M&A deals in Argentina 2012-16[7]



M&A deals in Argentina by investor country and target industry (2012-16)[7]





*United States
**Colombia

M&A favorable factors

- The government of Mauricio Macri (elected in December 2015) is focused on implementing economic policy adjustments. It is also trying to reduce economic instability and return the economy to sustainable growth.[6]
- The EIU predicts that after witnessing contraction of 2.2% in 2016, the economy is projected to witness moderated recovery during 2017-2018.[6] Also an uptick in capital flows in 2017, reflecting moves to address economic imbalances and a weak legal framework, which may likely support higher foreign exchange reserves and import cover.[6]
- The EIU forecasts continuous depreciation of the Argentine Peso between 2017 and 2021, as strong capital imports are expected to nullify the effect of substantial US dollar demand amid rising imports.[6]
  - Weakening of Argentine Peso could make Argentine companies and assets more attractive for foreign investors.[6]
- Argentina successfully ended its 13-year default through an agreement with holdout creditors. Existing default resulted in access to fresh international credit and improvement in credit rating.[20]
- The country is rich in natural resources with large reserves of shale gas, shale oil reserves, and wind reserves. This helps makes the country attractive to investors.[21]

M&A unfavorable factors

- The dual effect of high inflation and subsidy cuts is harming consumer confidence. This poses risks to the stability of the government.[6]
- The EIU predicts that after touching GDP growth of 3.7% in the beginning of 2018, external conditions such as projected weakening of Chinese import demand and a cyclical downturn in the United States' economy may drag down economic growth in the second half of 2018 and in 2019-2021.[6]

Refer to "Sources" appendix for citations.

M&A activity across industries

Renewable energy related M&A deals witnessed second highest CAGR growth of 25%, after 33% in oil and gas from 2012-2016

As Latin American countries are trying to reduce their carbon dioxide emissions, there is a growing interest in the renewable sources of energy supply. Moreover, Latin America possesses abundant natural resources (including minerals and oil and gas reserves), thus providing attracting investment opportunities.[22]

% of deals by top destination countries[7]

- **Brazil** 25%
- **Mexico** 14%
- **Peru** 12%
- **Chile** 12%

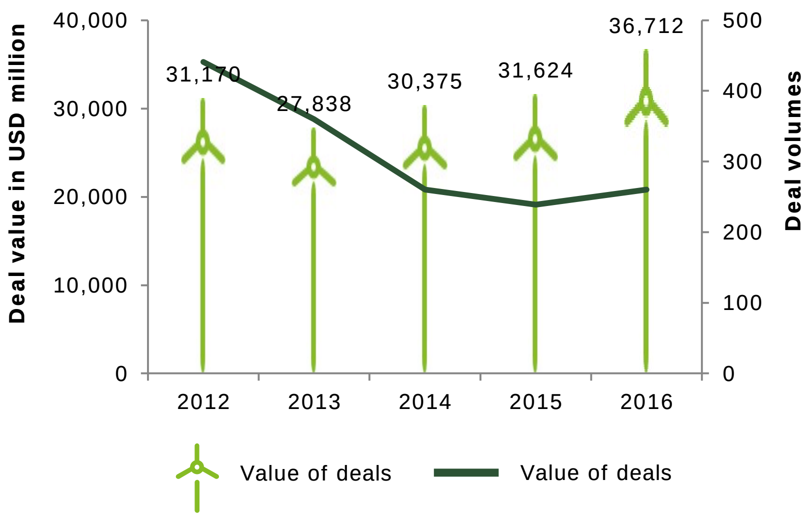
% of deals by top investor countries[7]

