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Where deals are made

Deal Drivers: Americas Q3 2020

A spotlight on mergers and acquisitions trends in 2020

Mergermarket

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Contents

Summary: US election a crucial fork on the road to recovery

The M&A market in the Americas is at a crossroads. Activity across the region – and particularly in the US – recovered strongly in Q3 2020 following a quarter blighted by the devastating impacts of COVID-19. However, where the market goes from here will inevitably reflect the success, or otherwise, of the world's efforts to combat the pandemic. Will a second wave of infections send the Americas back to square one? Will a vaccine come to the rescue? At the same time, November's US presidential election casts a long shadow over dealmaking.

The evidence suggests that acquirers and investors have adjusted as they have evaluated the effects of COVID-19. More resilient sectors – notably telecoms and pharmaceuticals – are enjoying a much increased appetite for deals. But Q3 also saw an uplift in deal activity in sectors where consolidation and rationalization are now a priority, or where new opportunities have emerged, such as in energy, mining & utilities (EMU) and business services.

All eyes on Washington

The revival of M&A markets may look firmly established in the Americas, but activity is yet to regain levels recorded before the pandemic.

> Sustained recovery and a return to pre-COVID-19 deal activity is within reach, but uncertainty is everywhere. The US election represents a decisive moment.

Only once the direction of the US's political leadership is clear will dealmakers be able to take a firm view of what the future holds, both for the domestic economy and the strains that characterized international relations between the US and the rest of the world even before the pandemic.

Looser public health rules hasten M&A markets’ return to form

Dealmaking in the Americas staged a recovery in Q3 2020 after a first half in which the COVID-19-induced global economic slowdown prompted dealmakers to take a step back. There were 1,330 deals over the quarter, up 30% from the 1,020 seen in Q2; Q3 deal values totaled US$431.5bn, a more than fivefold increase on the US$81.2bn logged in Q2.

The surge in aggregate value made Q3 2020 even more prosperous for M&A in the Americas than during the same period in 2019 (US$350.8bn), albeit that deal volumes remained down on last year’s Q3 total of 1,935.

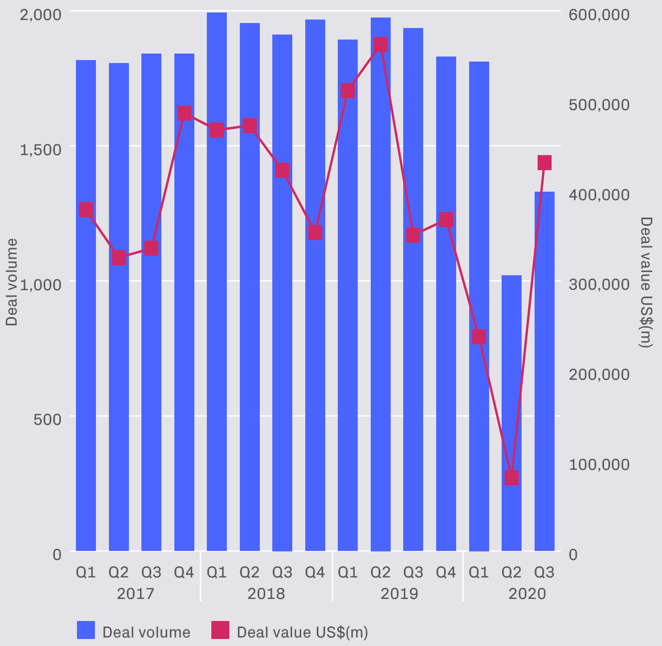
Upward revisions

The US contributed the lion’s share of M&A activity in the Americas in Q3, with 1,082 deals worth US$409bn. This was a very strong bounce back in the US from Q2, where the equivalent figures were 850 deals worth just US$76.6bn.

The market was certainly boosted by an improvement in the outlook for the US economy following initial assessments of the impact of COVID-19. The International Monetary Fund’s (IMF) June forecast was for US GDP to decline 8% over the course of 2020, but by October, this had been revised to a 4.3% decline.

US businesses also had reason to pursue aggressive M&A timelines in Q3 given the mounting uncertainties posed by November’s presidential election. Indeed, this will have been one factor driving M&A activity throughout the Americas, and globally.

Americas M&A activity, 2017-Q3 2020



Source: Mergermarket

Easing restrictions

The performance of the US stock market has also boosted confidence. While US equities fell by more than a third in February and March as the scale of the pandemic became clear, the market had recovered these losses by mid-August and then continued to climb.

The strength of the market reflects in large part the stout performance of technology stocks, which have proved resilient during the pandemic. It is no coincidence that in the US – and elsewhere in the region – technology, media and telecoms (TMT) led the way in Q3 M&A activity.

Latin America, meanwhile, has followed a similar pattern of M&A activity, with a precipitous plunge in activity in Q2 being followed by a strong rebound over the following three months, particularly in terms of deal values. In total, there were 123 transactions worth US$16.7bn across Latin America in Q3 2020, up from 83 deals worth only US$1.4bn in Q2.

While Latin America remained one of the global hotspots for COVID-19 throughout Q3 – and beyond – its economies recovered strongly as lockdown restrictions were eased. In Brazil, which dominated the region's M&A, these restrictions on activity were, in any case, rather limited in the first instance.

Canada, for its part, also reported improved M&A performance in Q3, with 125 deals worth US$5.8bn, up from 87 worth US$3.2bn over the previous three months. Still, this recovery was less dramatic than that witnessed in either the US or Latin America, and Canadian Q3 deal activity remained well down on previous years.

Americas top sectors by value | Q1-Q3 2020

	US$(m)
TMT	245,384
Pharma, medical & biotech	104,008
Industrials & chemicals	94,501
Energy, mining & utilities	77,746
Business services	41,610

Americas top sectors by volume | Q1-Q3 2020

	Deal count
TMT	1,079
Industrials & chemicals	618
Business services	585
Pharma, medical & biotech	520
Financial services	364

Americas top bidders by value | Q1-Q3 2020

	US$(m)
USA	593,911
Canada	26,676
United Kingdom	21,025
Germany	17,548
Brazil	16,632

Americas top bidders by volume | Q1-Q3 2020

	Deal count
USA	3,063
Canada	304
Brazil	171
United Kingdom	132
Japan	56

Big pharma taking big swings

The 10 largest deals recorded in the Americas in Q3 2020 all originated in the US and were collectively worth more than US$153bn. The biggest deal of all was Marathon Petroleum Corp's US$21bn sale of the Speedway convenience store chain to 7-Eleven.

The Speedway deal was followed by semiconductor company Analog Devices' US$20.3bn acquisition of integrated circuits specialists Maxim Integrated Products, and the US$19.4bn purchase of biopharmaceutical company Immunomedics by Gilead Sciences, often in the news of late in connection with its antiviral drug remdesivir, which the Food & Drug Administration has approved as a coronavirus treatment.

The Maxim Integrated acquisition, along with three other TMT transactions in the list of the top-10 Q3 deals in the Americas, helped that sector to accrue US$158bn of deal value on 347 deals. The remarkable performance of parts of the technology sector in 2020 may see this trend continue well into Q4 and beyond.

Americas top 10 announced deals, Q1-Q3 2020

	Announced date	Status*	Bidder company	Target company	Sector	Vendor company	Deal value (US$m)
1	02-Aug-20	P	7-Eleven, Inc.	Speedway LLC	Consumer	Marathon Petroleum Corporation	21,000
2	13-Jul-20	P	Analog Devices, Inc.	Maxim Integrated Products, Inc.	TMT		20,333
3	13-Sep-20	P	Gilead Sciences, Inc.	Immunomedics Inc.	Pharma, medical & biotech		19,371
4	11-Mar-20	C	United Technologies Corporation (shareholders)	OTIS Worldwide Corporation	Industrials & chemicals	Raytheon Technologies Corporation	18,949
5	23-Sep-20	P	Gores Holdings IV Inc.	United Shore Financial Services, LLC	Financial services	SFS Holding Corp.	16,052
6	02-Aug-20	P	Siemens Healthineers AG	Varian Medical Systems, Inc.	Pharma, medical & biotech		15,966
7	05-Aug-20	P	Teladoc Health, Inc.	Livongo Health, Inc.	TMT	Kleiner Perkins; General Catalyst Partners; 7wire Ventures, Inc.	14,753
8	20-Feb-20	C	Morgan Stanley	ETrade Financial Corporation	Financial services		13,026
9	20-Jul-20	C	Chevron Corporation	Noble Energy, Inc.	Energy, mining & utilities		12,596
10	11-Mar-20	C	United Technologies Corporation (shareholders)	Carrier Global Corporation	Industrials & chemicals	Raytheon Technologies Corporation	11,911

*C= Completed; P= Pending

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 through Q3 2020, dealmakers should expect the TMT industry in the Americas to see the greatest volume of activity. The data show that there were 1,110 stories between April and September about TMT companies coming to market, with the US, unsurprisingly, contributing almost 90% of those.

