

Deal Drivers: Americas Q3 2023

A spotlight on mergers and
acquisitions trends in 2023

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Foreword: Activity ebbs, but buyers are still spending

It wasn't long ago that conversations were dominated by talk of an incoming 'hard landing' in the US. Soaring inflation rates, with the consumer price index (CPI) surging to a more than 40-year high of 8.9% by June last year, forced the Federal Reserve to put its full weight behind taming demand with a sharp pace of interest rate increases. As the year progressed, that rhetoric took a calmer tone as inflation rolled over and growth held up. Speculation turned to the Fed achieving a soft landing after all.

Unemployment has been creeping up, moving from 3.5% to 3.8% between July and September, indicating that policy is having its desired effect. A potential derailment to the economy, however, is the fact that headline inflation inched back up by 70 basis points through Q3 to 3.7% in September, while the core measure is proving to be stickier than hoped, leaving a further rate hike on the table and the potential for the mantra "higher for longer" to be an uncomfortable reality.

Volume slacks, value holds

M&A has been slowing across the Americas since mid-2022, and took a further step down in Q3 this year. Every market in the region recorded a decline in deal count. However, deal value has been propped up by some monumental transactions that meant the Western and Northeastern US markets both logged quarter-on-quarter increases.

These included a long-awaited US\$42bn spin-off by Johnson & Johnson, which looks set to be one of the top 5 transactions globally in 2023. In all, there were 14 megadeals between July and September, all of which were in the US.

The resilience of the upper end of the market is testament to the strength of the US economy up to now. Acquirers remain engaged and willing to make large, high-conviction bets. Still, they will be closely monitoring how inflation pans out over the final quarter of the year for cues on what to expect from the rate environment, which remains a lingering point of concern.



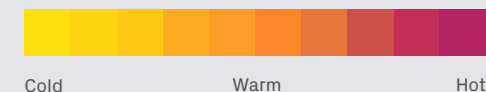
Outlook: Americas heat chart

There's no escaping the fact that a degree of interest-rate fatigue has set into M&A markets in the Americas, and there is some possibility this drag may persist moving into 2024. In the US, private equity (PE) exit activity has significantly slowed as higher financing costs have made buy-side sponsors in secondary buyouts more cautious. Across both PE and corporates, nobody wants to be selling into a depressed market if they can hold off for a better price. And such has been the extreme hot and cold blowing of macro winds over the past three years that deal teams in some sectors struggle to agree on the base performance of companies and how they will continue to fare.

Shareholder activism, a source of corporate M&A action, is high globally but in the Americas this has largely been focused on Canada, where new campaigns were up by 333% in H1 2023, to 13, but actually fell by 23% in the US to 54 proposals, according to research published by Barclays. A major focal point among stakeholders has also been measures to address environmental and social practices, rather than pressing for divestments to realize shareholder value.

Heat chart based on potential companies for sale

	Brazil	Canada	Western US	Midwestern US	Southern US	Northeastern US	Latin America & the Caribbean	TOTAL
TMT	100	70	200	112	230	240	66	1,018
Pharma, medical & biotech	16	16	106	63	115	139	10	465
Business services	41	20	64	34	57	80	33	329
Consumer	20	34	63	53	62	74	21	327
Industrials & chemicals	11	10	65	47	88	96	8	325
Financial services	28	8	63	35	67	83	35	319
Energy, mining & utilities	38	28	27	10	32	23	20	178
Transportation	8	20	7	5	6	11	6	63
Leisure	4	1	14	4	9	5	8	45
Construction	5	5	6	6	9	4	2	37
Real estate		11	5	2	4	5		27
Defense	1		2		7	4		14
Agriculture	2		2	2	2		4	12
TOTAL	274	223	624	373	688	764	213	3,159



Note: The Intelligence Heat Charts are based on 'companies for sale' tracked by Mergermarket in the respective regions between April 01, 2023 and September 30, 2023. Opportunities are captured according to the dominant geography and sector of the potential target company.

While heightened competition reviews are not exclusive to the US, the Federal Trade Commission (FTC) and Department of Justice (DoJ) have been emboldened under the current administration and are making life harder for acquirers. Court proceedings have not been going in favor of these agencies, but the extra scrutiny is enough to make companies think twice before making scale deals. Even so, M&A is still being executed during this down period, and investors are closely reviewing the market and proactively running due diligence on opportunities that they can act upon when the timing is right.

According to our forward-looking heat chart, which breaks down 'companies for sale' stories on the Mergermarket intelligence tool, the technology, media & telecoms (TMT) sector is on track to deliver the most forthcoming volume. There were 1,018 stories about TMT targets in the Americas being sized up for takeovers or minority investments. This represents just under a third (32%) of the 3,159 'companies for sale' stories across the region as a whole.

More than three quarters of these are attributable to the US, which also lays claim to 2,449 deal reports across all sectors, 77.5% of all stories regarding upcoming M&As in the Americas. It should be expected that technology assets will make up the largest share of these, but these are not adding the kind of value they were over the previous two years. The Fed's committed hawkish policy since 2022 has widened the discount rate on tech assets due to surging short-term treasury yields.

Pharma, medical & biotech (PMB) should also produce a solid level of activity over the coming months. Mergermarket's intel shows there were 465 reports involving assets in the sector, a 77.4% majority of these stemming from the Northeastern, Southern, and Western US markets, where much of the country's pharma and biotech R&D is concentrated. Expect the remainder of activity to be split between business services, consumer, industrials & chemicals (I&C), and financial services, each sector seeing for-sale stories in the low 300s.

Summary: Down but by no means out

M&A found an air pocket in Q3. Volume was down across the board, with every single market in the Americas seeing a write-down in its deal tally as H2 got off to a faltering start. Aggregate deal value, however, has proven to be comparatively resilient in spite of painfully high debt costs, which have been a sore point for the buyout industry in particular given its reliance on leverage.

Value has stabilized in much of the US, albeit at a level far below that seen in 2021, when financial markets were inflated by a mass influx of liquidity.

Drilling down, the strongest performers in the country for value on a quarter-on-quarter basis were the two coastal regions, while the Midwest and Southern US were flat compared with Q2. Given how trying dealmaking conditions have been in recent months, this is cause for some celebration.

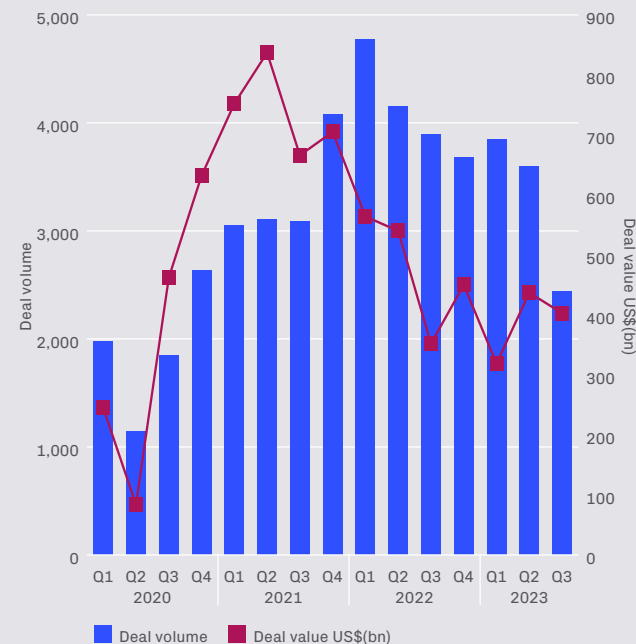
Assorted fortunes

Canada and Latin America & the Caribbean (excluding Brazil) suffered the greatest softening in value in the most recent quarter. In Canada's case, this was the result mostly of having an exceptionally strong Q2—the highest recording for more than two years. For Latin America, however, higher risk aversion to emerging markets is weighing heavily on M&A. The MSCI Emerging Markets Index closed Q3 down 2.9%, bringing this year's return to approximately 1.8% as of end-September.

Brazil has been holding up relatively well, buoyed by its economic momentum and pockets of strength in the commodities sector. The S&P GSCI index rose in Q3, driven by higher energy prices, crude oil being among Brazil's largest exports, although many agricultural products trended down and these are also core to the country's outgoing trade. Some decently-sized Brazilian deals in the energy, mining & utilities (EMU) sector kept M&A value flowing in Q3.

Across the Americas as a whole, volume was down 32.1% on the previous quarter to 2,441 deals. This is a similar retreat of 37.3% on a year-over-year view. Aggregate value, though, was down by only 7.9% compared with Q2, to US\$402.9bn, and was actually up by 14.4% on the same period last year.

