clairfield international



THE

LatAm M&A Handbook

ARGENTINA, BRAZIL, AND MEXICO

A PRACTICAL GUIDE TO SUCCESSFUL ACQUISITIONS

About the authors

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Miguel Arrigoni has over 40 years of experience in financial advisory and leads Clairfield's corporate finance practice in Argentina.

Among his many accomplishments, Miguel led the largest foreign debt restructuring process in the Argentine financial system and was responsible for developing the country's first financial trust, Consubond, in 1996.

Before founding First Capital Group in 2013, Miguel led Deloitte's LATCO Corporate Finance practice. Widely recognised for his innovative thinking and deep technical expertise, he is a leading figure in the Latin American capital markets and corporate finance landscape, having structured over 1,500 securitisation transactions.

Luiz Penno

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Luiz Penno is partner at Clairfield in Brazil, and he has over 25 years of experience in mergers & acquisitions and fundraising, advising clients across diverse sectors such as financial services, healthcare, retail, technology, real estate, agribusiness, and oil & gas.

Before founding Artica, Luiz co-founded Advisia Investimentos and led M&A projects in McKinsey & Company's corporate finance practice, managing transactions in Europe, the United States, the Middle East, Asia, and Africa. He began his career in the M&A department at Banco Fator. He brings deep sector knowledge and international execution experience to every transaction, with a particular strength in crossborder advisory.

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Previously, Jorge held leadership roles in GE Capital's risk division, where he structured over 80 transactions, generating more than US$700 million in loan volume.

He later served as vice president at Citi Private Bank, where he led the private aircraft financing program.

About Clairfield

A leading independent M&A advisor for midmarket deals

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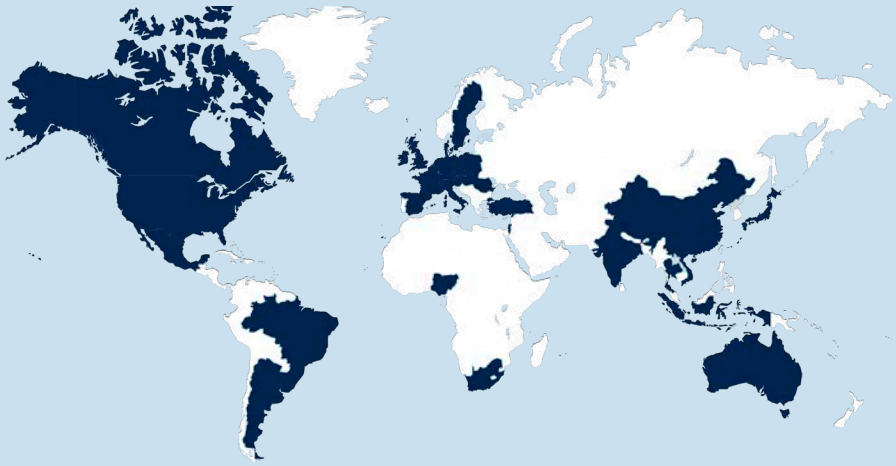
IN 2024 LATIN AMERICAN MIDMARKET RANKINGS

Top 10

IN EUROPEAN MIDMARKET RANKINGS

Top 20

IN WORLDWIDE MIDMARKET RANKINGS



Founded in 2004, Clairfield International provides advisory services on midmarket transactions to large corporate groups, family businesses, founder-led growth businesses, public sector entities, and private equity and venture capital investors.

We connect clients with regional and international strategic parties, investors, and decision-makers, while providing expert knowledge of local markets, regulations, and cultures. Our industry sector groups and ESG and Debt Advisory practise groups provide superior know how and skills in M&A, corporate finance, and strategic advisory.

Clairfield ranks as one of the top independent M&A advisors in worldwide league tables.

Contents

The whys and hows of M&A in Latin America 02

Argentina 04

M&A landscape: a reflection of Argentina's economic cycles 05

Economic and business environment: combining natural resources, cultural nuances, and market complexities 09

Top sectors: energy, mining, agribusiness, technology, real estate, and tourism 14

Legal and regulatory notes: the importance of tax planning and deal structuring in Argentinian transactions 18

Case studies 21

Brazil 24

M&A landscape: foreign investment, dynamic ecosystem for innovation, and VC growth 25

Top sectors: clean energy, oil & gas, agribusiness, infrastructure, and technology 27

Economic and business environment: Brazil's global standing and investment appeal 30

Legal and regulatory notes: manoeuvring Brazil's regulatory landscape and managing its diversities 34

Learning from successful acquisitions 38

Mexico 42

M&A landscape: shaped by location, strong trade relationships, and a skilled and sizable workforce 43

Economic and business environment: Mexico's macroeconomic stability reinforces investor confidence 47

Legal and regulatory notes: understanding Mexico's legal framework 51

Learning from successful acquisitions 54

Mergers and acquisitions in Latin America: turning complexity into competitive advantage 58

Clairfield in Latin America 62

Selected transaction experience 62

Offices and contact information 65

The whys and hows of M&A in Latin America



Welcome to the *Clairfield LatAm M&A Handbook*, a practical resource for investors and business leaders considering M&A opportunities across the region.

Latin America is an M&A powerhouse that attracts investor activity due to its market growth potential, large and youthful populations with rising purchasing power, and abundant natural resources. In 2024 the region's M&A market recorded a total value of US$87.68 billion, according to the annual Transactional Track Record (TTR) data report. While the number of transactions declined by 16%, total transaction value increased by 16%, indicating a shift towards fewer but larger and more impactful deals.

International investors, including those from other Latin American countries, have consistently accounted for roughly half of all acquisitions over the past 10 years. The US is the most active foreign buyer followed by Canada, Hong Kong, the UK, and Spain.

In terms of target countries in the region, Brazil consistently represents the largest market for M&A activity in Latin America, accounting for 35-55% of transactions. In 2024 Brazil recorded 1,674 transactions, and the capital mobilised totalled US$47.91 billion.

Mexico ranks third in M&A activity in Latin America. Notably, despite a 24.3% decline in volume, from 144 deals in 2023 to 109 in 2024, capital mobilisation surged by 78%, reaching US$13.0 billion compared to US$7.3 billion in the previous year.

Argentina saw a 246% surge in deal value, reaching US$8.83 billion in a clear sign that strategic investments are taking place despite ongoing economic challenges.