- **Canada** 19%
- **Brazil** 17%
- **Chile** 8%
- **United States** 7%

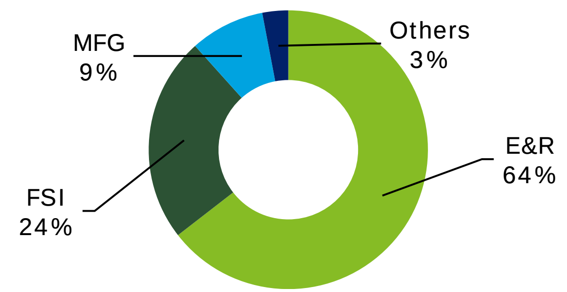
% of deals by top E&R sectors[7]

- **Metals & Mining** 48%
- **Oil & Gas** 22%
- **Power** 17%
- **Alternative Energy Sources** 6%

M&A Deals in E&R from 2012-16[7]



M&A deals by acquirer industry from 2012-16[7]



Industry	Value of transaction (USD million)	Number of transactions
E&R	85,858	1,008
FSI	58,005	373
MFG	4,760	135
Others	9,096	44

Refer to "Sources" appendix for citations.

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Deals in the Food and Beverage sector (F&B) dominated M&A activity in the Consumer Business (CB) industry

A growing middle class with a larger disposable income helped contribute to consumerism in the larger economies such as Brazil and Mexico. This led to a high volume of deals in the F&B sector. However, rising inflation in Brazil and Argentina and sluggish GDP growth rate in Brazil may act as deterrents in 2017.[1,6]

% of deals by top destination countries[7]

- **Brazil** 41 %
- **Mexico** 15 %
- **Chile** 11 %
- **Argentina** 7 %

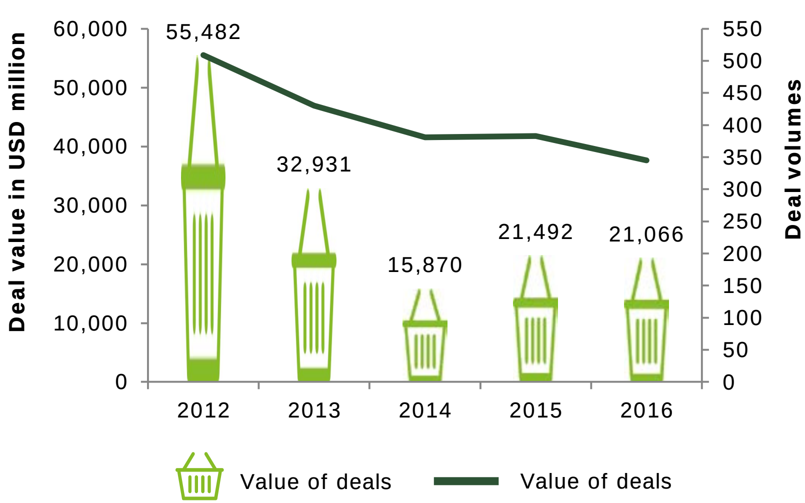
% of deals by top investor countries[7]

- **Brazil** 27 %
- **United States** 12 %
- **Mexico** 11 %
- **Chile** 8 %

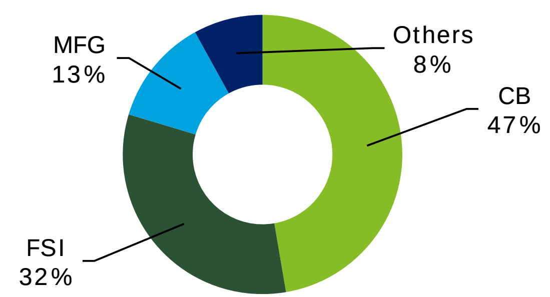
% of deals by top CB sectors[7]

- **F&B** 19 %
- **Transportation** 16 %
- **Hotels** 8 %
- **Agriculture** 7 %

M&A Deals in CB from 2012-16[7]



M&A deals by acquirer industry from 2012-16[7]



Industry	Value of transaction (USD million)	Number of transactions
CB	73,403	966
FSI	48,632	660
MFG	20,860	252
Others	3,947	170

Refer to "Sources" appendix for citations.

