

Deal Drivers: Americas Q1 2022

A spotlight on mergers and
acquisitions trends in **2022**

Contents

| | |
|--|----|
| Foreword: A more cautious start to proceedings | 03 |
| Outlook: Americas heat chart | 04 |
| Summary: Markets remain resilient, for now | 05 |
| Canada | 08 |
| Western US | 12 |
| Midwestern US | 16 |
| Southern US | 20 |
| Northeastern US | 24 |
| Brazil | 28 |
| Latin America & the Caribbean (excl. Brazil) | 32 |
| About this report | 36 |



Foreword: A more cautious start to proceedings

Dealmaking in the Americas has been on the descent in recent months. Q1 2022 saw activity fall from the previous quarter, though, all things considered, it was hardly a debilitating decline. Annually there was a more marked drop-off, but that doesn't make for a fair comparison, either, given that 2021 was the most explosive year for M&A in history in much of the world.

With this in mind, it is better to view Q1 2022 as a reversion to the mean after an outstanding run, rather than a disconcerting decline, at least for the time being.

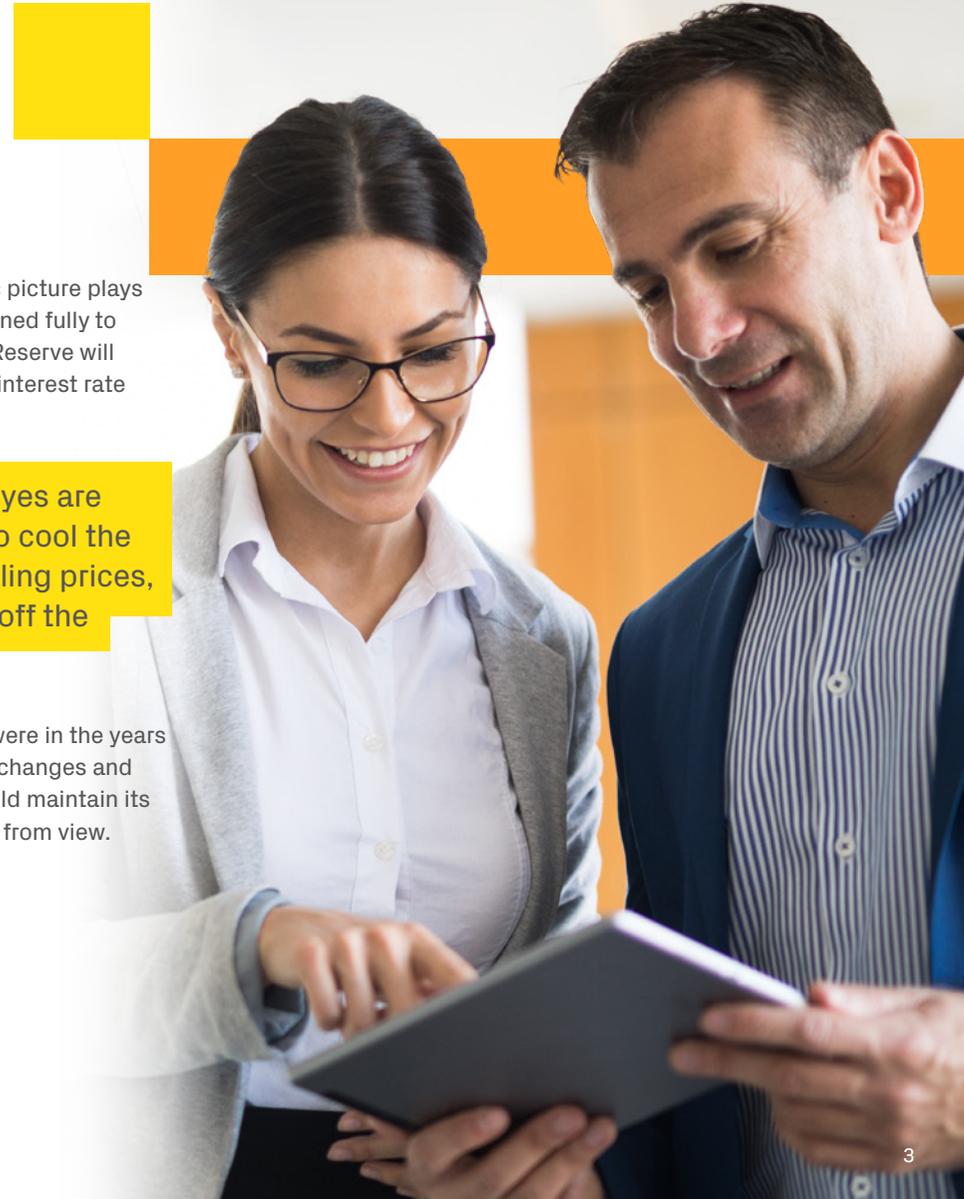
It is difficult to predict with confidence what comes next. It appears that the worst of COVID-related risks have, if not dissipated, become more manageable and baked into day-to-day business activity in the US.

Central bank guidance

What is less certain is how the macroeconomic picture plays out. Investors' attention now seems to have turned fully to inflation and what intervention by the Federal Reserve will mean for growth. Estimates vary on how many interest rate increases 2022 will feature.

Tightening is now in play and all eyes are on whether the Fed will manage to cool the US economy, bringing down spiraling prices, or overshoot the mark and choke off the post-pandemic recovery.

For now, dealmakers remain as active as they were in the years prior to the pandemic. Until something drastic changes and there is good reason not to transact, M&A should maintain its momentum as the pandemic continues to fade from view.



Outlook: Americas heat chart

According to our forward-looking heat chart, which illustrates the distribution of ‘companies for sale’ stories on the Mergermarket intelligence tool, ever-popular TMT is the sector in which dealmakers should expect to see the most activity in the Americas. Between the start of July and end of December 2021, the intelligence tool logged 628 stories about TMT companies coming to market in the Americas, representing almost a quarter of the 2,630 stories overall. After TMT, albeit quite a way behind from the leader, pharma, medical & biotech (PMB) logged the second most ‘for sale’ stories with 363 (14%), closely followed by business services with 348 (13%).

The US dominates the heat chart. Taken together, the four US sub-regions contributed 1,997 ‘for sale’ stories, representing more than three-quarters of the total in the Americas. The previously mentioned predominant sectors are all indicating red-hot activity in the US, especially in the Northeast of the country.

There are pockets of potential in other markets, too. In both Brazil and Latin America & the Caribbean at large, noteworthy volumes of ‘for sale’ stories about financial services companies emerged, and the former is also home to notable TMT activity. Canada, by comparison, looks lukewarm.

Heat chart based on potential companies for sale

| | Canada | Western US | Midwestern US | Southern US | Northeastern US | Brazil | Latin America & the Caribbean | TOTAL |
|----------------------------|------------|------------|---------------|-------------|-----------------|------------|-------------------------------|--------------|
| TMT | 32 | 154 | 46 | 97 | 161 | 93 | 45 | 628 |
| Pharma, medical & biotech | 11 | 77 | 50 | 96 | 115 | 12 | 2 | 363 |
| Business services | 15 | 78 | 36 | 65 | 102 | 37 | 15 | 348 |
| Financial services | 9 | 44 | 28 | 46 | 66 | 69 | 56 | 318 |
| Industrials & chemicals | 22 | 52 | 52 | 79 | 66 | 19 | 4 | 294 |
| Energy, mining & utilities | 19 | 41 | 18 | 64 | 40 | 33 | 12 | 227 |
| Consumer | 11 | 52 | 31 | 46 | 46 | 20 | 5 | 211 |
| Leisure | 2 | 7 | 10 | 10 | 13 | 23 | 9 | 74 |
| Transportation | | 9 | 8 | 8 | 11 | 14 | 9 | 59 |
| Real estate | 7 | 6 | 7 | 4 | 9 | 7 | 2 | 42 |
| Construction | 2 | 3 | 1 | 12 | 5 | 6 | | 29 |
| Agriculture | 8 | 4 | 2 | 3 | 5 | 3 | | 25 |
| Defense | | 3 | | 7 | 2 | | | 12 |
| TOTAL | 138 | 530 | 289 | 537 | 641 | 336 | 159 | 2,630 |



Note: The Intelligence Heat Charts are based on ‘companies for sale’ tracked by Mergermarket in the respective regions between October 01, 2021 and March 31, 2022. Opportunities are captured according to the dominant geography and sector of the potential target company.

Summary: Markets remain resilient, for now

The Americas have seen dealmaking activity ease off in Q1 2022, continuing a trend observable since mid-2021. Aggregate deal value amounted to US\$545bn in the opening quarter of this year, 16% down from Q4 2021 and a full 25.2% short of the same period last year. Deal volume was also down on Q4 2021's figures by 5.8% to 1,857 transactions, 27.5% less than Q1 2021.

These year-on-year drops are striking. However, the pandemic experience makes it difficult to draw like-for-like comparisons, given that the lifting of government-mandated lockdowns and subsequent release of pent-up demand caused never-before-seen gyrations in deal activity.

Zooming out and taking the appropriate perspective, deal activity is actually as healthy as it has ever been and, at least at the surface level, reasons for optimism remain.

