

Deal Drivers: Americas Q1 2023

A spotlight on mergers and
acquisitions trends in **2023**

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Foreword: Pockets of resilience in a turbulent sea

It has been a gloomy few months for M&A in the Americas, to say the least. Compared to the bright uplands of the immediate post-pandemic era, Q1 of this year more closely resembles a brackish quagmire.

Inflation, once thought to be transitory, grew persistent. With few alternatives at their disposal, monetary policymakers pursued an agenda of aggressive interest rate increases in a bid to bring price rises back to target. Financing conditions grew tighter and tighter, public markets took a turn for the worse, and M&A activity tumbled.

The economic outlook in the near and medium term doesn't leave too much room for optimism. The US recorded GDP growth of 2.1% in 2022, according to the most recent figures published by the International Monetary Fund (IMF), with that expected to decelerate to 1.6% in 2023 and just 1.1% next year. Latin America & the Caribbean, for its part, is forecast to fare slightly better—GDP growth is expected to decline from 4% last year to 1.6%, before climbing again to 2.2% in 2024.

Looking up

The broad outlook is downbeat, but there are signs of resilience amid the discouraging headlines. Some M&A markets were able to avoid the downturn in both deal volume and aggregate value, those being the Western US and Southern US subregions.

A handful of big-ticket transactions came to fruition as well. Pfizer's US\$45.7bn acquisition of biotech company Seagen, for instance, was the largest deal announced in the pharma, medical & biotech (PMB) sector since 2019's AbbVie-Allergan tie-up.

On the policy side, too, one can find signs of improvement. In March, US inflation fell to 5% year-on-year, a significant deceleration from the 6% recorded in February. Central bankers at the Federal Reserve refuse to become complacent, but many onlookers believe that just one more rate rise will be forthcoming before policymakers look to start cutting rates towards the end of this year.



Outlook: Americas heat chart

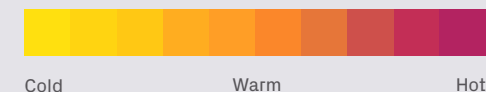
With a bit of luck, we will soon be looking back on Q1 2023 as the nadir for M&A in the Americas before dealmaking picks up over the course of this year. The likelihood of interest rates reaching their terminal levels as inflation wanes leaves room for cautious optimism.

Financing conditions may remain challenging in the near term, but cash-rich companies will be able to capitalize on declining valuations, particularly in the technology space. PE firms, in particular will be looking to deploy their mountains of dry powder—in the region of US\$2tn—with the understanding that some of the best investment vintages are to be found during economic downturns. A handful of take-privates featured among the largest transactions announced in the Americas in Q1, and these sorts of deals are likely to remain popular throughout the year.

Lower valuations and declining share prices have also led to a marked increase in proxy fights. During the pandemic, companies were largely exempted from too much activist scrutiny, with the understanding that organizations were doing their best to navigate a once-in-a-century crisis. Then, in the post-pandemic period, buoyant stock markets robbed activists of their go-to grievance. But now, with stock markets so soft, there is less downside risk for shareholder activists, who are better positioned now to compel companies to generate value and shore up their positions, including through divestments of non-core assets.

Heat chart based on potential companies for sale

	Brazil	Canada	Western US	Midwestern US	Southern US	Northeastern US	Latin America & the Caribbean	TOTAL
TMT	87	60	247	143	264	252	85	1,138
Pharma, medical & biotech	8	14	113	81	115	165	4	500
Business services	29	23	73	48	91	77	31	372
Consumer	27	30	59	44	70	67	33	330
Financial services	12	5	47	24	45	73	22	228
Industrials & chemicals	7	15	42	46	53	51	6	220
Energy, mining & utilities	35	17	18	6	28	17	21	142
Leisure	11	2	10	8	16	18	3	68
Transportation	3	1	2	7	6	3	4	26
Real estate	3	2	2	1	4	5	8	25
Agriculture	2	3	7	2		3	1	18
Construction	2	8		1	1	2	1	15
Defense			1		8	2		11
TOTAL	226	180	621	411	701	735	219	3,093



Note: The Intelligence Heat Charts are based on 'companies for sale' tracked by Mergermarket in the respective regions between October 01, 2022 and March 31, 2023. Opportunities are captured according to the dominant geography and sector of the potential target company.

In the near term, the technology, media & telecoms (TMT) sector is expected to generate the bulk of M&A activity in the Americas. According to our forward-looking heat chart, which breaks down 'companies for sale' stories on the Mergermarket intelligence tool, there were 1,138 stories about TMT companies in the Americas being open for business in the M&A arena. This represents more than a third (37%) of the 3,093 'companies for sale' stories across the region as a whole.

Outside the US, very few countries or sectors show the potential for red-hot dealmaking. In the cases of Canada, Brazil, and the other economies of Latin America & the Caribbean, TMT is seemingly the only meaningful source of prospective M&A, accounting for 37% of all for-sale stories across those three markets.

The US TMT space is expected to make up the vast majority of this potential activity, accounting for 906 (almost 80%) of the industries' for-sale stories. Likewise, the four subregions comprising the US as a whole are also expected to generate around 80% of M&A activity across all sectors.

The PMB sector is also expected to be a mainstay of Americas M&A this year, logging 500 'companies for sale' stories through Q1, with all but 26 of these relating to assets in the US. PMB consistently generates high-caliber transactions, given that companies in the space must constantly renew their drug pipelines as patents expire or demand for specific treatments dwindles, to say nothing of the incredible rate of innovation in the biotech subsector.



Summary: There's no escaping this downturn

The Americas contains a diverse set of markedly different M&A markets, from the US, the world's biggest economy, and Brazil, a large but politically volatile market, to small-but-advanced Caribbean economies and other developing nations in Latin America.

Of the various subregions covered in this study, a couple were able to bypass the broadly dispiriting route that M&A has taken globally over the last several months. These were the Western and Southern US, which recorded quarter-on-quarter increases in both deal volume and aggregate value over the first three months of 2023.

However, the region as a whole was dragged down by weak metrics in most markets, as well as the conspicuous downturn in TMT dealmaking. After being the key driving force behind much M&A over the last couple of years, the technology sector in particular has been hit hard by a downturn in public equities and the pursuit of aggressive monetary policy, with elevated interest rates leading to higher borrowing costs.

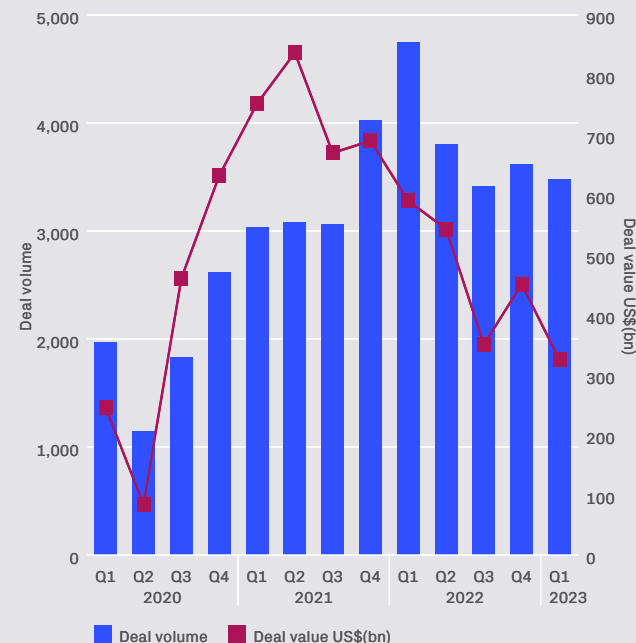
Double dip

Overall, the Americas logged 3,474 deal announcements worth US\$325bn in total. These figures represent declines of 3.9% in volume terms and 28% in value terms quarter-on-quarter. Year-on-year comparisons are even less rosy, showing declines of 26.8% and 44.9%, respectively.

And while Q1's volume level is generally consistent with those recorded over the last couple of years (3,596 on average over the eight quarters of 2021 and 2022), its aggregate value figure is the lowest since Q2 2020 (US\$84bn), at the height of the pandemic crisis.

The deterioration in M&A was manifest in the PE space as well. The buyout market in the Americas generated 837 deals worth US\$86bn in Q1, down 11% and 2.8%, respectively, from Q4 2022. On the exits side, the 157 worth US\$42bn announced through the first three months of the year represent quarter-on-quarter downgrades of 19.5% and 37%.

Americas M&A activity, 2020-Q1 2023



Source: Mergermarket



TMT sputters

In spite of recording a year-on-year decline in deal volume of more than 42.6%, the largest such decline among the largest industries for M&A, TMT remained the most popular sector for dealmaking in the Americas. The 910 bids for TMT companies announced in Q1 of this year make up 26% of all M&A activity during that period, with the next busiest sector being business services with 599 deals, or 17% of the total.