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Economic slowdown and political instability in many countries drove a decline in Telecommunications, Media, Technology (TMT) M&A activities during 2014-2016

The large size of the Brazilian telecom market attracted global investors. Additionally, a rise in adoption of smartphones, expansion of 4G/LTE networks, and currency depreciation in Brazil may have attracted private investors. However, economic stagnation in the coming years may slowdown future M&A activities in Brazil.[1,23]

% of deals by top destination countries[7]

- Brazil 60%
- Mexico 10%
- Colombia 6%
- Argentina 5%

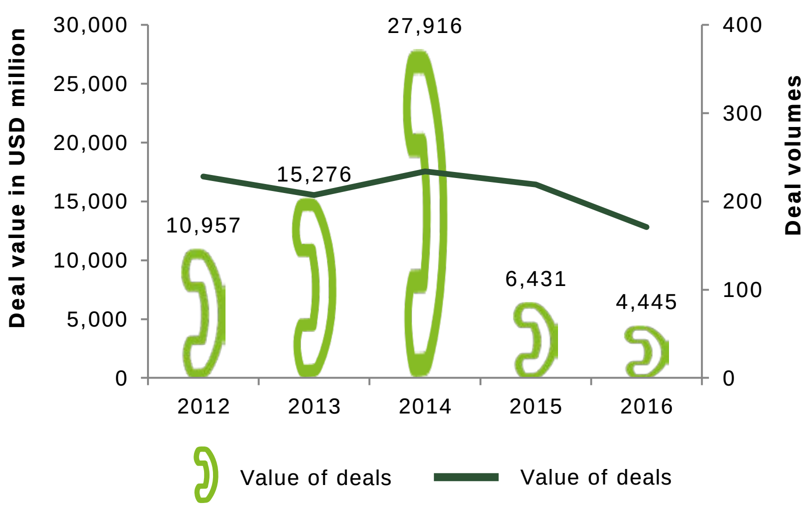
% of deals by top investor countries[7]

- Brazil 40%
- United States 19%
- Mexico 4%
- Spain 4%

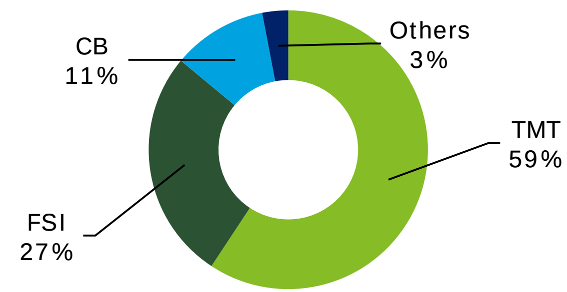
% of deals by top TMT sectors[7]

- IT consulting & services 16%
- Software 13%
- Educational Services 10%
- Advertising & Marketing 10%

M&A Deals in TMT from 2012-16[7]



M&A deals by acquirer industry from 2012-16[7]



Industry	Value of transaction (USD million)	Number of transactions
TMT	36,819	627
FSI	20,316	283
CB	7,077	116
Others	813	33

Refer to "Sources" appendix for citations.

After recording a steady growth in Financial Services industry (FSI) M&A deal value during 2012-2015, weak economic growth in LATAM led to a slump in 2016

Economic stagnation in the region may offset the momentum in the mid-term. However, as the Latin American population remains under-insured, there could be a growing demand of insurance services. This can drive M&A in the insurance segment. Additionally, adoption of technology by financial institutions could further bolster M&A growth.[24]

% of deals by top destination countries[7]

