LATIN AMERICAN M&A SPOTLIGHT

NOVEMBER 2014

MERGERMARKET

GT GreenbergTraurig

CONTENTS

Methodology
For this fourth edition of the *Latin American M&A Spotlight*, Mergermarket interviewed 50 investors and corporate executives who focus on the Latin American region. Respondents provided their perspectives on the region's M&A environment, which help illuminate current and potential trends in Latin America's M&A market over the next year. All respondents are anonymous and results are presented in aggregate.

FOREWORD

INTRODUCTION

Respondents in the fourth edition of the *Latin American M&A Spotlight* forecast that positive economic growth rates will drive M&A activity in Latin America over the next 12 months, with an increase in transactions expected throughout the region.

However, investors looking to invest in Latin America should not make the mistake of treating the region as a single bloc. Each country has its own very specific social, political and economic traits. From the northernmost coast of Colombia to the southern tip of Chile, investment decisions should not be made on a regional basis, but instead on an national basis to reflect the different expectations of each country.

As one asset manager in Brazil says: "Investors in Latin America choose in which countries to acquire targets not only on existing opportunities, but also on factors including the country's political stability, financing options and regulatory conditions."

Nevertheless, the outlook is bright for M&A, with an increase in activity in many Latin American countries that is expected to more than compensate for a slowdown in other parts of the world. This report examines the region's cross-border and intra-regional M&A, analyzing the most active countries and sectors in the context of current challenges. It will also focus on the hindrances presented by the region's regulatory environment, while identifying new investment opportunities.

KEY FINDINGS

Our survey reveals a cautious optimism for Latin American M&A. Key findings include:

M&A Activity

62% of respondents believe annualized economic growth in Latin America will be in the 3% to 4% range over the next year

52% Brazil's share of the M&A market in the Latin American region

Buyer Interest

64% of respondents expect more transactions involving PE firms

22% of transactions by state-owned buyers are expected from nations such as China

3 of the largest economies in the region will boost M&A through general elections

96% of respondents expect outbound M&A will increase

86% of respondents expect strategic acquisitions to be the most common type of transaction this year

92% of respondents predict a rise in intra-regional M&A

Sectors

Respondents expect three sectors to attract the greatest interest from bidders:

96% Energy

94% Consumer Goods

92% Commodities

Challenges

The three most common challenges cited as barriers to M&A transactions in Latin America are as follows:

64% complex ownership structures

58% anti-trust requirements

56% regulatory barriers

SURVEY ANALYSIS

M&A IN RECOVERY

An increase in Latin American dealmaking over the next 12 months will follow a period of more muted M&A activity in the region. M&A activity, as measured by both the number and size of transactions, fell in 2013 compared with the previous year. The slowdown appears to have continued into the first three quarters of 2014, with the number of deals falling to 209 during this time period as compared to 485 in 2013. However, in 2014 total transaction value was US$105, a sharp increase on the figure for 2013's first three quarters of US$62bn — appearing to signal the upswing in activity our survey respondents predict.

ECONOMIC GROWTH TO FUEL M&A PICK-UP?

Almost two-thirds of respondents (62%) believe annualized economic growth in Latin America will range from 3% to 4% over the next year, which would support an increase in M&A activity. The respondents are notably more optimistic than other commentators: the International Monetary Fund's (IMF) projection in October is for the economies of the region (including the Caribbean) to grow by an average of 1.3% in 2014.

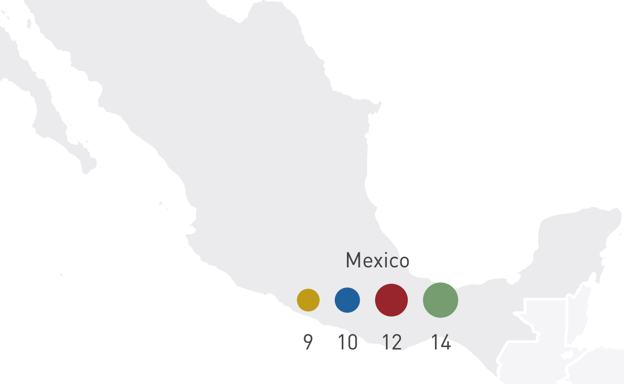
The country-by-country breakdown is mixed, however. Brazil, the dominant economy in Latin America and the previous go-to destination for M&A and other investments, continues to battle slower economic growth, with the IMF forecasting 0.3% for 2014 compared to 2.5% last year. As a result, our survey respondents are becoming more positive about Brazil's faster-growing neighbors. And despite Brazil's continued dominance in the Latin American M&A market — the country still comprises 52% of M&A activity in the region (see chart on the right) — its market share has been decreasing in the past four years, and is now down to its lowest level over the time period.

For example, Mexico, is benefitting from greater investor confidence after implementing sweeping structural reforms in its labor market, financial system, telecommunications and energy sector, all of which are aimed at enticing foreign investment. The country's energy and telecommunications sectors are set to be particular beneficiaries.

The economies of Peru, Colombia and Bolivia are also enjoying higher growth rates. The IMF expects Peru and Colombia to grow by 3.6% and 4.8%, respectively, during 2014, well ahead of major international markets such as the US and Europe. The economies of Peru, Colombia and Bolivia are also enjoying higher growth rates. The IMF expects Peru and Colombia to grow by 3.6% and 4.8%, respectively, during 2014, well ahead of major international markets such as the US and Europe. A notable country in the region expected to have very high growth rates is Bolivia where the IMF predicted in October a 5.2% growth in 2014 and a 5.0% growth in 2015.

