Datasite®
Where deals are made

Deal Drivers: Americas 2022 Outlook

Outlook for 2022

M&A has hit record highs in 2021 and activity is unlikely to slow down in 2022.

In mid-2020, many believed that the pandemic would devastate M&A in the Americas. They were wrong. This year has seen US$2.2tn-worth of deals across the region – an all-time high, according to Mergermarket figures. And the months ahead look set for just as much activity.

There is widespread anticipation of significant numbers of transactions, particularly in the US, but also across the broader region. Regional recovery in both North America and Latin America, combined with the strength of several sectors, mean 2022 could be a bumper year. However, presidential elections in the region (namely Brazil and Colombia), the spread of Omicron, rising inflation, and supply chain issues could all pull dealmakers away from the negotiating table. Watch this space.

Note: The Intelligence Heat Charts are based on 'companies for sale' tracked by Mergermarket in the respective regions between 01/06/2021 and 25/11/2021 . Opportunities are captured according to the dominant geography and sector of the potential target company.

	Canada	Western US	Midwestern US	Southern US	Northeastern US	Brazil	Latin America & the Caribbean	Grand total
TMT	25	314	77	215	306	48	15	1000
Financial Services	12	202	103	204	276	34	29	860
Pharma/Med/Biotech	18	149	84	134	212	15	1	613
Industrials & Chemicals	11	82	78	93	113	20	3	400
Business Services	6	95	41	79	119	24	6	370
Consumer	9	85	31	65	108	40	11	349
Energy/Mining/Utilities	29	54	25	66	76	35	13	298
Leisure	3	32	16	20	35	18	5	129
Real Estate	7	13	12	15	20	9	7	83
Transportation	2	14	6	13	17	18	2	72
Construction	2	3	2	10	8	13	2	40
Agriculture	5	6	1	6	6	1	1	26
Defence		4	1	14	3			22
Total	129	1053	477	934	1299	275	95	4262