The dominance of US dealmaking is born out in other figures – even when combining stories relating to all industries from Canada, Brazil and the rest of Latin America & the Caribbean. That sum (489 stories) is surpassed individually by three of the four regions that make up the red-hot US market. Even then, that total is not so far ahead of the least busy US region, the Midwestern US, which logged 410 stories, more than double that of Brazil, Latin America's most important economy.

Next to TMT, most other sectors pale in comparison in our heat chart. The second-place industry, pharma, medical & biotech (PMB) logged fewer than half as many stories (489) as TMT. Clearly, everyone has tech on their mind.

Heat chart based on potential companies for sale

	Canada	Western US	Midwestern US	Southern US	Northeastern US	Brazil	Latin America & the Caribbean	TOTAL
TMT	33	370	145	237	241	48	36	1,110
Pharma, medical & biotech	25	127	63	132	119	18	5	489
Consumer	21	99	53	85	69	26	24	377
Business services	9	100	41	110	87	18	11	376
Financial services	11	50	39	46	100	18	18	282
Industrials & chemicals	14	50	29	50	45	11	11	210
Energy, mining & utilities	30	41	10	45	24	18	17	185
Transportation	4	14	8	13	8	13	11	71
Leisure	2	17	10	18	13	2	3	65
Construction	2	7	3	9	8	6	1	36
Real estate	3	8	1	5	9	6	3	35
Agriculture	7	8	3	5	2	2	2	29
Defense		4	5	8	4			21
TOTAL	161	895	410	763	729	186	142	3,286

Cold Warm Hot

Note: The Intelligence Heat Charts are based on 'companies for sale' tracked by Mergermarket in the respective regions between April 1, 2020 and September 30, 2020. Opportunities are captured according to the dominant geography and sector of the potential target company.

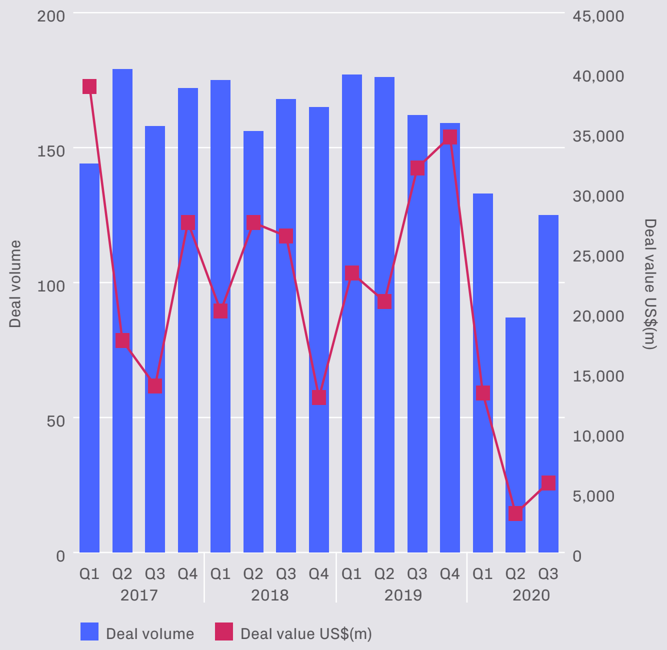
Canada

Economic fragility impeding big deals and prompting consolidation

Canada's economy bounced back in Q3 following a free fall in activity in March and April as the government opted to shutter the economy in the fight against COVID-19. Lockdowns took their toll, with Canadian unemployment hitting 3m in April, though that figure fell to around 1.1m by August, with the economy almost entirely reopened.

The recovery was swifter and stronger than expected: the Conference Board of Canada expects GDP to shrink by 6.6% in 2020, an upgrade on its forecasts early in the pandemic of an 8.2% decline.

Canada M&A activity, 2017-Q3 2020



Source: Mergermarket

A shell of itself

Considerable anxiety remains, particularly with COVID-19 cases spiking in September and October. To add to the sense of uncertainty, Canada has had to contend with political volatility, including an ethics scandal that ousted the country's finance minister, and the suspension of parliament in August by Prime Minister Justin Trudeau. Parliament returned in late September with Trudeau proposing a new set of policies responding to the pandemic.

Still, Canadian M&A activity was able to record a modest recovery in Q3, in line with the improving economic situation, after a Q2 slump. Private equity firms returned to the market and the relative strength of the EMU sector provided a small boost.

Overall, Q3 saw 125 deals worth US$5.8bn in aggregate, a significant leap from the 87 deals totaling US$3.2bn over the previous three months. Still, compared to its performance over the past three years, Canada's M&A market remains remarkably fragile. In Q3 2019, for example, 162 deals worth more than US$32bn were announced, more than five times what was logged in Q3 this year.

Canada top sectors by value | Q1-Q3 2020

	US$(m)
Energy, mining & utilities	4,614
Real estate	3,893
TMT	3,365
Business services	1,099
Transportation	105

Canada top sectors by volume | Q1-Q3 2020

	Deal count
TMT	84
Energy, mining & utilities	56
Industrials & chemicals	46
Pharma, medical & biotech	34
Business services	31

Canada top bidders by value | Q1-Q3 2020

	US$(m)
USA	9,631
Canada	9,278
United Kingdom	963
France	633
China	465

Canada top bidders by volume | Q1-Q3 2020

	Deal count
Canada	183
USA	109
United Kingdom	11
Australia	5
France	5

Tech promises

Canada's TMT space, the busiest area for M&A by volume, with 29 Q3 deals, continues to perform well, showing its resilience during the COVID-19 pandemic. The country's thriving technology sector, boosted by government support and inflows of international talent, continues to attract attention from cross-border investors and acquirers. In August, for example, Apple paid US$100m for the Montreal-based mobile payments specialist Mobeewave.

More broadly, international bidders continue to look for a wide range of opportunities in Canada. US acquirers and investors accounted for 42 deals in the country in Q3, more than one-third of the total number of Canadian transactions and accounting for 44% of aggregate deal value in the quarter.

However, not all industries are sharing equally in this attention. Canada's consumer sector, on the front line of the pandemic, was deserted by international as well as domestic acquirers in Q3. In total, the sector accounted for just US$101m of M&A activity over the period, down more than 80% from the US$570m worth of deals logged in Q3 2019.

Canada top 10 announced deals, Q1-Q3 2020

	Announced date	Status*	Bidder company	Target company	Sector	Vendor company	Deal value (US$m)
1	20-Feb-20	P	Northview Apartment Real Estate Investment Trust Consortium	Northview Apartment Real Estate Investment Trust	Real estate		3,653
2	03-Feb-20	C	Stone Canyon Industries Holdings LLC	Kissner Group	Industrials & chemicals	Metalmark Capital LLC; Demetree Meridian Holdings, LLC; Silverhawk Capital Partners	2,000
3	27-Feb-20	C	Stonepeak Infrastructure Partners	Xplornet Communications Inc.	TMT	Sandler Capital Management; Catalyst Investors LP	2,000
4	25-Feb-20	C	Mondelez International, Inc.	Give and Go Prepared Foods Corp	Consumer	Thomas H. Lee Partners, L.P.	1,200
5	28-Jul-20	C	Berkshire Partners LLC	VetStrategy	Pharma, medical & biotech	Imperial Capital Group Ltd.	1,000
6	01-Jun-20	P	Equinix, Inc.	BCE Inc. (25 data centres)	Business services	BCE Inc.	756
7	23-Mar-20	C	Endeavour Mining Corporation	SEMAFO Inc.	Energy, mining & utilities		698
8	20-Jan-20	C	Caisse de Depot et Placement du Quebec; Fonds de Solidarite FTQ; Placements CMI Inc.	Canam Group Inc	Industrials & chemicals	American Industrial Partners, LLC	643
9	12-Aug-20	P	HPS Investment Partners, LLC	GFL Environmental Inc.	Industrials & chemicals		600
10	12-Feb-20	C	Airbus SE; Government of Quebec	Airbus Canada Limited Partnership (34% stake)	Industrials & chemicals	Bombardier Inc.	591

*C= Completed; P= Pending

Consolidation drive

In the biggest deal of Q3, US private equity firm Berkshire Partners invested US$1bn in VetStrategy, Canada's largest operator of veterinary clinics. The transaction provides VetStrategy with capital for further expansion while giving Berkshire exposure to a highly defensive sector. Pet owners in Canada, as in other countries, have continued to spend on healthcare for their animals even during the most challenging economic periods.

The second biggest deal of the quarter saw HPS Investment Partners invest US$600m in waste managers GFL Environmental. The money enabled GFL to move forward with its US$1.2bn acquisition of WCA Waste, which operates across the Midwest and Southeast US.

