

HORIZONS

BDO'S GLOBAL VIEW OF MID-MARKET DEAL ACTIVITY

MERGERS&ACQUISITIONS

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MODEST M&A ACTIVITY IN 2024 AMID GLOBAL TURMOIL

Central America's M&A Landscape

Insights from the region and the role
of local expertise

Regional View

Views from around the globe

Latin America

DEALMAKING HOLDS STEADY IN CHALLENGING ECONOMIC ENVIRONMENT



BIG PICTURE

- H2 2024 saw 202 deals completed with a total value of USD 20,356m, a decrease in overall deal volume compared to H1 2024 but average deal value rose compared both to H1 2024 and H2 2023
- PE deal value climbed by 47.9% in H2 2024 compared to the first half of the year
- The most active sectors were TMT, Energy, Mining & Utilities and Industrials & Chemicals, with 39, 38 and 36 deals respectively
- Brazil accounted for 14 deals in the top 20, representing 67.6% of the top 20's total deal value
- Latin America's economies face a challenging outlook as the region needs to balance sluggish growth with high debt pressure and the potential effects of expected changes, post-US election, regarding trade, fiscal and monetary policies.

Latin America's mid-market segment saw 202 deals completed in H2 2024 with a total value of USD 20,356m, which, compared to H1 2024, represented a marginal decrease of around (3.4%) in overall deal value, but there was a sharper fall in deal volume of 15.8%. It is noteworthy that compared to H2 2023, overall deal volume dropped by 10.6%, but overall deal value rose by 5.2%. The key takeout from this is that by comparison to both H1 2024 and H2 2023, the region recorded an increase in average deal value.

With 42 deals, PE-funded activity saw a decrease of 23.6% versus the first half of the year, accounting for 20.8% of overall deal volume. However, PE deal value rose significantly by 47.9% from the first half of the year. Compared to H2 2023, PE deal volume decreased by 12.5%, but deal value rose by 12.3%, indicating the same pattern as the overall deals, with higher value deals taking place in the second half of the year.

Latin America's top 20 deals in the half-year period had a total value of USD 8,188m, accounting for 40.2% of overall deal value but only 9.9% of overall deal volume.

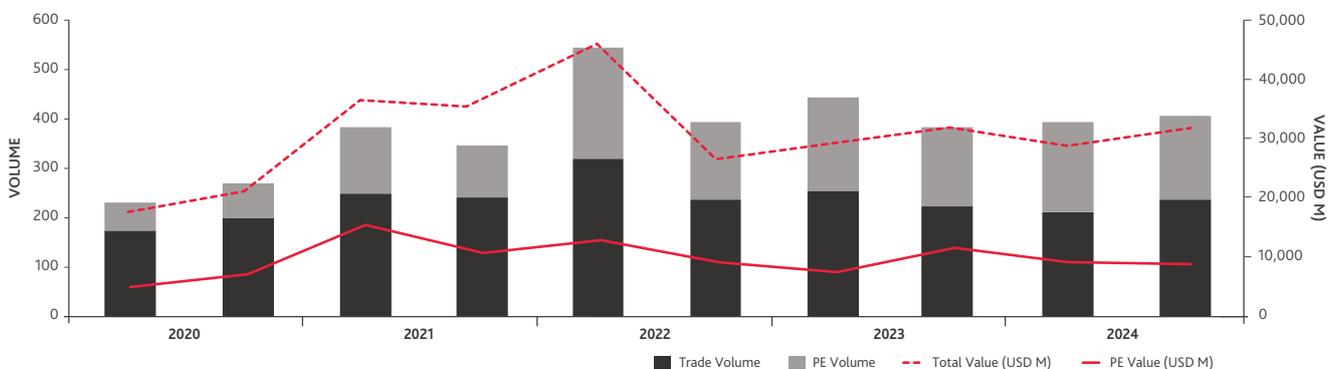
Looking at 2024 as a whole, deal volume recorded a slight increase of 2.1% with 442 deals in 2024 versus 433 in 2023. Overall deal value in 2024 rose by 21.9%.

KEY DEALS AND SECTORS

The TMT, Energy, Mining & Utilities, and Industrials & Chemicals sectors led the way in H2 2024 with 39, 38 and 36 deals respectively, accounting for 55.9% of all deals closed. They were followed by Business Services, with 26 deals, Financial Services with 19 deals and then Consumer (15), Pharma, Medical & Biotech (12), Real Estate (9) and Leisure (8).

The top 20 deals, as previously mentioned, represented 40.2% of all Latin American activity in H2 2024, with a total value of USD 8,188m. Brazil was the most targeted country in the top 20 with 14 deals, which accounted for 67.6% of the top 20's deal value.

PE/TRADE VOLUME & VALUE



The biggest single deal was a USD 500m investment round for Brazil-based Scala Data Centers, led by Coatue Management LLC and the Investment Management Corporation of Ontario. The company is expected to invest the capital raised into the construction of data centres for 'hyperscale' contracts.

Other significant deals included the acquisition of a 50% stake of the Los Ramones Norte II Gas Pipeline in Mexico by an undisclosed acquirer for USD 500m and the purchase of a 100% stake of Mexican port authority Infraestructura Portuaria Mexicana by Terminal Investment Ltd SA, also for USD 500m.