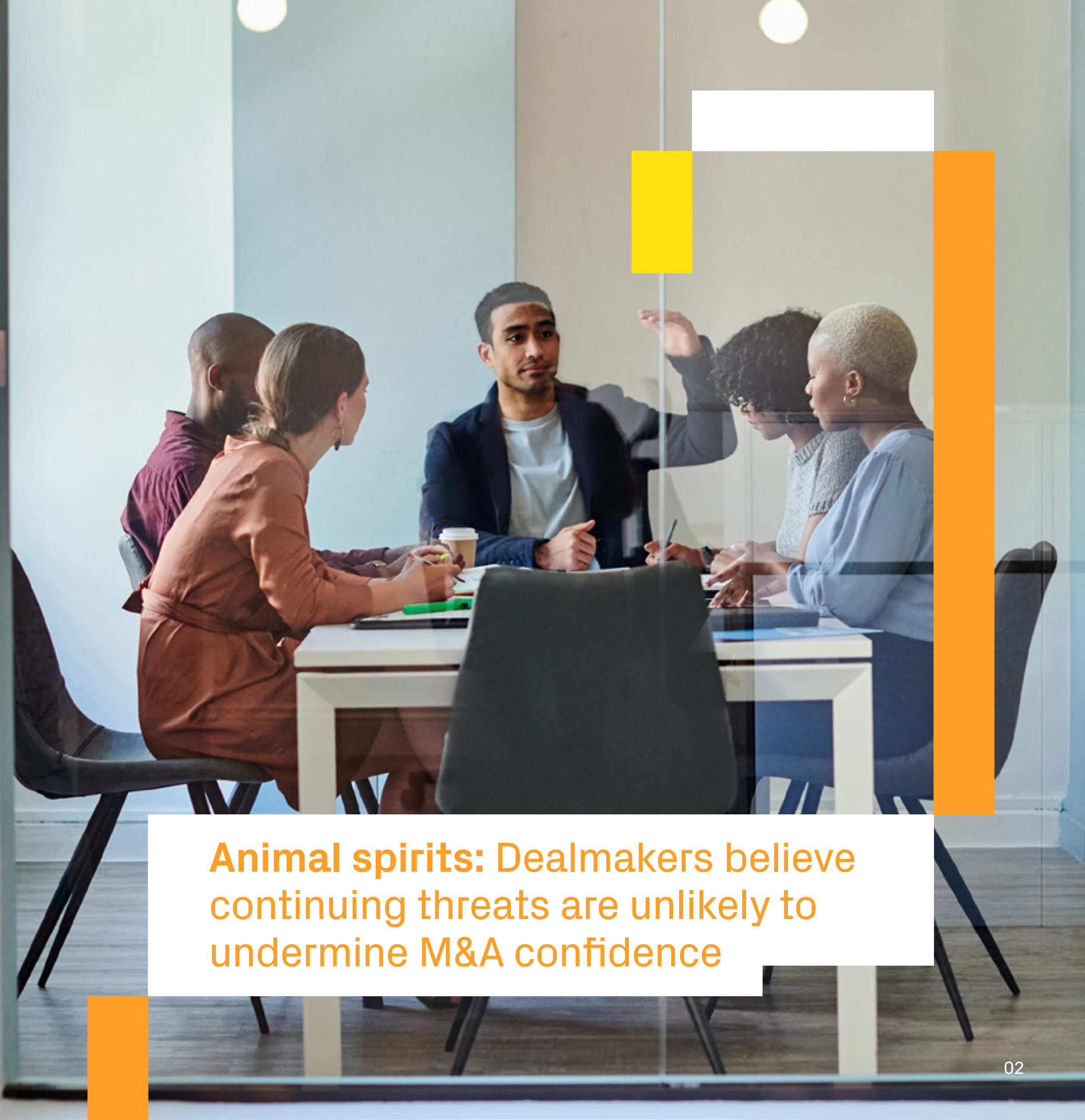
1 Regional recovery

Such confidence reflects the ongoing recovery of the US economy, which rebounded from the 2020 COVID-induced recession to return to pre-pandemic levels during the first half of 2021.

With consumer spending still strong and labor markets continuing to expand, dealmakers believe threats such as rising inflation and the emergence of the Omicron variant are unlikely to undermine the 'animal spirits'. In fact, there were 4,262 stories about potential deals between the beginning of June and late November 2021 (see chart, p1).

Of those, 3,763 stories (88% of the total) focused on US businesses. But it would be wrong to expect a much quieter M&A environment in other parts of the Americas. In Brazil, for example, dealmakers expect a steady stream of transactions following a stabilization of the M&A market during 2021. In Canada, too, deal speculation continues following a year in which strong commodity companies boosted demand for Canadian energy and mining companies.

Nevertheless, the US dominates the M&A outlook. There were 1,299 stories concerning bid targets in the Northeast US, and a further 1,053 stories in the West. The Midwest and Southern regions of the country accounted for fewer stories.



Animal spirits: Dealmakers believe continuing threats are unlikely to undermine M&A confidence

Valued technology: By deal value, TMT, PMB, and financial services saw the most M&A activity last year

2 Sector strength

However, this geographical split varies by sector. Three areas look set to dominate M&A activity in 2022: technology, media, and telecommunications (TMT), financial services, and pharmaceuticals, medical, and biotech (PMB). Between them, they account for more than half of the recent deal stories tracked.