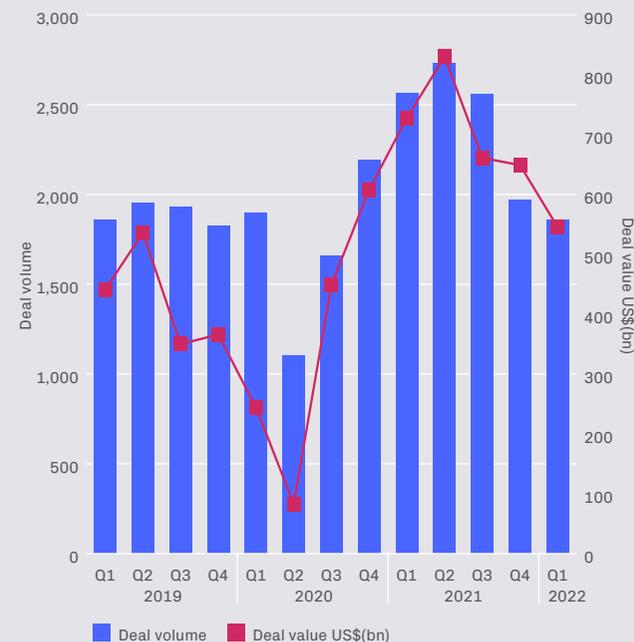
Tread carefully

Baseline growth remains positive, even if it is showing signs of slowing. In April, the International Monetary Fund downgraded its global growth forecast for 2022 by 0.8 percentage points—due largely to Russia's invasion of Ukraine—to 3.6%, with the same projected for 2023.

By comparison, the US, the world's largest M&A market, is anticipated to enjoy economic expansion of 3.7% in 2022, just 0.3 percentage points lower than the previous forecast published in January, suggesting that the country is relatively well insulated from the effects of Europe's geopolitical crisis.

This is more than enough of a tailwind to encourage dealmakers, while taking the appropriate amount of care. Investors will have to be judicious about how and where their capital is put to work. Notably, growth assets have suffered on stock markets, weakened by persistent inflation and monetary tightening as money has flocked to real assets.

Americas M&A activity, 2019-Q1 2022



Source: Mergermarket



No stopping tech

In spite of the turmoil, TMT continues to be the runaway leader in the M&A arena, a trend cemented during the pandemic amid higher spending digitalization and connectivity. The sector accounted for 36% (669) of all the transactions announced in the Americas in Q1, and 42% (US\$227bn) of the region's aggregate deal value. This includes four of the 10 largest deals overall, including the titanic US\$75bn takeover of Activision Blizzard by Microsoft.

This ongoing tech bias continues to favor the Western US sub-region, which remains the highest-value deal market in the Americas, and this shows few signs of changing any time soon. Private markets seem largely unfazed by the recent equity sell-off, which has created a buying opportunity, especially for tech-focused and cash-rich financial sponsors.

TMT plays a far smaller role outside the US, and this is especially true south of the border. In Latin America, more deal value is being generated by financial services and energy, mining & utilities (EMU). On energy, this is being driven by Brazil's ongoing privatization efforts, as well as demand for assets following Russia's invasion of Ukraine. Europe is desperate to wean itself off Russian gas, which is bullish for gas development and infrastructure elsewhere in the world. Financial services, meanwhile, continues to be disrupted by fintechs, consumers having gravitated to digital-only services during the pandemic.

Americas top sectors by value | Q1 2022

| | US\$(m) |
|----------------------------|---------|
| TMT | 227,119 |
| Financial services | 62,251 |
| Industrials & chemicals | 49,947 |
| Energy, mining & utilities | 46,849 |
| Pharma, medical & biotech | 38,930 |

Americas top sectors by volume | Q1 2022

| | Deal count |
|---------------------------|------------|
| TMT | 669 |
| Pharma, medical & biotech | 231 |
| Industrials & chemicals | 211 |
| Business services | 181 |
| Financial services | 169 |

Americas top bidders by value | Q1 2022

| | US\$(m) |
|----------------|---------|
| USA | 424,257 |
| Canada | 42,283 |
| Mexico | 19,717 |
| Brazil | 12,853 |
| United Kingdom | 7,828 |

Americas top bidders by volume | Q1 2022

| | Deal count |
|----------------|------------|
| USA | 1,381 |
| Canada | 102 |
| Brazil | 76 |
| United Kingdom | 49 |
| Japan | 37 |

Scanning the horizon

While it is true that the US and global economies are growing, concerns are rising over the trajectory this takes over the next 18 months in light of the Fed's quantitative tightening.

Some believe the yield curve inversion that came in Q1 portends a recession in the near future. That view assumes that current inflation will, ultimately, be deflationary by eroding demand. If one adds rate hikes to the equation, a downturn could come as soon as H2 2023, as Deutsche Bank predicted in April, citing the Fed's hawkish turn.

For others, history is not an accurate barometer because unprecedented stimulus has distorted signals and means we are now playing by different rules. Provided there is not a shock sell-off in equities in 2022, this year has the potential to perform well by historic standards. However, topping last year's performance is almost guaranteed to be out of reach.

Americas top 10 announced deals, Q1 2022

| | Announced date | Bidder company | Target company | Sector | Vendor company | Deal value (US\$m) |
|----|----------------|--|---|-------------------------|-------------------------|--------------------|
| 1 | 18-Jan-22 | Microsoft Corporation | Activision Blizzard, Inc. (100% Stake) | TMT | | 75,069 |
| 2 | 31-Jan-22 | Vista Equity Partners Management, LLC; Evergreen Coast Capital | Citrix Systems, Inc. (100% Stake) | TMT | | 16,613 |
| 3 | 11-Jan-22 | Isatek | Banco Nacional de Mexico, S.A. (consumer, small business and middle market banking operations) (100% Stake) | Financial services | Citigroup Inc. | 16,000 |
| 4 | 29-Mar-22 | Brookfield Business Partners L.P.; Evergreen Coast Capital | Nielsen Holdings plc (100% Stake) | TMT | | 15,344 |
| 5 | 24-Jan-22 | Acacia Research Corporation | Kohl's Corp (100% Stake) | Consumer | | 13,810 |
| 6 | 28-Feb-22 | TD Bank Group | First Horizon National Corporation (100% Stake) | Financial services | | 13,350 |
| 7 | 10-Jan-22 | Take-Two Interactive Software, Inc. | Zynga, Inc. (100% Stake) | TMT | | 12,222 |
| 8 | 21-Mar-22 | Berkshire Hathaway Inc. | Alleghany Corporation (100% Stake) | Financial services | | 11,473 |
| 9 | 28-Feb-22 | Healthcare Realty Trust Inc. | Healthcare Trust of America, Inc. (100% Stake) | Real estate | | 11,249 |
| 10 | 18-Feb-22 | Celanese Corporation | DuPont de Nemours (Mobility & Materials unit) (100% Stake) | Industrials & chemicals | DuPont de Nemours, Inc. | 11,000 |

Canada



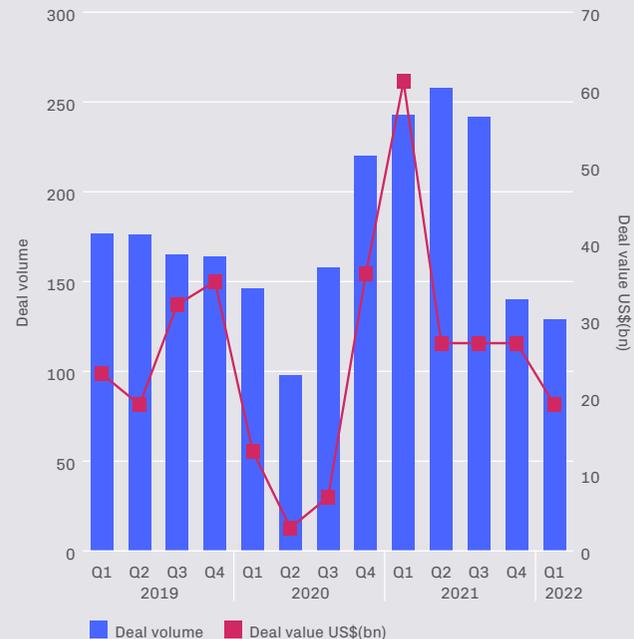
Foundations remain sturdy even as M&A stalls

Canada's economy is showing considerable strength going into 2022. The country is expected to register GDP growth of 4% in Q1 on an annualized basis, more than double the rate seen in the US and well ahead of the Bank of Canada's expectations.

This is reflected in the country's stock market, which is in the green so far this year. The S&P TSX 60 Index, which tracks the 60 largest companies listed on the Toronto Stock Exchange, was up 2.7% in Q1, versus a 5.5% loss for the neighboring S&P 500.

This outperformance largely stems from the index's higher representation of energy stocks versus the US index's heavy tech bias, growth stocks having been sold off in recent months amid inflation and monetary tightening fears, while commodities have rallied in response to these same conditions.