TMT likewise saw a massive year-on-year collapse in total deal value, recording just US\$69.6bn worth of transactions. While that was the second highest sum in Q1 2023 in the Americas—behind only PMB’s US\$84.8bn—it represents a decline of 73% compared to the same period last year.

Still, TMT managed to contribute three of the 10 largest transactions announced in the Americas through the first three months of this year, including the third largest overall. In that deal, originating from the Western US, PE firm Silver Lake Partners and the Canada Pension Plan Investment Board moved to acquire specialist software company Qualtrics for US\$11.9bn in what, at the time of its announcement, was the largest buyout of the year. The deal is part of a restructuring effort being undertaken by Qualtrics’ previous owner, German software group SAP.

Americas top sectors by value | Q1 2023

	US\$(m)
Pharma, medical & biotech	84,849
TMT	69,551
Energy, mining & utilities	41,271
Financial services	29,929
Industrials & chemicals	25,547

Americas top sectors by volume | Q1 2023

	Deal count
TMT	910
Business services	599
Pharma, medical & biotech	432
Industrials & chemicals	405
Financial services	315

Americas top bidders by value | Q1 2023

	US\$(m)
USA	264,535
Canada	20,296
United Kingdom	8,710
France	4,429
Japan	3,404

Americas top bidders by volume | Q1 2023

	Deal count
USA	2,529
Canada	260
Brazil	165
United Kingdom	89
Japan	40
France	40

Go West

Not too far ahead of the Qualtrics buyout on the list of the largest transactions in Q1 in the Americas was a deal in the Northeastern US's real estate sector. Public Storage, a real estate investment trust (REIT), made an unsolicited bid for Life Storage, a smaller rival REIT, for US\$14.2bn. Public had made an offer for Life previously that had been rejected, and the latter followed suit again with the latest bid, with the REITs seemingly engaging in some light posturing and negotiation in the press.

Only one transaction was bigger in Q1, falling in the PMB space. At US\$45.7bn, more than three times larger than the inconclusive Life Storage-Public Storage duel, pharmaceutical giant Pfizer's acquisition of biotech company Seagen was easily the number-one transaction in the Americas.

Moreover, it was the largest PMB deal to be announced in years, surpassed in recent memory only by AbbVie's 2019 acquisition of Allergan for more than US\$60bn. Illustrative of the cyclical nature of PMB dealmaking, Pfizer's move for Seagen was motivated by its needs to replenish its pipeline of drugs as the demand for its Covid-19 treatments wains.

Americas top 10 announced deals, Q1 2023

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (US\$m)
1	13-Mar-23	Pfizer Inc.	Seagen Inc. (100% Stake)	Pharma, medical & biotech		45,671
2	05-Feb-23	Public Storage Inc.	Life Storage, Inc. (100% Stake)	Real estate		14,229
3	06-Mar-23	Silver Lake Partners; Canada Pension Plan Investment Board	Qualtrics International Inc. (96.34% Stake)	TMT	SAP SE	11,931
4	06-Feb-23	CVS Health Corporation	Oak Street Health, Inc. (100% Stake)	Pharma, medical & biotech	General Atlantic Service Company, L.P.; Newlight Partners L.P.	10,552
5	14-Mar-23	Apollo Global Management, LLC; Abu Dhabi Investment Authority	Univar Inc. (100% Stake)	Business services		8,170
6	23-Jan-23	Xylem Inc.	Evoqua Water Technologies Corp. (100% Stake)	Industrials & chemicals		7,528
7	17-Jan-23	Emerson Electric Co.	National Instruments Corporation (100% Stake)	TMT		7,365
8	02-Feb-23	Clayton, Dubilier & Rice, LLC; Stone Point Capital LLC	Focus Financial Partners, Inc. (100% Stake)	Financial services		7,149
9	06-Mar-23	Vistra Energy Corp.	FirstEnergy Generation, LLC (100% Stake)	Energy, mining & utilities	Avenue Capital Group; Nuveen Global Equity Income Fund	6,763
10	15-Mar-23	Temasek Holdings Pte. Ltd.; Baillie Gifford & Co., Ltd.; Silver Lake Partners; GIC Private Limited; Goldman Sachs Asset Management, L.P.; General Catalyst; Andreessen Horowitz LLC; Hillhouse Capital Management, Ltd.; Thrive Capital LLC; MSD Partners, L.P.; The Founders Fund Growth Management, LLC	Stripe, Inc. (13% Stake)	TMT		6,500



Canada



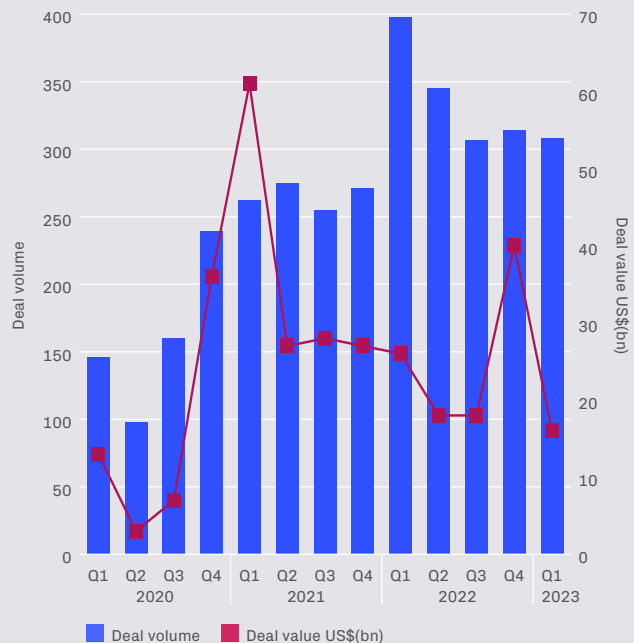
Canadian M&A buoyed by asset-rich energy and mining sector

Despite benefiting from a strong labor market, with near-record lows in unemployment levels, the Canadian economy has been far from immune to macroeconomic challenges, chief among them inflation. The country can find some comfort, however, in recent statistics that evidence a steeper-than-expected deceleration in price rises.

According to Statistics Canada, annual inflation fell from 5.9% in January to 5.2% in February, the largest one-month decline in nearly three years. Nonetheless, after recording annual GDP growth of 3.4% in 2022, economic expansion in Canada is expected to moderate to 1.5% this year, per IMF projections.

This moderation is observable, too, in the quarter-on-quarter changes in Canadian M&A activity. While deal volume in Q1 waned only marginally compared to Q4 2022, from 314 transactions announced to 308, their aggregate value more than halved, from US\$40bn to just US\$16bn, the lowest quarterly sum since the US\$7bn worth of deals announced in Q3 2020.

Canada M&A activity, 2020-Q1 2023



Source: Mergermarket

Deep freeze

That figure of US\$40bn worth of deals recorded in Q4 2022 was something of an outlier, being the second highest quarterly total of the last three years (behind the US\$61bn logged in Q1 2021). Still, year-on-year comparisons are only slightly less disheartening.

The 308 deals worth US\$16bn announced in Q1 represent downshifts of 23% and 39%, respectively, from the same period in 2022. And as our forward-looking heat chart illustrates, only 180 for-sale stories have emerged on the Mergermarket intelligence tool, the lowest sum across all regions in the Americas.

These conditions leave relatively little room for optimism in Canada in the near term, outside of pockets of M&A activity in a couple of industries, such as TMT and the consumer sector, as well as the country's vital energy, mining & utilities (EMU) space.

Canada top sectors by value | Q1 2023

	US\$(m)
Energy, mining & utilities	6,168
TMT	2,976
Industrials & chemicals	2,467
Business services	1,671
Financial services	871

Canada top sectors by volume | Q1 2023

	Deal count
TMT	81
Energy, mining & utilities	50
Business services	46
Industrials & chemicals	41
Pharma, medical & biotech	19
Construction	19

Canada top bidders by value | Q1 2023

	US\$(m)
Canada	5,644
USA	5,352
Germany	872
Japan	868
Switzerland	666

Canada top bidders by volume | Q1 2023

	Deal count
Canada	149
USA	96
United Kingdom	15
France	9
Germany	5
Australia	5

Natural resource backstop

Canada's EMU sector contributed US\$6.2bn worth of transactions in Q1, accounting for almost 40% of aggregate deal value across all sectors. This is roughly equal to the share it accrued in Q1 2022, implying that EMU dealmaking's significance to the Canadian market is no less pronounced now, despite the broader economic downturn. Still, the sector's total value declined by 37% year-on-year to US\$6.2bn, and this in spite of it actually recording a slight increase in volume, from 48 to 50, compared to Q1 2022.

Four of these were among the 10 biggest deals announced in Canada in Q1, including the third and fourth largest. In the

latter, Japan-based Nippon Steel signed an agreement worth US\$852m to acquire up to 10% of shares in Canadian mining firm Teck Resources' subsidiary Elk Valley. This is one of only a few deals to involve a bidder from outside North America, who accounted for 80% of all bids for Canadian companies in Q1.