ConocoPhillips' US$375m acquisition of additional Montney acreage from oil and gas firm Kelt Exploration rounded out the top-three deals in Q3. It was one of five EMU deals in the list of the top-10 Canadian M&A transactions in the quarter. In value terms, the sector was by far the most active in the period, posting almost US$2bn worth of deals, more than one-third of the Q3 total.

The data reflects, to a large extent, a spate of consolidation forced on smaller oil and gas companies by the recent difficulties of accessing debt and equity capital. Bankruptcies in the sector have increased, and to avoid collapse, firms have been selling assets, pursuing mergers or accepting takeovers from larger firms and private equity buyers attracted by valuation opportunities.

Western US

Tech and health specialists shining in an otherwise dim market

In addition to New York on the Eastern seaboard, several Pacific Coast states grew into hotbeds of infections during the first wave of the US's COVID-19 crisis, with California, Washington and Oregon all reporting soaring numbers of fatalities from March onwards. Equally, however, these states often moved more quickly than the federal government to introduce restrictions as they battled to get on top of the virus.

> To at least some extent, they were able to flatten the curve of new cases, with numbers peaking early in the summer and declining, albeit slowly, thereafter.

Long road to recovery

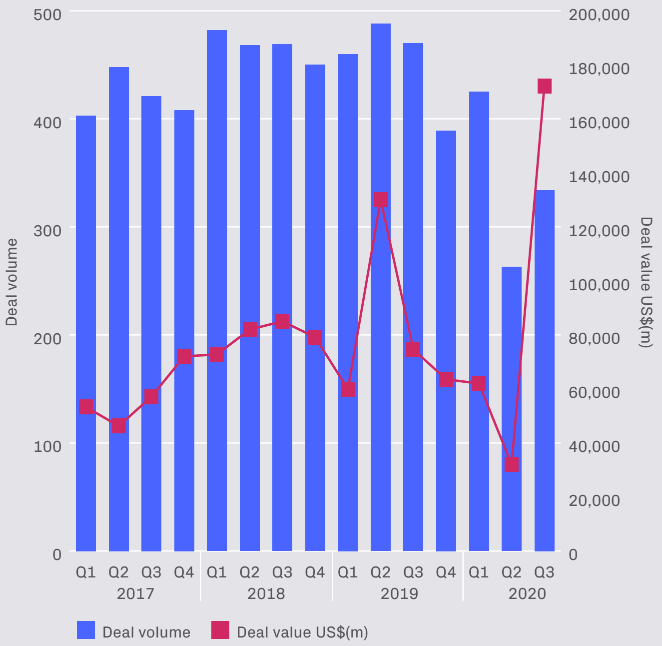
Washington especially won praise for its healthcare response, and Colorado has been praised for its economic support. California, meanwhile, was the first state in the US to issue a statewide stay-at-home order, though it was subsequently criticized for easing restrictions too soon and saw its cases spike in the spring.

The crisis has hit the Western US hard. In California, UCLA economists expect the state's unemployment rate to hit 10.8% this year, up from 3.9% in February. They warn that a full economic recovery will take more than two years.

Against this backdrop, M&A activity was bound to suffer. While 2020 began strongly for Western US dealmakers, Q2 saw the number of deals fall 38% to 263, with total deal value almost halving to US$32bn.

Since then, however, there has been a convincing bounce-back. Deal numbers in the region rose to 334 in Q3, while aggregate deal value surged more than fivefold. The US$172.2bn worth of M&A recorded in the Western US in Q3 was well above anything seen in the past three-and-a-half years.

Western US M&A activity, 2017-Q3 2020



Source: Mergermarket

Booming Big Tech

That bounce was in large part accounted for by a significant increase in TMT M&A. At US$104.9bn, the sector accounted for over 60% of aggregate deal value. It also saw the return of the megadeal, with no fewer than seven transactions worth in excess of US$5bn unveiled in Q3. But there were also a large number of smaller transactions: the 131 TMT deals in the quarter accounted for almost 40% of Western US M&A by volume.

While technology stocks have been volatile in recent months, particularly over the fall, the sector has posted strong gains this year, led by the West Coast giants Facebook, Amazon, Netflix and Google. This buoyancy in a marketplace where most businesses have suffered adverse impacts from the COVID-19 crisis has underlined the sector's outstanding growth prospects, attracting acquirers and investors even at relatively heady valuations.

The pandemic has boosted the technology industry in other ways, making the case for investment in innovation across a range of sectors. Consumer-facing businesses have been forced to accelerate their plans to shift to e-commerce, for example, while companies prioritizing efficiency and productivity are investing in digital transformation.

W-US top sectors by value | Q1-Q3 2020

	US$(m)
TMT	147,587
Pharma, medical & biotech	46,319
Industrials & chemicals	19,142
Energy, mining & utilities	10,705
Financial services	9,398

W-US top sectors by volume | Q1-Q3 2020

	Deal count
TMT	398
Business services	128
Pharma, medical & biotech	127
Industrials & chemicals	112
Consumer	79

W-US top bidders by value | Q1-Q3 2020

	US$(m)
USA	210,117
Germany	16,166
United Kingdom	10,076
Norway	8,870
Japan	3,864

W-US top bidders by volume | Q1-Q3 2020

	Deal count
USA	838
United Kingdom	39
Canada	39
Japan	24
Ireland (Republic)	8

Healthcare revolution

The biggest TMT deals reflect these overarching themes. Topping the rankings in Q3, the US$20.3bn merger between Analog Devices and Maxim Integrated Products gives the combined semiconductor group greater scale in a market for chips that has grown quickly this year in light of rising demand for technology to enable work-from-home processes and automation.

Meanwhile, the US$14.8bn tie-up between Teladoc Health and consumer digital health platform operator Livongo reflects the exploding demand for digital healthcare services. This was the second biggest TMT deal and the third biggest Western US transaction overall in Q3.

In second place, Germany's Siemens moved to acquire cancer device and software specialist Varian Medical Systems for almost US$16bn. In fact, the PMB sector was one of the most active areas of the M&A market other than TMT, with US$31.7bn worth of deals in Q3, well ahead of third-place industrials & chemicals (I&C) with US$14.6bn. Acquirers continued to look to expand their portfolios in fast-growing areas including oncology and rare diseases.

Western US top 10 announced deals, Q1-Q3 2020

	Announced date	Status*	Bidder company	Target company	Sector	Vendor company	Deal value (US$m)
1	13-Jul-20	P	Analog Devices, Inc.	Maxim Integrated Products, Inc.	TMT		20,333
2	02-Aug-20	P	Siemens Healthineers AG	Varian Medical Systems, Inc.	Pharma, medical & biotech		15,966
3	05-Aug-20	P	Teladoc Health, Inc.	Livongo Health, Inc.	TMT	Kleiner Perkins; General Catalyst Partners; 7wire Ventures, Inc.	14,753
4	06-Aug-20	P	Liberty Broadband Corporation	GCI Liberty, Inc.	TMT		11,422
5	06-Aug-20	C	Intercontinental Exchange, Inc.	Ellie Mae, Inc.	TMT	Thoma Bravo, LLC	11,180
6	21-Jul-20	P	Adevinta ASA	eBay Classifieds Group	TMT	eBay Inc.	8,870
7	21-Sep-20	P	Illumina, Inc.	GRAIL, Inc. (85.5% stake)	Pharma, medical & biotech	Bristol-Myers Squibb Company; Canada Pension Plan Investment Board; Sutter Hill Ventures; Celgene Corporation; Johnson & Johnson Innovation - JJDC, Inc.; ARCH Venture Partners; Public Sector Pension Investment Board; Sequoia Capital China; Hillhouse Capital Management, Ltd.; Decheng Capital LLC; Ally Bridge Group; 6 Dimensions Capital; McKesson Ventures; Biomatics Capital; Fairview Capital Partners, Inc	7,100
8	24-Feb-20	P	Intuit Inc.	Credit Karma, Inc.	TMT	Silver Lake Partners; Tiger Global Management, LLC; Susquehanna Growth Equity, LLP; Felicis Ventures LLC; 500 Startups; Ribbit Capital, L.P.; CapitalG	7,100
9	13-Aug-20	C	Roper Technologies, Inc.	Vertafore, Inc.	TMT	Bain Capital, LP.; Vista Equity Partners Management, LLC	5,350
10	13-Jan-20	P	Visa Inc.	Plaid Technologies, Inc.	TMT	Index Ventures; Kleiner Perkins; Norwest Venture Partners; New Enterprise Associates; Spark Capital Partners LLC; Public Sector Pension Investment Board; Felicis Ventures LLC; Andreessen Horowitz LLC; GV; Goldman Sachs Investment Partners, L.P.; Citi Ventures, Inc.; American Express Ventures	5,300

*C= Completed; P= Pending

Midwestern US

Pair of megadeals masking dealmaking's frailty

With smaller and more rural populations than other parts of the US, Midwestern states did not suffer such a rapid spread of COVID-19 early in the pandemic, and their relatively low numbers also enabled policymakers in many areas to limit restrictions and protect the economy.