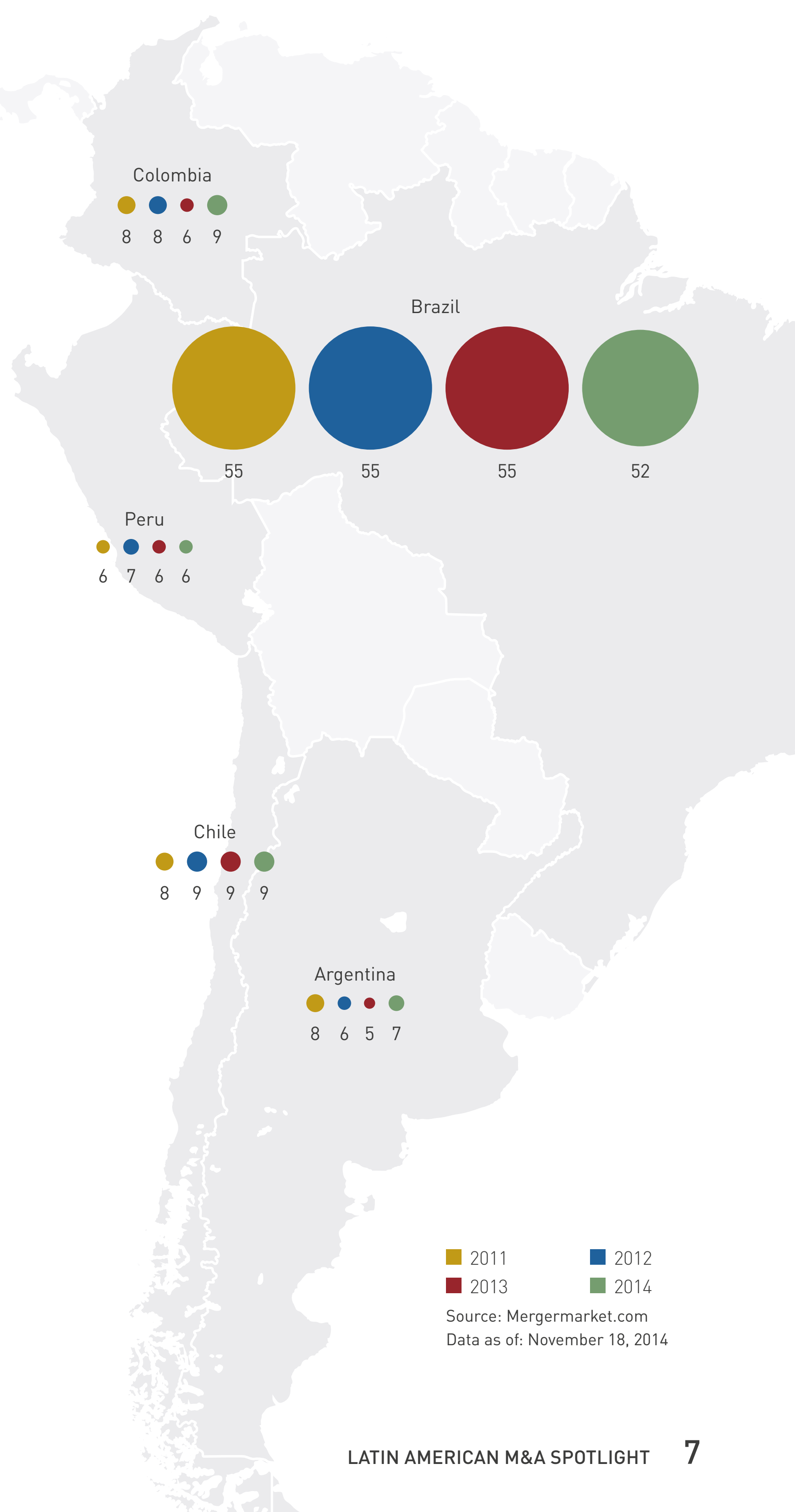
Mergermarket's data on the sites of M&A activity reflects these variable economic growth rates. While Brazil still has half the M&A market, its overall share of M&A activity has been declining in favor of countries such as Mexico and Chile.

The unfolding economic story beyond the region will also be significant. "Economic change in the global market will have a notable impact on Latin American M&A levels," says a director from a private equity firm in Europe. "Investors will be looking at the pace of economic recovery in the eurozone and the US, which will have a direct impact on both outbound Latin American activity as well as interest in Latin American targets."



Country Market Share

Note: Percentage of overall Latin American M&A



Latin American M&A Activity

	Volume	Value (US$bn)
2010	500	165
2011	651	132
2012	683	116
2013	660	88
2014	446	118

Source: Mergermarket.com
Data as of: November 18, 2014

Growth Forecasts

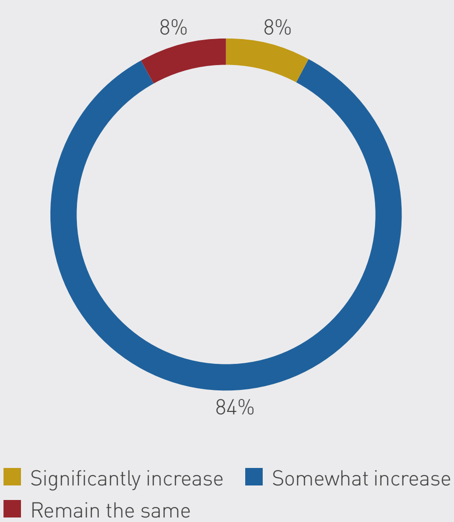
	2013	2014	2015
Brazil	2.5%	0.3%	1.4%
Peru	5.8%	3.6%	5.1%
Mexico	1.1%	2.4%	3.5%
Chile	4.2%	2%	3.3%
Colombia	4.7%	4.8%	4.5%
Argentina	2.9%	-1.7%	-1.5%
USA	2.2%	2.2%	3.1%
UK	1.7%	3.2%	2.7%

Source: International Monetary Fund October 2014 Outlook
Data as of: November 19, 2014

M&A IN AN ELECTION YEAR

With Chile's general election in November 2013 followed by Colombia's in May 2014 and Brazil's general election in October 2014, three of Latin America's largest economies will have undergone national votes in less than a year. A majority of survey respondents expect these events to have a positive impact on M&A. As a CFO at a US-based corporate explains: "Generally, elections will have a positive effect on dealmaking — investors become more confident as the different markets gain more clarity on government policies."

Impact of Elections on M&A



WHAT'S DRIVING M&A ACTIVITY?

It is projected that transactions in Latin America over the next year will be dominated by acquisitions. In particular, 86% of respondents believe that acquisitions by strategic investors in Latin America are likely to be the most common type of transaction over the next 12 months, followed by acquisitions by financial sponsors (54%).

IN SEARCH OF HIGHER GROWTH AND GREATER MARKET SHARE

The high rate of economic growth found in many Latin American countries is a major attraction for inbound acquirers, including both first-time entrants into the region and seasoned acquirers looking to add to their existing Latin American investments.

A good example of a seasonal acquirer investing in the Latin American region is the decision by US multinational pharmaceuticals company Abbott in May 2014 to pay US$3.3bn for Chile's CFR Pharmaceutical in a deal that more than doubled the size of its Latin American branded generic drugs business. Abbott's strategy is to focus its energies on fast-growing markets. According to a company spokesperson the CFR purchase offered "the opportunity to expand each company's portfolio across Latin America."