Americas M&A activity, 2020-Q3 2023



Source: Mergermarket



Tech tonic

No sector made a greater contribution to both volume and value than TMT, with 621 deals worth a combined US\$95.3bn, a decline of 37.3% and gain of 52%, respectively, on a quarterly basis. The sector also contributed three of the top 10 deals of the quarter, including Cisco Systems' US\$29.7bn acquisition of cybersecurity firm Splunk, its biggest to date. Splunk fortifies clients' digital resilience by aiding businesses in collecting, analyzing, and visualizing data from multiple sources to improve operational efficiency, detect security threats, and identify new business opportunities.

Still larger than this deal, however, was Johnson & Johnson's spin-off of its consumer division, newly branded as Kenvue. J&J had been lining up the US\$42.2bn divestment for some time in order to unlock shareholder value and allow it to concentrate on its core pharmaceutical and medical device businesses. Kenvue's portfolio includes well-known products such as Tylenol and Band-Aid, and is one of the largest corporate spin-offs in history.

This put the consumer sector in second place behind TMT with US\$82.6bn in aggregate value, nearly five times greater than the totals logged in Q2 2023 and Q3 2022. However, with 179 deals, a 23.8% quarter-on-quarter decrease, consumer fell to sixth place in volume terms.

Americas top sectors by value | Q3 2023

	US\$(m)
TMT	95,349
Consumer	82,616
Energy, mining & utilities	61,579
Industrials & chemicals	50,585
Pharma, medical & biotech	34,951

Americas top sectors by volume | Q3 2023

	Deal count
TMT	621
Business services	345
Pharma, medical & biotech	292
Industrials & chemicals	288
Financial services	260

Americas top bidders by value | Q3 2023

	US\$(m)
USA	297,295
Canada	22,850
Ireland (Republic)	21,224
France	12,638
United Kingdom	10,653

Americas top bidders by volume | Q3 2023

	Deal count
USA	1,776
Canada	168
Brazil	93
United Kingdom	58
France	33

Paper, rock

Irish corrugated packaging giant Smurfit Kappa was behind the third largest deal in the Americas in Q3 when it agreed to buy WestRock for US\$21.2bn in a landmark merger. Smurfit WestRock will be the biggest paper and packaging player in the world and see Smurfit gain a firmer foothold in the US, while WestRock will benefit from its acquirer's global reach and expertise in sustainable packaging. This deal alone accounted for two-fifths of the I&C sector's US\$50.6bn in M&A value, supporting a 35.9% quarterly gain. But this was not enough to take third place.

The EMU category took that position with US\$61.6bn transacted, a shortfall of 47.5% compared to Q2. These were spread across far less noteworthy deals, with only one claiming a spot at the very bottom of the top-10 leaderboard, with Canadian pipeline operator Enbridge meeting a US\$6.6bn price tag for The East Ohio Gas Company, the largest natural gas distribution company in the state. This was part of a larger amalgamation M&A in which Enbridge also acquired Questar Gas and the Public Service Company of North Carolina for US\$4.3bn and US\$3.3bn apiece.

Americas top 10 announced deals, Q3 2023

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (US\$m)
1	24-Jul-23	Existing Management	Kenvue Inc. (80.1% Stake)	Consumer	Johnson & Johnson	42,214
2	21-Sep-23	Cisco Systems Inc.	Splunk Inc. (100% Stake)	TMT	Hellman & Friedman LLC	29,743
3	12-Sep-23	Smurfit Kappa Group Plc	WestRock Company (100% Stake)	Industrials & chemicals		21,179
4	06-Jul-23	GTCR Golder Rauner LLC	Worldpay Inc. (55% Stake)	TMT	Fidelity National Information Services Inc.	12,700
5	10-Aug-23	Tapestry Inc.	Capri Holdings Ltd (100% Stake)	Consumer		10,230
6	24-Aug-23	Roark Capital Group Inc.	Subway IP LLC (100% Stake)	Leisure		9,550
7	13-Aug-23	Cleveland-Cliffs Inc.	United States Steel Corp. (100% Stake)	Industrials & chemicals		9,220
8	28-Jul-23	Biogen Inc.	Reata Pharmaceuticals Inc. (100% Stake)	Pharma, medical & biotech		7,501
9	31-Jul-23	TPG Capital L.P.; Francisco Partners Management L.P.	New Relic Inc (100% Stake)	TMT	Jana Partners LLC; HMI Capital LLC; Lew Cirne (Private Individual)	6,655
10	05-Sep-23	Enbridge Inc.	East Ohio Gas Co. (100% Stake)	Energy, mining & utilities	Dominion Energy Inc.	6,600



Canada



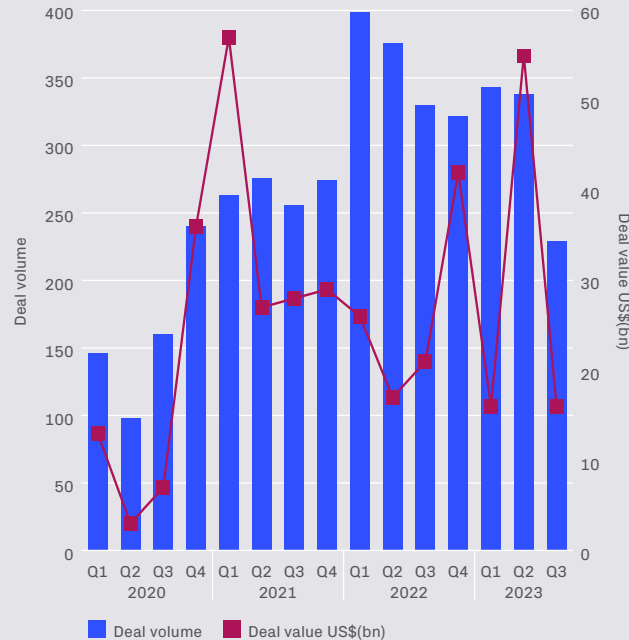
Quiet quarter for the Great White North

Growth in Canada is running at a relatively slow pace compared with the major economies of the Americas, including the US, Brazil, and Mexico. The International Monetary Fund (IMF) expects the country's real GDP to end 2023 up by 1.3%, tempered by the Bank of Canada raising its key interest rate to 5% in July, where it is expected to be held through the end of the year at least.

As in the US, inflation started picking up again in Q3, suggesting that demand is still outstripping supply. The CPI bottomed in June at 2.8%, moving up by a full percentage point by end-September.

Policymakers are concerned that core inflation measures are not trending down as hoped and this could mean higher rates for longer than M&A markets would like. This would likely have a continuing damping effect on dealmaking moving through the next two quarters.

Canada M&A activity, 2020-Q3 2023



Source: Mergermarket

Lost steam

Momentum was lost in Canada's M&A market in Q3, with deal volume touching its lowest point since Q3 2020. The 229 announced transactions represent a 32.2% decline on the previous quarter and a similarly sized fall year-on-year. The country is no outlier in this respect, with the drop-off in volume exactly matching that seen across the Americas overall. Value wise, Canadian dealmaking shrank by as much as 70.5% quarter-on-quarter to US\$16.2bn.

This collapse was partly a function of not a single Canadian megadeal being struck in Q3, but there's more to the trend—Q2 was one of the highest marks on record thanks to some atypically large plays that included the completion of the US\$15bn merger of telco major Shaw Communications with competitor Rogers Communications, creating the market's second biggest player after Bell Canada.

Although Q3's aggregate value is a three-year nadir, it's broadly in line with the total achieved in Q1 and year-on-year represents a less alarming decline of 21.3%.

Canada top sectors by value | Q3 2023

	US\$(m)
Energy, mining & utilities	5,498
Business services	4,041
Industrials & chemicals	2,556
Pharma, medical & biotech	1,615
TMT	1,219

Canada top sectors by volume | Q3 2023

	Deal count
TMT	55
Energy, mining & utilities	48
Industrials & chemicals	32
Business services	24
Pharma, medical & biotech	23

Canada top bidders by value | Q3 2023

	US\$(m)
Canada	6,181
Taiwan	3,800
USA	3,588
Denmark	1,075
United Kingdom	734

Canada top bidders by volume | Q3 2023

	Deal count
Canada	116
USA	71
United Kingdom	9
Australia	7
France	5

Changing channels

TMT generated more deals than any other sector, but for all that it contributed in volume it lacked in value. There were 55 transactions in the industry, a quarterly fall of 32.1% and year-on-year decline of 23%. But measured by total invested capital, it hardly registered at all with just US\$1.2bn. Only one TMT deal made it onto the top-10 leaderboard, and at a lowly ninth place at that, as US toymaker Hasbro brought home US\$500m from the sale of Entertainment One to Lionsgate Entertainment.