Where lockdowns did bite, the response was often generous, protecting the local economy. Iowa, for example, had the highest average wage replacement rate of any state, giving workers around 50% of lost wages, while Minnesota was nearly as generous.

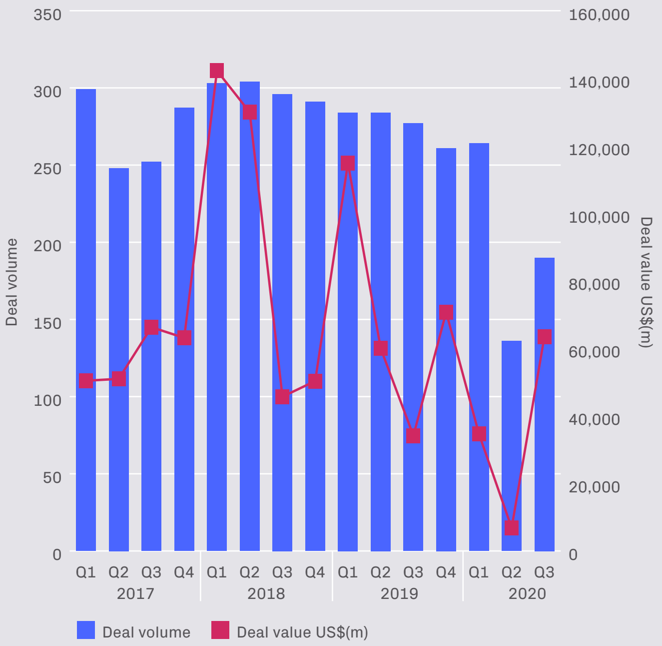
Rocky road for manufacturers

The shape of the Midwestern economy – given the importance of agriculture to the region, with its defensive qualities – also offers some protection from the worst effects of the pandemic. Manufacturers in industries such as automotive, however, have been particularly exposed to the demand shock of COVID-19.

Overall, economic activity in the Midwest did fall sharply in Q2, with the Chicago Federal Reserve Bank's Midwest Economy Index suggesting the decline bottomed out early in the summer, giving way thereafter to a gradual recovery. It should be said, however, that a resurgence of COVID-19 cases in the Midwest in September and October, with South Dakota, North Dakota and Wisconsin all reporting steep increases, could threaten this recovery.

M&A activity in the Midwest of the US in 2020 has reflected the broader economic backdrop; after a relatively strong start to the year, dealmaking fell sharply in Q2 but recovered in July, August and September – though not at the pace of the technology-sector-led West Coast.

Midwestern US M&A activity, 2017-Q3 2020



Source: Mergermarket

False positives

In all, 190 M&A deals worth US$63.5bn in aggregate were announced in the Midwest in Q3 of this year, a notable bounce-back from the 136 deals worth US$6.9bn in Q2. The year-on-year comparisons seem, outwardly at least, very promising as well: in Q3 2019, the region logged 277 deals worth just US$34.2bn in total.

That being said, the Midwestern M&A market's performance in Q3 this year can be attributed mostly to the quarter's two largest transactions, which together were worth US$37.1bn. Some hope might be gleaned from the uptick in volume, but no other transactions came close to those very-high-value deals.

In the biggest transaction of Q3, 7-Eleven agreed to pay Ohio-based Marathon Petroleum US$21bn to acquire the Speedway convenience store chain. The transaction comes in one of the few areas of the consumer sector to have shown some resilience during the COVID-19 crisis. It also illustrates, more broadly, how convenience stores continue to increase their share of the US groceries market.

The second largest deal in the region in Q3 saw Gores Holding IV – a special purpose acquisition company (SPAC) sponsored by an affiliate of the private equity firm Gores Group – merge with Michigan's United Shore Financial Services, the US's largest wholesale mortgage lender. Gores believes, in an era of historically low interest rates, that there is significant scope for new lending and refinancing.

MW-US top sectors by value | Q1-Q3 2020

	US$(m)
Consumer	28,179
Financial services	22,891
Industrials & chemicals	19,384
Business services	4,183
Energy, mining & utilities	1,488

MW-US top sectors by volume | Q1-Q3 2020

	Deal count
Industrials & chemicals	146
TMT	100
Business services	88
Financial services	73
Pharma, medical & biotech	60

MW-US top bidders by value | Q1-Q3 2020

	US$(m)
USA	85,603
United Kingdom	4,118
Denmark	3,830
France	3,731
Australia	2,900

MW-US top bidders by volume | Q1-Q3 2020

	Deal count
USA	499
Canada	22
United Kingdom	21
Japan	9
Sweden	5
France	5

Room to grow

The Gores and 7-Eleven deals accounted for more than half the total value of Q3 dealmaking in the Midwest. The third biggest transaction in the quarter was significantly smaller, with Ohio-based Cleveland-Cliffs buying the US business of global steel manufacturer ArcelorMittal for US$3.3bn. The company capitalized on ArcelorMittal's anxieties about falling demand for steel in the wake of COVID-19, which have prompted it to raise money to pay down debt.

Each of these three deals was large enough to ensure its respective industry – consumer, financial services and I&C – was in the top-three sectors for M&A by value in the Midwest in Q3. I&C was also the most active sector by volume over the period, with 43 deals.

The TMT and business services sectors also posted significant numbers of deals (30 and 29, respectively), as was the case in other parts of the US. Technology businesses have mostly excelled during the COVID-19 crisis, while business services providers have enjoyed robust returns as companies have sought help to innovate and transform mid-pandemic.

Midwestern US top 10 announced deals, Q1-Q3 2020

	Announced date	Status*	Bidder company	Target company	Sector	Vendor company	Deal value (US$m)
1	02-Aug-20	P	7-Eleven, Inc.	Speedway LLC	Consumer	Marathon Petroleum Corporation	21,000
2	23-Sep-20	P	Gores Holdings IV Inc.	United Shore Financial Services, LLC	Financial services	SFS Holding Corp.	16,052
3	10-Feb-20	P	Simon Property Group, Inc.	Taubman Centers Inc.	Real estate		6,821
4	13-Jan-20	C	WESCO International Inc.	Anixter International Inc.	Industrials & chemicals		4,357
5	28-Sep-20	P	Cleveland-Cliffs Inc.	ArcelorMittal USA LLC	Industrials & chemicals	ArcelorMittal SA	3,329
6	21-Jan-20	C	Danfoss A/S	Eaton Corporation (Hydraulics business)	Industrials & chemicals	Eaton Corporation	3,300
7	15-Sep-20	P	Groupe Lactalis S.A.	Kraft Heinz (Natural Cheese business)	Consumer	The Kraft Heinz Company	3,200
8	15-Jan-20	C	Harvest Partners, LLC	MRI Software LLC	TMT	TA Associates Management, LP.; GI Partners	3,000
9	13-Mar-20	P	Macquarie Infrastructure and Real Assets	Cincinnati Bell Inc	TMT		2,900
10	07-Feb-20	C	Fidelity National Financial, Inc.	FGL Holdings, Inc (92.38% stake)	Financial services	Blackstone Group L.P.	2,565

*C= Completed; P= Pending

Southern US

Deal market rebounds thanks to rugged oil and gas foundations

The COVID-19 pandemic hit the Southern US especially hard over the spring and summer of 2020.

> While several states locked down their economies only relatively briefly – inciting significant political controversy – the crisis nonetheless proved very damaging.

In Florida, the key sectors of tourism and travel were on the front line of the pandemic; unemployment jumped from below 3% at the start of the year to 14.5% in May, and remained in double figures throughout Q3. In Texas, oil and gas producers suffered mightily as depressed global demand sent energy prices into a tailspin; joblessness in the state was above 8% in September.

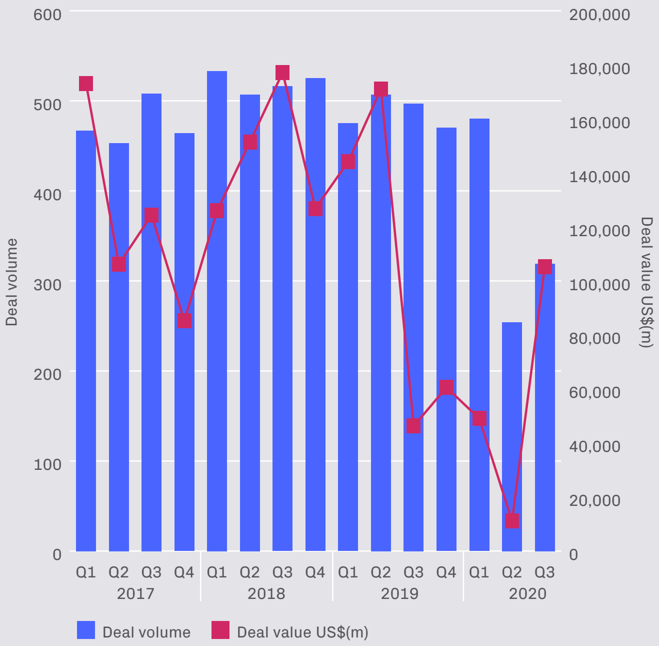
Megadeal rebound

In this environment – and set against the global context – M&A activity in the Southern US has followed a similar pattern to the rest of the country. Dealmaking in Q1 was strong, at least in volume terms, with broadly comparable levels of activity to Q1 2019. However, activity slumped in Q2 2020 before staging a partial recovery the following quarter.