Canada M&A activity, 2019-Q1 2022



Source: Mergermarket

Ebb tide

This economic and equity market performance is, however, not currently reflected in Canada's M&A activity, which has taken a turn for the worse, especially on a year-on-year basis. In Q1, total deal value reached US\$19bn across 129 transactions. Compared to the same period last year, these figures represent annual declines of 47% and 69%, respectively.

It bears noting that there was a steep drop-off in deal volume in Q4 2021 as the Omicron variant of COVID-19 spread and new government restrictions were imposed. Viewed in this context, Q1's performance is not so dramatic but rather the continuation of a trend, mirroring the slowdown seen across North America and, indeed, globally.

Canada top sectors by value | Q1 2022

| | US\$(m) |
|----------------------------|---------|
| Energy, mining & utilities | 7,869 |
| TMT | 4,439 |
| Industrials & chemicals | 3,153 |
| Financial services | 1,377 |
| Pharma, medical & biotech | 1,155 |

Canada top sectors by volume | Q1 2022

| | Deal count |
|----------------------------|------------|
| TMT | 34 |
| Energy, mining & utilities | 18 |
| Industrials & chemicals | 18 |
| Financial services | 14 |
| Pharma, medical & biotech | 14 |

Canada top bidders by value | Q1 2022

| | US\$(m) |
|----------------|---------|
| USA | 8,664 |
| Canada | 7,542 |
| United Kingdom | 2,681 |
| Australia | 174 |
| Japan | 80 |

Canada top bidders by volume | Q1 2022

| | Deal count |
|----------------|------------|
| USA | 61 |
| Canada | 48 |
| United Kingdom | 4 |
| France | 3 |
| Switzerland | 2 |
| Australia | 2 |

Rich resources

Commodities have rallied in recent months, boosting the balance sheets of exploration companies and miners and equipping them with the wherewithal for deals. EMU deals worth US\$7.9bn in total were announced in Q1, though this was still less than half the US\$18.5bn of EMU M&A recorded in the same period last year.

The largest of these EMU transactions also took the top spot among the 10 biggest deals across all sectors announced in Canada in Q1. This saw Pembina Pipeline strike a joint venture with PE giant KKR in which they merged their western Canadian gas processing assets, an arrangement valued

at US\$3.6bn. The next largest deal overall, also in the EMU sector, was the US\$2.7bn takeover by Rio Tinto of Turquoise Hill, which opens access for the Anglo-Australian mining giant to gain direct ownership of the Oyu Tolgoi gold-copper mine in Mongolia.

The remaining US\$1.6bn that was invested in the EMU sector was spread across 16 further, much smaller deals. For example, the next largest was valued at US\$401m, and saw Vermilion Energy purchase Leucrotta Exploration, an oil and natural gas exploration and development company with lands in British Columbia and Alberta.



Canada top 10 announced deals, Q1 2022

| | Announced date | Bidder company | Target company | Sector | Vendor company | Deal value (US\$m) |
|----|----------------|--|--|----------------------------|---|--------------------|
| 1 | 01-Mar-22 | Pembina Pipeline Corporation (field-based natural gas processing assets and the Veresen Midstream business 45%) | SemCAMS ULC (51% Stake); KKR & Co., Inc. (Veresen Midstream business 55% and Energy Transfer Canada 9%) (100% Stake) | Energy, mining & utilities | KKR & Co., Inc.; Pembina Pipeline Corporation; Energy Transfer L.P. | 3,593 |
| 2 | 14-Mar-22 | Rio Tinto Plc | Turquoise Hill Resources Ltd. (49.21% Stake) | Energy, mining & utilities | | 2,635 |
| 3 | 08-Mar-22 | Clearlake Capital Group, L.P. | Intertape Polymer Group Inc. (100% Stake) | Industrials & chemicals | | 2,508 |
| 4 | 08-Feb-22 | DPCM Capital, Inc. | D-Wave Systems, Inc. (100% Stake) | TMT | | 1,200 |
| 5 | 15-Mar-22 | Zebra Technologies Corporation | Matrox Electronic Systems Ltd. (Imaging division) (100% Stake) | TMT | Matrox Electronic Systems Ltd. | 875 |
| 6 | 14-Mar-22 | Shoppers Drug Mart Corporation; Loblaw Companies Limited | Lifemark Health (100% Stake) | Pharma, medical & biotech | Audax Group, Inc. | 661 |
| 7 | 19-Jan-22 | Lightspeed Venture Partners; Tiger Global Management, LLC; Salesforce Ventures; Slack Fund; ICONIQ Growth; Backbone Angels | AgileBits, Inc. (9.12% Stake) | TMT | | 620 |
| 8 | 05-Jan-22 | Power Financial Corporation | Great-West Lifeco Inc. (1.63% Stake) | Financial services | IGM Financial | 452 |
| 9 | 28-Mar-22 | Vermilion Energy Inc. | Leucrotta Exploration Inc. (100% Stake) | Energy, mining & utilities | | 401 |
| 10 | 07-Feb-22 | Equitable Group Inc. | Concentra Bank (100% Stake) | Financial services | Credit Union Central Of Saskatchewan | 370 |

Volume over value in TMT

TMT far outpaced EMU in deal volume terms. The former's 34 transactions (worth a modest US\$4.4bn in aggregate) nearly double the output of industrials & chemicals (I&C), the next busiest sector. However, those 34 deals represent a 40% fall from Q1 2021, with investors being more cautious about tech assets in particular, which are often valued using rate-sensitive discounted cash flow models.

The largest of these TMT deals saw DPCM Capital, an NYSE-listed SPAC, pay US\$1.2bn to acquire D-Wave Systems, a quantum computing company that counts Jeff Bezos among its investors and has NASA on its client list. Quantum computing holds vast potential, with its ability to harness subatomic particles to deliver vastly more powerful processing than is available using traditional computing.

All other Canadian TMT deals in Q1 fell below the US\$1bn threshold, including the next largest, robotics firm Zebra Technologies' US\$875m takeover of Matrox Electronic Systems' imaging division. The business sells vision software, smart cameras and 3D sensors to industrial customers, feeding into the sweeping digitalization of manufacturing.

An aerial photograph of a city skyline at sunset. The sky is filled with soft, orange and pink clouds. In the background, a prominent, pointed skyscraper stands out against the horizon. The foreground is dominated by a dense cluster of high-rise buildings, many of which are illuminated with warm lights. A bright yellow horizontal banner is overlaid across the middle of the image, containing the text 'Western US'. A white square is also overlaid on the image, positioned in the center-right area, partially overlapping the city buildings.

Western US

TMT hogs the limelight in Silicon Valley's backyard

The Western sub-region of the US is known for being the epicenter of tech investment globally, Silicon Valley being the focal point of the country's rich venture capital ecosystem. And with tech commanding huge valuations, this part of the country inevitably scores well above any other regional market in North America.

In Q1, US\$197bn was invested across 544 deals, declines of 16.1% and 23.4% from the same period in 2021. This aggregate value is a far more impressive showing than can be seen elsewhere in Q1 and is thanks almost entirely to a surging TMT sector, which claimed no less than 75.3% of all M&A value across the Western US.

While tech has fallen out of favor on stock markets as public investors have rotated into commodities and other sectors with inflation immunity, corporates and PE firms are still ploughing ahead with a longer-term view.

Epic proportions

Just over half of the TMT deal value recorded is attributable to a single transaction: Microsoft's mammoth US\$75bn takeover of games developer Activision Blizzard. The deal, which has come under close FTC scrutiny over labor and consumer data concerns, brings a large number of Activision titles to Game Pass for Xbox and PC and may, some believe, give the Windows giant a foothold in the burgeoning metaverse space.

Even stripping this deal out of the data, TMT blew all other sectors out of the water, besting PMB, the second largest, by a factor of 10. It also monopolized the list of top-10 deals for the sub-region, claiming no fewer than eight positions.

The second-largest deal in the Western US was not only a TMT transaction but yet another gaming play, valued at US\$12.2bn. Take-Two Interactive acquired Zynga, the mobile games developer behind titles such as FarmVille, Empires & Puzzles and Harry Potter: Puzzles and Spells.

Western US M&A activity, 2019-Q1 2022



Source: Mergermarket

Numbers game

If it wasn't enough for TMT to dominate the market in value terms, it also left all other industries in its dust in volume terms, and just outpaced its own performance in Q1 of last year. There were 266 TMT deals announced in Q1 in the Western US, with PMB a distant second (57). Among the other notable tech transactions was Thoma Bravo's US\$10.7bn buyout of Anaplan, a software-as-a-service financial planning tool. Thoma Bravo, a software specialist PE firm, has been especially acquisitive of late, the Anaplan transaction taking its deal count since the start of 2021 to 13 with a combined value of US\$42.2bn.

After TMT, PMB was responsible for US\$7.5bn worth of deals, though none of those transactions broke into the list of the 10 largest in the sub-region, the mean deal size coming in at just US\$131m. PMB continues to benefit from strong pandemic tailwinds, which has put pressure on companies to develop their drug portfolios and has ushered in investor capital.