At the other end of the spectrum, the biggest deal in Q3 was worth US\$3.8bn and secured the business services sector a second-place position behind EMU in total value terms. Taiwanese semiconductor services provider WT Microelectronics wholly acquired Future Electronics, an electronic components distributor. The acquisition is seen

as a strategic move for WT to expand its global reach and product offerings, as it did not previously have operations in the Americas.

The purchase is also expected to bolster the merged business's supply chain and market intelligence as demand for chips is expected to climb. According to the World Semiconductor Trade Statistics, the global semiconductor market will grow from US\$556bn in 2022 to US\$884bn by 2030, spurred by the proliferation of smart gadgets and emergence of new AI applications. The Future Electronics deal brought businesses' deal value to US\$4bn, a twelvefold increase from Q2 and 10 times the corresponding quarter in 2022.



Canada top 10 announced deals, Q3 2023

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (US\$m)
1	14-Sep-23	WT Microelectronics Co., Ltd.	Future Electronics Inc. (100% Stake)	Business services		3,800
2	22-Aug-23	Uranium Energy Corp.	Mining Assets (Portfolio of Canadian Uranium Exploration Projects in Saskatchewan's Athabasca Basin) (100% Stake)	Energy, mining & utilities	Rio Tinto Plc	1,108
3	15-Aug-23	Oxy Low Carbon Ventures, LLC	Carbon Engineering Ltd. (100% Stake)	Industrials & chemicals		1,100
4	10-Aug-23	Novo Nordisk A.S.	Inversago Pharma Inc. (100% Stake)	Pharma, medical & biotech		1,075
5	11-Jul-23	TransAlta Corp.	TransAlta Renewables Inc. (40.15% Stake)	Energy, mining & utilities		1,043
6	01-Aug-23	Strathcona Resources Ltd.	Pipestone Energy Corp. (100% Stake)	Energy, mining & utilities		736
7	21-Jul-23	Rio Tinto Plc	Matalco Inc. (50% Stake)	Industrials & chemicals	Giampaolo Group Inc.	700
8	01-Aug-23	National Bank of Canada	Silicon Valley Bridge Bank NA (commercial loan portfolio) (100% Stake)	Financial services	Silicon Valley Bridge Bank N.A.	603
9	03-Aug-23	Lions Gate Entertainment Corp.	Entertainment One Ltd. (100% Stake)	TMT	Hasbro Inc.	500
10	31-Aug-23	AltaGas Ltd.	Tidewater Midstream & Infrastructure Ltd. (Pipestone and Dimsdale Assets) (100% Stake)	Energy, mining & utilities	Tidewater Midstream and Infrastructure Ltd.	480

Gas powered

As it often does, the EMU sector played an outsized role in Canada in Q3, generating the most value and the second highest deal volume. The US\$5.5bn worth of transactions the sector added in the quarter was down by a full 87% on Q2, which happened to be an outlier period for the sector. This was shared across 48 deals, second only to TMT and a quarter-on-quarter increase of 17.1%.

Four of Canada's top-10 deals in Q3 involved EMU assets, including TransAlta's US\$1bn purchase of the remaining 40.2% shares in TransAlta Renewables that it did not already own. The rationale for taking the stake is to unify the companies under a common strategic goal of delivering clean energy, TransAlta being one of Canada's largest producers of wind power and Alberta's largest producer of hydro-electric power.

According to a 2022 report by the International Energy Agency, Canada ranked 10th in the world for renewable energy capacity, with 141 gigawatts, with 62% of this capacity coming from hydropower due to the country's immense freshwater reserves. Renewables will continue to be a major source of activity in the Great White North, where the federal Clean Fuel Standard, implemented in January 2022, requires producers and importers to reduce the carbon intensity of their fuels over time.



Western US

TMT keeps this dynamic market in motion

California stormed ahead in Q3, with real GDP growth coming in at 2.1% according to the Bureau of Economic Analysis, well above the US national average of 0.6%. In keeping with the broader deceleration in M&A, however, dealmaking volume was down by 30.4% from Q2 and by 36.1% on a yearly basis, settling at a three-year low of 613.

Barring a surprise flurry at the beginning of this year, activity has been on a steady descent since mid-2022 and Q3 registered the least volume since Q3 2020, in the wake of the pandemic's immediate impact. This is hardly positive news.

Nevertheless, all is relative. The subregion counted more deals than any other market apart from the Southern US, which is testament to the size and dynamism of its tech-rich economy. These 613 transactions were collectively valued at US\$101.6bn, putting Western US behind the Northeast and just trailing the South.

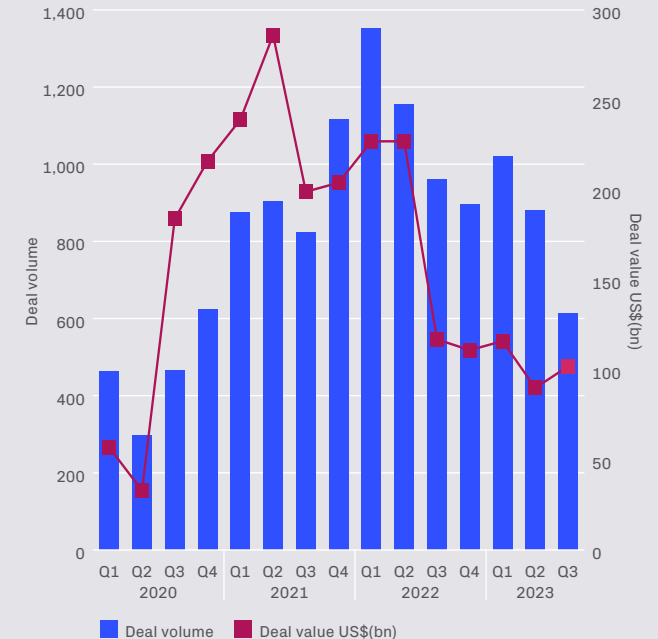
Tech lives

TMT has kept the wheels turning. The sector outperformed on the west coast, topping every other regional market in the Americas by any measure. A grand total of 230 transactions in the industry gave it an almost two-times lead over its closest competitor, the Northeastern US, despite representing a 32% quarter-on-quarter fall. And with US\$57.4bn in total value, TMT deals in the Western US more than tripled the Midwest's performance, the next highest value market for the industry.

Cisco's aforementioned Splunk takeover meant that TMT deal value was up by more than 186% on the preceding quarter and ensured that the Western US achieved a 12.7% increase on Q2 across all sectors. This was the best quarter-on-quarter value performance of any market in the Americas in Q3.

Another big-ticket play in the sector was a software take-private helmed by PE firms Francisco Partners and TPG Capital. The pair paid US\$6.7bn for observability platform New Relic, which helps software engineers monitor and troubleshoot their app development in real time and counts clients such as Amazon, Google, and Microsoft. The deal will put New Relic back into private hands nine years after it debuted on the NYSE.

Western US M&A activity, 2020-Q3 2023



Source: Mergermarket

The next frontier

The most buzzworthy deal, though, involved tech's latest, shiniest venture. Generative AI startup Anthropic agreed to a US\$4bn offer from Amazon, split between an immediate investment of US\$1.25bn and an option to upsize its stake with a further US\$2.75bn. The e-commerce goliath is on the offensive in the wake of cloud rivals Google and Microsoft tooling up, both having backed and developed their own AI offerings, the latter most prevalently via its partnership with OpenAI.

Anthropic's tech has a unique twist in that it aims to instill ethical principles in its training, creating a system that it

calls "helpful, honest, and harmless." The company has already signed up a number of clients including the world's top hedge fund, Bridgewater Associates, and legal database LexisNexis. Since the deal was announced, Amazon has said the startup's model, going by the name Claude, will be available to customers of its cloud computing business AWS, providing "thoughtful dialogue, content creation, complex reasoning, creativity, and coding."

Undoubtedly, 2023 is the year that generative AI made its mark. McKinsey expects the market to balloon from just US\$10.5bn in 2022 to US\$191.8bn by 2032, with machine learning more broadly hoped to alleviate inflationary pressure.