Meanwhile in the third biggest deal, worth US\$1.2bn, domestic upstream energy specialist Crescent Point moved to acquire valuable shale assets based in the Gold Creek and Karr Montney regions of Alberta from rival Spartan Delta. The all-cash transaction enables Crescent Point to greatly expand its foothold in one of the largest unconventional petroleum resource centers in North America.



Canada top 10 announced deals, Q1 2023

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (US\$m)
1	27-Feb-23	LKQ Corporation, Inc.	Uni-Select Inc. (100% Stake)	Industrials & chemicals	Birch Hill Equity Partners Management Inc.; EdgePoint Investment Group Inc.	1,951
2	20-Jan-23	Thoma Bravo, LLC	Magnet Forensics (100% Stake)	TMT		1,296
3	28-Mar-23	Crescent Point Energy Corp.	Spartan Delta Corp. (Gold Creek & Karr Montney assets) (100% Stake)	Energy, mining & utilities	Spartan Delta Corp.	1,247
4	21-Feb-23	Nippon Steel Corporation	Elk Valley Resources Ltd. (10% Stake)	Energy, mining & utilities	Teck Resources Limited	852
5	02-Mar-23	Infineon Technologies AG	GaN Systems Inc. (100% Stake)	TMT		830
6	13-Feb-23	B2Gold Corporation	Sabina Gold & Silver Corporation (100% Stake)	Energy, mining & utilities		782
7	09-Jan-23	1373113 B.C. Ltd.	Canaccord Genuity Group (73.15% Stake)	Financial services		656
8	04-Jan-23	Partners Group Holding AG	SureWerx Inc. (100% Stake)	Business services	The Riverside Company	640
9	23-Jan-23	Starboard Value L.P.	Ritchie Bros. Auctioneers Inc. (5.9% Stake)	Business services		500
10	27-Feb-23	Stellantis N.V.	McEwen Copper Inc. (9.87% Stake)	Energy, mining & utilities		405

Mend and make new

The next most valuable sector in Canadian M&A after EMU was TMT, which contributed just under US\$3bn worth of transactions in Q1, representing a 46% decline from the same period last year. Though less precipitous, the year-on-year decline in deal volume was also considerable, with a drop of almost a third to 81 transactions.

That total accounts for 26% of all deals announced in Canada in Q1 of this year, the largest such share, including the second biggest transaction across all sectors. In that deal, US PE firm Thoma Bravo acquired 'digital investigation' software company Magnet Forensics for US\$1.3bn. Thoma Bravo intends to combine Magnet with Grayshift, a provider of mobile device digital forensics, which it acquired majority control of in Q3 2022.

Only one transaction announced in Q1 in Canada was larger, being worth just under US\$2bn. In that deal, which fell in the industrials & chemicals (I&C) space, US auto parts firm LKQ acquired Canadian aftermarket replacement parts specialist Uni-Select. Amid persistent inflation and rising interest rates, fewer consumers are looking to acquire new vehicles, and are turning instead to repairs and related services.



Western US

Biotech grabs the torch from TMT to buoy upbeat market

Amid declines in other M&A markets in the US and throughout the Americas, the Western US was one of only two subregions—the other being the Southern US—to record a broadly positive opening three months of 2023.

While the year-on-year comparisons do not paint an especially encouraging picture, with the 926 deals worth US\$109.3bn in aggregate announced in Q1 representing declines of 31% and 52%, respectively, from the same period last year, the quarter-on-quarter appraisal is more affirming.

Deal volumes rose by 4.3% from 888 in Q4, marking the second consecutive quarterly increase following a plunge in activity through H1 2022. Aggregate deal value rose marginally, from US\$108.2bn in Q4, after three consecutive quarters of decline. Although these can hardly be described as blockbuster figures, and owe a good deal to one transaction in particular, they may at least signal a gentle return to form for the Western US.

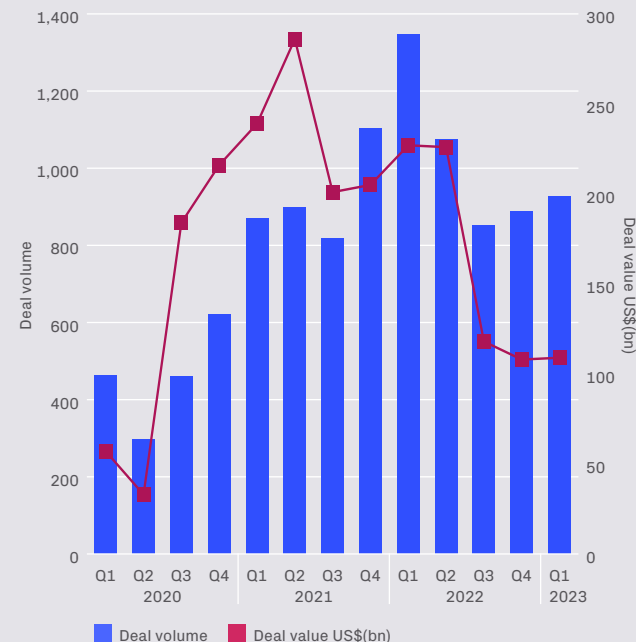
TMT decay

A staple of M&A activity in the Western US is dealmaking in the TMT industry, underlining the significance of Silicon Valley and software giants in the Pacific Northwest to the US as a whole. The sector contributed the lion's share of transaction volume in Q1, logging 323 deal announcements or almost 35% of the total (down almost 50% from the 607 announced during the same time last year, which accounted for 45% of deal activity in that period).

Given its outsized role in the Western M&A market, TMT also saw the most conspicuous year-on-year decline in total deal value. In Q1 2022, the sector contributed US\$156bn worth of transactions (or 69% of the total then), which made it easily the largest industry in terms of scale of dealmaking, eclipsing the next biggest by a factor of more than 10 (real estate's US\$14.8bn). In Q1 2023, TMT mustered only US\$32.2bn worth of transactions, representing 29% of the quarterly total and a decline of almost 80% year-on-year.

The latter figure is also down slightly, by 9.4%, from Q4 2022, which logged US\$35.6bn worth of TMT deals. This in spite of volume being up marginally quarter-on-quarter, rising by 5.6% from 306 in Q4.

Western US M&A activity, 2020-Q1 2023



Source: Mergermarket

Big-ticket buyouts

Despite its generally flat performance quarter-on-quarter, TMT did still contribute four of the nine largest deals in the Western US in Q1, including the second and third biggest overall.

In the latter, San Francisco-based Stripe, a key player in the competitive digital payments processing space, raised US\$6.5bn from a group of venture capital giants including Andreessen Horowitz as well as new investors such as Goldman Sachs and GIC, the Singaporean sovereign wealth fund, among many others. That sum was raised against a markedly downcast valuation for the company of US\$50bn,

a drop of nearly 50% from two years ago, indicative of the challenging financial landscape in which technology companies have found themselves over the last few quarters.

The largest TMT deal saw PE group Silver Lake, together with the Canada Pension Plan Investment Board, acquire all of the outstanding shares in experience management software company Qualtrics. With a deal value of US\$11.9bn, this was the largest PE buyout of the year so far in the Americas and the second biggest globally in Q1, surpassed only by the US\$12.3bn deal between Brookfield Asset Management and Origin Energy that was struck in APAC at the end of March.

W-US top sectors by value | Q1 2023

	US\$(m)
Pharma, medical & biotech	55,921
TMT	32,238
Financial services	7,883
Consumer	4,307
Energy, mining & utilities	3,839

W-US top sectors by volume | Q1 2023

	Deal count
TMT	323
Business services	134
Pharma, medical & biotech	110
Industrials & chemicals	98
Financial services	85

W-US top bidders by value | Q1 2023

	US\$(m)
USA	103,618
Canada	2,964
Australia	615
United Kingdom	482
Germany	158

W-US top bidders by volume | Q1 2023

	Deal count
USA	779
Canada	36
United Kingdom	20
Japan	10
France	9



Restocking the medicine cabinet

As mentioned previously, TMT logged only a marginal increase in volume and a decline in aggregate deal value quarter-on-quarter, leaving room for another sector to move in and take the lead in the Western US.

In Q1, that sector was PMB, which contributed 110 deals (12% of the total across all industries) worth US\$55.9bn in aggregate (51%). That involved three of the 10 largest deals announced in the Western US through the first three months of the year, including by far the biggest. In a transaction worth US\$45.7bn, almost four times bigger than the buyout of Qualtrics, pharmaceutical behemoth Pfizer acquired Seagen, a biotech company focusing on oncology.