Taken together these developments across these three markets reflects sustained investor confidence in Latin America's long-term potential, despite political and economic volatility.

Regional perspectives



Miguel Arrigoni
Argentina

"Crossborder transactions are increasing year-on-year, reflecting a growing appetite among Latin American companies looking to expand into foreign markets. In 2024, LatAm acquirors completed 87 deals in Europe and 72 in North America. At the same time, inbound activity remained strong. North American companies led investments into Latin America, with 442 transactions, followed by 353 European and 91 Asian firms.

Clairfield, with its global platform and international reach, is uniquely positioned to support these crossborder deals and help their clients complete deals across borders successfully."



Luiz Penno
Brazil

"Across Brazil and the wider region, we are seeing strong momentum in core sectors such as industrials, materials, and financial services.

However, technology continues to be the leading driver of deal volume. The technology, media, and telecommunications sector is particularly active as companies pursue innovation and digital transformation. Energy, including oil, gas, and renewables, remains a key sector due to our region's natural resources."



Jorge Calvo
Mexico

"Despite significant growth opportunities arising from its dynamic economic landscape and increasing entrepreneurial activity, Mexico's M&A middle market activity still lags in structure and volume compared to other emerging markets. Many family-owned businesses are seeking solutions for expansion or succession, and with a young, tech-savvy population driving consumer demand, the middle market is poised for more strategic investments. However, substantial work remains to build trust and provide accurate information to small and medium business owners nationwide so they can feel confident using an investment banker to unlock opportunities with local and international investors."

Entering a new market is often driven by the need to access new customers, bypass intermediaries, acquire new technologies or products, or expand distribution networks. Acquiring an established local company provides immediate access to clients, infrastructure, talent and market share. However, breaking into these markets is no easy task without help from experts on the ground. Our Clairfield LatAm advisors help clients overcome the numerous hurdles, such as regulatory challenges, tax intricacies, complex business cultures, legal deadlocks, regional differences, inflation, and currency risks. Finding high-quality targets is further complicated by a lack of reliable public data.

Clairfield has maintained a long-standing and successful presence in Latin America. Our offices in Brazil (partner firm since 2020), Mexico (partner firm since 2013), and Argentina (partner firm since 2024) serve as regional hubs with extensive transactional expertise. While this handbook focuses on insights from our Clairfield advisors in these three key LatAm markets, their experience spans the broader LatAm region and crossborder transactions globally. They share their perspectives on the competitive landscape, M&A drivers in LatAm, the need for local knowledge in these complex markets, and the value of early relationship-building with credible local targets.

While challenges remain as these LatAm markets continue to evolve, our LatAm partners in the pages that follow, set the stage and offer more detailed country-specific market analyses and insights into successful dealmaking. They outline their M&A environments, highlight opportunities and strategies, and offer practical tools to help mitigate risks. The handbook also provides a guiding philosophy for dealmaking, one that is applicable wherever local complexity meets global ambition. There is no substitute for working with in-country advisors and our Clairfield advisors in Brazil, Mexico, and Argentina are specialists in managing these transactions. ■

Argentina



M&A landscape in Argentina

A reflection of economic cycles



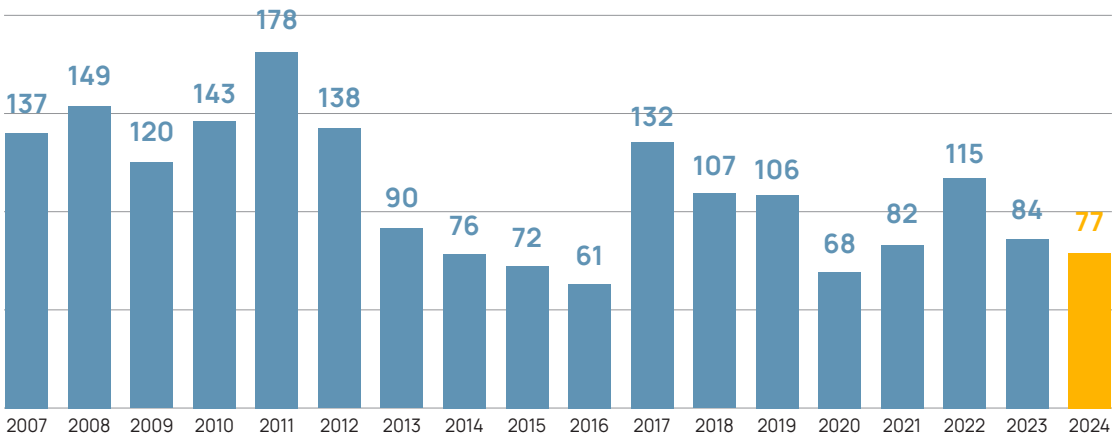
Argentina's M&A market moves in step with the country's economic cycle. Over the years it has experienced periods of high inflation, stagnant growth, and fluctuating currency values, as well as periods of stability, economic growth, and a growing internal consumer market. A look at the past two decades reveals how Argentina's economic cycles have shaped its M&A landscape.

Since the economic crisis of 2001, which severely impacted Argentina's financial landscape, the M&A environment has undergone significant transformations. In the early 2000s, the focus was primarily on restructuring and consolidating distressed assets. Many foreign investors remained cautious, but those who entered the market found opportunities in undervalued companies across different sectors, particularly in energy, telecommunications, and agriculture.

The years following the crisis saw a gradual recovery, with growing interest from both local and international investors looking to capitalise on Argentina's economic potential. This trend is reflected in historical deal flow, shown in Figure 1, where between 2007 and 2012, there was an average of 145 deals per year.

In 2013, Argentinian deal flow began to decline as the country faced a series of economic challenges.

Figure 1: Historical deal flow in Argentina



Source: Clairfield research

The composition of buyers in Argentina's M&A market has remained relatively balanced over time, with international buyers accounting for approximately 55% of transactions and domestic buyers making up 45%.

Rising inflation and increasingly complex regulatory frameworks, including foreign exchange restrictions, contributed to a slowdown in transactions, with the average annual deal count dropping to approximately 75.

Despite this downturn, a change in government in 2016 briefly revitalised confidence among foreign investors. The new administration aimed to introduce more favourable regulatory incentives to position Argentina as a reliable investment destination. This shift created temporary momentum that lasted for about three years, during which M&A activity increased, driven by both local and international players seeking to capitalise on emerging opportunities.