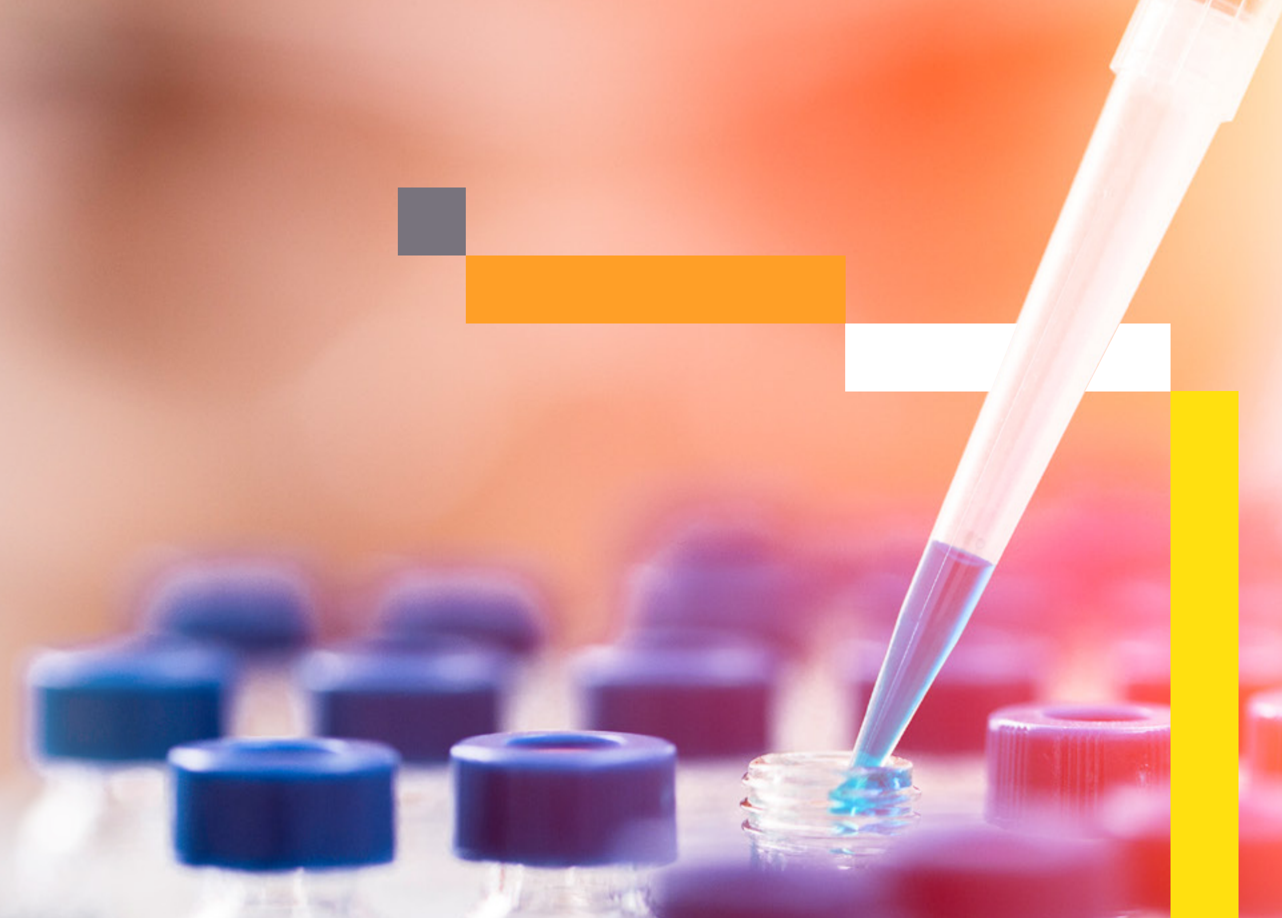
Overall, TMT is expected to be the busiest sector in the coming months, accounting for 1,000 of the 4,262 deal stories. In the US, the West – specifically, Silicon Valley – is where speculation about such deals is most heightened.

Financial services, likely to generate the next largest slice of M&A activity, accounted for 860 stories across the Americas. In this industry, the Northeast US looks set to generate more deals, with New York at the epicenter.

States of play: The Northeast US looks set for the most deals in financial services and PMB

In the PMB sector, potentially the third-most active for dealmaking, the Northeast US is also likely to be the hot spot. Of the 613 stories tracked across the Americas, more than a third concerned businesses in the Northeast US, which includes Boston, home to one of the most important global biotech ecosystems.

To some extent, this activity would mirror that of 2021. By deal value, TMT, PMB, and financial services saw the most M&A activity last year, though on deal volumes, industrials and chemicals (I&C) and business services also made significant contributions. These latter two sectors look likely to see more deal action in the coming year, albeit not to the same extent as three busiest areas of the market.



Drivers for 2022

There are plenty of positive factors to underpin another year of strong M&A activity in the Americas.

By any measure, 2021 was a stellar year. Aggregate deal values across the region hit US$2.2tn during the first nine months of the year – more than the full-year totals posted in 2020, 2019, and 2018.

Although such figures will be difficult to match during 2022, particularly as the catch-up dealmaking following the pandemic disruption of the previous year has now largely been accomplished, there are plenty of reasons to remain optimistic. Economic recovery across the region has accelerated M&A activity, while the US's fiscal stimulus and increased regulations could mean a flurry of dealmaking. Latin America may also be ready to soar. Combine these factors with high levels of dry power, ESG-related divestitures, and more SPACs, and it could shape up to be a very busy year.

