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Top 100 M&As in Latin America

Latin M&A Boom

The number of Latin American merger and acquisition deals - and their value - grow significantly.

BY JOACHIM BAMRUD

Latin America registered an M&A bonanza last year following a weak 2005. The number of deals went from 505 in 2005 to 761 last year, an increase of 50.7 percent. More importantly the value went from \$41.6 billion to a whopping \$110.9 billion, a 167 percent increase, according to data from Thomson Financial.

"2006 continued to be a very strong year for the global M&A market, including Latin America," says Sergio Galvis, Latin America coordinator at New York-based Sullivan & Cromwell, a leading legal advisor for Latin American M&A's.

Energy dominates the list of the top 100 M&As in Latin America, followed by technology, finance and metals & mining. Of the 100 largest deals in Latin America last year, 21 were energy-related, while the technology, finance and metals & mining sectors each saw 14 deals, according to a *Latin Business Chronicle* analysis of the Thomson data. Sectors like transport, retail and communications also saw some activity, while chemicals, pulp & paper, water and real estate rounded out the list.

In terms of countries, Brazil is king. The South American country accounts for 41 of the 100 top companies that were acquired last year and 26 of the buyers. Mexico followed, with 20 companies sold and 15 buyers. Colombia came in third in terms of companies sold (10), followed by Argentina (7) and Chile (6). On the buyer side, the United States came in third, with 13 acquisitions, followed by Colombia (8) and Switzerland (5).

While the ranking of Top 100 M&As includes investments into Latin America, the region also set its mark last year by acquiring companies in North America and Europe. The \$17.8 billion acquisition of Canadian mining company Inco by Brazilian mining giant CVRD was the most prominent example.

"The deal demonstrates that world-class Latin American multinationals can succeed ...on the world stage, competing with other global companies," Galvis says. Sullivan & Cromwell advised Inco in the deal.

Another example was the \$3.2 billion acquisition of U.S.-based Maverick Tube Corp by Argentina-based Tenaris.

TOP DEALS IN LATIN AMERICA

A large reason for the dramatic increase in Latin M&A's was one deal alone - the \$35.3 billion merger of America Telecom with America Movil, which became the top M&A in Latin America last year.

The second-largest deal was the \$3.4 billion acquisition of Brazilian steel company Arcelor by Indian-Dutch steel giant Mittal. That was followed by the \$2.6 acquisition of Brazilian mining company Caemi by CVRD.

Rounding out the top five deals were the \$2.6 billion acquisition of Colombia Telecom by Spanish telecom giant Telefonica and the \$2.6 billion acquisition of Brazilian bank Banco Pactual by Swiss banking giant UBS.

Other noticeable deals included:

- A Canadian investor group's \$2.4 billion acquisition of Chilean power transmission company Transelec;
- UK-based HSBC's \$1.8 billion acquisition of Panama-based bank Grupo Banistmo;
- Brazil-based All America Latina Logistica's \$1.7 billion acquisition of Brazilian railway Brasil Ferrovias;
- US-based Citigroup's \$1.5 billion acquisition of Banco Cuscatlan in El Salvador; (Citigroup also acquired Nicaragua-owned Grupo Financiero Uno (GFU) for an undisclosed amount, a deal that did not make the list).
- Brazil-based AmBev's \$1.2 billion acquisition of Argentine brewer Quilmes;
- Mexico-based Telmex' \$809 million acquisition of Brazilian telecom operator Embratel:

Transelec, Chile's largest power transmission company, was acquired by a consortium that included Brookfield Asset Management and the Canada Pension Plan Investment Board (CPPIB). Galvis, whose firm advised CPPIB, sees this as a good example of the growing interest in infrastructure in Latin America. "This was quite an innovative transaction for the region and perhaps a model for others to follow," he says.

In addition to the acquisitions by HSBC and Citigroup, Scotiabank and Bancolombia acquired banks in Latin America last year. "Finance is definitely a sector that got the attention of investors," says Alejandro Radzyminski, a partner at Skadden Arps, which was the top legal advisor in Latin American M&As last year, according to Thomson. Skadden advised Citigroup in its Cuscatlan acquisition.

America Movil and Telmex also made news last year by offering \$3.7 billion to buy three operators in Latin America owned by US-based telecom operator Verizon: Verizon Dominicana in the Dominican Republic, Puerto Rico Telephone and CANTV in Venezuela.

The Verizon sale in Venezuela would have brought in \$676 million, while a subsequent deal to buy the other shares would have brought in \$1.2 billion. However, two weeks ago,

Venezuelan President Hugo Chavez announced the nationalization of CANTV, which effectively stops the deals.

Among other major technology deals that did go through were:

- Mexico-based telecom operator Axtel's \$500 million [acquisition of broadband provider Avantel](#) in Mexico,
- Luxembourg-based Millicom International's \$480 million acquisition of Colombia Movil,
- Spain-based Telefonica's \$467 million acquisition of Tevecab in Brazil,
- Venezuela-based Telvenco's \$425 million acquisition of Digitel in Venezuela,
- US-based Global Crossing's \$312 million [acquisition of Impsat in Argentina](#).

OUTLOOK

Latin America is expected to post another strong performance in M&A deals this year, experts say.

Galvis sees three main factors helping drive the M&A market in Latin America. First, Latin American companies have become more efficient and global. "The top Latin American companies have done a great job in the last 15 years, becoming world-class competitors," he says.

Second, the global M&A environment is very favorable, with a lot of liquidity. And third, Japanese and Chinese companies are expected to continue looking at investment opportunities in Latin America, especially in mining and oil, forecasts Galvis.

Finance, energy and infrastructure will likely be key M&A sectors this year, forecasts Radzyminski.

Despite the negative news from countries like Venezuela and Ecuador, which both are becoming more hostile to foreign investors, Galvis doesn't expect this to be a deterrent for foreign acquisitions in Latin America in general. "Investors have become much more sophisticated about recognizing differences in conditions in varying countries," he says. "I would not expect that concern about a particular country would affect prospects in others."

Radzyminski agrees. "Some time ago, any small piece of bad news in the region would shock the whole business, but what is interesting is that this time it was contained and did not spill over to other countries," he says.

While political uncertainty will continue in several countries, the overall M&A outlook is very positive, experts say. "Obviously, Latin America presents a relatively volatile environment, with a great deal of political activity in different countries," Galvis says. "But having said that, the acquisitions environment is very attractive."