The deal—the largest in the sector since AbbVie’s acquisition of Allergan in 2019—comes as Pfizer, which enjoyed a massive financial windfall thanks to the success of its Covid-19 vaccine and related treatments, looks to refill its drugs pipeline. As Pfizer CEO Albert Bourla explained, oncology is projected to be “the largest growth driver in global medicine” moving forward.

Western US top 10 announced deals, Q1 2023

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (US\$m)
1	13-Mar-23	Pfizer Inc.	Seagen Inc. (100% Stake)	Pharma, medical & biotech		45,671
2	06-Mar-23	Silver Lake Partners; Canada Pension Plan Investment Board	Qualtrics International Inc. (96.34% Stake)	TMT	SAP SE	11,931
3	15-Mar-23	Temasek Holdings Pte. Ltd.; Baillie Gifford & Co., Ltd.; Silver Lake Partners; GIC Private Limited; Goldman Sachs Asset Management, L.P.; General Catalyst; Andreessen Horowitz LLC; Hillhouse Capital Management, Ltd.; Thrive Capital LLC; MSD Partners, L.P.; The Founders Fund Growth Management, LLC	Stripe, Inc. (13% Stake)	TMT		6,500
4	26-Mar-23	First Citizens BancShares, Inc.	Silicon Valley Bridge Bank NA (100% Stake)	Financial services	Federal Deposit Insurance Corporation	5,760
5	09-Feb-23	Globus Medical Inc.	NuVasive, Inc. (100% Stake)	Pharma, medical & biotech		3,780
6	06-Mar-23	Altria Group, Inc.	NJOY LLC (100% Stake)	Consumer	Homewood Capital LLC; Mudrick Capital Management, L.P.	3,250
7	28-Feb-23	Canada Pension Plan Investment Board	Aera Energy LLC (49% Stake)	Energy, mining & utilities	IKAV Capital Partners GmbH	1,891
8	09-Feb-23	Francisco Partners	Sumo Logic, Inc. (100% Stake)	TMT		1,747
9	13-Mar-23	STG Partners, LLC	Momentive Global Inc. (100% Stake)	TMT		1,530
10	15-Feb-23	Waters Corporation	Wyatt Technology Corporation (100% Stake)	Pharma, medical & biotech		1,360



Midwestern US

Smallest US market makes waves across multiple sectors

Regarding dealmaking activity in the Midwestern US, the smallest of the four M&A markets that comprise the US as a whole in this research, it is important to separate the signal from the noise. Though the market's performance in Q1 2023 was not especially inspiring in contrast either to the same period last year or to the preceding quarter, these comparisons are worthy of more nuanced examination.

First, the performance of very few M&A markets globally in the first quarter of this year can stand up to comparisons with Q1 2022, when some vestige of post-pandemic frothiness was still present in the economy. Second, in the case of the Midwestern US specifically, Q4 2022 looks rather like an outlier, with a brace of anomalously large transactions leading to a spike in total deal value after three down quarters.

Where all that leaves the Midwestern US today is harder to determine. Quarter-on-quarter, deal volume and aggregate value declined by 11.1% and 50%, respectively, to 415 transactions worth US\$55bn. Year-on-year, volume was down by 23.3% and value by just 4.9%.

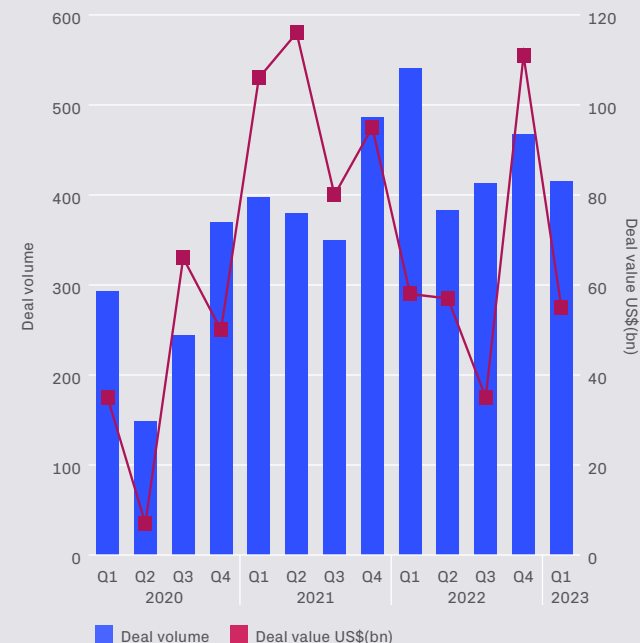
On the upswing

A better comparison might be made with Q2 and Q3 2022. The former saw 383 deals worth US\$57bn announced, and the latter 413 worth US\$35bn. Q1 of this year, considering that broader picture, would seem to fit more clearly into a stabilizing trend in the subregion's M&A activity.

Again, bearing in mind that aggregate deal value has generally declined in line with forecasts worldwide, it is perhaps more helpful for dealmakers to take solace in the fact that deal volumes in the Midwestern US seem to be ticking up.

The 415 transactions announced in Q1 make for the fourth highest quarterly total of the last three years. That bests almost all such figures recorded in the immediate post-pandemic period—when dealmaking was boosted by the release of pent-up demand—and surpassed only by the previously mentioned Q4 2022, Q1 2022, and Q4 2021.

Midwestern US M&A activity, 2020-Q1 2023



Source: Mergermarket

MW-US top sectors by value | Q1 2023

	US\$(m)
Pharma, medical & biotech	13,571
Energy, mining & utilities	12,458
Business services	9,658
Consumer	7,783
Industrials & chemicals	5,041

MW-US top sectors by volume | Q1 2023

	Deal count
TMT	82
Industrials & chemicals	80
Business services	69
Pharma, medical & biotech	55
Financial services	39

MW-US top bidders by value | Q1 2023

	US\$(m)
USA	45,319
Canada	3,823
United Kingdom	3,144
Switzerland	1,323
Singapore	750

MW-US top bidders by volume | Q1 2023

	Deal count
USA	360
Canada	17
United Kingdom	7
Japan	4
Australia	4
Germany	4

Health and tech synergies

In volume terms the key contributors to M&A in the Midwest were the TMT and I&C sectors, recording 82 and 80 transactions announcements, in the first three months of this year, or around 20% of deal activity apiece. However, these sectors accounted for markedly lower shares of aggregate deal value in Q1, with TMT logging only US\$2bn and I&C just over US\$5bn, good for sixth and fifth, respectively, across all sectors.

Instead, the leaderboard of most valuable industries in the Midwest was led by PMB, scoring US\$13.6bn on 55 deals, followed closely by EMU with US\$12.5bn from just 16 transactions. The former contributed just one top-10 deal, but it was the largest in the subregion in Q1 at least.

In that transaction, worth more than US\$10.5bn, retail pharmacy giant CVS moved to acquire Oak Street Health, which operates primary care centers for senior citizens. Oak Street's proprietary technology platform, Canopy, which is used to determine the appropriate level of care for individual patients, is expected to bring major synergies for the combined organization.



At your service

Meanwhile the EMU sector contributed three of the Midwest's seven largest transactions, including the third biggest at US\$6.8bn, which saw Texas-based Vistra Energy purchase Ohio-based Energy Harbor, which operates the second largest non-regulated nuclear power fleet in the US. The deal is indicative of energy giants' ongoing pivot towards decarbonization and alternative energies.

Between the Oak Street Health and Energy Harbor acquisitions sits a US\$8.1bn transaction in the business services sector, which contributed 69 transactions (the third most) worth US\$9.7bn in aggregate (also third highest) to the Midwest in Q1.

In that all-cash deal, alternative asset management giant Apollo Global, in conjunction with the Abu Dhabi Investment Authority, moved to acquire listed company Univar Solutions. The take-private of the distribution company, a leader in its field and the third largest of its kind in the specialty chemicals space, comes after Univar called off talks of a possible merger with German rival Brenntag in January.