Home-grown multinational companies (commonly referred to as 'multilatinas') are also continuing to make strategic acquisitions to consolidate further their regional positions. For example, Colombian financial services companies Grupo Aval and Banco Colombia, respectively, bought units divested by foreign banks BBVA and HSBC.

PRIVATE EQUITY GETS ACTIVE

Attractive growth rates in certain Latin American countries are driving acquisitions by private equity (PE) sponsors. Almost two-thirds of respondents (64%) to our survey expect PE interest in the region to increase. As one US banker puts it: "Private equity interest in Latin America is piqued by conditions in certain countries that offer the prospect of high and stable returns."

In fact, last year saw a small decrease in the number of PE deals in the region. But, Mergermarket's data also reveals that transaction values have continued on an upward trend. Respondents expect that more attractive valuations in some parts of the region this year will provide renewed impetus for PE investments in Latin America. For example, at the beginning of 2014, companies listed on the Brazilian stock market were trading at prices averaging less than 10 times their forecasted earnings. Although the market has risen since then, valuations remain low by international standards — with US stocks trading at around 15 times earnings.

PE investors have been taking advantage of these valuations. For example, the US energy investment specialist EIG Group paid US$1.5bn for a 61% stake in Brazilian logistics firm Prumo Logistica in October 2013, providing it an affordable way into the country's energy and mining sector. Two months later, US PE firm Advent spent US$1bn on a minority stake in Oleoducto Central, the company managing Colombia's largest oil pipeline.

NOTHING VENTURED, NOTHING GAINED

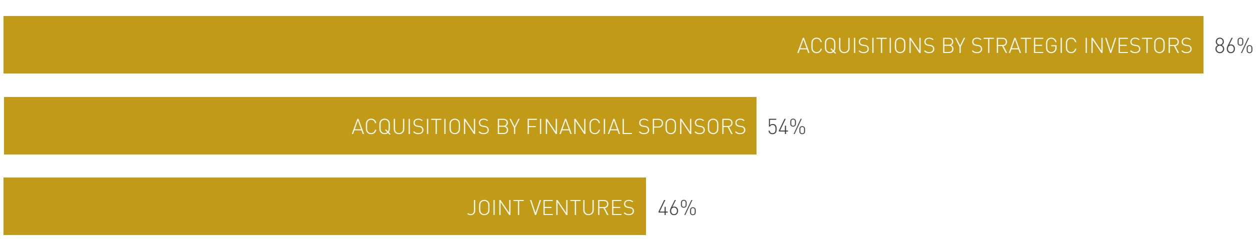
Almost one in two respondents to our survey anticipate more joint ventures in Latin America (46%). This may reflect the usefulness of JVs for first-time investors needing to gain familiarity with the local investment terrain. "Latin American joint ventures help foreign companies position themselves in the local market while overcoming local risk and regulatory challenges," says a partner in a Brazil-based private equity firm.

A good example of a joint venture is the recent announcement by North American fibre optic manufacturer Valdor Technology International that is planning its initial entry into the Mexican market to take advantage of the deregulation of the country's telecommunications sector. Eventually, the company has plans to establish its own manufacturing facility in Mexico.

FINDING THE RIGHT TARGETS

The top two business targets in Latin America are family businesses and state-owned enterprises. According to the US consultant Family Firm Institute, family owned companies account for 90% of all private sector businesses in countries such as Brazil, Chile, Ecuador, Peru and Venezuela – the average globally is closer to 66%. Indeed, some of the biggest and best known business across the continent are family businesses, ranging from Mexican brewing giant FEMSA to the Brazilian media conglomerate Globo.

Top Transaction Types



Percentage of respondents

These firms are just as ambitious as their publicly-traded rivals, but some may now need to grow through acquisition. "Family-controlled businesses are now looking to expand and they are ready to give up control," says a partner at a US-based private equity firm. "These businesses are very attractive targets for investors given their name recognition in the market."

Meanwhile, local and foreign investors are also focused on the privatization of state-owned businesses, with public sector sell-offs in Latin America continuing apace, particularly in the utilities sector. For instance, Colombia's government has begun offloading its energy sector assets, moving last year to begin reducing its 57.6% stake in energy provider Isagen. As a way to gain increased liquidity, Venezuela's state oil company Petróleos de Venezuela (PDVSA) is also selling its US-based refining unit Citgo Petroleum Corp. and its stakes in various US and European refineries.

Latin American Buyouts

	Volume	Value (US$bn)
2010	48	8
2011	43	3
2012	62	5
2013	60	7
2014	41	10

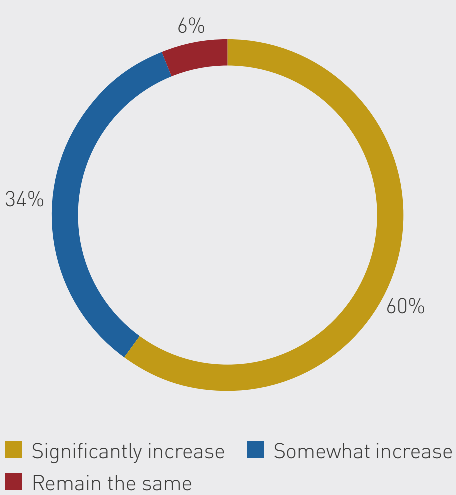
Source: Mergermarket.com
Data as of: November 18, 2014

FINANCING: THE PURSE STRINGS LOOSEN

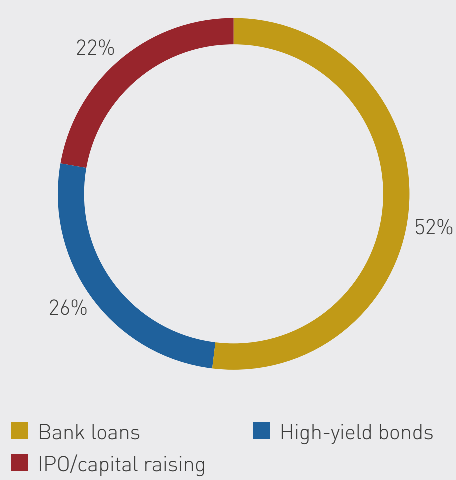
The growing availability of funding is likely to spur M&A activity across the continent in the coming year. Indeed, 60% of respondents said that financing availability would increase significantly over the next year – this optimism tallies with the 52% of respondents who expect bank loans to be Latin America's most accessible form of finance.