W-US top sectors by value | Q3 2023

	US\$(m)
TMT	57,398
Energy, mining & utilities	10,046
Pharma, medical & biotech	8,535
Consumer	7,204
Defense	5,840

W-US top sectors by volume | Q3 2023

	Deal count
TMT	230
Pharma, medical & biotech	82
Industrials & chemicals	66
Business services	59
Financial services	57

W-US top bidders by value | Q3 2023

	US\$(m)
USA	78,038
France	8,340
United Kingdom	5,669
Canada	4,710
Switzerland	1,043

W-US top bidders by volume | Q3 2023

	Deal count
USA	496
Canada	17
Japan	13
United Kingdom	11
France	10

Geopolitics as usual

A rare defense deal made it into third place in the Western US, with Britain's BAE Systems spending US\$5.6bn to take over Ball Aerospace & Technologies, a developer of spacecraft, laser communications systems, and sensors, as well as civilian applications such as weather pattern monitoring. The acquisition gives BAE a stronger presence in the US market, and Ball is said to have strong growth potential in areas aligned with the US intelligence community and the Department of Defense's highest priorities.

The US has by far the biggest defense budget in the world, accounting for around 40% of global annual military spend, and this is only set to increase as geopolitical tensions ratchet up. The transaction accounted for virtually all defense sector M&A value in the Western US in Q3.

While making it into second place, the EMU sector trailed far behind TMT with US\$10bn in total M&A value, down just 6.3% on Q2. It also contributed only two top-10 deals in the subregion. To be sure, in the West it has been, and will continue to be, all about tech and the hallowed Bay Area.

Western US top 10 announced deals, Q3 2023

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (US\$m)
1	21-Sep-23	Cisco Systems Inc.	Splunk Inc. (100% Stake)	TMT	Hellman & Friedman LLC	29,743
2	31-Jul-23	TPG Capital L.P.; Francisco Partners Management L.P.	New Relic Inc. (100% Stake)	TMT	Jana Partners LLC; HMI Capital LLC; Lew Cirne (Private Individual)	6,655
3	17-Aug-23	BAE Systems Plc	Ball Aerospace & Technologies Corp. (100% Stake)	Defense	Ball Corporation	5,550
4	05-Sep-23	Enbridge Inc.	Questar Gas Co (100% Stake); Dominion Energy Wexpro (100% Stake)	Energy, mining & utilities	Dominion Energy Inc.	4,300
5	25-Sep-23	Amazon.com Inc.	Anthropic PBC	TMT		4,000
6	07-Sep-23	Groupe Artemis	Creative Artists Agency, LLC (53% Stake)	Business services	TPG Capital L.P.	3,710
7	21-Aug-23	Permian Resources Corp.	Earthstone Energy Inc. (100% Stake)	Energy, mining & utilities		3,675
8	25-Jul-23	Thales S.A.	Imperva Inc. (100% Stake)	TMT	Thoma Bravo LLC	3,600
9	07-Aug-23	Campbell Soup Co.	Sovos Brands Inc. (100% Stake)	Consumer	Advent International Corp	2,888
10	28-Sep-23	AGCO Corp. (JCA Technologies business)	Trimble Inc. (Precision agriculture business) (85% Stake)	TMT	Agco Corporation; Trimble Inc.	2,000



Midwestern US

Cluster of large-cap deals offset volume crunch

The Midwest may have had the weakest quarter-on-quarter M&A value performance of any market in the US in Q3, but even then its total dollar count was only down by less than a single percentage point.

Like its larger counterparts, a base seems to have been found, which offers some encouragement in an otherwise challenged environment. America's heartland saw US\$38.3bn invested and across 269 transactions, volume sliding by 40.6% on Q2, the biggest decline across all of the country's four subregions.

The bifurcation between volume and value in the most recent quarter is purely a function of a small handful of mega-cap transactions making an outsized contribution, boosting their respective sectors. Specifically, TMT, EMU, and consumer put up US\$15.6bn, US\$7.6bn, and US\$5.8bn in aggregate value, respectively. Commensurately, they also contributed the subregion's largest, second largest, and third largest deals in Q3.

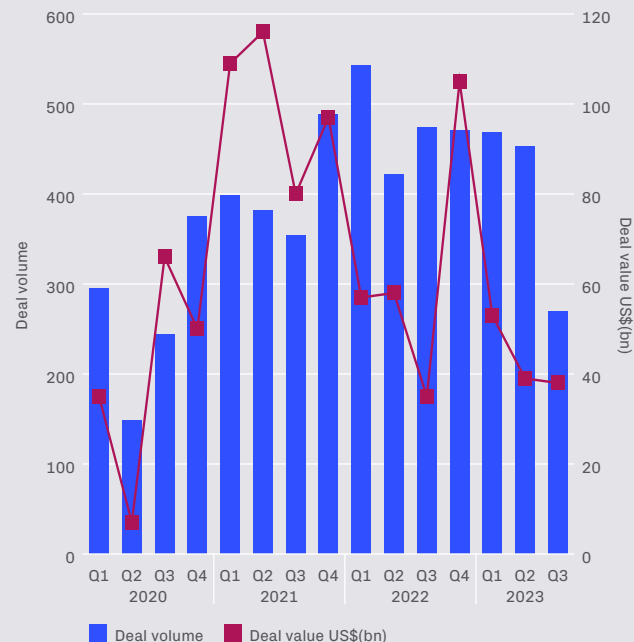
Fintech write-down

PE firm GTCR took a 55% stake in Worldpay, a former unit of Royal Bank of Scotland spun off in the wake of the global financial crisis. Fidelity National Information Services (FIS) raised US\$12.7bn from the sale only four years after the banking services multinational paid US\$35bn for the asset, nursing a significant loss after the payment services provider lost market share to interloping fintechs. The sale will go some way towards appeasing FIS's activist shareholders, hedge funds D.E. Shaw and Jana Partners. This deal alone accounted for more than 80% of the TMT sector's value in Q3, which at US\$15.6bn was up by as much as 124.7% quarter-on-quarter, showing what a difference a big-ticket play can make.

It was a similar story for the EMU and consumer sectors. The former was up by 86.7% on Q2, the lion's share of its US\$7.6bn total coming from the subregion's second biggest deal—Enbridge's US\$6.6bn buy of Ohio's natural gas distribution market leader, The East Ohio Gas Company.

The triple-acquisition with vendor Dominion Energy, including Utah's Questar Gas and The Public Service Company of North Carolina, creates the largest natural gas utility franchise in the country. Corporates with the financial resources are making the most of others' misfortune. Dominion is struggling under the weight of its debt, which at the end of March 2023 had climbed to US\$48.5bn from US\$42.1bn a year prior, around 5.5x its EBITDA.

Midwestern US M&A activity, 2020-Q3 2023



Source: Mergermarket

MW-US top sectors by value | Q3 2023

	US\$(m)
TMT	15,566
Energy, mining & utilities	7,572
Consumer	5,802
Industrials & chemicals	2,467
Business services	2,198

MW-US top sectors by volume | Q3 2023

	Deal count
Industrials & chemicals	56
TMT	47
Pharma, medical & biotech	36
Business services	31
Consumer	28

MW-US top bidders by value | Q3 2023

	US\$(m)
USA	28,020
Canada	6,915
Australia	1,108
Japan	936
Sweden	600

MW-US top bidders by volume | Q3 2023

	Deal count
USA	236
Canada	8
Japan	4
Australia	3
Germany	2

MW-US top bidders by volume also saw 2 deals from Italy and Switzerland.



Sweet tooth

Once again, in the case of the consumer sector, which saw a 112.7% quarterly lift in aggregate value, the Midwest's third-place deal was responsible for virtually all of the industry's US\$5.8bn in announced transaction value.

J.M. Smucker bought Hostess Brands for US\$5.5bn, bringing together two major American snack groups. For Hostess, known for its iconic snacks, including Twinkies, Ho-Hos, and Ding Dongs, the takeover draws a line under a successful turnaround journey after the business filed for bankruptcy twice following PE ownership.

The strategic move comes as prominent US packaged food companies expand their portfolios to boost their sales volumes due to the diminishing benefits of cost pass-through from inflation. Potential buyers began circling Hostess on seeing its revenues rise in lockstep with increasing consumer prices, but its volume growth simultaneously declined. The megadeal left little over US\$200m of Q3 M&A value in the subregion's consumer sector, deal volume not even registering among the most active industries.

