BRAZIL TO CONTINUE DOMINATION OF LATIN AMERICA M&A

Posted on 11/05/2015

Top Iberia legal advisers from 01 January 2015 to 25 March 2015 by volume

	Firm	Value ($m)	Deal Count
1	Linklaters	18.293	9
2	Allen & Overy	3.218	5
3	Uría Menéndez	2.892	5
4	KPMG Abogados	164	5
5	Gómez-Acebo & Pombo Abogados	6	5
6	Baker & McKenzie	15.020	4
7	Jones Day	54	4
8	Freshfields Bruckhaus Deringer	14.302	3
9	King & Wood Mallesons	195	3
10	Herbert Smith Freehills	16.439	2

Source: Mergermarket

Category: Archive

More than half of the M&A transactions completed in 2014 took place in Brazil, and lawyers expect this to be an ongoing trend due to falling share prices

Brazil remains at the forefront of merger and acquisition (M&A) activity in Latin America, with transaction volumes likely to increase amid the devaluation of the country´s currency – the real – and a drop in asset prices. However, the political crisis threatening to engulf President Dilma Rousseff could make investors more cautious.

The total deal value of M&A deals completed in Brazil in 2014 stood at $129.8bn – accounting for 576 transactions – the highest total annual deal value since 2011. Brazil accounted for 56 per cent of M&A deals by volume in Latin American in 2014. Major transactions included Telefónica's €7.2bn acquisition of Brazilian broadband operator GVT from French group Vivendi, the acquisition of London's 'Gherkin' building by Brazilian banker Joseph Safra for £726m, and the $3.11bn purchase of a 70 per cent stake in Banco do Brasil by Cielo.

Across Latin America, the dominant sectors for deals were consumer, energy, industrial and IT, while lawyers see Brazil as likely to remain ahead of the region in terms of deal volumes, due to the crisis, as well as the country´s geographic position, abundance of natural resources, qualified labour and an empowered middle class.

"We remain bullish as private equity firms see Brazil as very interesting," Fernando Meira, a partner at Pinheiro Neto in Sao Paulo, says. "We see long-term strategic investors looking for opportunities – such investors raised capital in 2013 and 2014 and are now ready to deploy it." Meira predicts that many companies facing financial distress will either divest assets or merge to better position themselves to face a slow-growth scenario.

Easier for investors

"For foreign investors yet to invest in Brazil, it may now be easier for them to enter into negotiations with Brazilian companies and reach a good price," Meira says, citing infrastructure as a sector that will attract investors who see the country as having good prospects despite the weak government and recent protests calling for President Rousseff's impeachment in connection with a bribery scandal.

"You can find good opportunities if you have the patience to negotiate and pay the right price," Meira says. M&A represents a significant portion of Pinheiro Neto´s business, and is increasing by around 10 per cent each year, although Meira cites 2010 – when Brazil enjoyed 7.5 per cent growth – as a high point for the firm.

Outside Brazil, Peru and Colombia are also seeing strong M&A activity, but they are small markets, Meira says, while Mexico is likely to see more investment as a result of recent reforms allowing more private participation in the energy sector. This is a view echoed by Mauro César Leschziner, a partner at Machado Meyer in Sao Paulo, although he adds that Mexico may not be able to sustain that trend over the long-term. With regard to Brazil, Leschziner says tumbling shares on the Ibovespa is making listed companies acquisition targets and driving investor interest, mainly from the US.

Indeed, such a development may mean investors that were previously eyeing other Latin American countries could turn their attention toward Brazil, according to Paulo Coelho da Rocha, a partner at Demarest in Sao Paulo. "Private equity has been looking at Peru and Colombia as strategic places to invest and because prices in Brazil were too high – maybe now this will reverse the flow that was bypassing Brazil," he said.

As Brazil accounts for such a significant proportion of Latin American M&A transactions, this type of work has always been an important driver of business for Demarest, and its contribution to the firm´s revenue is likely to increase. "I think it's the most important practice that we have, but don't let my partners hear me say that," Da Rocha said. "We continue to be very active in troubled waters as Chapter 11 restructuring often ends up in acquisition, so it's been keeping us busy." IL