However, in 2015, a sharp shift in foreign and local expectations led to capital outflows, a steep devaluation of local currency, and a deep recession. In response, the government entered a three-year Stand-By Agreement with the IMF for US$50 billion (1.110% of Argentina's quota), of which US$44 billion was disbursed. Foreign exchange restrictions were reimposed just two and a half years after they had been lifted.

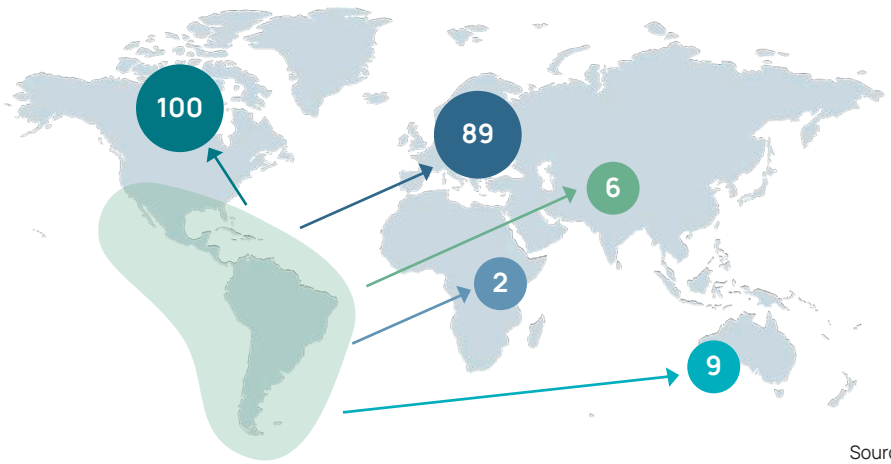
A change in political direction following the 2019 presidential elections further eroded investor confidence, which was reflected in a sharp decline in the price of local financial assets. Just months after the new government took office, the onset of the Covid-19 pandemic exacerbated existing economic difficulties, making it even harder for the M&A sector to regain traction. Persistent fiscal deficits were financed by money printing and debt issuances in the local market (as international debt markets had been closed to Argentina since 2019); this fuelled inflation – which reached 200% in 2023 – and an outflow from the local currency to the US dollar, as reflected by the dramatic surge in the gap between the official and unofficial exchange rates.

As a result, many international companies, facing persistent instability and regulatory uncertainties, chose to exit the Argentine market. Recent transactions have become increasingly opportunistic. Local groups have stepped in, leveraging their understanding of Argentina's cyclical nature to acquire undervalued assets at favourable prices, demonstrating a willingness to wait for the economy to recover. This trend is reflected in the most recent transactions, where strategic acquisitions are being made with the expectation of future growth as conditions improve.

These cycles are also visible in the evolving composition of buyers and sellers.

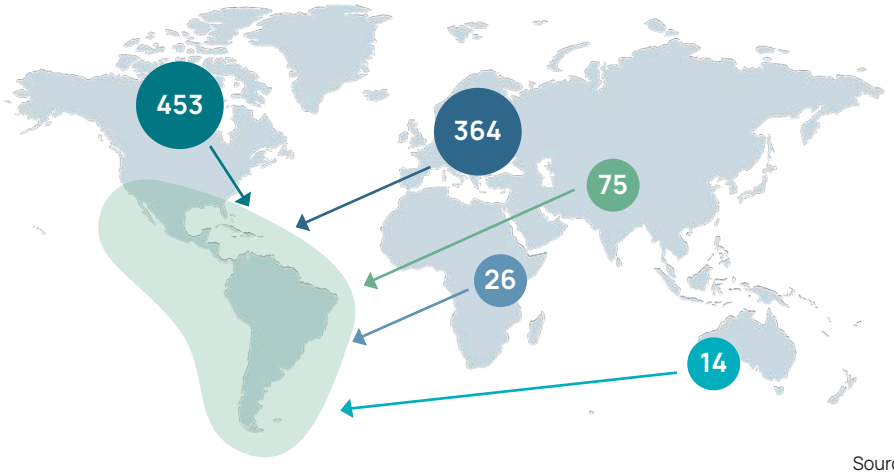
The composition of buyers in Argentina's M&A market has remained relatively balanced over time, with international buyers accounting for approximately 55% of transactions and domestic buyers making up 45%. In 2024, this indicator remained close to historical levels, with 52% of deals involving foreign buyers and 48%

Figure 2: Outbound acquisitions in 2023 (M&A, private equity, venture capital, and asset acquisitions)



Source: TTR Data

Figure 3: Inbound acquisitions in 2023 (M&A, private equity, venture capital, and asset acquisitions)



Source: TTR Data

Figure 4: Crossborder deals

Outbound acquisitions. Ranking per country

Target country	Deal volume	Total value US$million
Brazil	13	204.27
Colombia	8	130.90
US	7	25.00
Chile	7	11.68
Uruguay	5	9.71
Spain	4	18.61
Canada	3	275.00
Mexico	3	15.50
Paraguay	2	4.75
Netherlands	1	182.6

Inbound acquisitions. Ranking per country

Bidder country	Deal volume	Total value US$million
US	26	265.72
Brazil	7	6.30
Spain	6	1.84
France	6	ND
Chile	5	6.72
Switzerland	4	509.90
Canada	4	5.48
Netherlands	3	90.00
UK	3	7.90
Australia	3	6.00

Source: TTR Data

local buyers, demonstrating that international investors remain active players despite local complexities and volatility.

Buyer origin has shifted over the years. Previously, investors from Europe and North America dominated, whereas more recent transactions have seen increased participation from neighboring Latin American countries, particularly Uruguay, Chile, and Brazil. In 2024, the origin of buyers was concentrated primarily in the US and Canada (12 deals), followed by European countries (11 deals with buyers from Spain, Norway, the UK, the Netherlands, France, Denmark, Belgium, and Austria), and then Latin American countries (seven deals, involving Brazil, Colombia, Uruguay, and Peru).