Latin America's bond markets have also become an increasingly important source of finance, with corporates raising US$67bn of new debt in the first half of the year, a record amount. That follows a buoyant 2013, specifically from fund-raising companies such as Brazilian oil firm Petrobras, Mexican oil firm Pemex and Chilean copper producer Codelco.

Local Access to Capital



Financing Options



INBOUND M&A: THE RANKINGS SHIFT

Latin America continues to be attractive to investors from other parts of the world. Not only do many countries in the region boast economic growth rates well ahead of what is available in developed markets, but also their investment pitch is compelling. Many Latin American countries have young populations, growing wealth (thanks to natural resources), greater political stability than ever before and a climate that is becoming more favorable to business through legal and regulatory reform initiatives.

Massive infrastructure projects are underway — new international railways through South America, for example — and many countries are more open to foreign investment than ever before. Foreign direct investment in Colombia, for instance, rose 10% in the first half of 2014, according to the Economic Commission for Latin America and the Caribbean (ECLAC).

With these favorable conditions, our survey respondents are optimistic about the prospect of an upswing in inbound cross-border M&A this year, particularly after a dip last year from 2012. More than nine of ten (92%) respondents expect inbound M&A activity to somewhat or significantly increase over the next 12 months. Their optimism is palpable: Mergermarket data showed that 2014 year-to-date cross-border inbound activity, with total deal value of US$76bn, was already double of the U$38bn for all of 2013.

Cross-border Inbound Latin American M&A Activity

	Volume	Value (US$bn)
2010	213	67
2011	262	50
2012	298	62
2013	274	38
2014	204	76

Source: Mergermarket.com
Data as of: November 18, 2014

BRAZIL SLIPS FROM FAVOR

Despite being the center of attention as host of this year's soccer World Cup and the Olympics in 2016, Brazil, the top target for foreign buyers in our last survey, slips to second while Chile has claimed the top spot.

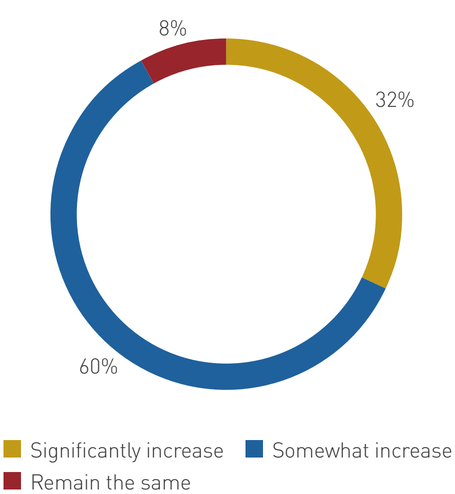
There are marked contrasts between the two countries. Although Chile's economic growth has slowed — with merely a 2% GDP increase expected in 2014 although projected to rebound to 3.3% in 2015 , according to the IMF — expectations for Brazil's economic growth is down to 0.3%; Chile has been stable politically while Brazil has seen unrest amid anger over poverty and the failure of the World Cup to deliver benefits; and Chile is increasingly known for its openness to investors while Brazil's government is coming under pressure for adopting protectionist policies including the government insisting on supervising the exploration in the pre-salt layer of oil and gas and imposing taxes on motor vehicles and other imports.

All things are relative: Brazil still has half the M&A market in Latin America. However, markets are not as favorable to dealmakers. In fact, some investors are now so unimpressed with the outlook that they are scaling back their activities in the country, particularly ahead of elections in October. A PE firm in the UK, 3i, has said it has stopped making new Brazilian investments and pulled plans for a Brazilian fund.

However, despite the favorable view of Chile in the recent survey, the country's reliance on commodities is negatively impact ted by the low export prices for minerals. This dependence makes the country vulnerable to shifts in global demand for commodities. "China's strong demand for metals and other external factors related to the commodities markets are crucial to Chile's performance in 2014," a Latin America-based managing director says. Investors may also be deterred by a potential increase in taxes to pay for health and educational reforms, as recently proposed by Chilean President Michelle Bachelet.

Nevertheless, Chile's commitment to opening its borders has paid off – as have similar initiatives in Colombia, now the region's second most popular market with investors, have impressed multinational companies with tax reforms that reduced corporate income tax and capital gains tax rate. The country, which is a part of the Pacific Alliance, also entered into a free trade agreement with the US in May 2012 to boost job creation and investment. Colombia's significant oil reserves, a marked increase in middle-class spending and government initiatives to boost infrastructure investment are additional factors that make the country more attractive to overseas investors. Economic growth this year is forecast at 4.8% by the IMF.

What do you expect to happen to the level of inbound cross-border M&A activity involving foreign (non-Latin American) bidders over the next 12 months?



STATE OF PLAY

Latin America is popular with buyers from all around the world and more than half of the acquisitions this year (52%) will be made by large multinational corporations, our survey respondents forecast. "There are many opportunities for growth and M&A in Latin America, providing multinational corporations a chance to expand," says a CFO from a US-based natural resources company.

Our respondents also expect state-owned enterprises to be behind 22% of deals in the region. This reflects the increasingly strong links between the region and the governments of Asia – particularly China and India – which have developed as part of the BRIC phenomenon. A BRIC summit held July 15-17, 2014 in Brazil saw the leaders of Russia, India and China tour much of Latin America, holding talks with businesses as well as government authorities.

We have already seen major investment in the region from Asia, with state-owned enterprises such as China's Sinopec taking stakes in Latin American companies. This will continue with more businesses "making acquisitions in Latin America to acquire natural resource assets and to make investments in infrastructure developments and other areas," says a partner in a Latin America-based firm.

Regions of Cross-border Foreign Acquirers

Percentage of respondents

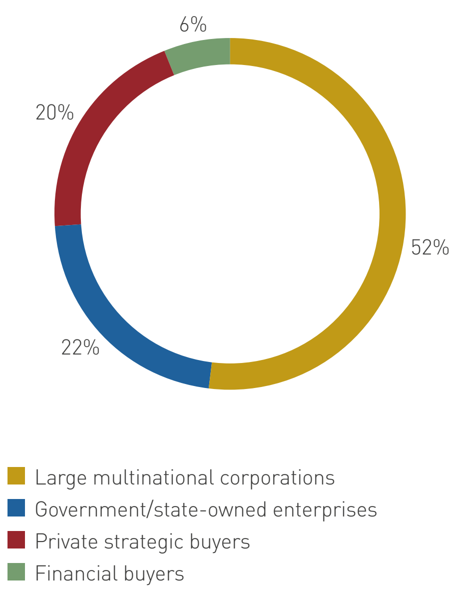
Private sector interest in Latin American M&A is also likely to increase, aided by the improved access to capital now enjoyed by international investors. More than nine of ten respondents (94%) think access to capital will increase somewhat or significantly.