Though large pure-play PMB deals were absent in the first months of the year in the Western US, the sub-region's third biggest transaction in Q1, a real estate deal, was adjacent to the sector. Healthcare Realty Trust paid US\$11.2bn for Healthcare Trust of America, the enlarged REIT creating the biggest medical office landlord in the country. As demand for healthcare services rises amid demographic pressures and the added burden of the pandemic, so too will the need for real estate to accommodate care provision.

W-US top sectors by value | Q1 2022

| | US\$(m) |
|----------------------------|---------|
| TMT | 148,145 |
| Real estate | 11,370 |
| Energy, mining & utilities | 7,550 |
| Pharma, medical & biotech | 7,469 |
| Industrials & chemicals | 4,781 |

W-US top sectors by volume | Q1 2022

| | Deal count |
|---------------------------|------------|
| TMT | 266 |
| Pharma, medical & biotech | 57 |
| Business services | 44 |
| Industrials & chemicals | 43 |
| Consumer | 40 |

W-US top bidders by value | Q1 2022

| | US\$(m) |
|-------------|---------|
| USA | 178,970 |
| Japan | 5,777 |
| Switzerland | 3,305 |
| Spain | 1,742 |
| Belgium | 1,636 |

W-US top bidders by volume | Q1 2022

| | Deal count |
|----------------|------------|
| USA | 439 |
| Japan | 20 |
| United Kingdom | 16 |
| Canada | 14 |
| France | 7 |
| Switzerland | 7 |



Asset rich

The outlook for the Western US remains bullish, not least because it has such a deep supply of technology assets in Silicon Valley that remain in private hands after successive funding rounds. The significance of the PE and venture capital ecosystem cannot be underestimated. It is also home to California, the largest state economy in the country, which, if it were a sovereign state, would be the fifth largest economy in the world, just behind Germany.

In 2021, California's GDP grew by an impressive 7.8%, the third fastest rate of recovery seen across the US. Given this assured rebound and the quality and depth of potential deal flow, the Western US sub-region should remain highly active through the year, provided the global M&A market does not succumb to further shocks.

Western US top 10 announced deals, Q1 2022

| | Announced date | Bidder company | Target company | Sector | Vendor company | Deal value (US\$m) |
|----|----------------|--|--|----------------------------|---------------------------|--------------------|
| 1 | 18-Jan-22 | Microsoft Corporation | Activision Blizzard, Inc. (100% Stake) | TMT | | 75,069 |
| 2 | 10-Jan-22 | Take-Two Interactive Software, Inc. | Zynga, Inc. (100% Stake) | TMT | | 12,222 |
| 3 | 28-Feb-22 | Healthcare Realty Trust Inc. | Healthcare Trust of America, Inc. (100% Stake) | Real estate | | 11,249 |
| 4 | 20-Mar-22 | Thoma Bravo, LLC | Anaplan, Inc. (100% Stake) | TMT | | 10,670 |
| 5 | 08-Mar-22 | Alphabet Inc. (parent of Google Inc. among others); Google LLC | Mandiant Inc. (100% Stake) | TMT | | 5,395 |
| 6 | 11-Jan-22 | Aptiv PLC | Wind River Systems Inc. (100% Stake) | TMT | TPG Capital L.P. | 4,300 |
| 7 | 10-Jan-22 | R1 RCM Inc. | CloudMed LLC (100% Stake) | TMT | New Mountain Capital, LLC | 4,100 |
| 8 | 07-Mar-22 | Oasis Petroleum Inc. | Whiting Petroleum Corporation (100% Stake) | Energy, mining & utilities | | 3,612 |
| 9 | 31-Jan-22 | Sony Corporation; Sony Interactive Entertainment Inc. | Bungie, Inc. (100% Stake) | TMT | | 3,600 |
| 10 | 06-Jan-22 | Stryker Corporation | Vocera Communications, Inc. (100% Stake) | TMT | | 3,491 |

An aerial photograph of a city skyline at sunset. The sky is a mix of blue and orange. A prominent yellow banner is overlaid across the middle of the image, containing the text 'Midwestern US'. The city features a variety of skyscrapers and buildings, with some reflecting the golden light of the setting sun. A construction crane is visible on the left side of the frame.

Midwestern US

America's industrial heartland proves its mettle

The Midwest is the smallest of the four US sub-regions as measured by GDP, but is a bigger economy than either Brazil or Canada. The recovery seen across the US in 2021 has been felt in the Midwest too, with Michigan especially showing one of the strongest state rebounds across the country in H1 2021.

The Creighton University Mid-America Business Conditions index, meanwhile, rose to 71.3 in March from an already strong 64 in February, marking the 22nd consecutive month that it has risen above growth neutral, spelling continued expansion ahead.

This recovery spurred an impressive run of dealmaking in 2021, though this did lose momentum in H2 of the year. This deceleration carried over into Q1 2022 amid the broader shift in risk sentiment that has defined M&A markets the world over.

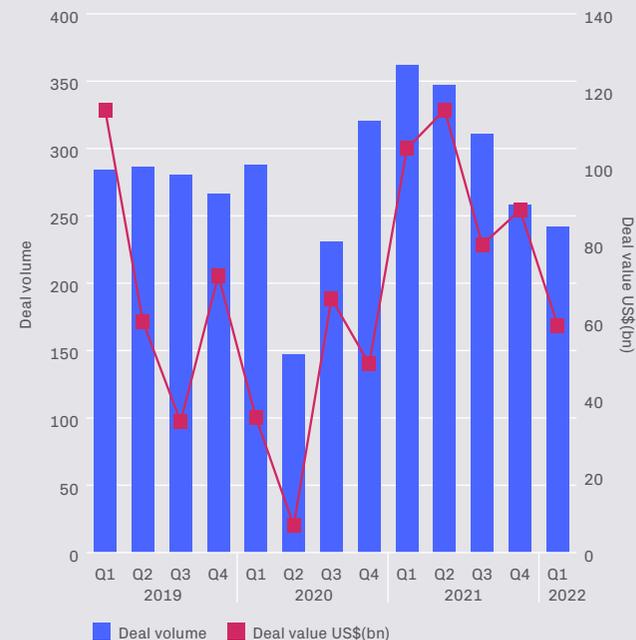
Manufacturing base

There was US\$59bn invested across 242 deals in Q1 in the Midwest, representing declines of 43.6% and 33.1%, respectively, from the same period last year. This is a starker fall than across the Americas as a whole, which saw value down by 25.2% and volume short by 27.5% compared to Q1 2021. There are also fewer expected deals in the pipeline compared with other parts of the country, with Mergermarket's heat chart tracking 289 'companies for sale' stories in the sub-region, almost 250 less than the Western US.

The Midwest is known for farming, mining, and manufacturing, and this inevitably shapes dealmaking activity. It is the only market in the Americas, for example, where I&C led in value terms in Q1, with US\$20.1bn worth of activity, an 8% annual gain.

Five of the 10 largest M&A deals in the Midwest in Q1 were I&C plays, including the second largest, namely the US\$6.3bn take-private of Tenneco by PE firm Apollo. The ailing NYSE-listed auto parts maker has struggled in the face of supply chain disruptions, including constraints on steel and semiconductors. Tenneco's share price has never recovered to its IPO levels from three years ago, though it's hoped Apollo's turnaround expertise will work its magic away from the prying eyes of public markets.

Midwestern US M&A activity, 2019-Q1 2022



Source: Mergermarket



Climate conscious

The next largest I&C deals were in third and fourth position in the top 10. These included another auto deal, specifically the US\$3.7bn acquisition of Meritor, a supplier of drivetrain, mobility, braking, and electric powertrain components, by diesel engine manufacturer Cummins. The deal has an ESG twist, Cummins being motivated to expand its product line to address more effectively the transition of commercial trucks away from diesel to electric powertrains.

Of a similar size and with a similarly climate-conscious slant was the US\$3.2bn takeover of biodiesel production company Renewable Energy Group (REG) by Chevron, in what is a major bet on alternative fuel sources by the energy giant. Chevron has said it will grow its renewable fuels production capacity to 100,000 bpd by 2030, the deal combining its large manufacturing, distribution, and commercial marketing position with REG's growing renewable fuels production. REG operates 12 biorefineries and a feedstock processing facility.

Not only did I&C come out on top in deal value terms, but it also accounted for more transactions than any other industry (55, just ahead of TMT's 50), which, again, speaks to the make-up of the Midwest's economy.

MW-US top sectors by value | Q1 2022

| | US\$(m) |
|-------------------------|---------|
| Industrials & chemicals | 20,089 |
| Consumer | 14,203 |
| Business services | 5,143 |
| TMT | 4,935 |
| Financial services | 4,581 |

MW-US top sectors by volume | Q1 2022

| | Deal count |
|---------------------------|------------|
| Industrials & chemicals | 55 |
| TMT | 50 |
| Pharma, medical & biotech | 39 |
| Business services | 32 |
| Financial services | 26 |

MW-US top bidders by value | Q1 2022

| | US\$(m) |
|-------------|---------|
| USA | 53,646 |
| Canada | 1,376 |
| Netherlands | 1,125 |
| Finland | 1,000 |
| Germany | 860 |

MW-US top bidders by volume | Q1 2022

| | Deal count |
|----------------|------------|
| USA | 204 |
| Canada | 9 |
| United Kingdom | 6 |
| Japan | 4 |
| Australia | 3 |

MW-US top bidders by volume also saw 3 deals from France and Germany.