On the sell side, many companies based in Argentina are owned by foreign investors or operate as subsidiaries of multinational corporations. In recent years, several multinationals have announced operational restructurings or exits from the country. However, the proportion of foreign sellers dropped from 43% in 2023 to just 14% in the first half of 2024, suggesting reduced urgency among international investors to divest Argentine assets. The data also indicates that acquisi-

tions are largely being made by groups and companies with an existing presence in Argentina, and these have accounted for 86% of transactions during 2024.

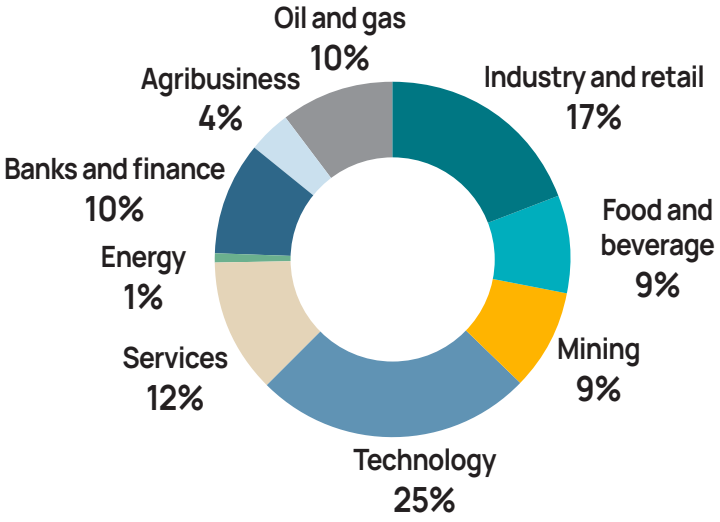
Inbound transactions in Argentina predominantly come from the United States, Brazil, and Spain, as highlighted in Figure 4. For those familiar with Argentina, it is clear that these countries share cultural affinities with the region. The historical ties and similarities in language and business practices facilitate these investments. Additionally, many popular brands in Argentina have roots in these nations, further strengthening the connections between the markets. This dynamic not only fosters economic collaboration but also enriches the local consumer landscape with diverse offerings.

In the case of outbound transactions, Argentine companies have expanded primarily into Brazil, Colombia, the United States, and Chile. In this context, geographic proximity plays a significant role. The abundant natural resources and the familiarity that Argentine investors have in these industries make these markets particularly enticing. This closeness not only reduces logistical challenges but also enhances the potential for successful integration and collaboration.

Sector activity

The most active industries in 2024 were technology, industrials, retail, services, banking and finance, food and beverage, oil and gas, and mining, collectively representing 85% of total transactions (see Figure 5). Notably the mining sector, which led in deal volume in 2023, saw a decline in activity in 2024.

Figure 5: Percentage of M&A transactions in Argentina per sector in 2024



Source: Primary Data

Figure 6: Historical percentage of M&A transactions in Argentina per sector

	2022	2023	2024
Industry and retail	12%	17%	19%
Food and beverage	4%	5%	9%
Mining	16%	19%	9%
Technology	22%	17%	25%
Services	23%	11%	12%
Energy	4%	13%	1%
Banks and finance	9%	8%	10%
Agribusiness	6%	5%	4%
Oil & gas	3%	6%	10%

Source: Primary Data



Economic and business environment in Argentina

Combining natural resources, cultural nuances, and market complexities

Economic snapshot of Argentina

Argentina boasts a diverse economy that is rich in natural resources and characterised by a mix of agriculture, energy, manufacturing, and services. The country is one of the world's largest exporters of agricultural products, particularly soybeans, wheat, and beef. In recent years, different governments implemented various economic policies to stabilise the economy, but growth has been inconsistent.

The Covid-19 pandemic further exacerbated these issues, leading to a deep recession in 2020. However, recent recovery efforts have shown signs of progress, with a focus on attracting foreign investment and fostering innovation in strategic sectors such as oil & gas, technology, and renewable energy.

Current forecasts point to a modest but meaningful recovery, as real GDP growth signals a return to macroeconomic stability following years of economic turbulence.

Figure 7: Argentina's main economic indicators

GDP (2024)	US$617 billion
GDP growth (2024)	-2.9%
Population (2020)	47.2 million
Real GDP per capita (2023)	US$13,089
Capital	Ciudad Autónoma de Bs. As.
Language	Spanish
Currency	Argentinian peso (ARS $)
Population median age	32
Sovereign ratings	S&P - CCC
Main price index	IPC
Inflation target IPC (2025)	18.0%

Source: Instituto Nacional de Estadística y Censos (INDEC)

Figure 8: Inflation, economic growth and official exchange rate

	2023	2024	2025*
Inflation (CPI, ann. var. %, eop)	211.40%	117.80%	21.5%
Economic growth (real GDP, ann. var. %)	-1.6%	-2.9%	4.7%
Official exchange rate (ann. var. %)	356.4%	27.7%	16.2%

Source: FocusEconomics, *REM BCRA

Political and international snapshot of Argentina

A rich history of democracy and periodic economic turmoil marks Argentina's political landscape. The country operates as a federal republic with a multi-party system, but political polarisation has often influenced governance. Key issues include economic management, social inequality, and human rights.

Recent elections have seen the rise of new political movements that reflect public frustration with the traditional parties. The current government, led by libertarian Javier Milei, elected in November 2023, is focused on implementing market-friendly policies while maintaining social programmes in the short term to support vulnerable populations. The government platform includes goals such as

- Cutting public spending and achieving consistent fiscal surplus.
- Deregulating the economy, making the state more efficient.
- Addressing high inflation.
- Renegotiating debt.
- Lifting foreign exchange restrictions.

While these efforts are critical for stability, they face challenges from opposition parties and civil society, which demand transparency and accountability in governance.