- Brazil 35%
- Mexico 14%
- Chile 11%
- Peru 8%

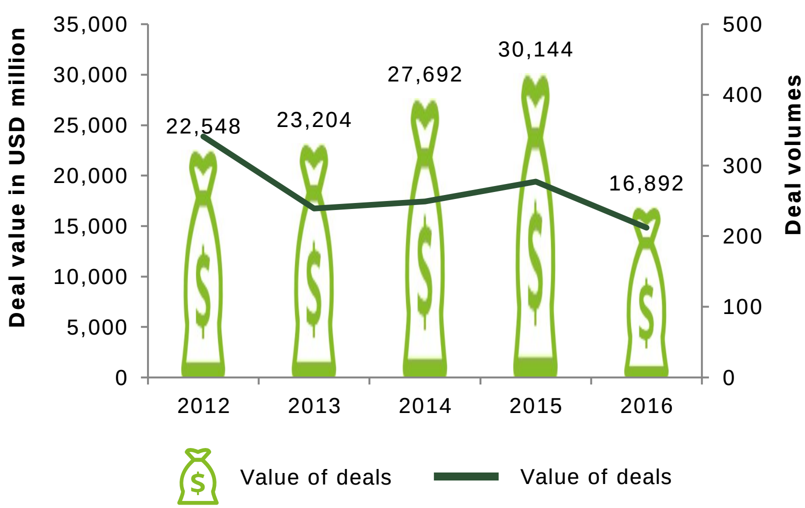
% of deals by top investor countries[7]

- Brazil 27%
- Mexico 11%
- United States 10%
- Chile 9%

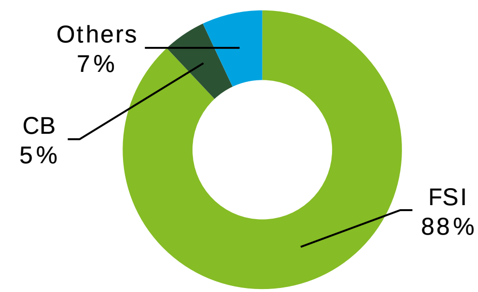
% of deals by top FSI sectors[7]

- Other financials 19%
- Insurance 18%
- Non residential 15%
- Banks 10%

M&A Deals in FSI from 2012-16[7]



M&A deals by acquirer industry from 2012-16[7]



Industry	Value of transaction (USD million)	Number of transactions
FSI	111,492	1161
CB	2,394	60
Others	6,594	97

Refer to "Sources" appendix for citations.

The manufacturing investments from the United States are uncertain as the new president proposes changes

The future investments from the United States remain ambiguous as the new US administration has proposed a 20% tax on imports from Mexico. This move could prove catastrophic for Mexico as it is highly dependent on the United States since the NAFTA agreement.[25]

% of deals by top destination countries[7]

- Brazil 50%
- Mexico 13%
- Chile 10%
- Colombia 7%

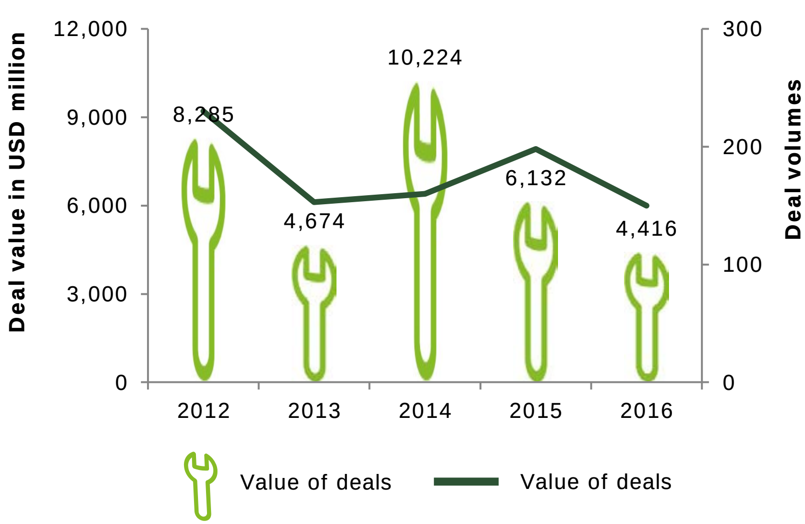
% of deals by top investor countries[7]