Retail therapy

The largest deal of Q1 could not be much further from industrials if it tried. A group led by Acacia Research, which is controlled by activist hedge fund Starboard Value, bid US\$13.8bn to acquire department store operator Kohl's, a Wisconsin institution. The company has been circled by activist investors for a while now due to its poor stock performance.

At the time of writing, the bid had not been accepted and Franchise Group, which owns and operates retail stores including The Vitamin Shoppe and Buddy's Home Furnishings, had thrown its hat in the ring.

Regardless of where the various offers may land, the scale of the Acacia proposal means that consumer came in as the second-highest value sector in the Midwest in Q1 with US\$14.2bn, a 122% gain from the same period last year. This also means that without the Kohl's deal, the sector would have barely registered.

Midwestern US top 10 announced deals, Q1 2022

| | Announced date | Bidder company | Target company | Sector | Vendor company | Deal value (US\$m) |
|----|----------------|---|--|----------------------------|---|--------------------|
| 1 | 24-Jan-22 | Acacia Research Corporation | Kohl's Corp (100% Stake) | Consumer | | 13,810 |
| 2 | 23-Feb-22 | Apollo Global Management, LLC | Tenneco Inc. (100% Stake) | Industrials & chemicals | | 6,297 |
| 3 | 22-Feb-22 | Cummins Inc. | Meritor, Inc. (100% Stake) | Industrials & chemicals | | 3,710 |
| 4 | 28-Feb-22 | Chevron Corporation | Renewable Energy Group, Inc. (100% Stake) | Industrials & chemicals | | 3,166 |
| 5 | 07-Jan-22 | Blackstone Infrastructure Partners | Invenergy Renewables LLC | Energy, mining & utilities | Caisse de Depot et Placement du Quebec; Invenergy LLC | 3,000 |
| 6 | 24-Feb-22 | Carvana Co. | ADESA, Inc.(Physical auction business) (100% Stake) | Business services | KAR Global | 2,200 |
| 7 | 31-Jan-22 | Talcott Resolution Inc.; Sixth Street Partners, LLC | Principal Financial Group, Inc. (retail fixed annuity and secondary guarantee universal life insurance liabilities) (100% Stake) | Financial services | Principal Financial Group, Inc. | 2,000 |
| 8 | 03-Mar-22 | Pentair Plc | Welbilt, Inc. (Manitowoc Ice business) (100% Stake) | Industrials & chemicals | Welbilt, Inc. | 1,600 |
| 9 | 10-Jan-22 | Owens & Minor, Inc. | Apria, Inc. (100% Stake) | Pharma, medical & biotech | | 1,580 |
| 10 | 14-Feb-22 | Zurn Water Solutions Corp | Elkay Manufacturing Company (100% Stake) | Industrials & Chemicals | | 1,564 |



Southern US

Value holds up in America's third largest deal market

Deal activity has held up remarkably well in the Southern US sub-region, particularly on a value basis, almost tying the performance of the Northeastern US. This makes it the third largest M&A market by value in the Americas as a whole.

A total of US\$112bn was invested in Q1 across 364 deals, representing year-on-year declines of 8.1% and 33.9%, respectively. This also means the Southern US had the second-largest average transaction size in the Americas, bested only by the Western US, which is defined by pricey tech deals.

The largest deal in the period was also the second-highest-value transaction cross the entire Americas. For US\$16.6bn, Vista Equity Partners and Evergreen Coast Capital conducted the take-private of cloud computing company Citrix Systems, which will be combined with Vista's data analytics firm TIBCO Software.

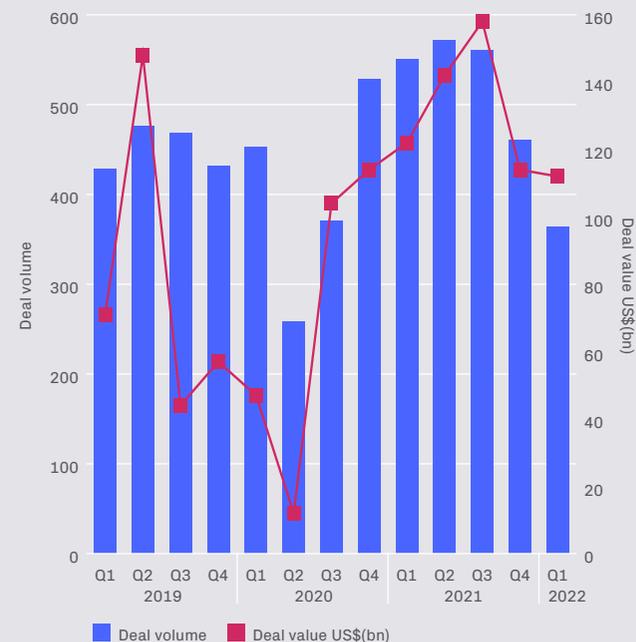
Clouded judgment

Citrix's financial sponsors believe the public markets did not appropriately value the company's annual recurring revenue growth and believe there is potential to cross-sell with TIBCO's products. This and the sub-region's third biggest deal, concerning TEGNA, made TMT the highest-value sector in Q1 2022 with US\$33.3bn invested. It was also the highest-volume sector in the Southern US with 111 deals recorded, nearly a third (30.5%) of the sub-region's total deal flow.

TEGNA, acquired by Standard General for US\$8.7bn, is a broadcast, digital media and marketing services company. It operates 64 news brands in 51 markets, along with networks, while Standard General owns four TV stations. TEGNA also owns Premion, a platform that places advertisements alongside long-form and live streaming content across networks.

The deal is indicative of the ongoing consolidation in the US media space amid massive disruption as it moves to better compete, attract subscriptions and appeal to advertisers as consumption habits shift. This shake-up is evidenced by the actions of Big Tech companies, illustrated most notably by the closing of Amazon's US\$8.5bn takeover of MGM, the studio behind the James Bond film franchise, which will help build out Amazon Prime's content.

Southern US M&A activity, 2019-Q1 2022



Source: Mergermarket



Southward expansion

In a distant second place to TMT was financial services, which soundly trounced the previous year's showing. There were US\$15.9bn worth of financial services deals announced in Q1, though with the tally reaching only 29 this was one of the quieter sectors in the Southern US. Those figures represent an almost 13-fold gain in value but a 35.6% fall in volume from the same period last year.

The largest financial services deal, and in fact the only transaction in the sector to break into the South's list of 10 largest overall, was the US\$13.4bn takeover of First Horizon National by Toronto's TD Bank Group. The deal is an expansion play for TD, giving it instant reach into First Horizon's Southern foothold, accelerating its US growth. The combined entity will become the sixth largest bank in the country. In Q4 2021 and Q1 2022, TD Bank opened three Florida branches and plans are underway for 30 additional branches in the state over the next five years.

S-US top sectors by value | Q1 2022

| | US\$(m) |
|----------------------------|---------|
| TMT | 33,268 |
| Financial services | 15,869 |
| Pharma, medical & biotech | 12,979 |
| Energy, mining & utilities | 11,685 |
| Industrials & chemicals | 9,611 |

S-US top sectors by volume | Q1 2022

| | Deal count |
|---------------------------|------------|
| TMT | 111 |
| Pharma, medical & biotech | 55 |
| Business services | 44 |
| Industrials & chemicals | 42 |
| Financial services | 29 |

S-US top bidders by value | Q1 2022

| | US\$(m) |
|----------------|---------|
| USA | 91,634 |
| Canada | 14,919 |
| United Kingdom | 3,185 |
| Denmark | 915 |
| Luxembourg | 450 |

S-US top bidders by volume | Q1 2022

| | Deal count |
|----------------|------------|
| USA | 324 |
| Canada | 10 |
| United Kingdom | 9 |
| Japan | 3 |
| Spain | 3 |

Home is where the heart is

PMB came a close third as measured by invested dollars, racking up US\$13bn worth of activity. As with the financial services sector, only one of these PMB deals made it into the top 10 for the sub-region overall, specifically the US\$6.1bn purchase of LHC Group by UnitedHealth Group, the country's largest health insurer.

LHC provides healthcare services at home for older patients dealing with chronic illness and injuries. Demand for these domiciliary services continues to grow, accelerated by the pandemic as patients prefer to access vital services from the comfort of their own homes. LHC will be combined with UnitedHealth's Optum unit, which manages drug benefits and offers healthcare data analytics services. Despite deals on this scale being few and far between, PMB scored the second most deals by volume (55) after TMT in the Southern US.

Across the industry, capability-driven deals have become more relevant in the face of the recent health crisis. This ranges from expanding homecare services as demographic challenges pile pressure on healthcare providers, to pharmaceutical companies bolstering their R&D to help restock vaccine and other medicine pipelines.