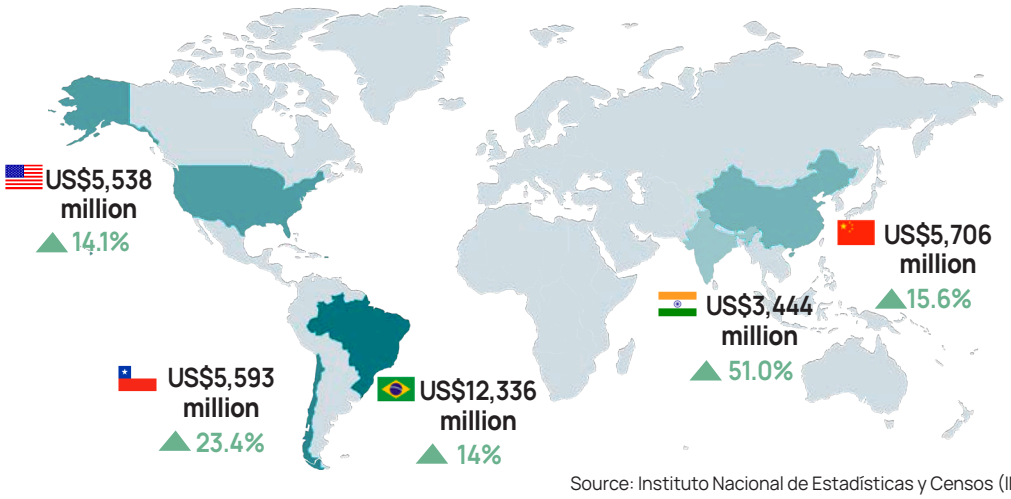
Figures 9 and 10 illustrate Argentina's primary strategic partners in trade, highlighting the country's import and export relationships. Brazil stands out as Argentina's largest trading partner in the Americas, significantly surpassing other nations regarding trade volume. Chile and Paraguay, while important, represent much smaller commercial ties in comparison. This strong connection with Brazil underscores the importance of regional integration and economic cooperation within the Southern Cone.

On the international stage, the United States stands as Argentina's second-largest trading partner, underscoring the deep historical and economic ties between the two nations. Both the newly elected president of the United States and the president of Argentina have emphasised their commitment to strengthening commercial relations, supported by a strong personal rapport. However, given this close economic relationship, any increase in tariffs by the United States could place Argentina in a challenging position, potentially leading to a notable decline in exports.

Meanwhile, China and European nations demonstrate a relatively balanced trading relationship with Argentina, reflecting the growing significance of these markets in recent years. Countries like India and Vietnam, while present in Argentina's trade landscape, represent smaller proportions of import and export activities. This overview highlights the diverse nature of Argentina's trade partnerships and the strategic focus on strengthening relations with key global players.

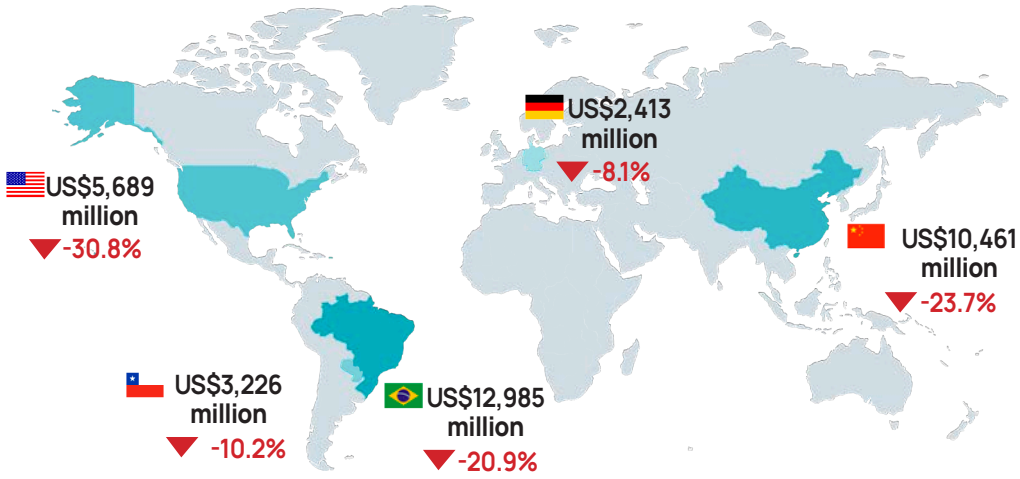
Figure 11 illustrates Argentina's foreign policy's alignment with China and the United States. Argentina has sought to balance its relationships with these two

Figure 9: Argentina's main trading partners - exports (2024)



Source: Instituto Nacional de Estadísticas y Censos (INDEC)

Figure 10: Argentina's main trading partners - imports (2024)