Initiatives such as the Mercado Integrado Latinoamericano (MILA) bringing together the stock exchanges of Chile, Colombia, Mexico and Peru, will undoubtedly help with access to capital. "One key reason that many foreign investors are coming to Latin America is to access the capital available in the region," a US-based managing director says. An integrated marketplace makes access to capital more straightforward — even to collaborate with Latin American banks and other financiers. Listing on the region's stock markets is also emerging as a viable option.

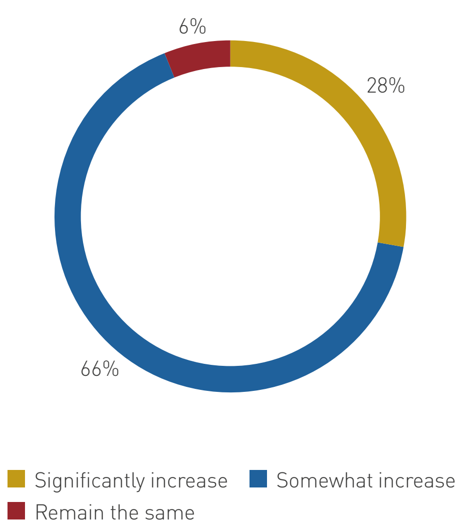
HURDLES FOR FOREIGN BUYERS

Despite the various programs and initiatives that make foreign investment into Latin American easier, there remain roadblocks to overseas buyers. "These difficulties include the lack of regulatory and environmental permits that might hinder operations or expected growth," says a Brazil-based investment banker. "There are also no clear rules on when merger control is triggered, which may affect the certainty of closing transactions."

Foreign Cross-border Acquirers



International Access to Capital

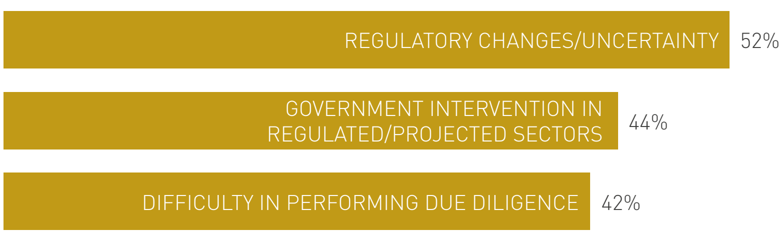


Indeed, merger control, the process of investigating M&A transactions in the context of anti-trust regulation, is becoming more commonly applied in Latin America. Mexico just this year and Brazil in 2012 have tightened their antitrust regimes and other countries are now following their lead, particularly in sectors such as telecommunications and energy. Colombia, for example, has developed very systematic criteria for when merger control provisions are triggered – and lowered the monetary thresholds for when anti-trust approval must be supplied.

THE RISE OF OUTBOUND M&A

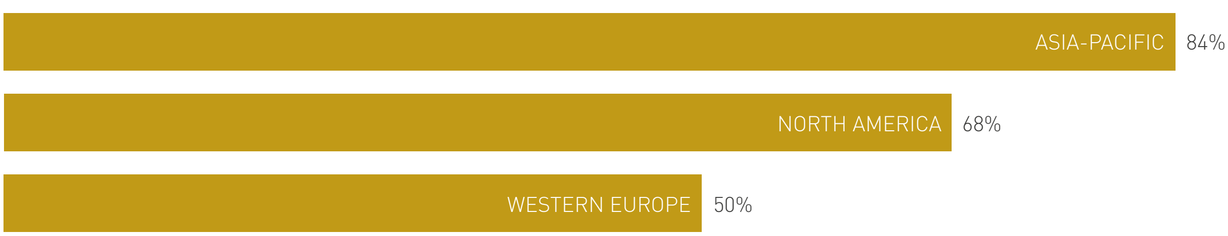
Latin American companies are no longer just targets for acquirers from other regions; they are also increasingly important players in global M&A, buying businesses and conducting transactions all around the world. Survey respondents expect to see that reflected in 2014's data on outbound M&A activity; after a muted 2013, the majority predict an increase in the number of Latin American companies making acquisitions elsewhere in the world.

Top Deterrents to International Inbound M&A



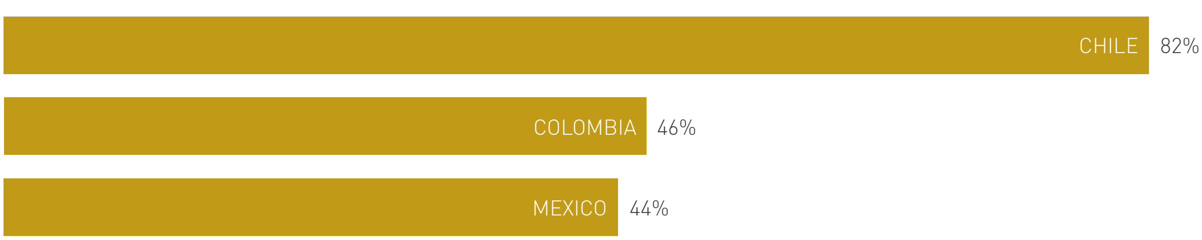
Percentage of respondents

Top Outbound Opportunities



Percentage of respondents

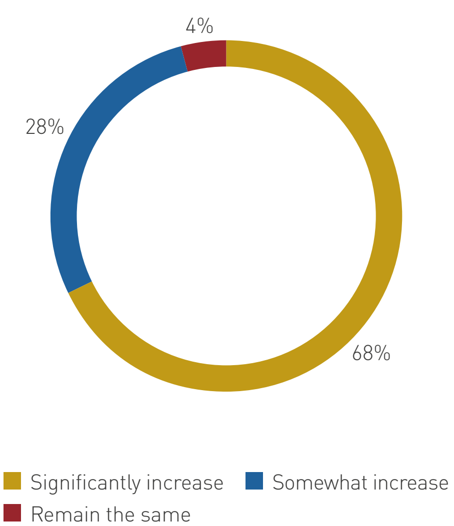
Countries Most Popular with Foreign Bidders



Percentage of respondents

Survey respondents expect Asia-Pacific to be the region of most interest to Latin American acquirers. Over time, moreover, the Trans-Pacific Partnership (TPP), a free-trade agreement between Pacific Rim nations including the US and seven Asian nations, may boost links between the two regions. Mexico, Chile and Peru are already members of the TPP and other Latin American countries, including Colombia and Costa Rica, hope to join.