Southern US top 10 announced deals, Q1 2022

| | Announced date | Bidder company | Target company | Sector | Vendor company | Deal value (US\$m) |
|----|----------------|--|---|----------------------------|----------------------------------|--------------------|
| 1 | 31-Jan-22 | Vista Equity Partners Management, LLC; Evergreen Coast Capital | Citrix Systems, Inc. (100% Stake) | TMT | | 16,613 |
| 2 | 28-Feb-22 | TD Bank Group | First Horizon National Corporation (100% Stake) | Financial services | | 13,350 |
| 3 | 22-Feb-22 | Standard General L.P. | TEGNA Inc. (100% Stake) | TMT | | 8,688 |
| 4 | 07-Feb-22 | Frontier Airlines Inc. | Spirit Airlines, Inc. (100% Stake) | Transportation | | 6,150 |
| 5 | 29-Mar-22 | UnitedHealth Group, Inc.; Optum, Inc. | LHC Group, Inc. (100% Stake) | Pharma, medical & biotech | | 6,050 |
| 6 | 14-Feb-22 | Apollo Global Management, LLC | Novolex | Industrials & chemicals | The Carlyle Group | 6,000 |
| 7 | 07-Mar-22 | Clayton, Dubilier & Rice, LLC | Cornerstone Building Brands, Inc. (51% Stake) | Construction | | 4,873 |
| 8 | 28-Feb-22 | KPS Capital Partners, L.P. | Oldcastle BuildingEnvelope, Inc. (100% Stake) | Construction | CRH Plc | 3,800 |
| 9 | 17-Feb-22 | Ares Management Corporation | Capital Automotive L.P. (100% Stake) | Real estate | Brookfield Asset Management Inc. | 3,800 |
| 10 | 10-Jan-22 | Enterprise Products Partners L.P. | Navitas Midstream Partners, LLC (100% Stake) | Energy, mining & utilities | Warburg Pincus LLC | 3,250 |

Northeastern US



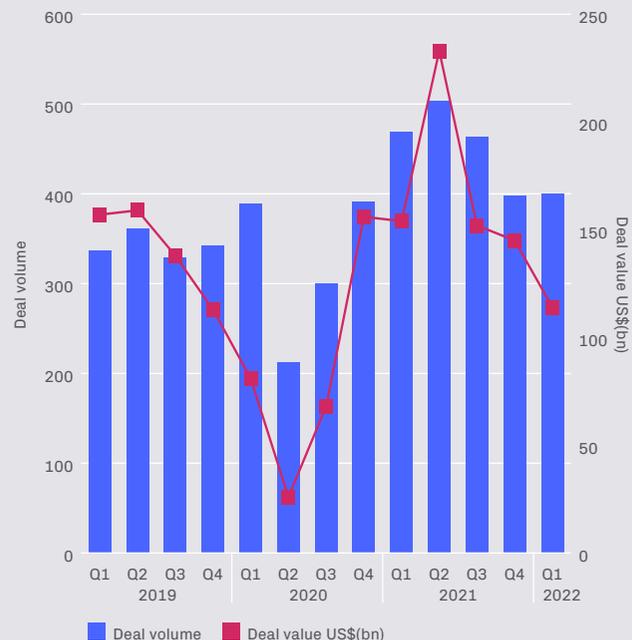
Packed pipelines hold promise despite modest slowdown

The Northeastern US M&A market once again took second place behind the Western US for deal value, in spite of a steep drop-off in financial services activity compared with the same period last year.

Deal value was down by 26% to US\$114bn in Q1 2022 from US\$154bn a year prior. At the same time, volume slipped by 14.7% to 400 transactions from 469 in Q1 2021.

Pipelines appear to be well stocked in the sub-region. Mergermarket's heat chart illustrating 'companies for sale' stories suggests there are more potential deals in the making in the Northeast than anywhere else in the Americas. Time will reveal the extent to which this potential activity comes to fruition.

Northeastern M&A activity, 2019-Q1 2022



Source: Mergermarket

Media metrics

TMT again led the vanguard. The US\$30.8bn invested in Q1 in fact represents a small gain of 3.8% from the same period last year, albeit that a single deal (the fourth largest across the Americas overall through the first three months of 2022) mopped up around half of that total. This was the US\$15.3bn buyout of TV ratings giant Nielsen Holdings by a consortium of investors led by hedge fund Elliott Management. Nielsen had rejected an initial gambit from Elliott and Brookfield Business Partners before the twosome upped its offer.

Activist investor Elliott had previously pressured Nielsen for a sale three years prior, which forced the market research company to consider splitting into two publicly traded firms a year later. However, that strategy was abandoned in 2020 and Nielsen instead sold off its consumer goods data unit for US\$2.7bn, honing its attention on its core media business.

Despite TMT deals being numerous and the sector racking up the most value, this was the only TMT deal to make it into the top 10 in the Northeastern US. Overall, 153 TMT transactions were announced, good enough for a 1.3% year-on-year gain, and represented 38.3% of all deal flow in the sub-region in Q1.

NE-US top sectors by value | Q1 2022

| | US\$(m) |
|---------------------------|---------|
| TMT | 30,796 |
| Real estate | 19,047 |
| Financial services | 16,634 |
| Pharma, medical & biotech | 12,385 |
| Industrials & chemicals | 12,156 |

NE-US top sectors by volume | Q1 2022

| | Deal count |
|---------------------------|------------|
| TMT | 153 |
| Pharma, medical & biotech | 52 |
| Financial services | 44 |
| Industrials & chemicals | 44 |
| Business services | 41 |

NE-US top bidders by value | Q1 2022

| | US\$(m) |
|---------|---------|
| USA | 87,036 |
| Canada | 15,872 |
| India | 3,590 |
| Denmark | 2,850 |
| Sweden | 1,300 |

NE-US top bidders by volume | Q1 2022

| | Deal count |
|----------------|------------|
| USA | 323 |
| Canada | 15 |
| United Kingdom | 11 |
| France | 7 |
| China | 5 |

NE-US top bidders by volume also saw 5 deals from Sweden and Japan.

Inflation proof

Third in value terms was the financial services sector. This was helped in great part by Berkshire Hathaway's US\$11.5bn acquisition of insurance company Alleghany Corporation, which was the second-largest deal in the Northeast and eighth largest across the Americas in Q1.

Warren Buffett said in his most recent and widely read annual letter that insurance is one of his company's 'four giants' that deliver most of its value. He also noted that such insurance

businesses tend to outperform in the face of rising prices, the likes of which the US has not seen for four decades, saying: 'The product will never be obsolete, and sales volume will generally increase along with both economic growth and inflation.'

The only other financial services deal to make it into the top 10 biggest Northeastern plays was the US\$3bn purchase by Carlyle Group's credit arm of iStar's net lease business, accelerating the PE firm's growth in real estate credit.



Northeastern US top 10 announced deals, Q1 2022

| | Announced date | Bidder company | Target company | Sector | Vendor company | Deal value (US\$m) |
|----|----------------|--|---|----------------------------|----------------------------|--------------------|
| 1 | 29-Mar-22 | Brookfield Business Partners L.P.; Evergreen Coast Capital | Nielsen Holdings plc (100% Stake) | TMT | | 15,344 |
| 2 | 21-Mar-22 | Berkshire Hathaway Inc. | Alleghany Corporation (100% Stake) | Financial services | | 11,473 |
| 3 | 18-Feb-22 | Celanese Corporation | DuPont de Nemours (Mobility & Materials unit) (100% Stake) | Industrials & chemicals | DuPont de Nemours, Inc. | 11,000 |
| 4 | 24-Feb-22 | JPMorgan Chase & Co.; The Infrastructure Investments Fund | South Jersey Industries, Inc. (100% Stake) | Energy, mining & utilities | | 7,638 |
| 5 | 30-Jan-22 | Land and Buildings Investment Management LLC | Lexington Realty Trust (formerly Lexington Corporate Properties Trust) (100% Stake) | Real estate | | 5,945 |
| 6 | 25-Feb-22 | Monarch Alternative Capital L.P. | Paramount Group, Inc. (94.43% Stake) | Real estate | | 5,787 |
| 7 | 25-Jan-22 | Standard General L.P. | Bally's Corporation (78.98% Stake) | Leisure | | 4,555 |
| 8 | 24-Jan-22 | Blackstone Real Estate Income Trust, Inc. | Resource Real Estate Opportunity REIT, Inc. (100% Stake) | Real estate | C-III Capital Partners LLC | 3,700 |
| 9 | 27-Feb-22 | Biocon Limited; Biocon Biologics India Limited | Viatrix Inc. (Biosimilars business) (100% Stake) | Pharma, medical & biotech | Viatrix Inc. | 3,335 |
| 10 | 02-Feb-22 | The Carlyle Group | iStar Inc. (net lease business) (100% Stake) | Financial Services | iStar Inc. | 3,000 |

An industrial titan divests

After leaders TMT, real estate, and financial services, PMB and I&C were neck and neck, recording US\$12.4bn and US\$12.2bn worth of transactions apiece. For PMB, this represents a year-on-year fall of 14.7%, but an increase of 34.9% for I&C. Each sector contributed one transaction to the list of the 10 largest deals in the Northeast in Q1.