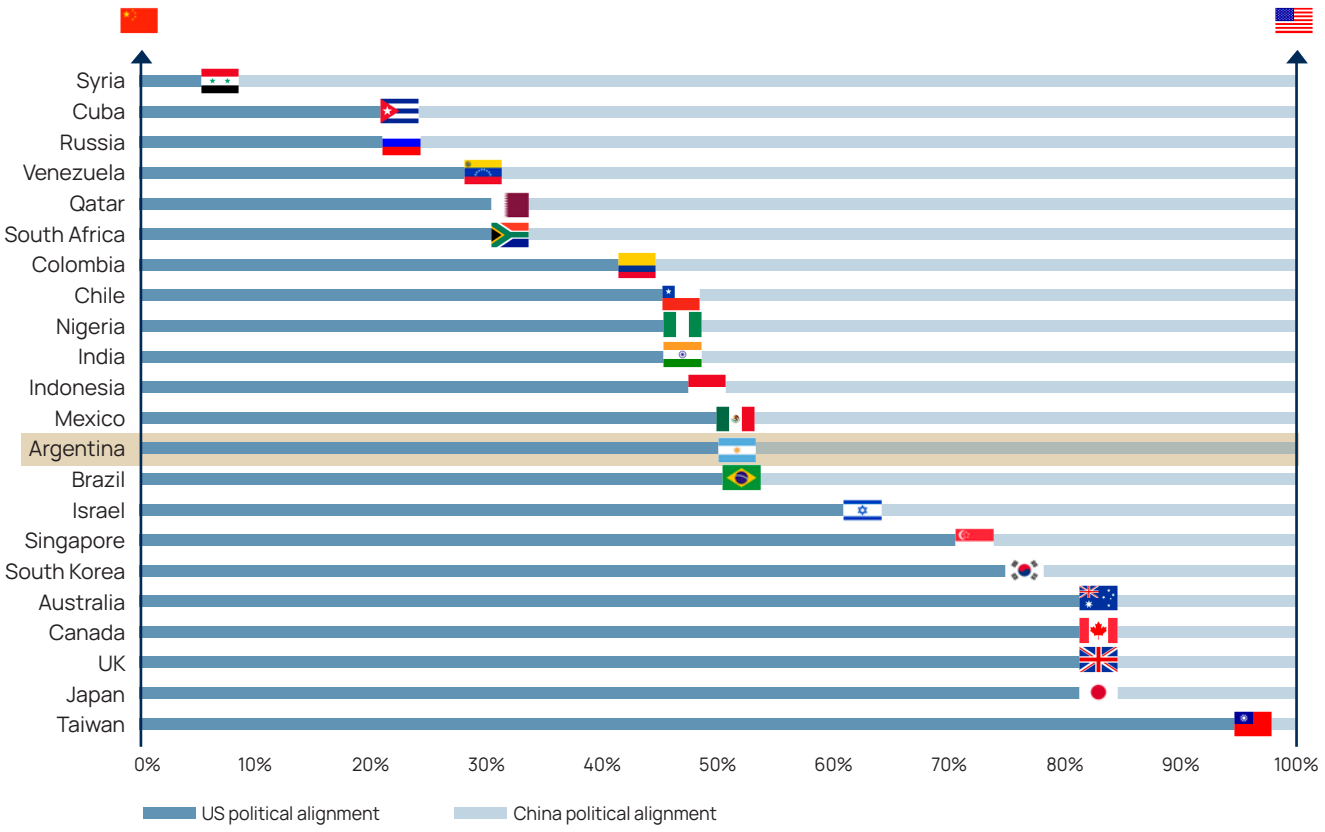


Source: Instituto Nacional de Estadísticas y Censos (INDEC)

global powers, engaging with China to secure investments and trade opportunities while maintaining ties with the United States.

With Javier Milei as president, it initially appeared that Argentina would strengthen its ties with the United States while cutting relations with China. However, this has not been the case. Argentina has opted to maintain business dealings that were already in place, signalling that it will continue to pursue balanced relations with both powers, albeit with a greater inclination towards the United States. This approach suggests that, at least during Milei's administration, Argentina will strive to sustain its strategic partnerships without completely severing ties with China.

Figure 11: Political alignment by country - US versus China



Source: Ray Dalio, "The risks of US-China military war have declined and a new type of war has begun"

Currency dynamics and foreign exchange controls

Throughout Argentina's history, numerous foreign exchange controls have been implemented. These are commonly known as the *"cepo cambiario"* and they restrict access to US dollars in the official market. As a result, a parallel exchange rate has emerged, trading at a significantly higher value than the official rate reaching levels of 150% in November 2023. This situation has created a dual currency system that complicates economic transactions and investments. Individuals and businesses often cannot purchase dollars through official channels, leading to an increased demand for dollars in the parallel market.

On 14 April 2025, the Argentine government took a significant step toward economic liberalisation by partially lifting the currency controls. As of this date, individuals are allowed to purchase U.S. dollars without restrictions, with plans to extend the same policy to businesses soon.

This measure is expected to bring a range of positive outcomes, particularly for foreign investors. By enabling the free repatriation of dividends and capital, it removes one of the main barriers to investing in Argentina and enhances the country's appeal as a destination for long-term investment. Additionally, the liberalisation of the exchange market helps eliminate distortions caused by multiple exchange rates, improving transparency, market efficiency, and price signals. It also contributes to greater macroeconomic stability by reducing uncertainty and fostering a more predictable financial environment. Businesses will benefit from easier access to foreign currency for imports, investments, and international transactions, which can improve productivity and competitiveness. Moreover, the reform strengthens Argentina's integration with global financial markets, supports bilateral and multilateral relationships, and encourages tourism and remittances by simplifying currency exchange. Overall this policy change marks a decisive move toward a more open and stable economic framework, aimed at restoring investor confidence and promoting sustainable growth.

Régimen de Incentivo a las Grandes Inversiones (RIGI)

The *Regimen de Incentivo a las Grandes Inversiones* (RIGI) was officially launched in 2024 by the current Argentine government as part of a broader economic strategy to attract large-scale investments and stimulate growth in critical sectors. This initiative comes in response to the country's economic challenges, including high inflation, debt issues, and the need for sustainable development.

The primary objectives of the RIGI are:

- To attract foreign direct investment by encouraging international companies to invest in Argentina by providing a supportive regulatory framework.
- To enhance economic growth by stimulating the economy through significant capital inflows that can lead to job creation and infrastructure development.
- To promote technological advancements by encouraging the adoption of modern technologies in various industries, boosting productivity and innovation.

Incentives offered:

- Tax benefits: Companies qualifying under the RIGI can receive substantial tax exemptions and reductions, making investment more financially attractive.
- Customs advantages: The programme includes reductions in import duties for necessary equipment and materials, further lowering project costs.
- Financial support: Access to government-backed financing options can help facilitate the initial stages of investment.
- Investment thresholds: To be eligible for the programme, projects must meet specific minimum investment criteria, ensuring that only significant ventures are considered, maximising their potential impact on the economy.
- Focus on job creation: A critical component of the approval process is projected job creation associated with investment. The RIGI emphasises

The *Régimen de Incentivo a las Grandes Inversiones* (RIGI) was officially launched in 2024 by the current Argentine government as part of a broader economic strategy to attract large-scale investments and stimulate growth in critical sectors.

sustainable development, with a clear mandate to generate employment opportunities for local communities.

- Diverse sector inclusion: The RIGI has been designed to accommodate a variety of sectors, including but not limited to renewable energy, agribusiness, technology, and infrastructure. This flexibility allows it to attract a wide range of investments.
- Monitoring and evaluation: The government has established a framework for monitoring and evaluating the progress of projects benefiting from the RIGI, ensuring accountability and transparency in how investments are executed.

Successful implementations

Since its implementation, several major corporations have already begun utilising the RIGI for their investments in Argentina. Notable examples include:

- Renewable energy projects: International firms have invested in solar and wind energy projects, contributing to Argentina's commitment to sustainable energy sources.
- Infrastructure development: Investments have been directed toward improving transport and logistics infrastructure, which is crucial for economic efficiency.
- Economy Minister Luis Caputo recently announced the global investment amounts for three projects that have joined the RIGI. The companies involved are YPF, Galan Lithium (investing in lithium in Catamarca), and the South Korean firm Posco, which has projects underway in Salta. YPF is expected to formalise a second project in November 2025 to construct the Vaca Muerta Sur oil pipeline.