What do you expect to happen to the level of outbound cross-border M&A activity involving Latin American bidders and foreign targets?



In practice, however, the transactions consummated in 2014 do not yet reflect the expectations of our survey respondents. There has been just three acquisitions of an Asian company by a Latin American buyer, while Europe has been the venue for 18 deals and North America 17. The Asian deal included Brazil-based electric motor manufacturer Weg's acquisition of two China-based companies: washer and dryer motor manufacturer Changzhou Regal-Beloit Sinya and appliance parts manufacturer Changzhou Machine Master. The largest European-Latin American transaction in 2014 was the merger between Brazilian telephone company Oi and telecommunications operator Portugal Telecom in February.

The interest in Europe reflects the overall view the eurozone crisis and subsequent recessions have created new opportunities for Latin American investors. "Europe's weak economic situation can offer great opportunities for outbound Latin American M&A as companies can acquire targets at lower price points," says a US-based investment banker. For example, between 2008 and 2013, Latin American companies spent more than US$9.2bn acquiring Spanish companies.

Cross-border Outbound M&A

	2014		2013		2012	
	Volume	Value (US$m)	Volume	Value (US$m)	Volume	Value (US$m)
North America	17	5,041	16	1,591	20	3,466
Asia-Pacific	3	63	6	543	4	782
Europe	18	17,187	9	3,994	25	11,004
Middle East	5	175	-	-	2	74

Source: Mergermarket.com
Data as of: November 18, 2014

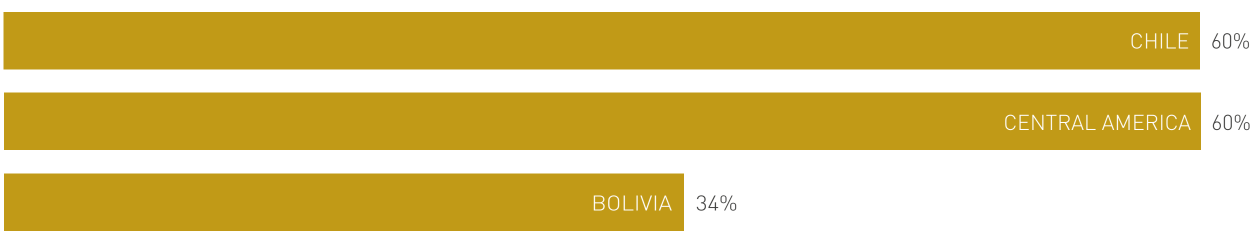
North America has also seen several deals this year involving Latin American bidders. It continues to be viewed by our respondents as the second most attractive region for Latin American companies making acquisitions, reflecting its proximity, cultural links and language compatibility. Transparent M&A regulatory regimes in the US and Canada are also attractive to Latin American bidders. Two noteworthy deals involve Mexican bidders — Mexican tycoon Fernando Chico Pardo's acquisition of a 49% stake in Seattle-based port operator SSA Marine in July and Empresas ICA Sociedad's, Mexico's largest construction company, acquisition of US-based Facchina Construction in June.

THE RISE OF INTRA-REGIONAL M&A

Intra-regional M&A is poised to grow over the next 12 months: more than one in two of our survey respondents (52%) expect a significant increase in M&A involving Latin American companies transacting with one another, while a further 42% expect at least some increase.

As with the results for inbound M&A, respondents expect Chile to be the single busiest country for intra-regional dealmaking this year: the country's companies are expected to be active participants as both bidders and targets. Despite recent slower economic growth, Chile's attractiveness ultimately reflects its overall stability. The new administration has vowed to maintain a balanced budget, and to support its sovereign wealth funds, which offer insurance against future economic headwinds.

Top Intraregional Targets

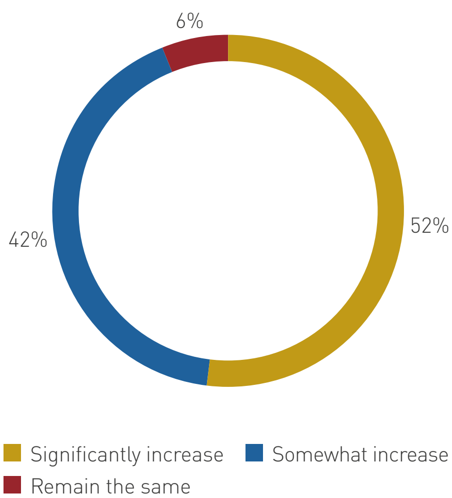


Percentage of respondents

Most Favorable Regulatory Environments

Percentage of respondents

What do you expect to happen to the level of intraregional M&A activity within Latin America over the next 12 months?



Alongside Chile, 60% of respondents highlight Central America as the region offering some of the most attractive opportunities for Latin American purchasers. The region's free trade agreements, including treaties with Europe and the US, are attracting investors to a broad range of access to investments.

BRAZIL LOOKS OUTWARD

Brazil and Mexico (as well as Chile) are viewed as the jurisdictions having the most companies looking for intra-regional acquisition opportunities. In Brazil and Mexico in particular, cash-rich businesses are looking to expand their presence in Latin America. "Companies from Brazil and Mexico are acquisitive and are taking advantage of opportunities to increase their exposure and market share within the region," says a Europe-based head of investment at a private equity firm.

Some companies have no choice but to look beyond their borders. The recent slowing of economic growth in Brazil has driven companies to seek out greener pastures. "Brazilian companies are finding it difficult to drive growth through the domestic market," says a Europe-based director at an investment firm. "So they are looking for alternative places to acquire assets within Latin America."

REGULATORY REFORM PROVIDES FAIR WIND

Our respondents believe that regulatory reform is likely to boost intra-regional M&A this year. Approximately three-quarters (76%) say reforms will boost M&A activity, particularly in Brazil, Chile, and Mexico.

In Chile, 60% of respondents view the country as offering the most favorable regulatory environment in Latin America (a score only matched by Peru). And in Mexico, the government's removal of some barriers to foreign investments in sectors such as telecommunications is playing well with investors.