Clean run

The same cannot be said for the I&C sector. Manufacturing is a cornerstone of the Midwest's economy, contributing 13.3% to its GDP, according to the Bureau of Labor Statistics, more than any other sector. As a major industrial hotbed, it should come as no surprise that I&C supplies a steady flow of deals.

The category led with 56 transactions, a quarterly decline of 30.9%. Year-on-year, this was a downshift of 41.1%. Major plays have been absent in recent months, the biggest being a relatively modest US\$1.3bn buyout of waste services company Heritage-Crystal Clean by PE firm JF Lehman & Co.

Crystal's energy recovery disposal process takes non-hazardous waste and converts it into energy to reduce the environmental impact of waste. The financial sponsor is placing its bets on businesses coming under pressure from their stakeholders and becoming more sustainability-conscious and running cleaner operations. PE firms continue to set their sights on ESG-aligned companies across the gamut of industries to benefit from one of the most powerful thematic tailwinds for value creation.

Midwestern US top 10 announced deals, Q3 2023

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (US\$m)
1	06-Jul-23	GTCR Golder Rauner LLC	Worldpay Inc. (55% Stake)	TMT	Fidelity National Information Services Inc.	12,700
2	05-Sep-23	Enbridge Inc.	East Ohio Gas Co. (100% Stake)	Energy, mining & utilities	Dominion Energy Inc.	6,600
3	11-Sep-23	JM Smucker Co.	Hostess Brands Inc. (100% Stake)	Consumer		5,485
4	28-Aug-23	Kimco Realty Corporation	RPT Realty (100% Stake)	Real estate		2,036
5	29-Aug-23	Brady Industries Inc.	Envoy Solutions LLC	Business services	Fomento Economico Mexicano S.A.B. de C.V.	1,700
6	08-Aug-23	Roper Technologies Inc.	Syntellis Performance Solutions LLC (100% Stake)	TMT	Thoma Bravo LLC; Madison Dearborn Partners, LLC	1,400
7	19-Jul-23	JF Lehman & Co. LLC	Heritage-Crystal Clean Inc. (100% Stake)	Industrials & chemicals		1,292
8	02-Aug-23	MUFG Bank Ltd.; Mitsubishi UFJ Financial Group, Inc.	US Bancorp (1.51% Stake)	Financial services		936
9	29-Aug-23	Patricia Industries AB; Laborie Medical Technologies Corp.	Urotronic Inc. (100% Stake)	Pharma, medical & biotech		600
10	29-Aug-23	Macquarie Group Ltd.—MGL; Ares Management Corp.; Macquarie Asset Management Holdings Pty. Ltd.	Cincinnati Bell Inc.	TMT		600



Southern US

Welcome value beat in America's South

The Southern US came out on top in Q3 with a higher volume of M&A than any other market in the Americas, nudging just ahead of the Western US with 616 acquisitions. The trend here closely tracked the average across the region, moving down by 32.7% quarter-on-quarter and by an almost identical 32.6% on the year.

If that wasn't enough, dealmaking in the Southern states also chalked up the second highest total value behind Northeastern US. The US\$108bn worth of announced acquisitions was flat on Q2, but comfortably topped the same quarter last year by 37.3%.

Indeed, the quantum of invested dollars in Southern US has been on an ascent since bottoming in the final three months of 2022. If M&A markets were meant to be on ice this year, this subregion must not have gotten the memo.

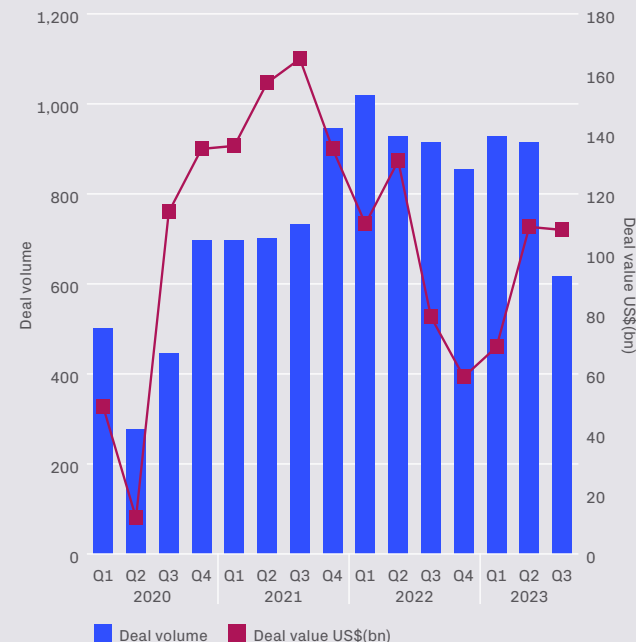
Energized market

Looking across industry lines, there is no clear or cohesive trend to speak of. Some scored a high tally of deals with moderate cumulative value, while others punched above their weight in terms of their dollar contribution even as numbers were thin on the ground. EMU was arguably the most conspicuous sector, contributing more value (US\$27.2bn) than any other. No other industry posted more large-cap deals than EMU.

Of these, the largest—and third biggest in the Southern US—was worth US\$6.1bn. US pipeline group Energy Transfer bought Crestwood Equity Partners, reflecting the ongoing consolidation in North America's fuel infrastructure sector. This move enables Energy Transfer to further expand its vast network of oil and gas pipelines, already one of the continent's largest, amid growing challenges in launching new projects.

The midstream energy sector has been witnessing a surge in mergers due to opposition from local landowners and environmental activists against new fossil fuel infrastructure. The deal is expected to enhance Energy Transfer's position in key oil- and gas-producing regions, such as the Permian Basin and Bakken, and is anticipated to yield cost savings.

Southern US M&A activity, 2020-Q3 2023



Source: Mergermarket



Carbon credit

ExxonMobil also turned heads with a significant advance in its carbon management business, exchanging US\$4.8bn worth of its stock in the buyout of Denbury Resources, which has benefited from carbon capture tax credits offered under the Biden administration's climate bill. The deal provides Exxon access to Denbury's extensive CO₂ pipeline network, spanning 1,300 miles across the US, with a large portion in Louisiana, Texas, and Mississippi. Exxon's expansion into lower-carbon sectors has focused on carbon capture and storage, hydrogen, and biofuels, while avoiding the renewable energy shift made by some European rivals.

PMB deals amounted to US\$10.9bn in Q3, the third highest value sector for M&A, a downward move of 52.2% compared to Q2 although a gain of 23.3% on 2022's third quarter. The period got off to a winning start when Biogen in July paid US\$7.5bn for north Texan drug developer Reata Pharmaceuticals, whose key product Skyclarys is the first and only FDA-approved treatment for Friedreich's ataxia, a rare genetic disease.

Biogen, which is based in Massachusetts' MedCity area, also believes that Reata's drug discovery platform has the potential to deliver novel treatments for other neurological diseases so could further stock its product pipeline.

S-US top sectors by value | Q3 2023

	US\$(m)
Energy, mining & utilities	27,156
Industrials & chemicals	26,816
Pharma, medical & biotech	10,868
TMT	10,373
Consumer	5,977

S-US top sectors by volume | Q3 2023

	Deal count
Business services	112
TMT	111
Pharma, medical & biotech	77
Industrials & chemicals	68
Financial services	66

S-US top bidders by value | Q3 2023

	US\$(m)
USA	73,539
Ireland (Republic)	21,179
Canada	4,121
France	2,835
Spain	2,006

S-US top bidders by volume | Q3 2023

	Deal count
USA	529
Canada	20
United Kingdom	13
France	8
Australia	7

Box clever

Reata was the Southern US region's second largest play of the quarter and was bested only by Smurfit Kappa's show-stealing US\$21.2bn merger with WestRock Company addressed earlier in this report. This deal brought the I&C sector's total value count to US\$26.8bn, a whopping 326.3% surge quarter-on-quarter and 157.2% improvement year-on-year.

Packaging companies saw a surge in demand for their products and services during pandemic lockdowns, thanks to the increased need for goods and the growth of e-commerce. However, sustaining revenues has proved challenging as consumers reverted to spending on services, and manufacturers began reducing their inventory. This downtrend hit Smurfit's earnings during H1 2023, its new merger representing an opportunity to cut costs.

While the FTC and DoJ have been turning up the antitrust heat on blockbuster deals in recent times, Smurfit is confident it will avoid their ire as there is limited overlap between its European and Latin American operations and those of WestRock, which is largely focused on the US.