In total, the Southern US logged 319 deals in Q3 worth US$105.3bn. That compared to only 254 Q2 transactions and, in terms of aggregate deal value, the Q3 figures soared above those of the previous quarter (US$11.2bn). Still, on deal activity at least, Q3 was down sharply on the same period last year, when 497 deals were announced.

The fact that deal values bounced more strongly in Q3 2020 – exceeding the equivalent 2019 sum of US$46.3bn, albeit that that figure had represented, by a considerable margin, the lowest quarterly total in the last three years – reflects the return of megadeals. In Q3 2020, there were six deals in the region worth more than US$5bn.

Southern US M&A activity, 2017-Q3 2020



Source: Mergermarket

Oil majors' muscle

The largest transaction announced in the Southern US in Q3 was Chevron's purchase of Houston-based Noble Energy. With a total enterprise value of almost US$13bn, the deal enabled Chevron to become the US's second biggest shale oil producer while also securing international natural gas reserves close to growing markets, particularly in the Eastern Mediterranean. Pundits predict the transaction will kickstart a wave of consolidation, with American oil majors relying on strong balance sheets at a time when many small and medium-sized players are struggling with high levels of indebtedness and depressed energy prices.

The second biggest Q3 deal, Berkshire Hathaway's US$9.7bn purchase of the gas transmission and storage assets of Virginia-based Dominion Energy, took place in the same sector, but was based on a different rationale. For Dominion, the sale makes sense in the context of the business's intent to pivot towards clean energy; it has recently abandoned plans for a new pipeline that would have been buried under the Appalachian Trail. For Berkshire Hathaway, the deal raises its share of the US gas transmission market to 18%. Transporting gas, rather than extracting or selling it, is an activity that is much more immune to the effects of energy prices volatility.

S-US top sectors by value | Q1-Q3 2020

	US$(m)
Energy, mining & utilities	47,016
TMT	41,330
Industrials & chemicals	21,610
Financial services	17,935
Business services	11,122

S-US top sectors by volume | Q1-Q3 2020

	Deal count
TMT	214
Business services	184
Industrials & chemicals	165
Pharma, medical & biotech	133
Financial services	97

S-US top bidders by value | Q1-Q3 2020

	US$(m)
USA	144,740
Canada	9,165
Japan	3,036
Sweden	2,628
United Kingdom	2,592

S-US top bidders by volume | Q1-Q3 2020

	Deal count
USA	931
United Kingdom	22
Canada	19
France	10
Sweden	7
Germany	7

Console wars

Beyond the oil & gas space, the third biggest M&A transaction in the Southern US in Q3 was Microsoft's US$7.5bn purchase of Maryland-based ZeniMax Media. ZeniMax is the parent company of Bethesda Software, which publishes a string of best-selling video game franchises. As Microsoft launches its latest Xbox console, going head-to-head with Sony's PlayStation 5, the deal offers the prospect of controlling a hugely popular segment of the gaming market.

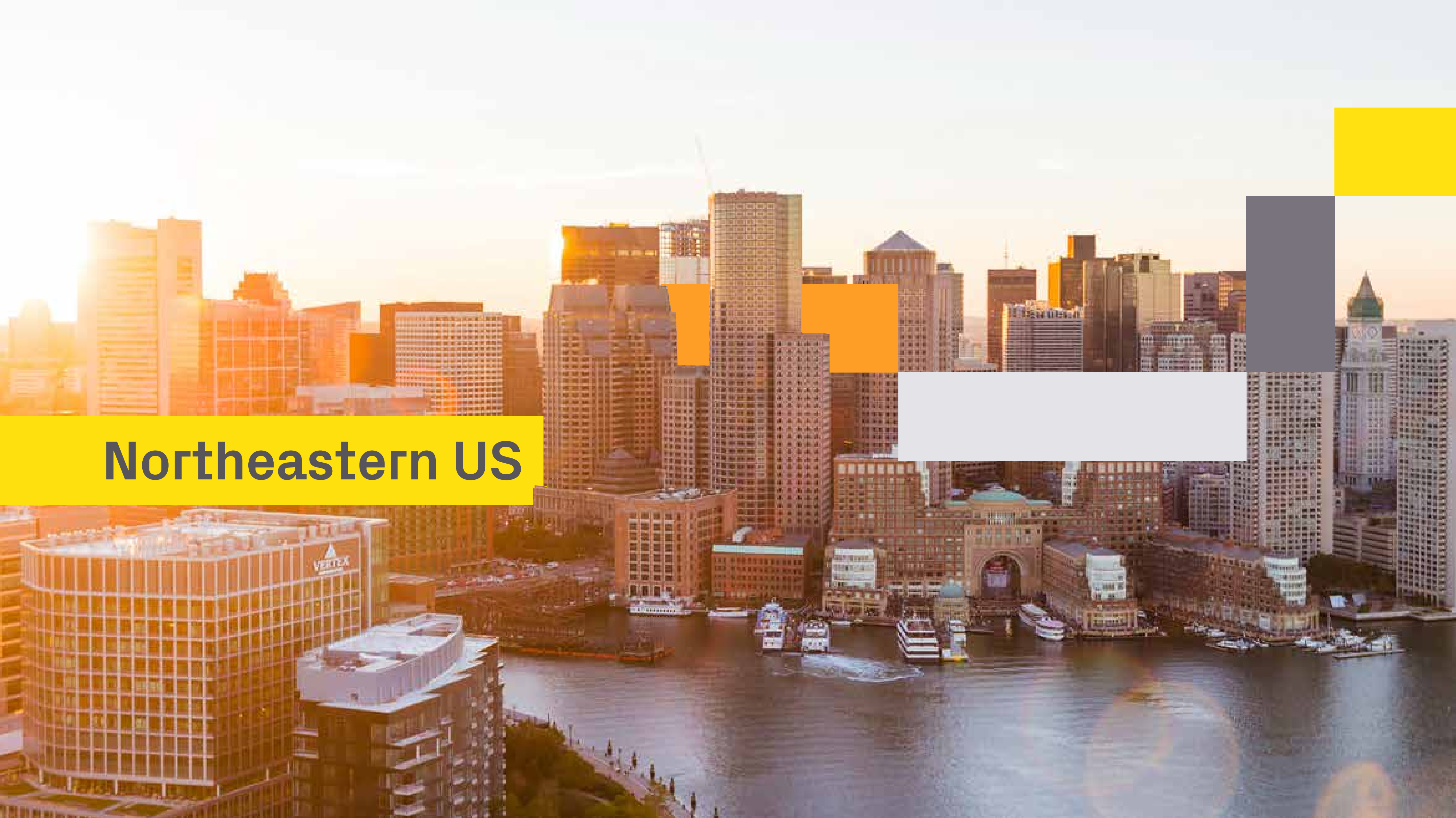
The size of the Chevron-Noble and Berkshire-Dominion deals – plus three other top-10 deals in the sector – meant EMU, with 53 transactions overall, was by far the most valuable sector for Q3 M&A. In second place in value terms was TMT, where the Microsoft-ZeniMax deal was backed up by Verizon's US$6.9bn purchase of Florida-based TracFone Wireless, and private equity firm Clayton, Dubilier & Rice's US$4.7bn acquisition of Texas-headquartered Epicor Software Corporation. TMT was also the most active sector in terms of deal volumes, logging 61 deals in Q3.