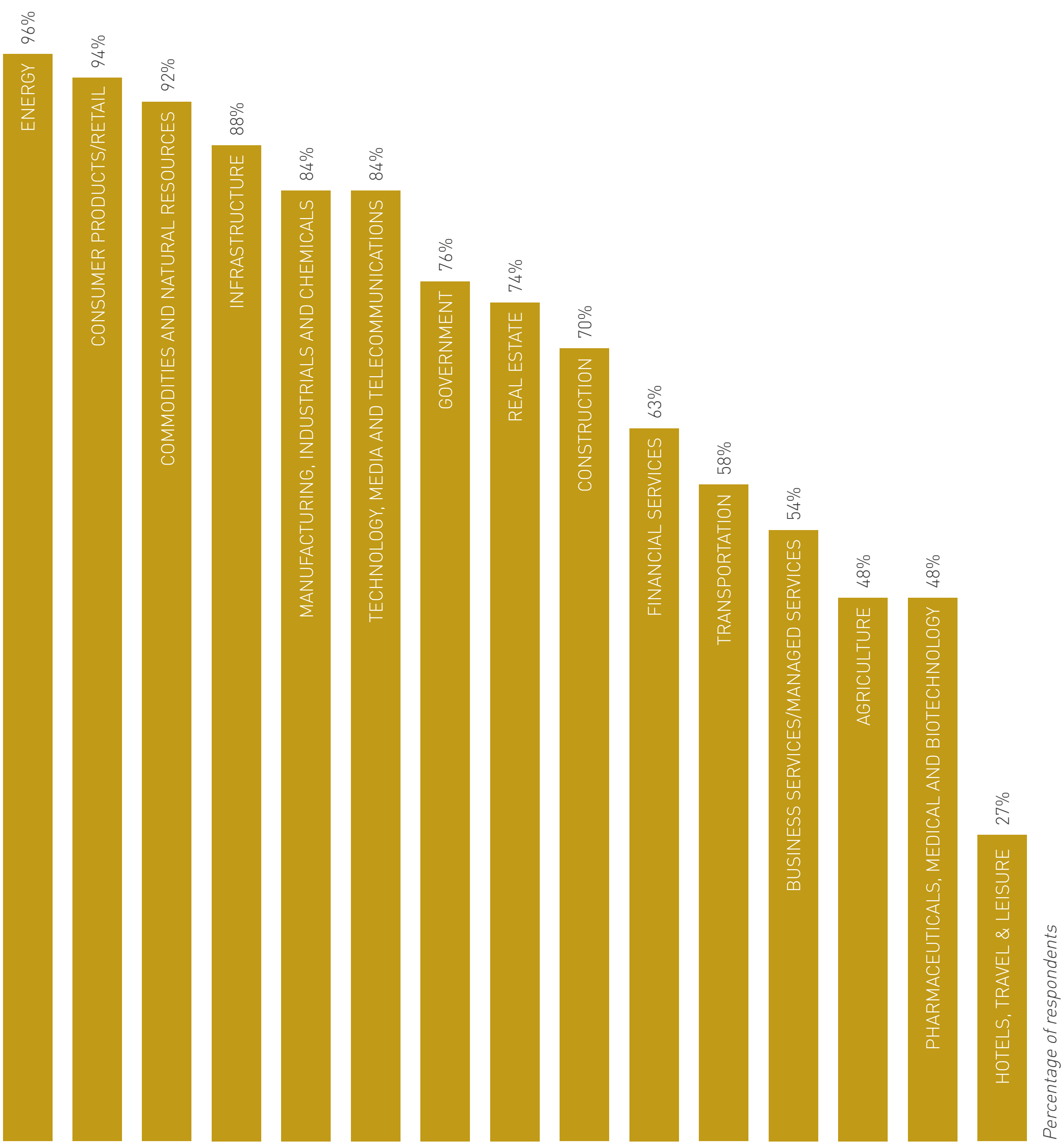
ENERGY REFORM

Additionally, says a Latin American investment banker, "Mexico's energy reforms, which will allow private investment into the sector, have taken center stage as one of the most significant opportunities, not only in Latin America, but also among the global energy markets." In Brazil, new anti-trust regulations became effective in 2013, providing greater clarity for would-be purchasers with a set procedure for pre-deal reviews.

SURVEY ANALYSIS

SECTOR WATCH: LATIN AMERICA'S MOST IN-DEMAND COMPANIES

Top Latin American Sectors



Energy, consumer products/retail and commodities are likely to be the busiest sectors for M&A activity over the next 12 months. In each case, more than nine of ten of our respondents forecast a rise in dealmaking.

At the top of the list is energy. As one director in a Europe-based private equity firm stated: "Many governments and foreign bidders are eyeing the sector for its notable growth." Particular opportunities include Brazil's wind energy industry, which grew strongly in 2013. Mergermarket intelligence says robust asset sales are likely to drive future M&A in this segment.

In consumer products and retail, buyers are taking a bet on the rising disposable incomes of the region's middle classes. Market research group AMI predicts private consumption per head in Latin America will reach US$11,143 by 2020, up from US$6,360 in 2012 — by then, the region will account for 10% of the global population with a market of 640 million consumers.

Three of the top 15 Latin America deals were in the consumer sector last year, led by US-based wine company Constellation Brands' US$2.9bn acquisition of Mexican beer producer Compania Cervecera de Coahuila.

In the commodities and natural resources sectors, the region's raw materials – many of which have yet to be fully exploited or even explored – have, for some time, attracted North American and European bidders. More recently, Chinese and Indian buyers have sought access to mineral-rich lands in the region.

They have been aided by the comparatively favorable regulatory environment in countries such as Chile and Peru. In Peru, for example, Hong Kong-based holding company MMG South America Management recently completed its US$5.8bn purchase of a 99.99% stake in Xstrata Las Bambas, which operates the Las Bambas mining project.

Not far behind the top three 'hot' sectors, 88% of respondents view the infrastructure sector a sector to undergo an increase in M&A activity. Government projects throughout the region are attractive to bidders – recently begun tender processes in Colombia and Peru are stand-out examples – while Brazil's preparation for the 2016 Summer Olympic Games will provide further opportunities.

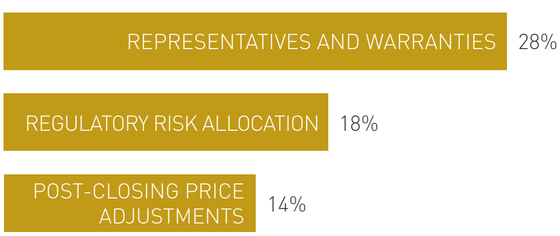
The manufacturing, industrials and chemicals sector is expected to see an increase in M&A activity by 84% of respondents. Consolidation in the specialized chemical segment is one factor, with companies seeking operational efficiencies. Other deals have been more growth focused – a good example is US-based chemicals manufacturer PPG Industries' acquisition of Mexico-based paint manufacturer Comex for US$2.3bn.