- Brazil 22%
- United States 14%
- Mexico 7%
- Chile 7%

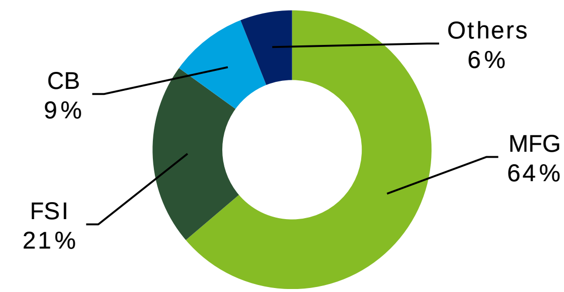
% of deals by top MFG sectors[7]

- Chemicals 20%
- Building / Construction and Engineering 18%
- Other Industries 11%
- Machinery 11%

M&A Deals in MFG from 2012-16[7]



M&A deals by acquirer industry from 2012-16[7]



Industry	Value of transaction (USD million)	Number of transactions
MFG	21,553	566
FSI	7,734	188
CB	1,809	80
Others	2,635	57

Refer to "Sources" appendix for citations.

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Brazil and Mexico remained the most attractive destinations for M&A activity in the Life Science Healthcare (LSHC) sector

Rising disposable income, higher public expenditure, and government legislation (passed in 2015) easing foreign ownership of hospitals helped attract investors in Brazil. On the other hand, growth in medical tourism in Mexico leading to higher demand of healthcare infrastructure may result in greater M&A activities in the country.[26,27]

% of deals by top destination countries[7]

- **Brazil** 57%
- **Mexico** 11%
- **Chile** 8%
- **Colombia** 7%

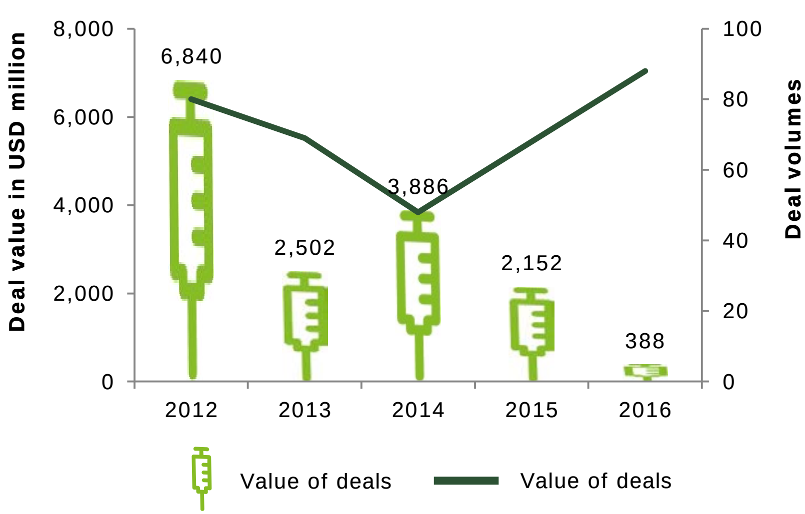
% of deals by top investor countries[7]

- **Brazil** 41%
- **United States** 14%
- **Chile** 6%
- **France** 6%

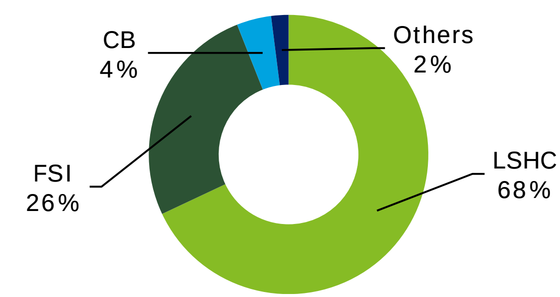
% of deals by top LSHC sectors[7]

- **Healthcare Equipment & Supplies** 29%
- **Pharma-ceuticals** 28%
- **Healthcare Providers & Services (HMOs)** 20%
- **Hospitals** 19%

M&A Deals in FSI from 2012-16[7]



M&A deals by acquirer industry from 2012-2016[7]



Industry	Value of transaction (USD million)	Number of transactions
LSHC	11,705	239
FSI	3,494	93
CB	564	13
Others	6	8

Refer to "Sources" appendix for citations.