The larger of these saw DuPont sell most of its cyclical mobility and materials business to Celanese Corp for US\$11bn as it doubles down on its electronics and water solutions businesses. Celanese believes the asset, which drew interest from PE firms Carlyle and Apollo, will help it realize synergies of US\$450m within the first four years. Overall, I&C tallied 44 deals, putting it on an equal footing with financial services (44) and business services (41), but a little way behind PMB (52).

The biggest PMB deal in the sub-region was considerably smaller, at US\$3.3bn, than I&C's top transaction. This saw pharma company Viatrix unload its biosimilar business to Biocon Biologics. Biosimilars are biologic medical products that are almost identical replicas of a product manufactured by a different company, which can be made when the original product's patent expires.

PMB remains a rich source of deal flow in the sub-region, reflecting Boston's status as the top US pharmaceutical hub. Indeed, PMB in Northeastern US has one of the highest volumes of 'for sale' stories on Mergermarket's heat chart, which speaks to the strength of this specific market.



Brazil

Foreign buyers pull back from LatAm's biggest market

Brazil's economy expanded by 4.6% in 2021, though growth decelerated significantly in H2, reflecting the impact of bottlenecks in global supply chains and the worst water crisis the country has seen in almost 100 years.

In Q1, aggregate deal value and volume declined by 22% and 23.4%, respectively, from the preceding quarter, though a year-on-year comparison is even starker. The US\$16bn worth of deals represents a collapse of 57.1% compared to Q1 2021, while deal count is down 30% to 105 transactions. Most of this decline came from a sharp fall in both the financial services and, to a lesser but still meaningful extent, EMU sectors.

As sentiment has shifted to risk-off mode in recent months, Brazil has seen foreign investors shy away from its deal market. The country posted negative foreign direct investment of US\$3.9bn in December, the worst monthly figure ever recorded in Latin America's biggest economy, according to the Central Bank.

Healthcare under pressure

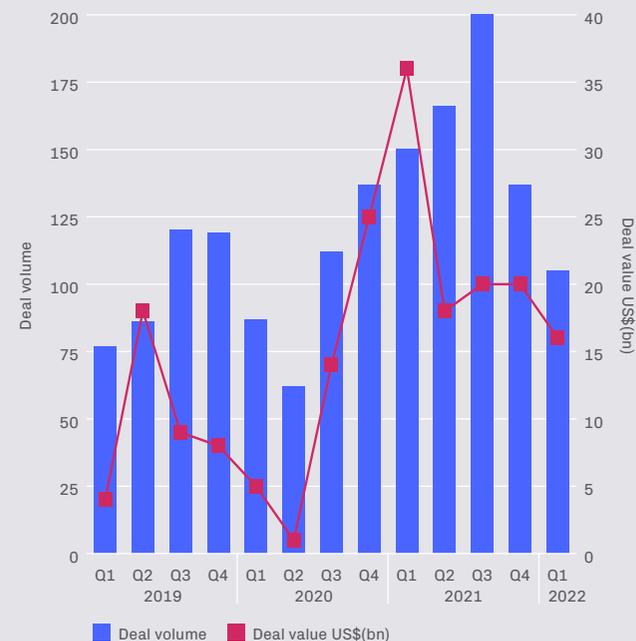
This pullback was evident in M&A. Domestic entities claimed just over 83% of all deal value with the next most acquisitive cohort, US investors, contributing just 9%. Each of the three largest deals of Q1 2022 were accounted for by Brazilian parties.

These included the US\$3.1bn acquisition by hospital chain Rede D'Or Sao Luiz of insurer SulAmérica Seguros, the second-largest Brazilian insurance company with more than 6.3m customers, in a share swap trade.

There has been some noteworthy consolidation since the pandemic put unprecedented pressure on the healthcare sector to cut back operational costs. In Q1 the merger between Hapvida and Notre Dame Intermédica, announced last year, finally completed in what is one of the biggest corporate mergers in Brazil in over a decade.

The Rede-SulAmérica deal helped put the financial services sector in first place with US\$4.2bn worth of deals in Q1. Despite its leading position, this was down as much as 78.3% on the same period last year, an inevitable consequence of the historic Hapvida-Notre Dame deal falling in the corresponding quarter in 2021. Given the strain on Brazil's healthcare system, there is likely to be continued motivation for corporates to transact.

Brazil M&A activity, 2019-Q1 2022



Source: Mergermarket

Wired in

The second-largest deal announced in Brazil in Q1 fell in the construction sector, which accounted for just over US\$3.2bn worth of transactions, good for third overall. That aggregate value figure is, however, a little noisy, given that only two deals were announced in the construction sector in the first three months of this year.

Almost all of that sum can be attributed to one transaction announced in mid-February, whereby the Brazilian government plans to auction 5,291 kilometers of electricity transmission projects on 30 June, which will require investment of US\$2.9bn.

Toward the end of March, reports appeared that electricity company Copel was looking for partners for the auction, and they may have found an ally (or perhaps a competitor) in India-based Sterlite Power, citing the insight of Luciana Borges, the CFO of Sterlite's Brazilian unit.

Brazil top sectors by value | Q1 2022

| | US\$(m) |
|----------------------------|---------|
| Financial services | 4,232 |
| Energy, mining & utilities | 3,211 |
| Construction | 3,205 |
| TMT | 2,551 |
| Transportation | 1,045 |

Brazil top sectors by volume | Q1 2022

| | Deal count |
|----------------------------|------------|
| TMT | 31 |
| Financial services | 20 |
| Energy, mining & utilities | 15 |
| Pharma, medical & biotech | 10 |
| Business services | 7 |

Brazil top bidders by value | Q1 2022

| | US\$(m) |
|----------------|---------|
| Brazil | 12,853 |
| USA | 1,360 |
| Spain | 330 |
| China | 316 |
| United Kingdom | 315 |

Brazil top bidders by volume | Q1 2022

| | Deal count |
|-------------|------------|
| Brazil | 71 |
| USA | 12 |
| France | 4 |
| Netherlands | 4 |
| Spain | 3 |

Loaded pipelines

The value of EMU deals has eased off considerably, falling by 42.5% year on year to US\$3.21bn. The sector's largest deal was also the third biggest overall in Brazil, and saw state-owned Petrobras divest itself of a 100% stake in the Potiguar cluster to 3R Petroleum for US\$1.4bn. The sale included 22 oil and gas fields, three offshore concessions and 19 onshore concessions, as well as related infrastructure. In volume terms, EMU deals were down 16.7% year on year to 15 transactions, putting it in third place behind TMT (31) and financial services (20).

While large EMU deals have slowed, there is expected to be plenty more in the pipeline. The Brazilian state-run oil company is anticipated to raise between US\$15bn-US\$25bn from selling off assets over the next four years. In April, it kicked off a process to auction off its Gulf of Mexico assets as part of its strategy to cut debt and pivot toward Brazilian deep-water production.

Energy companies are capitalizing on rising crude oil prices. This has equipped them with cash for deals, while renewing interest in the sector among financial sponsors, given that EMU companies tend to outperform in inflationary environments like we are seeing today.

Brazil top 10 announced deals, Q1 2022

| | Announced date | Bidder company | Target company | Sector | Vendor company | Deal value (US\$m) |
|----|----------------|---|--|----------------------------|---|--------------------|
| 1 | 23-Feb-22 | Rede D'Or Sao Luiz S.A. | SulAmerica S.A. (100% Stake) | Financial services | | 3,117 |
| 2 | 15-Feb-22 | Undisclosed bidder | Government of Brazil (100% Stake) | Construction | Government of Brazil | 2,943 |
| 3 | 28-Jan-22 | 3R Petroleum Oleo e Gas S.A. | Petroleo Brasileiro S.A. (Potiguar cluster) (100% Stake) | Energy, mining & utilities | Petroleo Brasileiro S.A. | 1,380 |
| 4 | 14-Mar-22 | Undisclosed bidder | Atento S.A. (100% Stake) | TMT | | 913 |
| 5 | 23-Mar-22 | Votorantim S.A.; Itausa – Investimentos Itau S.A. | Companhia de Concessoes Rodoviaras (14.86% Stake) | Transportation | Andrade Gutierrez S.A. | 845 |
| 6 | 22-Feb-22 | Seacrest Exploração e Produção de Petróleo | Petroleo Brasileiro S.A. (100% Stake) | Energy, mining & utilities | Petroleo Brasileiro S.A. | 544 |
| 7 | 07-Jan-22 | XP Inc. | Banco Modal S.A. (100% Stake) | Financial services | | 530 |
| 8 | 17-Feb-22 | Energisa S.A. | Gemini Energy S.A. (100% Stake) | Energy, mining & utilities | Salus Fundos de Investimento em Participacoes | 497 |
| 9 | 07-Feb-22 | BR Malls Participacoes S.A. | Ancar Ivanhoe Shopping Centers (Five-Six Shopping Malls Portfolio) | Real estate | Ancar Ivanhoe Shopping Centers | 410 |
| 10 | 20-Jan-22 | Patria Investments Limited | Contour Global do Brasil Participacoes Ltda (100% Stake) | Energy, mining & utilities | ContourGlobal L.P. | 319 |

An aerial photograph of a cityscape. In the foreground, there is a dense residential area with various buildings, including a prominent blue building on the left. A tall, modern skyscraper with a glass facade and blue accents stands on the right side. The background features a range of blue mountains under a cloudy sky. A yellow banner is overlaid across the middle of the image, containing the text 'Latin America & the Caribbean (excl. Brazil)'.