DEAL BREAKERS: BARRIERS TO M&A

Respondents list problems with complicated ownership structures, anti-trust disclosure requirements and regulatory barriers as the three most challenging issues for transaction parties to agree on before letters of intent (LOI) are exchanged.

Ownership structures can be more complex in Latin America than in other regions – partly because of the prevalence of multi-generational family-owned firms – but these have to be understood before an acquisition can proceed. There may even be issues over who exactly owns the intellectual property residing in the business.

Difficult Deal Terms (Definitive Documentation)



Percentage of respondents

On anti-trust, the regulations vary from country to country, but competition law is now an area of focus for many governments in the region. That's not necessarily bad news: one problem has been that in certain countries, anti-trust interventions have often been made at the discretion of the authorities, rather than on the basis of publicly stated criteria. Where formal structures are put in place, acquirers at least know where they stand.

Greater cooperation between Latin American countries on anti-trust issues, through organizations such as the Regional Center of Competition for Latin America (CRC), which works toward greater coordination of competition policy and legislation in the region.

As for regulatory barriers, half of the respondents say that the main cause of deals being terminated prior to closing is the difficulty of getting the necessary approvals. One US-based managing director says: "The regulatory laws can discourage the buyer from pursuing the transaction as often more time and resources will be needed to complete the deal as compliance costs escalate."

Once initial terms have been drafted, there may be further complexities that act as a barrier to sealing the deal. Our respondents point in particular to issues over representations and warranties – the extent to which either party will have a claim on the other if a problem emerges in the future.

Difficult Deal Terms (Pre-LOI)

Percentage of respondents

CONCLUSION: A BRIGHTER FUTURE

The outlook for M&A in Latin America over the next 12 months remains positive. While some headwinds remain – a slowdown in Brazil, for example – the region is hugely attractive for both global and regional buyers. The long-term story of rising consumer incomes and positive demographics remains compelling and much of Latin America looks set to outpace more developed markets on growth over the next 12 months.

Other factors likely to boost M&A include better availability of financing, the trio of general elections, a growing determination in many countries to pursue structural reforms designed to entice foreign investors, the emergence of opportunities in countries such as Mexico and Colombia, and the growing interest of Latin American companies in outbound transactions.

This is not to pretend the region is homogenous. Clear differences exist between the positions of individual countries, their economies and legal regimes and their M&A markets.

Nevertheless, Latin American M&A is set to rebound from a difficult year in 2013. Evidence of this rebound already exists, with deal values up in the first quarter of 2014, and there is good reason to expect the positive trend to continue.

TOP DEALS

Top Intraregional and Domestic Latin American Deals 2013-2014 YTD

Announced Date	Target Company	Target Dominant Sector	Target Dominant Country	Bidder Company	Bidder Dominant Country	Value (US$m)
06/27/2014	America Movil SAB de CV (8.38% Stake)	Telecommunications: Carriers	Mexico	Inmobiliaria Carso	Mexico	5,599
02/25/2014	YPF Sociedad Anonima (51% Stake)	Energy	Argentina	Government of Argentina	Argentina	5,000
04/15/2014	ALL - América Latina Logística	Transportation	Brazil	Rumo Logistica	Brazil	4,112
06/10/2013	Seara Alimentos; Grupo Zenda	Consumer: Foods	Brazil	JBS	Brazil	2,762
04/22/2013	Anhanguera Educacional Participacoes	Services (other)	Brazil	Kroton Educacional	Brazil	2,663

Source: Mergermarket
Data as of: November 18, 2014

Top Inbound Latin American Deals 2013-2014 YTD

Announced Date	Target Company	Target Dominant Sector	Target Dominant Country	Bidder Company	Bidder Dominant Country	Value (US$m)
09/17/2014	Enersis SA (60.62% Stake)	Energy	Chile	Enel Energy Europe S.r.l	Italy	10,214
09/19/2014	Global Village Telecom (Holding) SA	Telecommunications: Carriers	Brazil	Telefonica S.A.	Spain	9,909
10/12/2014	Compania General de Electricidad SA	Energy	Chile	Gas Natural Fenosa	Spain	7,577
04/13/2014	Xstrata Las Bambas S.A (99.99% Stake)	Mining	Peru	MMG South America Management Company Limited	Australia	7,000
04/29/2014	Banco Santander Brasil S.A. (13.65% Stake)	Financial Services	Brazil	Banco Santander, S.A.	Spain	3,564

Source: Mergermarket
Data as of: November 18, 2014

Top Outbound Latin American Deals 2013-2014 YTD

Announced Date	Target Company	Target Dominant Sector	Target Dominant Country	Bidder Company	Bidder Dominant Country	Value (US$m)
02/20/2014	Portugal Telecom SGPS, S.A.	Telecommunications: Carriers	Portugal	Oi	Brazil	11,869
04/24/2014	Telekom Austria AG (44.77% Stake)	Telecommunications: Carriers	Austria	America Movil SAB de CV	Mexico	1,961
07/14/2014	Banca della Svizzera Italiana SA	Financial Services	Switzerland	Banco BTG Pactual S.A	Brazil	1,681
11/14/2013	Campofrio Food Group SA	Consumer: Foods	Spain	Sigma Alimentos S.A. de C.V.; WH Group Limited	Mexico	1,588
02/12/2014	Canada Bread Company, Limited	Consumer: Foods	Canada	Grupo Bimbo S.A.B. de C.V.	Mexico	1,359

Source: Mergermarket
Data as of: November 18, 2014

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For more information, please contact:

Erik Wickman
Global Managing Director, Remark
Tel: +1 212 686 3329

Part of The Mergermarket Group

www.mergermarketgroup.com

330 Hudson St. FL 4
New York, NY 10013
USA

t: +1 212.686.5606
f: +1 212.686.2664
sales.us@mergermarket.com

80 Strand
London
WC2R 0RL
United Kingdom

t: +44 (0)20 7059 6100
f: +44 (0)20 7059 6101
sales@mergermarket.com

Suite 2401-3
Grand Millennium Plaza
181 Queen's Road, Central
Hong Kong

t: +852 2158 9700
f: +852 2158 9701
sales.asia@mergermarket.com

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