Southern US top 10 announced deals, Q1-Q3 2020

	Announced date	Status*	Bidder company	Target company	Sector	Vendor company	Deal value (US$m)
1	20-Jul-20	C	Chevron Corporation	Noble Energy, Inc.	Energy, mining & utilities		12,596
2	11-Mar-20	C	United Technologies Corporation (shareholders)	Carrier Global Corporation	Industrials & chemicals	Raytheon Technologies Corporation	11,911
3	05-Jul-20	P	Berkshire Hathaway Energy Company	Dominion Energy Cove Point LNG, LP (25% stake); Dominion Energy Questar Pipeline, LLC; Iroquois Gas Transmission System, L.P. (50% stake); Dominion Carolina Gas Transmission, LLC; Dominion Energy Transmission, Inc.	Energy, mining & utilities	Dominion Energy, Inc.	9,700
4	21-Sep-20	P	Microsoft Corporation	ZeniMax Media Inc.	TMT	Providence Equity Partners L.L.C.	7,500
5	24-Aug-20	C	Brookfield Infrastructure Partners L.P.; Blackstone Infrastructure Partners	Cheniere Energy Partners, L.P. (42% stake)	Energy, mining & utilities	Blackstone Group L.P.	6,961
6	14-Sep-20	P	Verizon Communications Inc.	TracFone Wireless, Inc.	TMT	America Movil SAB de CV	6,900
7	28-Sep-20	P	Devon Energy Corporation	WPX Energy, Inc.	Energy, mining & utilities		5,728
8	18-Feb-20	C	Franklin Resources, Inc.	Legg Mason, Inc.	Financial services		5,471
9	10-Mar-20	P	Veritas Capital Fund Management, L.L.C.	DXC Technology Company (U.S. State and Local Health and Human Services)	TMT	DXC Technology Company	5,000
10	31-Aug-20	P	Clayton, Dubilier & Rice, LLC	Epicor Software Corporation	TMT	Kohlberg Kravis Roberts & Co. L.P.	4,700

*C= Completed; P= Pending

Northeastern US

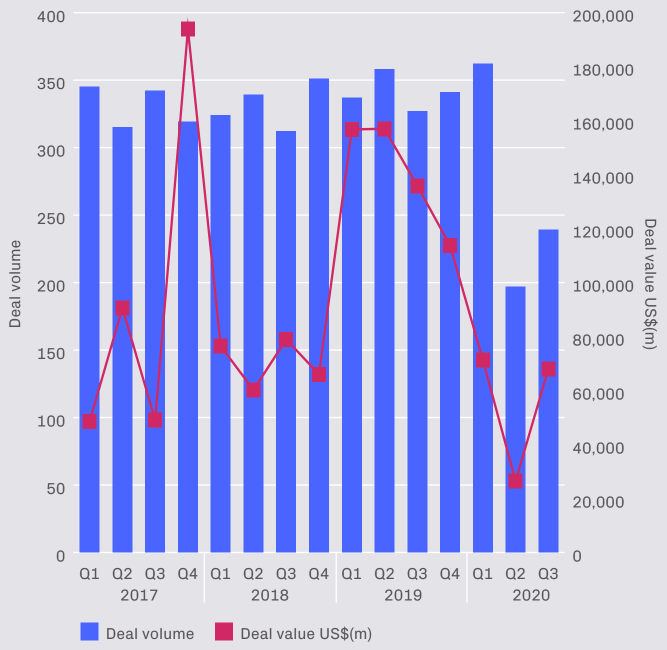


Hardest hit US region responds with spike in huge healthcare deals

New York City was hit early by the COVID-19 pandemic, making headlines around the world as case numbers and deaths soared in March and April. Neighbouring New Jersey and Pennsylvania attracted less attention globally, but fared almost as badly, and the economy of the Northeastern US suffered the consequences.

> Aggressive action to curb the spread of coronavirus led to the introduction of tough lockdown restrictions – even in less-seriously-affected states, including Maine and Massachusetts – precipitating a slump in economic activity and sharp spike in unemployment.

Northeastern US M&A activity, 2017-Q3 2020



Source: Mergermarket

Hit early, hit hard, hit fast

According to research published in August by financial services group Bankrate, New York saw its economy affected more seriously than any other state in the US, with New Jersey a close second. Unemployment in New York, the third biggest state economy in the US, hit 15.9% in July. In Massachusetts, joblessness peaked at 17.4% in June, the highest rate in the US.

Against this backdrop, M&A activity in the Northeast has followed a similar pattern to the rest of the country, though the pandemic's earlier onset in the region and the rapid lockdowns depressed Q1 deal values more strikingly than in other parts of the US. This was followed by a sharp decline in Q2 and a partial recovery in Q3.

In the latest quarter, 239 M&A transactions worth almost US$68bn were announced in the Northeast, up distinctively from 197 deals worth US$26.5bn in Q2. Nevertheless, activity remained well down compared to Q3 2019, which logged 327 transactions worth US$135.8bn. While every quarter of 2019 recorded more than 300 deals with aggregate values exceeding US$100bn in the Northeastern US, the market has failed to reach both thresholds this year.

NE-US top sectors by value | Q1-Q3 2020

	US$(m)
Pharma, medical & biotech	42,494
TMT	31,161
Industrials & chemicals	29,185
Business services	16829

NE-US top sectors by volume | Q1-Q3 2020

	Deal count
TMT	222
Pharma, medical & biotech	132
Industrials & chemicals	116
Business services	109
Financial services	80

NE-US top bidders by value | Q1-Q3 2020

	US$(m)
USA	141,299
Netherlands	7,401
United Kingdom	3,276
Canada	2,747
Hong Kong SAR	2,348

NE-US top bidders by volume | Q1-Q3 2020

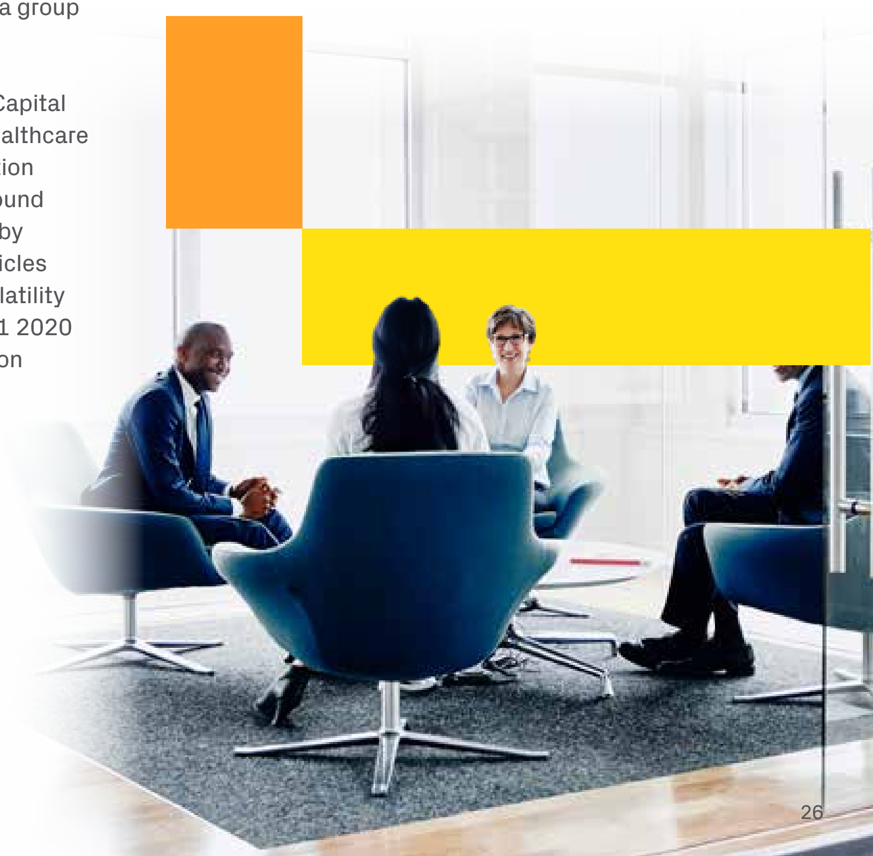
	Deal count
USA	646
United Kingdom	32
Canada	24
France	10
Netherlands	10

Big-pharma gets a boost

The three biggest Northeastern M&A transactions of Q3 accounted for well over half of the total aggregate deal value in the quarter. In the largest, pharmaceuticals giant Gilead Sciences agreed to pay US$19.4bn for New Jersey-based Immunomedics amid increasingly tough competition for market leaders in oncology treatments. The acquisition was Gilead's third megadeal in the span of three years in the lucrative oncology space, and follows a similar tie-up between the UK's AstraZeneca and Japanese pharma group Daiichi Sankyo.

In the second biggest deal of the quarter, Churchill Capital Corp III and New York-headquartered MultiPlan, a healthcare technology company, agreed to merge. The transaction implies an initial enterprise value for MultiPlan of around US$11bn. Churchill Capital Corp III is a SPAC set up by financier Michael Klein, one of a number of such vehicles to have been launched in the US amid the market volatility of 2020. The amount of money raised by SPACs in H1 2020 alone means this year is already the third strongest on record for the vehicles.

The third largest deal of Q3 was also connected to the healthcare space, with Johnson & Johnson paying US$6.1bn for Massachusetts-based biotech company Momenta Pharmaceuticals. The deal enables Johnson & Johnson to expand its portfolio of drugs for the treatment of autoimmune diseases, which has been one of the hottest areas of the pharmaceuticals sector in recent years.