Midwestern US top 10 announced deals, Q1 2023

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (US\$m)
1	06-Feb-23	CVS Health Corporation	Oak Street Health, Inc. (100% Stake)	Pharma, medical & biotech	General Atlantic Service Company, L.P.; Newlight Partners L.P.	10,552
2	14-Mar-23	Apollo Global Management, LLC; Abu Dhabi Investment Authority	Univar Inc. (100% Stake)	Business services		8,170
3	06-Mar-23	Vistra Energy Corp.	FirstEnergy Generation, LLC (100% Stake)	Energy, mining & utilities	Avenue Capital Group; Nuveen Global Equity Income Fund	6,763
4	02-Feb-23	Brookfield Super-Core infrastructure Partners L.P.	FirstEnergy Transmission, LLC (30% Stake)	Energy, mining & utilities	FirstEnergy Corp.	3,500
5	27-Mar-23	ARKO Corp.	TravelCenters of America LLC (100% Stake)	Consumer		3,208
6	16-Feb-23	BP Plc; BP Products North America Inc.	TravelCenters of America LLC (100% Stake)	Consumer		3,074
7	22-Feb-23	Caisse de Depot et Placement du Quebec; Invenergy LLC; Blackstone Infrastructure Partners	American Electric Power Company Inc. (1365 MW wind & solar renewables portfolio) (100% Stake)	Energy, mining & utilities	American Electric Power Company Inc.	1,500
8	07-Feb-23	LafargeHolcim Ltd.	Duro-Last Inc. (100% Stake)	Industrials & chemicals		1,293
9	08-Feb-23	Post Holdings, Inc.	The J.M. Smucker Company (pet food business) (100% Stake)	Consumer	The J.M. Smucker Company	1,210
10	06-Mar-23	Kernel Group Holdings, Inc.	AIRO Group Holdings Inc. (100% Stake)	Industrials & chemicals		1,100



Southern US

Mercury starting to rise as South reverses downward trend

The Southern US bucked the broadly sinking trend in M&A recorded across the Americas, being one of only two subregions covered in this research (the other being the Western US) to record quarter-on-quarter increases in deal volume as well as aggregate deal value over the first three months of this year.

The subregion's transaction volume in Q1 (841) just surpassed the total logged in Q4 2022 (840), and aggregate value rose by 11% from the same period, from US\$62bn to US\$69bn.

With deal volumes having remained within a consistent range over the last four quarters, and in the absence of any anomalously-large transactions that might obfuscate the aggregate-value picture, there is good reason to believe that the South's Q1 performance signals the turning of a corner for its M&A market.

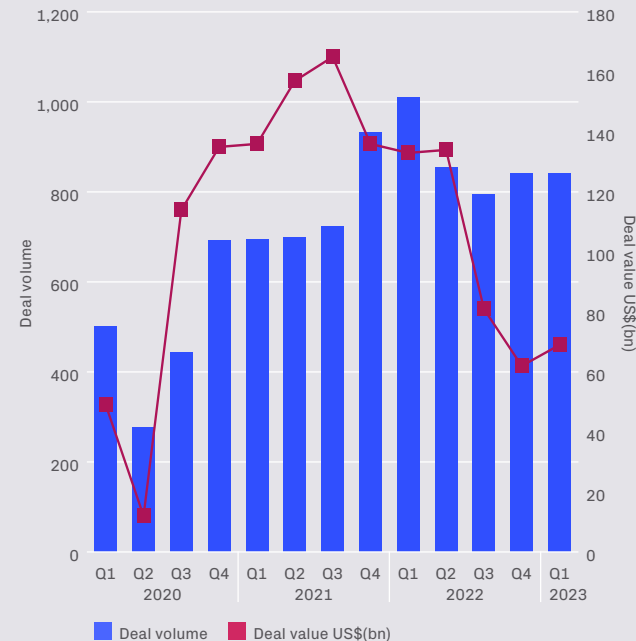
Retreat to privacy

The number-one industry in both M&A volume and value terms in the Southern US in Q1 was TMT, which recorded 174 deal announcements (21% of the total across all sectors) worth US\$21.6bn (31% of the total). Of those, three were among the four biggest deals announced in the South in the first three months of the year, including the two largest.

In the smaller of the two, worth US\$4.6bn, PE behemoth Blackstone Group agreed to acquire software-as-a-service company Cvent, which had once been taken private by Vista Equity Partners in 2016. Cvent returned to public markets in 2021 when it merged with Dragoneer Growth Opportunities Corp. II., a special purpose acquisition company (SPAC).

This take-private is indicative of a popular trend in M&A at the moment, which sees deep-pocketed PE players making opportunistic plays for listed companies whose share prices have suffered over the last 15 months or so. Cvent's market capitalization, for instance, fell by 37% over the course of 2022.

Southern US M&A activity, 2020-Q1 2023



Source: Mergermarket



Bidding for innovation

The largest transaction announced in the Southern US in Q1 was more conventional than the PE-led and SPAC-inflected play for Cvent. In mid-January, industrial conglomerate Emerson Electric made a US\$7.4bn bid for Austin-based National Instruments, which specializes in automated testing and measurement tools and software for the semiconductor, transportation, aerospace, and defense industries.

National Instruments, however, did not accept the initial offer, firing the starting gun for a bidding war in the automation solutions field. In early March, Emerson's competitors Fortive Corp and Keysight Technologies were thrown into the mix, with no conclusive result as of the time of writing.

After these two big-ticket TMT plays, the third largest transaction in the South in Q1 saw Solenis, a specialty chemicals manufacturer, acquire Diversey, which focuses on cleaning and hygiene products, from PE group Bain Capital. At US\$4.3bn, the transaction contributed the lion's share (73%) of aggregate value of consumer M&A in the subregion.

Notably, consumer was one of four sectors to log year-on-year increases in aggregate value, rising more than sevenfold from a low base on the back of the Solenis-Diversey deal. The other three sectors were: transportation (up almost fourfold, again from a low base); business services (up 11%); and EMU (2.4%).

S-US top sectors by value | Q1 2023

	US\$(m)
TMT	21,625
Energy, mining & utilities	14,702
Consumer	5,828
Financial services	5,658
Industrials & chemicals	4,122

S-US top sectors by volume | Q1 2023

	Deal count
TMT	174
Business services	171
Pharma, medical & biotech	100
Industrials & chemicals	85
Financial services	71

S-US top bidders by value | Q1 2023

	US\$(m)
USA	56,697
Canada	5,058
United Kingdom	1,702
United Arab Emirates	1,000
Italy	960

S-US top bidders by volume | Q1 2023

	Deal count
USA	727
Canada	28
United Kingdom	16
Sweden	7
Australia	7
South Korea	7

Everything's bigger in Texas

As mentioned above, the EMU sector recorded an increase in aggregate deal value year-on-year, rising from US\$14.4bn to US\$14.7bn. It achieved that increase in spite of a decline in deal volume, from 70 to 54, with the latter figure making EMU only the seventh busiest industry for M&A in the South in Q1.

Nonetheless, that sum of almost US\$15bn places the sector firmly in second place in value terms, behind TMT but far ahead of consumer's US\$5.8bn. The industry featured three top-10 deals in Q1, including the seventh largest, worth US\$2.5bn.

In that transaction, Canadian energy company Baytex moved to acquire Houston-headquartered Ranger Oil, as the former looks to expand its presence in South Texas' Eagle Ford shale basin. Notably, the deal represents the first merger of public companies in this upstream sector in almost a year. Looking ahead, there is some expectation that further consolidation in this slice of the energy market will be forthcoming, particularly in South Texas.

Southern US top 10 announced deals, Q1 2023

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (US\$m)
1	17-Jan-23	Emerson Electric Co.	National Instruments Corporation (100% Stake)	TMT		7,365
2	14-Mar-23	Blackstone Group Inc	Dragoneer Growth Opportunities Corp. II (100% Stake)	TMT	Vista Equity Partners Management, LLC	4,600
3	08-Mar-23	Solenis Holdings LLC	Diversey Holdings Ltd (100% Stake)	Consumer	Bain Capital, L.P.	4,261
4	27-Mar-23	Clearlake Capital Group, L.P.	Blackbaud, Inc. (82.62% Stake)	TMT		4,172
5	20-Mar-23	Undisclosed bidder	Franchise Group, Inc. (100% Stake)	Other		3,720
6	23-Jan-23	Elevance Health Inc	Blue Cross & Blue Shield of Louisiana (100% Stake)	Financial services		3,000
7	28-Feb-23	Baytex Energy Corp.	Ranger Oil Corp. (100% Stake)	Energy, mining & utilities		2,536
8	16-Feb-23	I Squared Capital; ISQ Global Infrastructure Fund III, L.P.	Whistler Pipeline LLC (62.5% Stake)	Energy, mining & utilities	West Texas Gas Inc.; Ridgemont Equity Partners; Stonepeak Infrastructure Partners; First Infrastructure Capital Advisors, LLC	2,000
9	16-Feb-23	Stone Point Capital LLC; Mubadala Investment Company P.J.S.C.	BB&T Insurance Services, Inc. (20% Stake)	Financial services	Truist Financial Corp.	1,950
10	24-Jan-23	Matador Resources Company	Advance Energy Partners, LLC (100% Stake)	Energy, mining & utilities	EnCap Investments L.P.	1,690



Northeastern US

TMT M&A flops, though the worst may be over

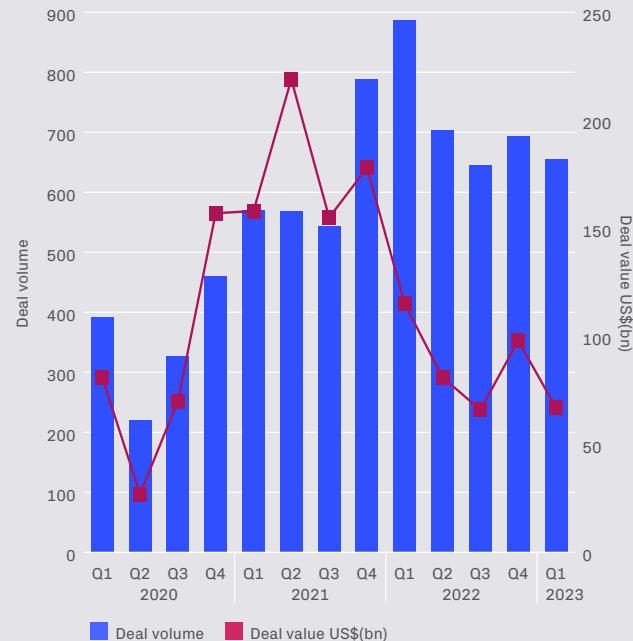
After recording a trend-breaking rebound in activity in Q4 of 2022, M&A in the Northeastern part of the US decelerated again through the first three months of this year. The market logged 655 deal announcements worth US\$67bn in aggregate, representing declines of 5.6% and 32% quarter-on-quarter, respectively.