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Perspectives

Perspectives

Deloitte produces original and informative articles drawn from experiences throughout our professional services organization. Listed below are recent pieces which provide insights for businesses about events and trends in the Americas region.

In the wake of the Panama Papers: A guide for multinational corporations[28]
The Panama Papers have brought business interactions with offshore holding companies to the forefront. Learn how companies are assessing whether any corruption or fraud exists within their operations and how they can implement policies, procedures, and controls to mitigate risk.

M&A trends report 2016 - Is last year's record pace sustainable?[29]
Coming off a record year for mergers and acquisitions (M&A), an overwhelming majority of executives at US corporations and private equity firms forecast that deal activity will stay strong or even ramp up. What M&A trends are driving their optimism? What factors could potentially put the brakes on? Deloitte Advisory's third annual trends report asks M&A leaders for their predictions. We surveyed nearly 2,300 executives at US companies and private equity firms to gauge their expectations, experiences, and plans for mergers and acquisitions in the coming year. While the sentiment and outlook for M&A activity remain favorable, a number of potential obstacles emerged in our third annual M&A trends report.

Wall Street Journal (WSJ) CFO Journal: How to Address FCPA Risks in Emerging Market M&A Deals[30]
Gain additional insights about how to address FCPA risks in this piece based on the article **M&A in emerging markets: A fresh look at successor liability associated with the Foreign Corrupt Practices Act**.

Human Capital Considerations in Cross-border Deals[31]
Acquiring an overseas company can open up new markets and business opportunities. However, foreign companies may also require a number of unique human capital considerations that can impact deal value. Read more about the impact of these key human capital considerations.

Acquisition Due Diligence Bribery & Corruption Risk[32]
Buyers that are considering an acquisition usually encounter a competitive and time-sensitive diligence process focused on assessing the target's performance key risks. Learn more about how a buyer's failure to adequately consider bribery and corruption risk may lead to the purchase of an overvalued company and serious collateral consequences.

Market Consolidation Outlook – Investment strategies and merger & acquisition activity[33]
Deloitte Brazil presents the results of its survey that tackles its challenging local M&A market. The survey, led by Deloitte Brazil's Corporate Finance Advisory practice, presents the opinions of top executives from 221 companies operating in several industry segments. Read more about how M&As have become an alternative to organic growth in Brazil, the expectations for the M&A market in the next two years, and experiences and challenges for closing deals in Brazil.

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Americas Region Leadership – M&A Transaction Services

Americas region

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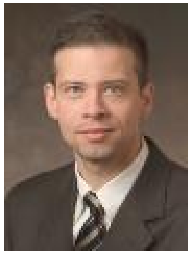

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Americas Region Leadership – Corporate Finance

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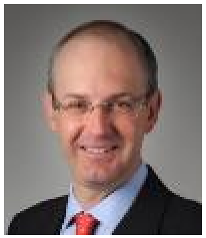			
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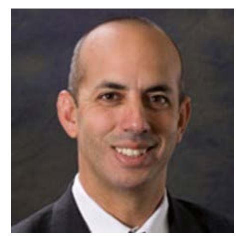
Chile	Mexico	United States
		
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Appendix

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Presentation notes

For purposes of this presentation:

- Latin America includes Mexico and countries in Central America and South America.
- Latin American target companies have been classified based on the dominant geography of the target company in Latin America.
- The region and country of the acquirer have been determined from the location of the ultimate parent.
- “Cross-border inbound M&A” refers to M&A deals where the acquirer is from non-Latin American countries and the dominant geography of the target company is Latin America.
- Completed and pending deals have been considered in the data presented. Abandoned deals have not been considered.