Northeastern US top 10 announced deals, Q1-Q3 2020

	Announced date	Status*	Bidder company	Target company	Sector	Vendor company	Deal value (US$m)
1	13-Sep-20	P	Gilead Sciences, Inc.	Immunomedics Inc.	Pharma, medical & biotech		19,371
2	11-Mar-20	C	United Technologies Corporation (shareholders)	OTIS Worldwide Corporation	Industrials & chemicals	Raytheon Technologies Corporation	18,949
3	20-Feb-20	C	Morgan Stanley	ETrade Financial Corporation	Financial services		13,026
4	12-Jul-20	P	Churchill Capital Corp. III	MultiPlan, Inc.	Business services	Hellman & Friedman LLC; HarbourVest Partners, LLC; Leonard Green & Partners, L.P.; GIC Private Limited; Partners Group Holding AG	11,000
5	10-Jun-20	P	Just Eat Takeaway.com NV	Grubhub, Inc.	TMT		7,020
6	19-Aug-20	C	Johnson & Johnson	Momenta Pharmaceuticals, Inc.	Pharma, medical & biotech		6,053
7	25-May-20	C	Regeneron Pharmaceuticals, Inc.	Regeneron Pharmaceuticals, Inc. (9.66% stake)	Pharma, medical & biotech	Sanofi SA	5,000
8	22-Jan-20	C	Consortium led by funds managed by Stone Point Capital and Further Global	Duff & Phelps LLC	Financial services	Permira Advisers LLP	4,200
9	07-Jul-20	P	Allstate Corp	National General Holdings Corp.	Financial services	MSD Capital, L.P.	3,928
10	21-Jan-20	C	Rhone Capital LLC; The Chatterjee Group	Lummus Technology, Inc	Industrials & chemicals		2,725

*C= Completed; P= Pending

Tried and tested TMT

The two leading pharmaceuticals transactions meant the PMB sector led the way in terms of Northeastern US M&A deal values in Q3, logging US$31.4bn worth of deals. In second place was business services (US$13.5bn), with the MultiPlan merger just one of several significant transactions in the space.

The third leading sector on deal values, TMT (US$9.2bn), was also the most active in terms of transaction volumes. The 74 deals announced in the sector in Q3 was slightly ahead of last year's Q3 figure of 73 – TMT was therefore the only industry to record a year-on-year increase in dealmaking.

Sustained appetite for TMT deals reflects the sector's resilience during the COVID-19 crisis, with the industry attracting attention from both trade acquirers and investors across the US. In the Northeastern US, the biggest TMT deal of Q3, worth US$1.8bn, saw 3D-printing firm Desktop Metal combine with Trine Acquisition Corp, a SPAC led by former cable executive Leo Hindery, which will lead to the Massachusetts-based company becoming publicly listed.

Brazil

Economically at least, the worst is over in LatAm's COVID-19 capital

As a result of the COVID-19 pandemic, the Brazilian government expects its economy to shrink by 4.7% over 2020, its worst performance on record. However, while the government has garnered criticism – President Jair Bolsonaro downplayed the crisis before contracting COVID-19 himself – it did take bold action to protect the economy through a US$150bn stimulus program. The result has been a less serious downturn than many predicted.

Brazil's GDP fell 9.7% in Q2, but is thought to have rebounded by 7.3% in the following three-month period. A 4.7% GDP decline for the whole year would be a much better outcome than the 9.1% crash initially forecast by the IMF.

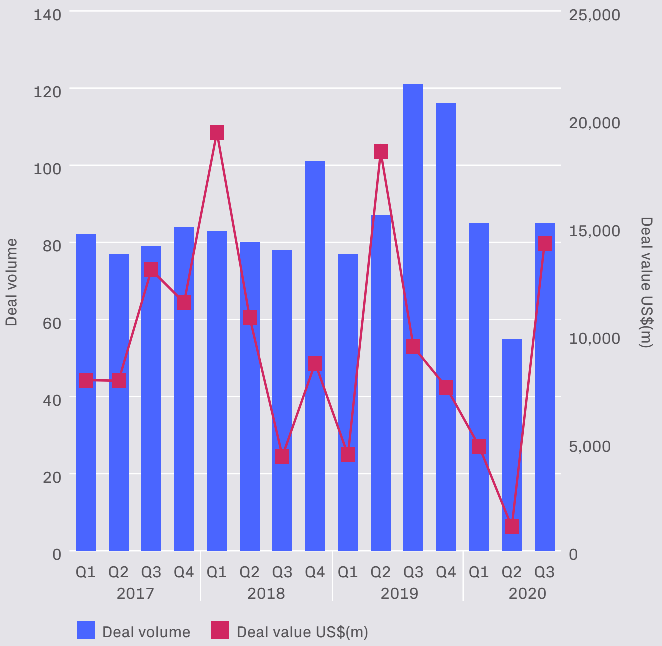
Back on track

Activity in the Brazilian M&A market in Q3 2020 reflected that improvement in the early-year outlook. Brazil logged 85 deal announcements worth US$14.2bn in aggregate in the quarter, up from 55 deals worth just US$1.1bn in Q2. In deal value terms at least, this bounce back returned Brazil to the sort of levels of activity recorded last year; indeed, this year's Q3 aggregate exceeded the US$9.4bn logged during the same period in 2019. Deal volumes, however, still lag year on year, with 121 deals announced in Q3 2019.

The biggest deal in the market in Q3 2020 saw a consortium led by the Brazilian subsidiaries of Spain's Telefónica, Telecom Italia and América Móvil agree to pay US$3.1bn for the mobile business of Oi, which is currently operating under bankruptcy protection.

The deal means the number of national mobile networks in Brazil will drop to three, mirroring the consolidation taking place in other telecoms markets around the world as operators seek efficiencies and margin improvements, while providing Oi with cash to improve its financial position.

Brazil activity, 2017-Q3 2020



Source: Mergermarket

Diversification and consolidation

In the second largest deal of Q3, Localiza Rent a Car agreed a US$2.8bn tie-up with Companhia De Locação das Américas, which trades as Unidas. The transaction creates Brazil's largest car rental and leasing company in a move that both companies believe will enable them to invest in new technologies, promote diversification and reduce risk. Both businesses reported sharp falls in profitability during Q2 amid the pandemic, but remained profitable and are recovering quickly.

The third biggest deal of Q3 fell in the EMU sector, with electricity company Eneva making a move to acquire for US$2.4bn the 28% stake in energy group AES Tiete from BNDES, a Brazilian development bank. The deal would enable Eneva to diversify its power generation mix, adding AES Tiete's renewables assets to its own gas thermoelectric generators. While President Bolsanaro is a climate change sceptic, Brazil remains committed to the ambitious targets for reductions in emissions it made in 2015 in the United Nations' Paris Agreement.

In aggregate value terms, TMT was the busiest sector of Brazil's M&A market in Q3. Widely seen as Latin America's leading innovation hub, Brazilian tech firms continue to attract attention. For example, Q3 saw e-commerce tech solutions company StoneCo, which counts Warren Buffett among its investors, pay US$1.1bn for fintech company Linx, which specializes in providing software for retailers.

Brazil top sectors by value | Q1-Q3 2020

	US$(m)
TMT	6,111
Energy, mining & utilities	4,105
Financial services	3,329
Pharma, medical & biotech	1,655
Consumer	1,645

Brazil top sectors by volume | Q1-Q3 2020

	Deal count
TMT	45
Business services	33
Energy, mining & utilities	29
Pharma, medical & biotech	28
Consumer	22

Brazil top bidders by value | Q1-Q3 2020

	US$(m)
Brazil	15,715
USA	1,545
Japan	703
France	668
Italy	613

Brazil top bidders by volume | Q1-Q3 2020

	Deal count
Brazil	161
USA	21
France	8
Germany	5
Canada	4

Back to business school

The EMU sector also registered significant deal values in Q3. Brazil's substantial natural resources, including ample oil and gas reserves, have meant that the sector has participated in the global trends towards consolidation and rationalization in the light of depressed commodity prices.

EMU and TMT, as well as business services, were also the busiest sectors for M&A by volume in Brazil. In the latter's case, interest in companies able to help other enterprises transform and innovate in the wake of COVID-19 continues to spur dealmaking. The largest such deal in the business services space in Q3 saw Ser Educacional, which specializes in university extension and higher education programs, acquire the Brazilian operations of US-based Laureate Education for US$726m.

More broadly, cross-border transactions were relatively rare in Brazil in Q3 – 63 of the 85 deals announced in the quarter were domestic – though US acquirers did continue to look for opportunities in the country. In all, seven deals worth US$790m in aggregate involved a US bidder, more than from any other country.