Southern US top 10 announced deals, Q3 2023

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (US\$m)
1	12-Sep-23	Smurfit Kappa Group Plc	WestRock Company (100% Stake)	Industrials & chemicals		21,179
2	28-Jul-23	Biogen Inc.	Reata Pharmaceuticals Inc. (100% Stake)	Pharma, medical & biotech		7,501
3	16-Aug-23	Energy Transfer L.P.	Crestwood Equity Partners L.P. (100% Stake)	Energy, mining & utilities		6,072
4	13-Jul-23	Exxon Mobil Corp.	Denbury Inc. (100% Stake)	Energy, mining & utilities		4,790
5	07-Aug-23	Clayton, Dubilier & Rice, LLC	Veritiv Corp. (100% Stake)	Business services	Baupost Group LLC	4,072
6	10-Jul-23	Berkshire Hathaway Energy Co.; Berkshire Hathaway Inc.	Cove Point LNG L.P. (100% Stake)	Energy, mining & utilities	Dominion Energy Inc.	3,300
7	05-Sep-23	Enbridge Inc.	Public Service Co. of North Carolina Inc. (100% Stake)	Energy, mining & utilities	Dominion Energy Inc.	3,200
8	10-Aug-23	Forward Air Corp.	Omni Logistics LLC (100% Stake)	Transportation	Eve Partners LLC; Ridgemont Equity Partners	3,200
9	07-Sep-23	Summit Materials, Inc.	Argos North America Corp. (100% Stake)	Construction	Cementos Argos S.A.	3,169
10	18-Jul-23	Existing Shareholders	Atlanta Braves Holdings Inc. (100% Stake)	Leisure	Liberty Media Corp.	2,607

A photograph of a city skyline at dusk, featuring several tall buildings with illuminated windows. In the foreground, there is a body of water with a bridge and some boats. A yellow banner is overlaid on the left side of the image, containing the text "Northeastern US". The sky is a mix of blue and orange, suggesting sunset or sunrise. There are some semi-transparent colored rectangles (orange and grey) overlaid on the image, possibly for design purposes.

Northeastern US

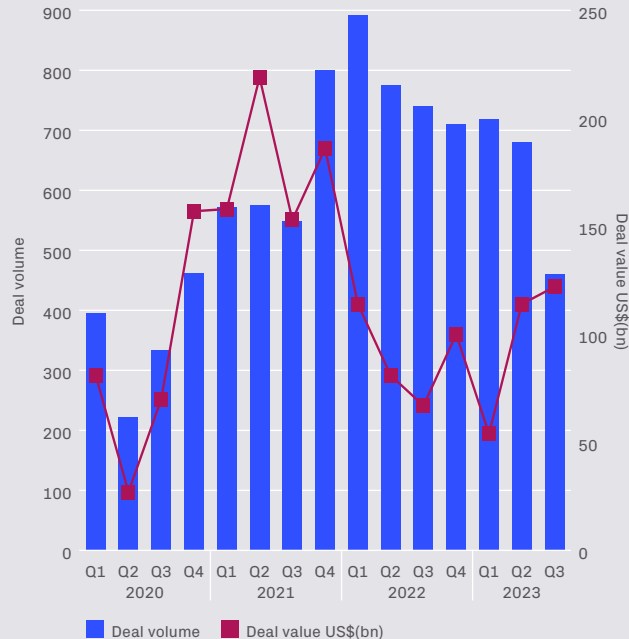
Northeastern US crowned M&A value king

The Northeastern US stood head and shoulders above every other M&A market in the Americas in Q3. The subregion played host to the most big-ticket transactions, dominating the league table with four of the 10 largest deals in the Americas, pushing its aggregate value to US\$121.9bn.

This means that just over 30% of all invested capital in the Americas was transacted on the East Coast of the US. Naturally, this made for an impressive comparative performance, gaining 7.3% quarter-on-quarter and by no less than 82.4% compared with Q3 2022.

All of this was achieved despite a sag in M&A activity. Deal volume trended down by 32.2% compared to the previous quarter, and a 37.8% drop measured against the same quarter last year, almost directly tracking the broader regional trend. This left the subregion with a total of 461 deal announcements, lagging both Southern and Western US.

Northeastern M&A activity, 2020-Q3 2023



Source: Mergermarket

A consumer affair

MedCity in the Boston area combined with Wall Street and Silicon Alley in New York typically ensure the Northeastern US's M&A scene is stocked with an ample supply of PMB, TMT, and financial services deal value in any given quarter. That was not the case in Q3. While TMT led on volume with 125 acquisitions, it barely made a mark on the subregion's largest deals. This volume count was also a 39% slump on Q2 and was down by 47% compared to the same quarter last year.

Instead, Q3 was very much a consumer affair. The industry produced no less than US\$60.3bn in M&A activity, over 27 times more than Q2 and nine times the preceding year's third quarter. On first blush it may be tempting to discount this as the work of Johnson & Johnson's much anticipated spin-off of its consumer division, valued at US\$42.2bn. But even subtracting this divestment would bring the consumer total to US\$18.1bn, above I&C's US\$14.8bn sum by a decent margin. The strategic maneuver separated J&J from the lower-margin business, Kenvue, the new pure-play consumer health company that boasts a portfolio of iconic brands including Tylenol, Neutrogena, and Listerine.

NE-US top sectors by value | Q3 2023

	US\$(m)
Consumer	60,302
Industrials & chemicals	14,802
Pharma, medical & biotech	11,588
Leisure	9,730
TMT	9,418

NE-US top sectors by volume | Q3 2023

	Deal count
TMT	125
Business services	80
Financial services	62
Pharma, medical & biotech	59
Industrials & chemicals	44

NE-US top bidders by value | Q3 2023

	US\$(m)
USA	110,414
Switzerland	3,144
United Kingdom	2,954
France	1,400
Japan	955

NE-US top bidders by volume | Q3 2023

	Deal count
USA	399
United Kingdom	14
Canada	5
Japan	5
Australia	3

NE-US top bidders by volume also saw 3 deals from India and South Korea.

Lap of luxury

The consumer sector didn't stop there. Tapestry, the parent company of Coach, Kate Spade, and Stuart Weitzman, made a splash when it secured a US\$10.2bn merger with Capri Holdings, owner of Versace, Michael Kors, and Jimmy Choo. This deal creates a global conglomerate with over US\$12bn in revenue, providing Tapestry with a foot in the door of the high-end fashion market, positioning it competitively against European rivals like LVMH and Kering.

The luxury market has come under pressure in some markets as consumers count their discretionary spending, but the US and China remain surprisingly strong. Euromonitor estimates

that global spending will grow by 4% this year in real terms, largely driven by these two markets.

Even the Northeastern US's third largest acquisition, though not strictly a consumer deal, has a decidedly consumer flavor to it. Restaurant specialist PE firm Roark Capital took on Subway, the world's largest submarine sandwich chain, for US\$9.6bn as it hopes to repeat the success it has already had in turning around Arby's, Buffalo Wild Wings, and Jimmy John's. Roark has pledged to invest in Subway's menu and marketing as part of a brand refresh. This sole deal brought the leisure sector up to third place with US\$9.7bn invested, a fivefold quarterly gain.



Northeastern US top 10 announced deals, Q3 2023

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (US\$m)
1	24-Jul-23	Existing Management	Kenvue Inc. (80.1% Stake)	Consumer	Johnson & Johnson	42,214
2	10-Aug-23	Tapestry Inc.	Capri Holdings Ltd (100% Stake)	Consumer		10,230
3	24-Aug-23	Roark Capital Group Inc.	Subway IP LLC (100% Stake)	Leisure		9,550
4	13-Aug-23	Cleveland-Cliffs Inc.	United States Steel Corp. (100% Stake)	Industrials & chemicals		9,220
5	31-Jul-23	Existing Shareholders	SharkNinja Inc. (100% Stake)	Consumer	JS Global Lifestyle Co., Ltd.	6,544
6	24-Jul-23	Global Infrastructure Partners, LLC	Columbia Gulf Transmission LLC (40% Stake); Columbia Gas Transmission LLC (40% Stake)	Energy, mining & utilities	TC Energy Corp.	3,942
7	24-Jul-23	Roche Holding AG	Alnylam Pharmaceuticals Inc. (develop and commercialize zilebesiran) (100% Stake)	Pharma, medical & biotech	Alnylam Pharmaceuticals, Inc.	2,800
8	20-Sep-23	Delta Air Lines, Inc.; Cox Enterprises Inc.; Certares L.P.; Knighthead Capital Management LLC	Wheels Up Experience Inc. (96.34% Stake)	Transportation		2,049
9	07-Aug-23	KKR & Co., Inc.	Simon & Schuster Inc. (100% Stake)	TMT	Paramount Global	1,620
10	21-Aug-23	Jordan Co. L.P.	DuPont de Nemours Inc (Delrin® acetal homopolymer (H-POM) business) (80.1% Stake)	Industrials & chemicals	DuPont de Nemours Inc.	1,600

Steel standing

Sitting between the leisure and consumer sectors in second place, the I&C sector delivered US\$14.8bn, down 13.6% quarter-on-quarter but outperforming last year's corresponding quarter by 146.8%. By far the most notable of these transactions, and accounting for the better part of the industry's total, was a merger of equals. Cleveland-Cliffs, the largest flat-rolled steel producer in North America, bid US\$9.2bn for Pittsburgh-based United States Steel Corporation, its closest competitor.