Remarkably, these figures did just about outpace those posted in Q3 2022 (645 deals worth US\$66bn), but year-on-year evaluations are considerably less comforting for Northeast dealmakers. Compared to Q1 2022, volumes have declined by 26.2%, while value has plunged by 41.9%.

In the light of enduring inflationary pressures in the US, a sudden reversal of this year-long downward trend seems unlikely to materialize in the short term.

The year-on-year decline in the Northeast's M&A market is most observable in the astonishing downturn in TMT dealmaking. In Q1 2022, the sector generated 322 deals, versus 178 in the first three months of this year. While still contributing the largest share of deal volume in the subregion (27%), that year-on-year drop of 44.7% is the starkest across all sectors.

Northeastern M&A activity, 2020-Q1 2023



Source: Mergermarket

Glimmers of hope

But TMT's weakening has been even more severe in value terms. In spite of contributing the most deals by volume in Q1, those 178 transactions were worth just US\$10bn in aggregate, down an incredible 74.2% from the same period last year.

From being the most valuable sector for M&A in Q1 2022, TMT has now dropped to fifth in the Northeast US. This weak performance echoes the rout in equity markets recorded in the US over the course of 2022, with projected growth rates of debt-laden technology companies collapsing under the pressure of an increasingly challenging financing environment.

Fortunately for TMT dealmakers, the worst may be behind them. The tech-heavy Nasdaq Composite gained 16.8% through the first three months of this year, marking the strongest quarter for the index since Q2, 2020. Market participants are increasingly of the opinion that the Federal Reserve will not raise interest rates beyond their terminal level of around 5%–5.25%. This is precipitating the revival in equity markets, which may in turn inspire more confidence in M&A, not just for TMT but other sectors most affected by elevated rates.

NE-US top sectors by value | Q1 2023

	US\$(m)
Real estate	19,946
Pharma, medical & biotech	11,306
Industrials & chemicals	11,027
Financial services	10,626
TMT	9,967

NE-US top sectors by volume | Q1 2023

	Deal count
TMT	178
Pharma, medical & biotech	121
Business services	120
Industrials & chemicals	68
Financial services	64

NE-US top bidders by value | Q1 2023

	US\$(m)
USA	52,964
France	4,156
Sweden	2,967
United Kingdom	2,461
Japan	1,022

NE-US top bidders by volume | Q1 2023

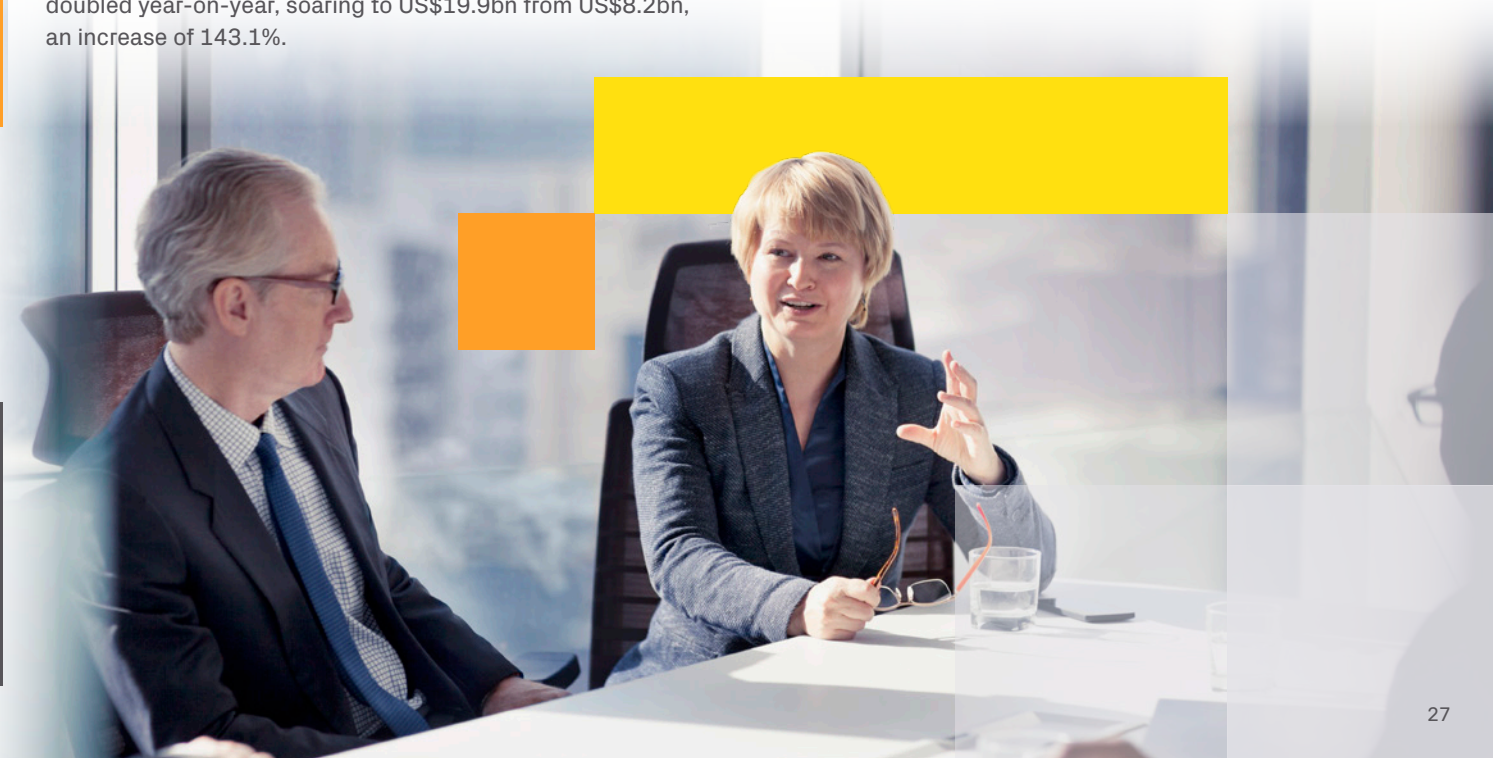
	Deal count
USA	532
United Kingdom	24
Canada	18
Japan	11
France	10

Trust us

Taking over TMT's position at the top of the table in terms of total M&A value in Q1 was the real estate sector. It was one of only two industries to record an increase in deal value compared to the same period last year, the other being construction. That said, the latter's share of the market is considerably smaller (US\$317m) and its year-on-year upswing (14%) less noteworthy in this instance.

The real estate sector recorded 11 deal announcements in the Northeast, up marginally from the 10 logged in Q1 2022. But the aggregate value of those transactions more than doubled year-on-year, soaring to US\$19.9bn from US\$8.2bn, an increase of 143.1%.

This strong performance is due almost exclusively to one transaction announced at the start of February, when Public Storage, a self-storage REIT, made an unsolicited offer to acquire Life Storage, another local REIT. The former had previously made a private bid, which had been rejected, and hoped the overt offer would bring Life to the table. However, Life again rejected the bid, arguing it undervalued the trust's long-term growth potential. With an estimated value of US\$14.2bn, this deal, if ever revived, would be almost twice as large as the next biggest transaction announced in Q1 in the Northeast.