POLITICAL AND ECONOMIC CONTEXT

Latin America faces challenging economic prospects due to continuous low productivity and high financing costs in the region, which are contributing to weaker growth. These factors, along with high interest rates, indicate that debt burdens will be higher this year.

The outcome of the recent US elections may also result in impacts on the region's business, fiscal strategies and monetary policies.

This could see the strengthening of the US dollar against local Latin American currencies, and possible business interruptions due to new tariffs.

These factors may well create a difficult scenario for Latin American economies this year, especially as the region balances these international challenges with its own internal issues.

Brazil, the biggest economy in Latin America, saw a significant decline in the value of its currency at the end of 2024 under the Lula da Silva government. This was mainly due to market reactions to the government's fiscal plans and the limited proposed budget cuts, which were generally deemed insufficient given the spending plans for the next year. President Lula currently has record disapproval ratings, with more than half of all Brazilians stating dissatisfaction with the state of the economy. There is growing frustration with the leftist president's economic stewardship.

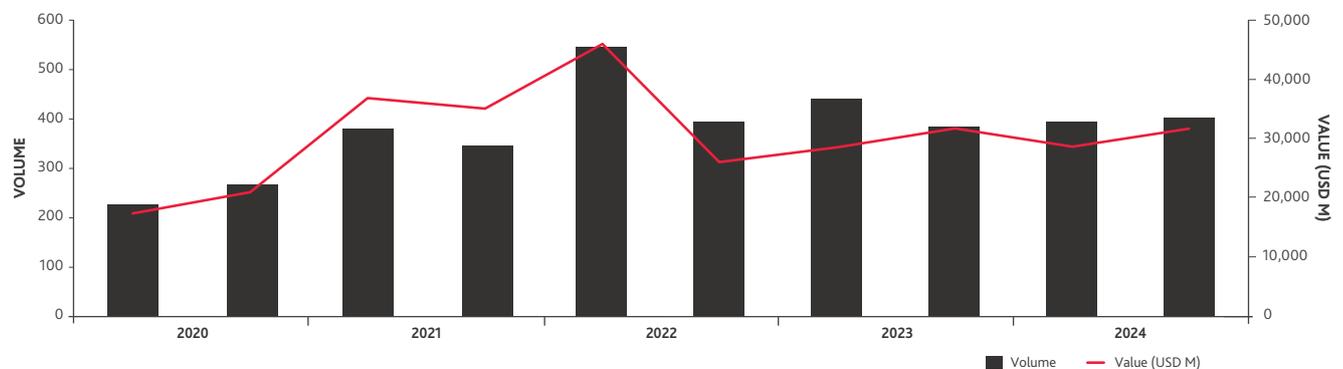
In addition, other factors such as the US Federal Reserve's indication that there will be fewer interest rate cuts in 2025 than previously anticipated,

as well as pressures on the exchange rate, have also contributed to the sharp economic decline in Brazil.

Based on this scenario, experts are predicting that in 2025 there will be negative impacts on sectors including civil construction, durable goods and real estate, due to the rising interest rates which are aimed at curbing inflation. However, exported goods are expected to benefit from the strengthening of the US dollar, especially exports of agricultural products and petroleum. Consumer goods are also expected to perform well this year, as people's incomes are likely to be maintained even in the context of higher interest rates. This is because economic deceleration effects tend to lag behind, and welfare programmes generally favour continued consumption.

Moving onto Argentina, the country has made important advances in stabilising its economy in the past year, for example exiting a recession in Q3 2024 and generating a fiscal surplus for the year. The performance of Argentina's economy was also boosted by agriculture and mineral exports, while sectors such as construction and manufacturing continue to struggle.

PE/TRADE VOLUME & VALUE



LOOKING AHEAD

Latin America represents approximately 5% of the global M&A mid-market with 306 deals announced or in progress, as shown in the BDO Heat Chart. TMT is expected to top the sector chart with 63 deals, followed by Business Services (60), Financial Services (42) and Energy, Mining & Utilities (37).

In 2025, the outlook for M&A in Latin America will remain challenging due to a range of global and internal factors as the region's economies try to balance low growth, high inflation, high interest rates and high debt.

As already mentioned, Brazil's economy expects to see positive performances in sectors such as exported goods and consumer goods, while others that are more sensitive to high interest rates, such as real estate, generally face weaker prospects.

A similar outlook can be seen in Argentina, where agriculture and mineral exports are predicted to support growth, while the country continues to go through political and economic changes.

As far as the rest of the region, there are uncertain times ahead for Mexico due to the potential for incoming US tariffs. However, countries such as Peru and Chile have been able to maintain historically stable environments in terms of their macroeconomies and monetary policies, and with easing monetary cycles, this is suggestive of a stable outlook in those two countries for the year ahead.



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LATIN AMERICA HEAT CHART BY SECTOR

TMT	63	21%
Business Services	60	20%
Financial Services	42	14%
Energy, Mining & Utilities	37	12%
Consumer	35	11%
Industrials & Chemicals	32	10%
Pharma, Medical & Biotech	27	9%
Leisure	8	3%
Real Estate	2	1%
GRAND TOTAL	306	

LATIN AMERICA MID-MARKET VOLUMES BY SECTOR