The combined company will produce in the region of 70m tons of steel annually, making it the biggest player in the Americas and bringing it closer to rivaling Luxembourg's ArcelorMittal, which boasts more than 130m tons per year.

Steel production, an energy-intensive process, is highly sensitive to today's elevated energy costs. Coupled with weakened demand from the chill in construction markets, this has been squeezing operators' margins. Deals such as this are an opportunity for players in America's industrial belt to reduce their operating costs, particularly for those processing commodities whose prices have softened, as is the case with steel.



Brazil

Dealmaking continues to track down in a forgettable Q3

Brazil boasts one of the most optimistic growth outlooks in the Americas, with the IMF projecting real GDP will climb by 3.1% in 2023. Inflation, however, is proving to be a tough nut to crack. After falling steeply from a peak of just over 12% in early 2022 to 3.2% in June 2023, the CPI bounced over the following three months to 5.2% in September, in part resulting from the expiry of a one-time discount on energy prices for residential users. The country's central bank expects this to settle just above 3% over the next three years.

Luiz Inácio Lula da Silva has just rounded out his first year back as president and, while his efforts to attract M&A and investment to Brazil are still in their early stages, he has taken positive steps. These include reforming the country's tax system and loosening regulations on foreign ownership of Brazilian companies to attract outside investment and boost the economy.

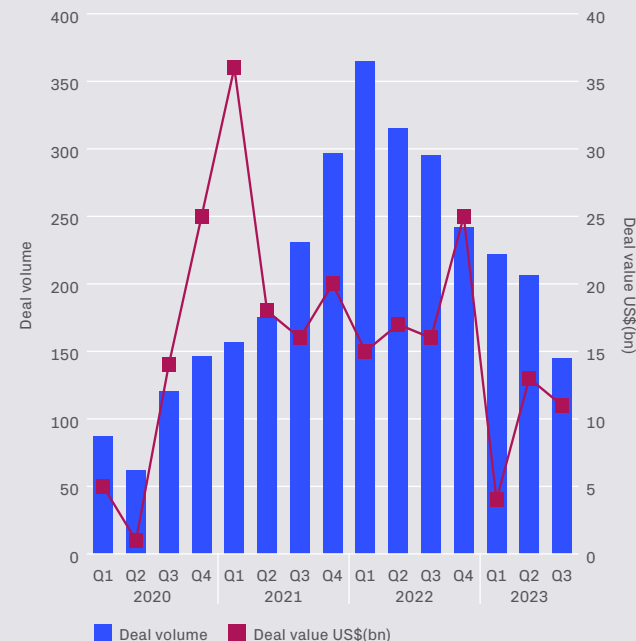
Steady decline

Deal activity in Brazil has been on a steady descent since the beginning of 2022. M&A value is inherently lumpy from one quarter to the next, but Q1 and Q3 2023 represented the weakest performances since the initial pandemic-shock period of Q2 2020.

It's safe to say that it's been a tepid start to the end of the year. However, investment bankers say they see little narrowing of deal pipelines, rather it is simply taking longer for negotiations to come to fruition.

The 145 deal announcements involving Brazilian targets in Q3 undershot Q2 by 29.6% and represent a year-on-year fall of 50.8%. At the same time, US\$11.3bn changed hands, down 13.1% on Q2 and by 30.1% on the same period last year. There were no megadeals to speak of and just two surpassed the US\$1bn threshold.

Brazil M&A activity, 2020-Q3 2023



Source: Mergermarket



Mineral sufficiency

The EMU sector was a major contributor to M&A value. The US\$5.5bn attributable to the industry was a touch above Q3 2022's showing and more than three times above Q2's total. Almost half of this came from a US\$2.6bn investment by Manara Minerals Investment, a joint venture between Saudi Arabian Mining Company and the kingdom's Public Investment Fund for a 10% stake in Vale Base Metals, Brazil's top deal of Q3. A simultaneous US\$780m investment by US fund Engine No 1 for a 3% stake in Vale was also the country's third largest deal.

'Base metals' refers to multiple elements including, and most importantly in the context of this Vale deal, copper and nickel. The two metals are essential to the energy transition and are expected to see rising demand over the long term. Nickel is a key component of the cathodes in lithium-ion batteries commonly used in EVs and energy storage systems. Nickel-rich batteries have a high energy density, meaning they can hold more energy and have a longer range.

EMU was also the third most prolific M&A sector after TMT and business services, producing 19 deals. TMT may have led Brazilian deal volume with 33 transactions, a 36.5% decrease on Q2, but it made an underwhelming contribution to total value, with just US\$891m transacted and only one top-10 transaction in Q3, as payment processor Evertec put up US\$586m to take over Sinqia, a software provider to Brazilian financial institutions.

Brazil top sectors by value | Q3 2023

	US\$(m)
Energy, mining & utilities	5,526
Consumer	2,691
Pharma, medical & biotech	914
TMT	891
Leisure	589

Brazil top sectors by volume | Q3 2023

	Deal count
TMT	33
Business services	26
Energy, mining & utilities	19
Consumer	16
Financial services	16

Brazil top bidders by value | Q3 2023

	US\$(m)
Brazil	3,619
Saudi Arabia	2,600
Norway	1,056
USA	1,038
Switzerland	603

Brazil top bidders by volume | Q3 2023

	Deal count
Brazil	89
USA	16
France	6
United Kingdom	4
Netherlands	3
Italy	3

Cattle herding

Pushing the consumer sector into second place was beef producer Minerva's US\$1.5bn purchase of 16 plants from Marfrig Global Foods, making Minerva the biggest player in South America. The deal significantly expands its hold on the export market, beef being Brazil's fifth largest commodity for outbound trade.

Notably, the country registered a 7% increase in beef production in H1 2023 and its prices are highly competitive, being around half those found in the US. All told, consumer deals made up US\$2.7bn of the country's M&A value in Q3, nearly 24 times the prior quarter's total and a more than sevenfold increase year-on-year. However, with just 16 deals it was one of the quietest M&A sectors.

As a country rich in oil, gas, iron ore, nickel, and bauxite reserves, which play an important role in Brazil's economy and exports, it is the EMU sector that will most likely continue to play a definitive role in this market's M&A over the next year. There is little sign of that changing any time soon.

Brazil top 10 announced deals, Q3 2023

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (US\$m)
1	27-Jul-23	Manara Minerals Investment Co.	Vale Base Metals Ltd. (10% Stake)	Energy, mining & utilities	Vale S.A.	2,600
2	29-Aug-23	Minerva S.A.	Marfrig Global Foods S.A. (South America's slaughtering and deboning plants) (100% Stake)	Consumer	Marfrig Global Foods S.A.	1,540
3	27-Jul-23	Engine No. 1 L.P.	Vale Base Metals Ltd. (3% Stake)	Energy, mining & utilities	Vale S.A.	780
4	21-Jul-23	Equinor ASA	Rio Energy Participacoes S.A. (100% Stake)	Energy, mining & utilities	Denham Capital Management L.P.	731
5	06-Sep-23	Nestle S.A.	CRM Industria e Comercio de Alimentos Ltda.	Consumer	Advent International Corp.	603
6	20-Jul-23	EVERTEC, Inc.	Sinqia S.A. (100% Stake)	TMT		586
7	07-Sep-23	Floridienne S.A.; Biobest Group N.V.	Biotrop Solucoes Biologicas e Participacoes Ltda. (85% Stake)	Pharma, medical & biotech	Aqua Capital	478
8	03-Jul-23	China-LAC Cooperation Fund	China General Nuclear Power Brazil Co., Ltd.	Energy, mining & utilities		455
9	01-Sep-23	Galo Holding Ltda.	Atletico Mineiro SAF (75.3% Stake)	Leisure	Clube Atletico Mineiro	425
10	24-Jul-23	Ferrara Candy Co.; Ferrero International S.A.	Dori Alimentos Ltda (100% Stake)	Consumer	ACON Investments LLC	420

An aerial photograph of a city skyline, likely Bogotá, Colombia, featuring several prominent skyscrapers. The sky is filled with dramatic, dark clouds. A yellow horizontal bar is overlaid across the middle of the image, containing the text 'Latin America & the Caribbean (excl. Brazil)'. To the right of the text bar, there are several semi-transparent rectangular overlays in shades of orange, grey, and white, arranged in a grid-like pattern.