Northeastern US top 10 announced deals, Q1 2023

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (US\$m)
1	05-Feb-23	Public Storage Inc.	Life Storage, Inc. (100% Stake)	Real estate		14,229
2	23-Jan-23	Xylem Inc.	Evoqua Water Technologies Corp. (100% Stake)	Industrials & chemicals		7,528
3	02-Feb-23	Clayton, Dubilier & Rice, LLC; Stone Point Capital LLC	Focus Financial Partners, Inc. (100% Stake)	Financial services		7,149
4	03-Jan-23	The Regents of the University of California	Blackstone Real Estate Income Trust, Inc.	Real estate		4,000
5	01-Mar-23	Existing Management; Public Sector Pension Investment Board; EQT AB	Digital Landscape Group, Inc. (100% Stake)	TMT		2,967
6	13-Mar-23	Sanofi S.A.	Provention Bio, Inc. (97.65% Stake)	Pharma, medical & biotech		2,815
7	09-Jan-23	Vista Equity Partners Management, LLC	Duck Creek Technologies Inc. (100% Stake)	TMT		2,525
8	03-Feb-23	Lone Star Funds	Titan Acquisition Holdings Ltd. (100% Stake)	Industrials & chemicals	Carlyle Group Inc.; Stellex Capital Management L.P.	2,000
9	09-Jan-23	AstraZeneca Plc	CinCor Pharma, Inc. (100% Stake)	Pharma, medical & biotech	Sofinnova Partners; Sofinnova Investments, Inc.; 5AM Ventures	1,635
10	09-Jan-23	Ipsen S.A.; Tercica Inc.	Albireo Pharma, Inc. (100% Stake)	Pharma, medical & biotech		1,271

Sink or swim

The second largest deal in the Northeast belonged to the I&C sector, which among the major industries M&A suffered the least conspicuous decline (19.3%) in aggregate value compared to Q1 2022, logging US\$11bn from 68 transactions.

The biggest of those saw Xylem, the listed plumbing fixture manufacturer, acquire Evoqua Water Technologies, another listed company specializing in water and wastewater treatment products and services, for US\$7.5bn. The deal enables Xylem to further entrench its position as the largest pure-play water company in the world.

Trailing close behind was the US\$7.1bn financial services take-private by Clayton Dubilier & Rice for Focus Financial Partners, a partnership of independent, fiduciary wealth management firms. The latter's share price fell by nearly 40% last year, leaving it with an attractive valuation on which the PE powerhouse was happy to pounce.



Brazil

Political unease precipitates sheer drop in M&A activity

When, in October 2022, Brazilians voted to oust Jair Bolsonaro and return the presidency to veteran politician Luiz Inácio Lula da Silva, who had served in the role between 2003-2010, many hoped the handover would inaugurate a return to economic pragmatism. But challenges began to mount for Lula almost as soon as he took office at the start of this year.

On January 8th, federal government buildings in the capital, Brasília, were stormed by Bolsonaro supporters calling for a military coup. The national guard were able to disperse rioters by the evening of the same day, but the defacement of Brazil's institutions of power sapped any semblance of investor confidence almost overnight.

The economic data for Q4 offered no solace, showing contraction of 0.2% in the last three months of 2022 after five consecutive quarters of growth, evincing a sharp drop in industrial output and low investment in Latin America's largest economy.

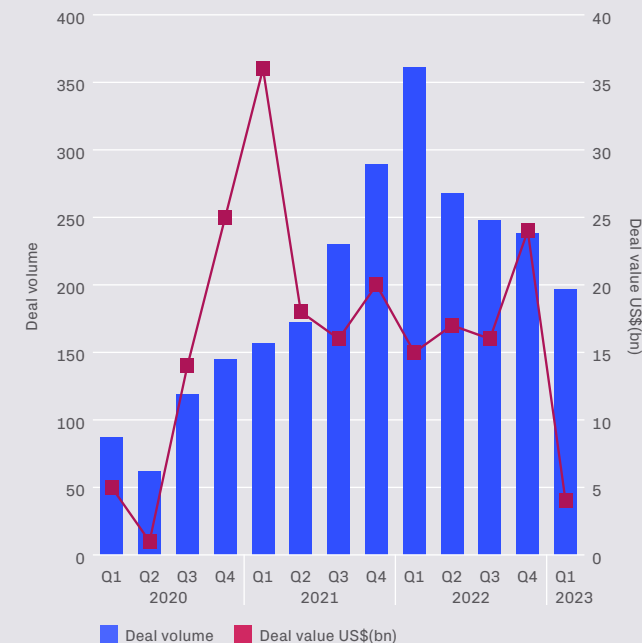
Starting from near-zero

M&A deal volumes shrank by 17.2% quarter-on-quarter from 238 to 197, following the downward trend that began to emerge in Q2 2022. Year-on-year comparisons are even less flattering, with Q1 denoting a 45.4% drop from the same period last year.

But it is Brazil's total deal value through the first three months of 2023 that will most give market participants reason to shudder. The 197 deals announced in Q1 carry an aggregate value of just US\$3.7bn, with almost a third thereof coming from a single transaction involving a cross-border bidder.

That sum is the lowest quarterly figure recorded in Brazil since Q2 2020, at the early peak of the Covid-19 pandemic, and represents a massive decline of 84% from the final three months of 2022. It is also the lowest Q1 total across all regions in the Americas covered in this report. In the PE space specifically, the drop was even more precipitous, with deal volume more than halving and aggregate value buckling almost completely, by 97%, quarter-on-quarter.

Brazil M&A activity, 2020-Q1 2023



Source: Mergermarket

Cross-border appetites

In volume terms, Brazil's M&A market in Q1 relied largely on activity in two sectors, those being business services and TMT. The former recorded 46 deal announcements (23% of the total share), and the latter was not far behind with 44.

Of the two, however, only TMT contributed any top-10 transactions in Brazil in Q1, specifically the third and fourth largest. In the latter, worth an estimated US\$218m, US special purpose acquisition company Mercato Partners joined with São Paulo-based Nuvini, which manages a portfolio of software-as-a-service companies across Latin America. It was one of only 10 Brazilian deals in Q1 involving a US bidder, a decline of over 60% from the 32 US-led transactions in the country in the same period last year.

Only slightly larger, with an estimated value of US\$240m, was another cross-border software bid. In the third biggest transactions announced in Brazil in Q1, Santander sold a 40% stake in Webmotors, which operates an online marketplace for new and used vehicles, to Australian e-commerce company Carsales.com. These two international deals were rare bright spots for Brazil's TMT sector, which recorded year-on-year declines of 55% and 73.2% in volume and aggregate value, respectively.



Brazil top sectors by value | Q1 2023

	US\$(m)
Energy, mining & utilities	1,705
TMT	596
Industrials & chemicals	441
Real estate	348
Consumer	196

Brazil top sectors by volume | Q1 2023

	Deal count
Business services	46
TMT	44
Financial services	24
Industrials & chemicals	22
Consumer	19

Brazil top bidders by value | Q1 2023

	US\$(m)
Brazil	1,569
Portugal	1,111
USA	241
Australia	240
United Kingdom	150

Brazil top bidders by volume | Q1 2023

	Deal count
Brazil	149
USA	10
Spain	5
Germany	3
Switzerland	3

Brazil top bidders by volume also saw 3 deals each from United Kingdom, France, Portugal, and Singapore.

Road to renewables

The EMU space has often generated high-caliber transactions in Brazil, reflecting the wealth of natural resources that the country enjoys, with Q1 of this year again affirming the sector's outsized role in the market.

Though it generated just 11 transactions through the first three months of 2023—making it only the seventh busiest sector in Brazil and marking a 60% decline against the same period last year—the total value of those EMU deals far exceeded those of other industries to claim the top spot in Q1. At US\$1.7bn, it almost tripled the US\$596m generated by TMT's 44 deals announced over the same timeframe.

Of those 11 EMU transactions, four feature in the top-10 for Brazil across all sectors, including by far the largest announced in the country in Q1. In that deal, worth US\$1.1bn—accounting for just under 30% of total deal value in Brazil in the first three months of the year—EDP Renewables made a tender offer to acquire a 41.34% stake in Energias do Brasil, which was already indirectly controlled by parent company Energias de Portugal. The transaction is intended to simplify the group's cross-border corporate structure as it pursues enhancement of its renewable energy capabilities, a growth area for Brazil.