Currently approximately ten additional projects are awaiting approval to join the RIGI, predominantly from national companies, although two of the first three are foreign-owned. The Argentine government has projected potential investments of at least USD 30 billion in the energy sector over the next two years, with the Central Bank's vice president suggesting even higher expectations of USD 54.3 billion.

Once projects enter the RIGI approval process, they undergo an administrative review involving multiple government secretariats before receiving foreign exchange, customs, and taxation benefits.

Although the real economy remains somewhat sluggish, and foreign exchange controls continue in conjunction with still consumed central bank reserves, a new deal with the IMF has already been secured. This agreement includes fresh funds to support the transition to a new and free exchange rate system. As a result, attractive opportunities are emerging for local companies in sectors that remain undervalued compared to their regional peers. From a global perspective, Argentina is beginning to regain positive attention from investors, who are identifying opportunities in strategic sectors thanks to their resilience and growth potential.

Specific RIGI projects



Posco: Plans to invest around US$1 billion, although specific project details have not been disclosed.



Galan Lithium: Seeks to expand the Hombre Muerto Oeste project in Catamarca to produce high-quality lithium chloride. It's aiming for a production capacity of 12,000 tons of lithium carbonate equivalent per year.



YPF Luz: Entering the RIGI for the El Quemado solar park in Mendoza. With an initial investment of US$211 million, it will eventually have a capacity of 305 megawatts, utilising advanced bifacial solar panels. This project became the first to obtain approval by the government in January 2025.

YPF is also expected to move forward with its second project under the RIGI for the Vaca Muerta Sur pipeline. Its estimated investment is US$2.5 billion and its in collaboration with various companies, including Vista and Shell.

Economic sectors

Argentina boasts a diverse economy that is rich in natural resources and characterised by a mix of mining, oil & gas, renewable energy, agriculture, technology, real estate, infrastructure, and tourism.



Mining

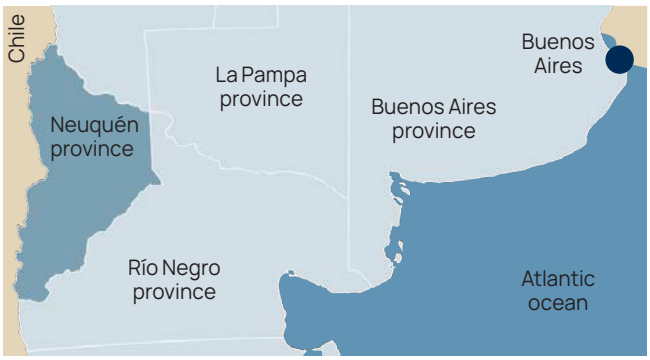
The mining industry in Argentina has experienced strong growth, with exports exceeding US$4 billion last year. It is one of the fastest-growing sectors in the country.

Argentina's "Strategic Mining Development Plan" aims to double mining exports, targeting over US$8.5 billion by 2026. The government offers a favourable investment promotion system, providing long periods of fiscal stability and tax benefits.

There are currently 187 active mining projects across the country, with lithium, gold, and silver making up approximately 76% of total mining activity. Mining is concentrated in five provinces, with lithium and copper predominantly in the northwest and gold and silver in the south.

Argentina holds the world's second-largest lithium resource (22 million tonnes) and is the fourth-largest producer. With over US$4.3 billion in announced investments between 2020-2022, the country is a central player in the "lithium triangle," which includes Bolivia and Chile, and has over 65% of the world's lithium reserves.

Copper mining is another key area for growth, with Argentina holding 31 advanced-stage projects and over 75 million tonnes of identified resources. The Josemaría project is expected to produce 131,000 tonnes per year, and El Pachón, located in San Juan, is one of the largest copper projects globally.



Oil & gas

Vaca Muerta is a geological formation of approximately 36,000 km² located in the Neuquén Basin, covering almost the entire province of Neuquén. It is the second-largest shale gas reserve and the fourth-largest shale oil reserve globally. It is estimated to have a production capacity of 16 billion barrels of oil and 8.5 trillion cubic metres of gas, of which only 3% and 1% have already been extracted.

The country is already self-sufficient in crude oil and is on track to achieve natural gas self-sufficiency. Crude oil production in 2024 hit record levels since 2003, driven by significant growth in the unconventional shale oil & gas sector. More than 30 international oil and gas companies operate in Argentina, including ExxonMobil, Chevron, Petronas, and Shell. YPF, the majority state-owned company, has announced significant investments in Vaca Muerta.

Vaca Muerta currently produces 433,000 barrels of crude oil per day, potentially increasing output fivefold to 1.5 million barrels per day in 6-7 years. Argentina has the potential to become a major supplier of natural gas to Latin America and beyond, contingent on the development of its shale resources.

Growth in oil & gas could be significantly accelerated with the new government's favourable regulatory and investment framework, including aligning energy prices with international standards and lifting exchange rate controls to facilitate investment and development.

Thanks to regulatory stability and increased know-how and productivity by the private sector, many billions of dollars in investments have been made, and many more have already been announced for the coming years, not only for extraction but also to increase transportation capacity and build new ports. It is estimated that by 2030, US$30 billion in exports could be generated per year, which is equivalent to an entire year of agricultural exports.



Renewable energy

Argentina benefits from vast areas with abundant wind, solar radiation, and water, positioning the country as a key player in renewable energy production. Currently it ranks fourth in renewable energy production in Latin America, with a total installed capacity of nearly 5 GW, supported by over 200 operational projects that provide electricity to almost six million homes. The country is on track to meet its goal of 20% renewable electricity supply by 2025.

Leading local companies such as Pampa, Genneia, YPF Luz, and Vestas are investing heavily in the sector. Global players are also showing significant interest, particularly in wind energy, which accounts for over 70% of the country's renewable energy generation.

To further enhance energy development and attract foreign investment, Argentina must expand its transmission infrastructure by building new high-voltage power lines to maximise its generation potential.