Latin America & the Caribbean (excl. Brazil)

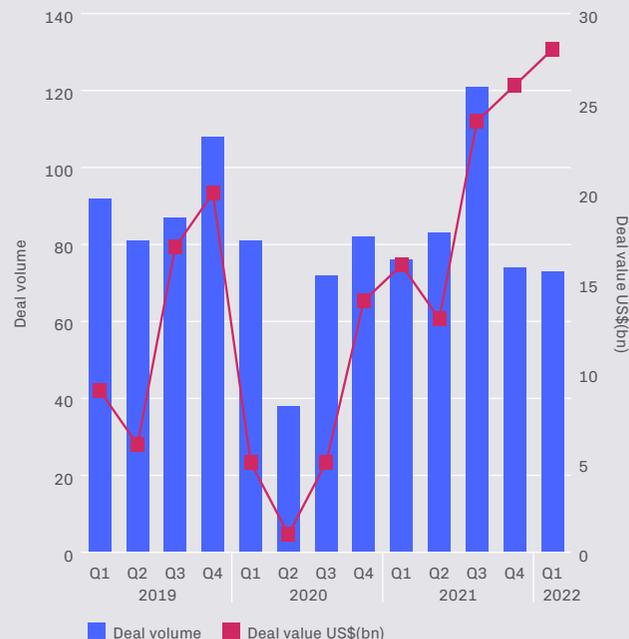
LatAm surprises with a stellar start to the year

Latin America & the Caribbean is something of an anomaly, with the sub-region's overall figures and trends diverging from other markets covered in this report. Aggregate deal value actually increased by a full 77% year-on-year to US\$28bn, putting it ahead of Brazil, Canada and the Midwestern US in Q1. However, the market is modestly sized, therefore this year-on-year surge has made little impact to the overall Americas M&A statistics.

With respect to volume, activity has stayed stable, with 73 transactions announced, versus Q1 2021's 76. More to the point, Q1 almost replicated the figures from Q4 2021, when 74 deals worth US\$26bn were announced.

The massive outperformance seen in the period was down almost entirely to financial services, which eclipsed all other sectors. The US\$17.4bn invested represented more than 62% of aggregate deal value across all industries. Moreover, most of this came from a single deal, one of only two in the financial services sectors among the top 10 transactions in the sub-region.

Latin America & the Caribbean (excl. Brazil) M&A activity, 2019-Q1 2022



Source: Mergermarket

Banking on crypto

The leading deal in question was a highly innovative play by Mexican crypto company Isatek, which offered Citigroup US\$16bn worth of its own cryptocurrency, Amero, for Banamex in a bid to create a 'hybrid bank' offering both traditional and digital asset services. Citigroup acquired Banamex for US\$12.5bn in 2001 in what was at the time Mexico's largest ever banking deal.

The next largest financial services deal to make it in to the top 10 was a major step down from this, valued at just over US\$1bn. The transaction was familiar territory for the Bank of Nova Scotia, which raised its interest in Scotiabank Chile by 16.8% to a nearly full 99.8%. Scotiabank is training its focus on larger, higher-potential markets in Latin America such as Chile, Mexico, Colombia, and Peru.

Financial services is expected to present a many deal opportunities, particularly as fintechs and cryptocurrencies disrupt the space. The pandemic has seen a major migration of consumers to digital services and these changes of behavior are expected to stick, catalyzing further consolidation.

LatAm top sectors by value | Q1 2022

| | US\$(m) |
|----------------------------|---------|
| Financial services | 17,430 |
| Transportation | 3,122 |
| Energy, mining & utilities | 3,100 |
| TMT | 2,985 |
| Consumer | 752 |

LatAm top sectors by volume | Q1 2022

| | Deal count |
|----------------------------|------------|
| TMT | 24 |
| Energy, mining & utilities | 12 |
| Consumer | 8 |
| Financial services | 8 |
| Pharma, medical & biotech | 4 |

LatAm top bidders by value | Q1 2022

| | US\$(m) |
|----------|---------|
| Mexico | 19,224 |
| USA | 2,947 |
| Canada | 1,913 |
| Chile | 1,000 |
| Colombia | 991 |

LatAm top bidders by volume | Q1 2022

| | Deal count |
|--------|------------|
| USA | 18 |
| Mexico | 7 |
| Canada | 6 |
| Chile | 6 |
| Peru | 6 |

LatAm top sectors by volume also saw 4 deals for transportation and business services.

Hard landing

In second place but far behind financial services in value terms was transportation. The sector saw US\$3.12bn worth of deals which, again, hung largely on one transaction worth US\$2.6bn. Grupo Aeromexico, Mexico's main airline carrier, reached a creditor agreement in January after running out of cash following a slump in air travel during the pandemic. Part of that agreement involved it selling equity in a public offering in order to exit its bankruptcy status. US PE firm Apollo thereby acquired a 26.9% stake in Aeromexico.

After finance and transportation, the EMU sector was also well represented in Q1 2022, largely thanks to a rash of activity in Chile. It came in third place by value with US\$3.1 recorded (a 25.4% decline year on year) and second in volume terms with 12 transactions (55.6% shy of Q1 2021's tally).

The largest of these saw Enel Chile, a subsidiary of the Italian electricity company Enel Group, offload its transmission unit for US\$1bn. The company has 683 kilometers of high-voltage lines and 54 substations. The sale marks the continuation of a trend, with competitors Colbún, CGE and AES Andes all also having divested their power line subsidiaries.



Latin America & the Caribbean (excl. Brazil) top 10 announced deals, Q1 2022

| | Announced date | Bidder company | Target company | Sector | Vendor company | Deal value (US\$m) |
|----|----------------|---|---|----------------------------|---|--------------------|
| 1 | 11-Jan-22 | Isatek | Banco Nacional de Mexico, S.A. (consumer, small business and middle market banking operations) (100% Stake) | Financial services | Citigroup Inc. | 16,000 |
| 2 | 28-Jan-22 | Grupo Aeromexico SAB de CV (Creditors) | Grupo Aeromexico SAB de CV (100% Stake) | Transportation | | 2,551 |
| 3 | 28-Feb-22 | The Bank of Nova Scotia | Scotiabank Chile S.A. (16.8% Stake) | Financial services | Grupo Said | 1,014 |
| 4 | 25-Mar-22 | Undisclosed bidder | Enel Transmisión Chile S.A. (100% Stake) | Energy, mining & utilities | Enel Chile S.A. | 1,000 |
| 5 | 18-Mar-22 | Equinix, Inc. | Empresa Nacional de Telecomunicaciones S.A. (data center business) (100% Stake) | TMT | Empresa Nacional de Telecomunicaciones | 705 |
| 6 | 03-Feb-22 | Innervex Renewable Energy Inc. | Aela Energía SpA (100% Stake); Aela Generacion S.A. (100% Stake) | Energy, mining & utilities | Actis LLP; Mainstream Renewable Power Limited | 686 |
| 7 | 28-Mar-22 | Publigas S.A.; EIG Global Energy Partners | GNL Quintero S.A. (45.4% Stake) | Energy, mining & utilities | Enagas S.A. | 661 |
| 8 | 01-Mar-22 | Grupo Gilinski | Grupo Nutresa S.A. (9.6% Stake) | Consumer | | 553 |
| 9 | 08-Feb-22 | Grupo Aeromexico SAB de CV | Club Premier (48.9% Stake) | Transportation | Aimia Inc. | 407 |
| 10 | 31-Jan-22 | SoftBank Group Corp.; Temasek Holdings Pte. Ltd.; Ontario Teachers' Pension Plan; Insight Partners; New Enterprise Associates; Lightspeed Venture Partners; Institutional Venture Partners; Tiger Global Management, LLC; Steadview Capital Management LLC; Paradigm; SoftBank Vision Fund II | FTX Trading Ltd. (1.25% Stake) | TMT | | 400 |

Geopolitics fuel gas demand

Other noteworthy EMU deals include Innervex Renewable Energy's US\$686m takeover of Chilean wind power producer Aela Energía. Chile has established itself as a world leader in renewable energy and is considered, according to Bloomberg, the second most attractive market for power investment among emerging economies.

Again in Chile and on a similar scale to the Aela deal was the US\$661m acquisition by Publigas and EIG Global Energy Partners of GNL Quintero, marking an exit for Spanish gas pipeline operator Enagas. While gas plays an important bridging role in the transition from fossil fuels to renewables, the deal is indicative of the impact of recent geopolitical events.

GNL Quintero claims to be the southern hemisphere's first port terminal for the reception, unloading, storage and regasification of liquefied natural gas. Gas shipping assets have become a focal point for investors since the invasion of Ukraine, as European governments have expressed a desire to diversify away from Russian gas.

About this report

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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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