Brazil top 10 announced deals, Q1 2023

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (US\$m)
1	02-Mar-23	Energias de Portugal S.A.	Energias do Brasil S.A. (41.34% Stake)	Energy, mining & utilities		1,111
2	31-Mar-23	Energisa S.A.	Companhia de Gas do Espirito Santo – ES GAS (100% Stake)	Energy, mining & utilities	Vibra Energia; State of Espirito Santo	280
3	08-Mar-23	Carsales.com Limited	WebMotors S.A. (40% Stake)	TMT	Banco Santander Brasil S.A.	240
4	27-Feb-23	Mercato Partners Acquisition Corporation	Nuvini (100% Stake)	TMT		218
5	26-Jan-23	Super Muffato	Makro Atacadista (24 stores in Sao Paulo) (100% Stake)	Consumer	SHV Holdings N.V.	158
6	27-Mar-23	PPar Pinheiro Participacoes	Property Portfolio (63.71% Stake)	Real estate	Hapvida Participacoes e Investimentos S.A.	152
7	11-Jan-23	The Energy & Minerals Group; Vision Blue Resources	Serra Verde Pesquisa e Mineracao Ltd.	Energy, mining & utilities		150
8	13-Jan-23	GP Investments Ltd.	BR Properties S.A. (100% Stake)	Real estate	Abu Dhabi Investment Authority	146
9	30-Mar-23	Tenaris S.A.; Confab Industrial S.A.	Usinas Siderurgicas de Minas Gerais (5.58% Stake)	Industrials & chemicals	Nippon Steel Corporation; Mitsubishi Corporation; Metal One Corporation	134
10	12-Feb-23	Patria Investments Limited	Elis Energia	Energy, mining & utilities		120



Latin America & the Caribbean (excl. Brazil)

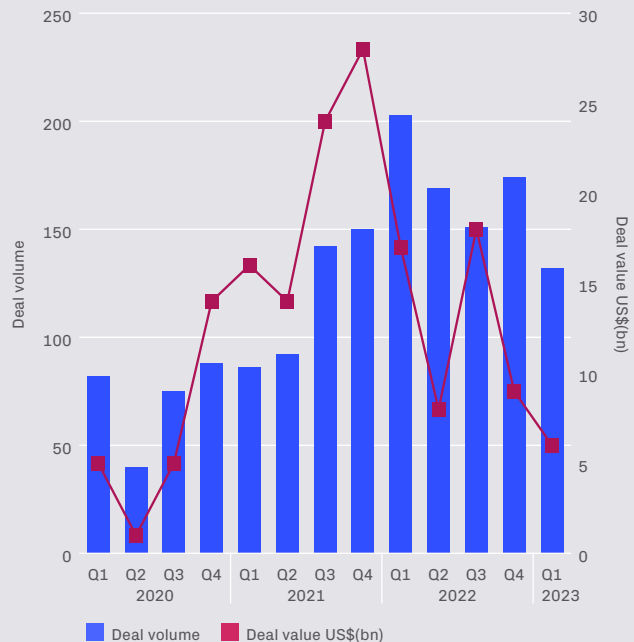
Hard-wearing markets lean on cross-border credentials

While its largest economy, Brazil, has recently seen significant political turmoil that has fed through to marked weakness in the M&A arena, the rest of Latin America & the Caribbean has demonstrated a greater deal of resilience in the face of macroeconomic headwinds.

Mexico, the region's second largest economy, is anticipated to record GDP growth of 1.6% this year, with that expected to accelerate to 2.1% in 2024, according to projections by the Organization for Economic Co-operation and Development (OECD). The Caribbean, meanwhile, is on surer footing, with economic growth of 5.6% and 5.7% forecast for this year and next, respectively.

Much will depend on the performance of advanced economies with which countries in Latin America & the Caribbean have key trade relations, especially the US. A slowdown there would negatively impact the region's export dynamics, and weakened household spending power would drive down activity in the vital tourism space, which is still recovering from the turmoil wrought by the pandemic.

Latin America & the Caribbean (excl. Brazil) M&A activity, 2020-Q1 2023



Source: Mergermarket

Strategic appeal

Latin America & the Caribbean recorded 132 deal announcements worth US\$5.7bn in the first three months of this year, with the latter the lowest total since pandemic-afflicted Q3 2020. These figures represent quarter-on-quarter declines of 24.1% in volume and 33% in aggregate value. While far from encouraging, that performance does seem to stand the region in better stead than other M&A markets in the Americas, especially Brazil.

Even accounting for a higher degree of statistical variance given the relatively small stature of the M&A arena in Latin America & the Caribbean, dealmakers there, as well as those from overseas with an eye on cross-border acquisitions, can take some heart in these figures.

Invariably, US bidders make up a crucial segment of the M&A market in the region, and contributed 25 deals in Q1, more than double that of any other country and representing 19% of all bids in the first three months of this year. A strong dollar and stiffer competition at home may compel dealmakers from the US to turn their attention towards more affordable, strategic targets in Latin America & the Caribbean.

LatAm top sectors by value | Q1 2023

	US\$(m)
Financial services	2,937
Energy, mining & utilities	1,510
Pharma, medical & biotech	342
Industrials & chemicals	293
Construction	226

LatAm top sectors by volume | Q1 2023

	Deal count
TMT	28
Energy, mining & utilities	18
Financial services	16
Business services	13
Pharma, medical & biotech	12

LatAm top bidders by value | Q1 2023

	US\$(m)
Canada	2,308
Japan	1,000
Bermuda	611
Brazil	427
USA	343

LatAm top bidders by volume | Q1 2023

	Deal count
USA	25
Brazil	12
Chile	12
Mexico	11
Canada	10

Island life

Among key industries for the region, the greatest contributor to its M&A market in value terms in Q1 was financial services, which racked up just under US\$3bn worth of transactions, or 51% of total value across all sectors. It did so on just 16 deals, making financial services only the third busiest through the first three months of the year.

The sector was able to handily secure the top spot in value terms thanks to the mass of top-10 deals it accounted for. In fact, financial services generated five of the seven biggest transactions in Latin America & the Caribbean, including the two largest.

In the smaller of the two, Japanese group Nippon Life Insurance agreed to invest a further US\$1bn in Resolution Life, which

is headquartered in Bermuda. Nippon Life has been the largest investor in Resolution since 2019, having injected US\$650m during that period. The deal comes on the back of the high-profile announcement in October 2022 of a strategic partnership between Resolution and PE giant Blackstone.

The largest deal in Latin America & the Caribbean outstripped the Nippon-Resolution transaction by a hair. In an all-cash transaction worth US\$1.069bn, Canada-based Brookfield Reinsurance moved to acquire Argo Group International Holdings, an underwriter of specialty insurance and reinsurance products in the property and casualty market. Like Resolution Life, Argo is based in Bermuda, as were two other of the financial groups targeted in the region's top-10 deals, underscoring the island nation's financial services credentials.



Latin America & the Caribbean (excl. Brazil) top 10 announced deals, Q1 2023

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (US\$m)
1	08-Feb-23	Brookfield Asset Management Reinsurance Partners Ltd.	Argo Group International Holdings, Ltd. (100% Stake)	Financial services		1,069
2	24-Jan-23	Nippon Life Insurance Company	Resolution Life Group Services Limited (12.12% Stake)	Financial services		1,000
3	27-Mar-23	Lundin Mining Corporation	SCM Minera Lumina Copper Chile (51% Stake)	Energy, mining & utilities	JX Nippon Mining & Metals Corporation	950
4	23-Mar-23	Enstar Group Limited	Enstar Group Limited (9.99% Stake)	Financial services	Canada Pension Plan Investment Board	341
5	08-Mar-23	Eurofarma Laboratorios S.A.	Genfar S.A. (100% Stake)	Pharma, medical & biotech	Sanofi S.A.	315
6	06-Mar-23	Undisclosed bidder	Ariel Reinsurance Ltd.	Financial services		270
7	01-Mar-23	Capitalworks Emerging Markets Acquisition Corp	Lexasure Financial Holdings Corp. (100% Stake)	Financial services		250
8	27-Feb-23	CKD Infraestructura Mexico	Coconal (Toll road concessions [ACSA, ACOMEX and COINSAN]) (100% Stake)	Construction	Coconal	190
9	01-Mar-23	Undisclosed bidder	Industrias Chilenas de Alambre-Inchalam S.A. (38.86% Stake); Prodalam S.A. (38.86% Stake)	Industrials & chemicals	NV Bekaert S.A.	136
10	29-Mar-23	China Three Gorges Corporation; Luz del Sur S.S.A.	Sojitz Arcus Investment S.A.C. (100% Stake)	Energy, mining & utilities	Sojitz Corporation; Takashi Imai (Private Individual)	133

International demand

After financial services, the next most valuable sector in Q1 in Latin America & the Caribbean was EMU, generating US\$1.5bn from 18 deals. Only the TMT industry was busier, with 28 deals announced, though the aggregate value of these, at just US\$122m, paled in comparison to the financial services and EMU sectors.

The latter accounted for two of the 10 largest deals announced in the region in the first three months of 2023, including the third largest overall. In that US\$950m transaction, Lundin Mining acquired a majority interest in SCM Minera Lumina Copper, a wholly-owned subsidiary of Japan-based JX Nippon Mining & Metals that operates a major copper-molybdenum mine in Chile.

Carrying on the cross-border trend, Lundin Mining, like Brookfield Reinsurance, is based in Canada. All told, no fewer than six of the 10 largest deals announced in Latin America & the Caribbean (excluding Brazil) featured bidders from outside of the region.





About this report

Produced in partnership with Mergermarket

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For a full version of the Mergermarket M&A deal database inclusion and league table criteria, go to: www.mergermarket.com/pdf/deal_criteria.pdf

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