Latin America & the Caribbean (excl. Brazil)

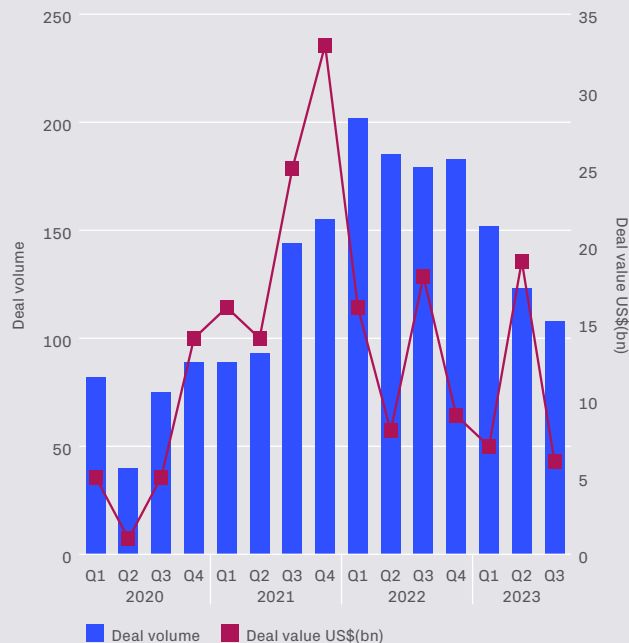
Emerging markets aversion keeps deal value to a minimum

Mexico is by far the largest economy in Latin America & the Caribbean after Brazil. However, in Q3 the country made little impact on the subregion's M&A market, which was markedly quieter than prior quarters. Between July-September, there were 108 transactions, 12.2% fewer than the preceding quarter and down 39.7% year-on-year. Deal value wilted to just US\$5.8bn, a 69% quarterly fall and down 67.8% compared to Q3 2022.

Latin America & the Caribbean got off to a slower start than more developed markets post-pandemic. It was only in mid-2021, when M&A in the US was already barreling along, that volume began to pick up pace.

This means that Q3's showing was the lowest volume in only two years. What's most notable about recent activity is that it has skewed towards diminutive deals. The US\$5.8bn in value is the lowest mark since Q3 2020 and there was only one headline transaction among the subregion's top 10 valued at US\$1bn or more.

Latin America & the Caribbean (excl. Brazil) M&A activity, 2020-Q3 2023



Source: Mergermarket

Panning for gold

Over two-thirds of all deals emerged in the EMU, TMT, financial services, and business services industries. Of the four, EMU and TMT led with 20 transactions apiece, while financial services and business services both contributed 13 deals. The EMU sector was the value leader, its US\$1.6bn contribution representing an 85.7% drop on Q2 and 57.2% less than last year's third quarter.

Leading the sector was Glencore International's US\$475m purchase of a 56.3% stake in the MARA Project, a joint venture in the Catamarca province of Argentina with Yamana Gold previously co-owned by Pan American. MARA is still in the development phase, with construction expected to begin in 2024 and production penciled for 2026, after which it is forecast to produce approximately 11.7bn pounds of copper and 7.4m ounces of gold over its initial 28-year mine life.

Unlike copper, gold plays a limited role in renewable technologies, though well over a third is held as bullion globally and central banks have been stocking up since inflation began running hot. The World Gold Council has estimated this buying surged by 22% in H1 2023 year-on-year, the highest rate in more than two decades.

LatAm top sectors by value | Q3 2023

	US\$(m)
Energy, mining & utilities	1,552
Financial services	1,312
Consumer	604
Pharma, medical & biotech	546
Transportation	527

LatAm top sectors by volume | Q3 2023

	Deal count
Energy, mining & utilities	20
TMT	20
Financial services	13
Business services	13
Consumer	9

LatAm top bidders by value | Q3 2023

	US\$(m)
USA	2,659
Spain	635
Switzerland	475
Saudi Arabia	400
Japan	360

LatAm top bidders by volume | Q3 2023

	Deal count
USA	29
Argentina	9
Spain	7
Mexico	6
United Kingdom	6

A bright spot

The energy transition was a defining characteristic of EMU's largest transaction of Q3, and the second biggest across all sectors, in which Chilean solar power company Sonnedix took over local competitor Arcadia Generación Solar for US\$550m. Arcadia owns and operates four solar farms with a total installed capacity of 416MW. This is over a fifth of the country's estimated 6.25GW in capacity, which makes it the second largest solar market in Latin America after Brazil.

Apart from enjoying plenty of sunshine, the industry has strong support from the government, which is targeting 20GW by 2030 via a number of policies including net metering for selling excess electricity back to the grid, feed-in tariffs, and tax breaks for the purchase and installation of new panels. The approach is part of a broader renewables strategy that is viewed by many as a playbook for other industrialized nations in Latin America.



Latin America & the Caribbean (excl. Brazil) top 10 announced deals, Q3 2023

	Announced date	Bidder company	Target company	Sector	Vendor company	Deal value (US\$m)
1	07-Sep-23	Warburg Pincus LLC; Prudential Financial Inc; Investor Group	Prismic Life Reinsurance Ltd.	Financial services		1,000
2	12-Jul-23	Sonnedit Power Holdings Ltd.	Arcadia Generacion Solar S.p.A. (100% Stake)	Energy, mining & utilities	Enel S.p.A.; Enel Chile S.A.	550
3	30-Aug-23	Aleatica SAU	Aleatica SAB de C.V. (13.96% Stake)	Transportation		527
4	31-Jul-23	Glencore International AG	Mining Assets (MARA Project) (56.25% Stake)	Energy, mining & utilities	Pan American Silver Corp.	475
5	15-Sep-23	Saudi Arabian Oil Co.	Esmax Distribucion S.p.A. (100% Stake)	Consumer	Southern Cross Group	400
6	07-Jul-23	KKR & Co., Inc.; Empresa Nacional de Telecomunicaciones; ON*NET Fibra de Peru	PangeaCo SAC (64% Stake); Entel Peru S.A. (Peruvian fiber optic network) (64% Stake)	TMT	Telefonica S.A.; Empresa Nacional de Telecomunicaciones	384
7	08-Aug-23	Mitsui & Co., Ltd.	Industrial Pesquera Santa Priscila	Agriculture		360
8	15-Aug-23	two	LatAm Logistic Properties S.A. (100% Stake)	Real estate		286
9	14-Aug-23	Oak Woods Acquisition Corp.	Huajin (China) Holdings Ltd. (100% Stake)	Pharma, medical & biotech		250
10	26-Sep-23	Grupo Popular S.A.; Grupo Linda; Administradora de Fondos de Inversion Popular	Oil & Gas Assets (AES Colon) (20% Stake); AES Corp (Dominican Republic business) (10% Stake)	Energy, mining & utilities	The AES Corporation	190

Re: insurance

Financial services closely followed the EMU sector with US\$1.3bn invested, more than doubling the next largest industry, consumer. This equates to a five times multiple year-on-year and a still substantial gain of 79.2% over Q2. However, volume did not even register among the most active sectors for M&A, the focus being on US PE firm Warburg Pincus' unique US\$1bn incorporation arrangement with insurer Prudential Financial.

In September, the pair launched Prismic Life Reinsurance, a licensed Class E life and annuity reinsurance company based in Bermuda. Prudential expects to reinsure to Prismic a block of structured settlement annuity contracts with reserves of approximately US\$10bn, subject to the receipt of required regulatory approvals. Under the arrangement, which is expected to grow in assets, Prudential expects Prismic will allow the company to provide more people with access to life and annuity products.

Bermuda is a natural choice for a new reinsurance venture, its regulatory framework being renowned for its licensing credibility and robustness in safeguarding the interests of policyholders and creditors through stringent reporting and solvency requirements.



About this report

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