1. The ongoing recovery from COVID-19
2. The race to beat tax and regulation
3. The rise of ESG
4. The strength of PE and the SPAC market
5. A resurgence in Latin America?

1 COVID recovery

The economic recovery from the crisis caused by the pandemic has been rapid and strong, particularly in the US. And despite mounting pressures, including rising inflation and the emergence of the Omicron variant, economists remain upbeat.

The US economy expanded 6% in 2021 and will grow by 5.2% in 2022, with corresponding figures of 6.3% and 3% in Latin America, according to the IMF. Such strong growth will provide the foundations for further M&A – and the recovery from the pandemic is driving the market in other ways, too.

In particular, COVID appears to have significantly accelerated the imperative for digital transformation, with businesses in every industry forced to embrace new ways of working and different types of business models. That has prompted significant – and continuing – demand for technology-enabling businesses, as well as broader consolidation.

Cyber race:
COVID has accelerated the need for digital transformation in every industry

Shot in the arm: Fiscal stimulus has invigorated the economy, driving demand for dealmaking

2 Outpacing regulation

Since his election to the US Presidency in November 2020, Joe Biden's policies have been a significant driver of M&A activity. Fiscal stimulus targeted at consumers has invigorated the economy, driving demand for dealmaking in a range of sectors.

The promise of US$1tn of new infrastructure spending has also been significant. In time, however, these initiatives will need to paid for, with corporate tax rises on the agenda. The Biden administration has already proposed a new minimum tax for corporates, and rates more broadly look set to rise.

Regulation, too, is on the increase. The White House is keen to scrutinize sectors such as technology more closely, to focus on antitrust, and to drive the environmental agenda. In this context, many businesses will want to undertake M&A activity before the landscape becomes more challenging.

Green is good: ESG looks set to be an increasingly powerful trend in M&A

3 The rise of ESG

Boards around the world are taking note of the rise of the environmental, social, and governance (ESG) agenda, and companies in the Americas are no exception. Indeed, regulators in the region are keen to drive ESG issues. The Securities and Exchange Commission in the US has announced a string of ESG-related initiatives in recent months.

Latin American policymakers have been slower to move on ESG issues, but show signs of wanting to catch up. From an M&A perspective, ESG now looks set to be an increasingly powerful trend. As large organizations survey their portfolios, they may look to divest businesses that are more challenging from an ESG perspective, and to acquire those with better credentials. They will also target businesses with the tools and skillsets to drive improved ESG performance.

4 PE Power

Worldwide, the private equity sector came into 2021 with US$1.9tn of dry powder at its disposal, an all-time high. And although some of the cash was deployed – with buyout volumes and values breaking records in the first half – the sector also raised an additional US$714bn during the first 11 months of the year, according to data from Preqin.

Inevitably, a considerable chunk of this dry powder is likely to find its way into the Americas, with global private equity firms continuing to target buyouts across the region. Another catalyst is the continuing trend of special purpose acquisition companies (SPACs). These have raised US$250.4bn since the start of 2020.

Powder keg: The private equity sector entered 2021 with a record US$1.9tn

5 Latin revival

Brazil boost: Last year's commodity price recovery underpins M&A across Latin America

Although M&A activity in the US boomed during 2021, the recovery of dealmaking in Latin America was more modest. Looking forward, there is potential for Latin American dealmaking to soar, particularly as the more belated recovery from the COVID recession tracks through this part of the region. The commodity price recovery seen last year also provides support for M&A throughout Latin America, with the World Bank forecasting further appreciation in some areas – particularly oil – during 2022

Particularly in Brazil, the most important M&A market in Latin America, there is a growing positive sense that appetite for transactions is rising, most of all in the technology sector. The nascent fintech subsector could see a swathe of activity in the coming year.

About this report
Produced in partnership with Mergermarket, an Acuris company
Editors (Acuris Studios): Julian Frazer, Yining Su

Mergermarket

#Wheredealsaremade

Get in touch, visit www.datasite.com **or contact:** info@datasite.com **EMEA** +44 20 3031 6300 | **AMERS** +1 888 311 4100 | **APAC** +852 3905 4800

Datasite®
Where deals are made