Brazil top 10 announced deals, Q1-Q3 2020

	Announced date	Status*	Bidder company	Target company	Sector	Vendor company	Deal value (US$m)
1	07-Sep-20	P	Telefonica Brasil S.A.; TIM Participacoes SA; Claro Telecom Participacoes S.A.	Oi S.A. (mobile business)	TMT		3,113
2	23-Sep-20	P	Localiza Rent a Car S.A.	Companhia de Locacao das Americas	Financial services		2,833
3	23-Jul-20	P	Eneva S.A.	AES Tiete Energia S.A.	Energy, mining & utilities	BNDES Participacoes S/A	2,403
4	11-Aug-20	P	StoneCo Ltd.	Linx S.A.	TMT		1,067
5	02-Mar-20	P	Hypera SA	Takeda Pharmaceutical Company Limited (Latin American OTC business)	Pharma, medical & biotech	Takeda Pharmaceutical Company Limited	825
6	13-Sep-20	P	Ser Educacional SA	Rede Internacional de Universidades Laureate Ltda	Business services	Laureate Education, Inc.	726
7	27-Feb-20	C	Marubeni Corporation; Daio Paper Corporation	Santher -Fabrica de Papel Santa Terezinha SA	Consumer	SOL - Fundo de Investimento em Partipacoes Multiestrategia	656
8	03-Mar-20	P	Bom Negocio Atividades de Internet Ltda.	ZAP S.A.	TMT		648
9	31-Jul-20	P	ASTM S.p.A.	EcoRodovias Infraestrutura e Logistica S.A. (41.62% stake)	Transportation	Primav Construcoes e Comercio S/A	613
10	12-Feb-20	C	Undisclosed bidder	Viacao Itapemirim SA	Transportation	Al Maktoum family	500

*C= Completed; P= Pending

Latin America & the Caribbean (excl. Brazil)

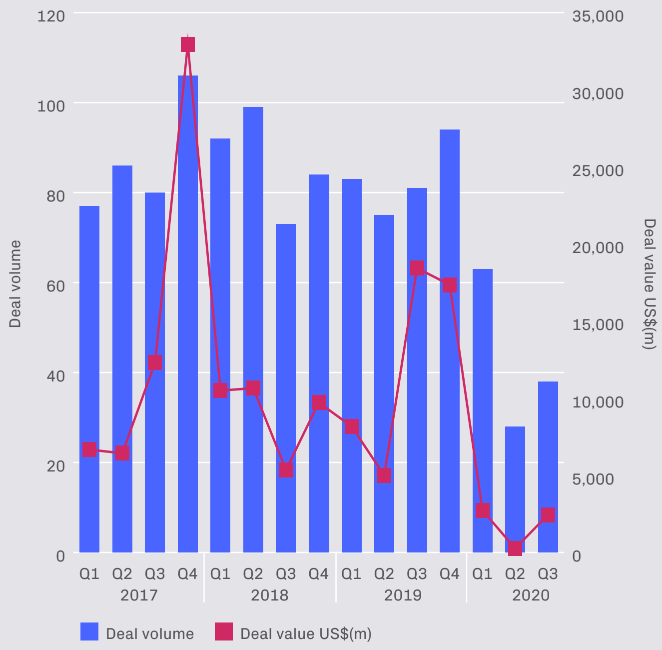
Horribly high fatality rates, very few transactions

Latin America – home to 8% of the global population – accounts for almost one-third of all COVID-19 deaths, according to Worldometer.

Much of that can be attributed to Brazil, but even excluding it, Latin America's share of deaths globally is almost 19%. Mexico has recorded the fourth highest number of total deaths from COVID-19, and other countries have suffered very serious outbreaks.

In many of these countries, the authorities have felt compelled to extend lockdowns repeatedly. Colombia, for example, only began lifting restrictions at the beginning of September. In much of the Caribbean, the critical tourism industry remained closed in Q3.

Latin America & the Caribbean (excl. Brazil) M&A activity, 2017-Q3 2020



Source: Mergermarket

Anemic recovery

The region's economy has suffered accordingly. Assessing the extent of the damage is difficult – the Economist Intelligence Unit thinks workers in the informal economy, who have been especially hard hit and struggle to access government support, account for 40% of Latin American GDP. Still, the IMF expects the economy of Latin America & the Caribbean to contract 8.1% this year before recovering 3.6% in 2021; both these estimates are more pessimistic than the IMF's average expectations for either advanced or emerging economies.

The consequences for the region's M&A market have been profound. While the slump in deal activity in Q2 Latin America & the Caribbean was in line with the experience of other markets worldwide, the bounce-back that occurred in Q3 was much less pronounced.

In all, Q3 saw 38 transactions worth US$2.4bn in Latin America & the Caribbean (excluding Brazil), up from 28, totaling just US$263m in Q2. But the comparative figures for Q3 2019 were 81 deals worth US$18.4bn. In other words, deal volumes and values fell 53% and 87% respectively year on year in Q3 2020.

LatAm top sectors by value | Q1-Q3 2020

	US$(m)
Energy, mining & utilities	1,630
TMT	913
Financial services	456
Transportation	329
Consumer	124

LatAm top sectors by volume | Q1-Q3 2020

	Deal count
Energy, mining & utilities	36
TMT	16
Industrials & chemicals	14
Consumer	14
Financial services	6

LatAm top bidders by value | Q1-Q3 2020

	US$(m)
USA	977
Brazil	857
Chile	555
Mexico	462
Japan	391

LatAm top bidders by volume | Q1-Q3 2020

	Deal count
USA	19
Mexico	17
Canada	13
Chile	12
Spain	10

Smaller, strategic deals

Still, the region recorded at least some deals, particularly in the TMT and EMU industries, the top two sectors by deal volume in Q3. EMU led the way with nine deals (collectively worth US$387m) announced in Q3, followed by TMT with seven (worth US$713m in aggregate, the highest sum for any sector in the quarter).

Those low figures underscore undeniably the weakness of the dealmaking market in the region at the moment, albeit that some international bidders, particularly from North America, were still on the lookout for opportunities. Of the 38 overall transactions announced in Q3, four involved US bidders and another four involved Canadian bidders. However, those numbers are still far down from the same period last year.

What interest there was in TMT companies reflected ongoing consolidation in the telecoms space, as well as appetite for areas able to withstand the crisis or perhaps even grow in spite of it. One such segment is e-commerce, in which Germany's Delivery Hero acquired the Latin American business of Spanish online delivery company Glovo for US$201m.

Meanwhile, in the EMU sector, depressed energy prices and the shift towards renewables continued to drive consolidation, such as Spanish energy company Repsol's US$195m acquisition of renewable energy projects in Chile after striking an agreement with compatriot Grupo Ibereólica Renovables.

Latin America & the Caribbean (excl. Brazil) top 10 announced deals, Q1-Q3 2020

	Announced date	Status*	Bidder company	Target company	Sector	Vendor company	Deal value (US$m)
1	28-Aug-20	P	IG4 Capital Investimentos Ltda.	Grana y Montero S.A.A.	Construction		622
2	30-Jul-20	P	Liberty Latin America Ltd.	Telefonica de Costa Rica TC, S.A.	TMT	Telefonica S.A.	500
3	31-Jan-20	C	Royal Dutch Shell Plc; Equinor ASA	Bandurria Sur Block (49% stake)	Energy, mining & utilities	Schlumberger Limited	355
4	23-Mar-20	C	Global Forest Partners LP; Public Sector Pension Investment Board	Masisa SA (Forest assets in Chile)	Agriculture	Masisa SA	350
5	16-Mar-20	P	Bancolombia Panama S.A.	Grupo Agromercantil Holding SA (40% stake)	Financial services	BAM Financial Corporation	289
6	07-Feb-20	P	Mitsubishi Materials Corporation	Mantoverde Copper Mine (30% stake)	Energy, mining & utilities	Mantos Copper S.A.	263
7	14-Sep-20	C	David Martinez Guzman (private investor)	Servicios de Tecnologia Aeroportuaria SA de CV	Transportation	Empresas ICA Sociedad Controladora SA de CV	222
8	11-Sep-20	C	Fundacion Educacion y Cultura	Instituto Profesional AIEP	Business services	Laureate Education, Inc.	215
9	19-Feb-20	P	Orica Limited	EXSA S.A.	Industrials & chemicals	Grupo Breca	203
10	16-Sep-20	P	Delivery Hero SE	Glovo (Latin America operations)	TMT	Glovo	201

*C= Completed; P= Pending

Breaks in the clouds

The biggest deal overall in Latin America & the Caribbean (excluding Brazil) in Q3 actually fell in the construction space, where the Brazilian private equity firm IG4 Capital agreed to acquire a controlling stake in Grana y Montero of Peru for US$622m. This, in fact, was one of only two deals announced in the sector in Q3. IG4 opened an office in Santiago, Chile earlier in 2020 with the objective of identifying investments in the Andean region.

The second biggest deal of Q3 saw Spain's Telefónica sell its Costa Rican subsidiary to communication company Liberty Latin America for an enterprise value of US$500m. Telefónica has been rationalising its Latin American presence over recent years, selling assets in several countries while making acquisitions elsewhere, as part of a wave of consolidation across the mobile sector.

The third biggest Q3 deal in Latin America & the Carribbean (excluding Brazil) took place in Mexico, where businessman David Martínez Guzmán acquired Servicios de Tecnología Aeroportuaria, an airport management and maintenance services business, for US$222m.

About this report

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