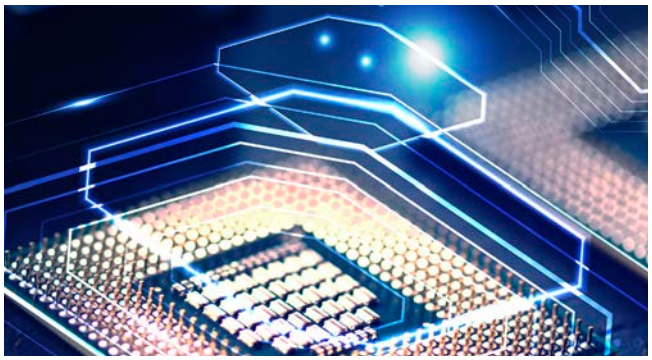
Agribusiness

Argentina is a leading global player in the grain and food sector, ranking among the top producers of soybean, corn, wheat, sunflower, sorghum, and beef.

With over 42 million hectares of arable land (the sixth largest in the world), Argentina produces nearly 130 million tonnes of agricultural products annually. Approximately 70% of Argentina's agricultural production is exported, making its commodities highly relevant in international trade. Agribusiness has been one of the most dynamic sectors of the Argentine economy, generating around US$32 billion per year, accounting for over 60% of the country's total exports.

The 2024/25 agricultural season looks promising, with analysts forecasting a total production of around 146 million tons, a 12% increase compared to the previous season.

On the flip side, the agricultural sector has been historically impacted by foreign exchange controls, which occasionally affect profitability. However, with the recent change in government, medium-term market liberalisation is expected, including the removal of exchange controls and reductions in export taxes, which should enhance the competitiveness of Argentina's export and drive further sector growth.



Technology

Driven by digital transformation and a highly skilled workforce, Argentina has become a technology hub in the region. It is home to at least 11 technology-based unicorns. It also holds the region's largest number of Deep Tech startups, with 103 companies representing about 30% of the total.

The country's digital infrastructure has fostered widespread connectivity, with nine out of ten Argentines having access to mobile phones and the internet, enabling a shift from traditional to virtual financial and commercial transactions.

Argentina holds one of the region's fastest-growing and most developed fintech ecosystems, with over 330 companies operating in the sector. Over 60% of adult Argentines have at least one fintech account, and two out of three money transfers are conducted through digital accounts.

With over 23 million online buyers last year, Argentina's e-commerce sector has become one of the fastest growing in Latin America, with an estimated annual growth rate of 21%, driven by increasing mobile commerce. The country is also a key provider of high-quality software and IT solutions and has a well-developed consulting and outsourcing market. Its time zone, just one hour ahead of New York, facilitates easy scheduling for international collaborations.

Software exports of US$2.5 billion have generated over 35,000 new jobs in the last two years. The sector employed more than 140,000 people forecast to grow to 500,000 people and US$10 billion in software exports by 2030.



Real estate

Real estate in Argentina has traditionally been considered a value reserve during periods of macroeconomic and foreign exchange instability, making it an attractive investment sector, particularly for local investors. Buenos Aires is the primary real estate market, though other regions like Neuquén have also seen growth, driven by the oil and gas boom in the area.

Real estate prices dropped significantly by 40%-50% between 2019 and 2023 due to economic volatility. However, since the change in government, property prices have gradually recovered and are expected to continue on an upward trajectory, with opportunities to acquire properties at historically low prices.

With new construction becoming more expensive in dollar terms, there is a growing focus on finished properties, which remain relatively affordable. This

shift is expected to drive a market recovery in 2024.

Argentina's mortgage market is underdeveloped and represents less than 0.2% of GDP. As the economy stabilises, the introduction of mortgage loans would allow younger segments of the population to become first-time homeowners, which would stimulate real estate transactions.

The office sales market has seen a recovery, driven by institutional and corporate investors seeking stable real estate assets as a safe haven.



Infrastructure

Argentina's large geographic size, numerous well-populated cities, and a need for improved access to ports present significant opportunities for infrastructure development, particularly in land, river, and air transportation. The country has around 240,000 kilometres of vehicular routes, but less than 10% are highways. The ports, particularly in the Rosario region, need structural improvements to maximise cargo capacity and meet growing export expectations.

Buenos Aires requires improved access routes to accommodate increasing traffic flows. The subway system, with six lines (five developed before 2000), also needs substantial investments to enhance service quality and connectivity.

The new government is expected to reduce its role in funding public works, creating an opportunity for the private sector to take a central role in the development of new infrastructure projects. A new regulatory framework for private investment in infrastructure is expected in 2025.

High levels of investment in infrastructure are needed, but such projects typically require long-term returns. The success of these initiatives depends on Argentina's ability to stabilise its economy and attract sustained private investment.



Tourism

Argentina is a top touristic destination in South America, known for its vast geography, diverse climates and landscapes, and rich cultural heritage. The country is home to 12 UNESCO World Heritage Sites. In 2023, Argentina welcomed 6.7 million international visitors, generating over US$4 billion in revenues.

Historically the devaluation of the Argentine peso has made the country an affordable destination for international visitors, with prices in many areas still competitive, despite the recent appreciation of the local currency.

Argentina has seen an increase in digital nomad immigration, fuelled by relatively simple visa requirements, including a special digital nomad visa that attracts remote workers from around the world. The government is actively promoting tourism through initiatives such as the "Natural Route" programme, which focuses on developing nature tourism throughout the year.

Argentina aims to attract more international tourists by expanding its air routes to improve regional connectivity. The government is also implementing deregulation measures in the air travel industry, which will further benefit the tourism sector.

If Argentina continues to move toward a more open, market-friendly economy, it could regain investment momentum, revive deal activity, and attract new players. Success will depend on leveraging its resources, talent, and regulatory framework. This will be especially important if accompanied by a broader economic recovery similar to those seen elsewhere in the region.

Legal and regulatory notes for Argentina

The importance of tax planning and deal structuring in Argentinian transactions



Overcoming legal deadlocks

Litigation

In Argentina, the judicial system faces challenges due to its broad jurisdictional scope. A single judge may preside over both a residential lease dispute and a complex M&A-related lawsuit, resulting in inconsistent levels of specialisation across courts. This can affect both the quality and predictability of rulings. For businesses, especially those engaged in high-stakes or technical legal matters, understanding where a potential dispute will be handled is essential. It allows for better risk assessment and can lead to greater legal certainty, faster resolution, and reduced legal costs.

Moreover, court proceedings in Argentina are often lengthy and heavily formalistic, contributing to procedural delays. Some courts are also overburdened, which further slows down resolution times. Appeals are common, which can prolong disputes for years. Given these limitations, many businesses are turning to alternative methods of dispute resolution.

For businesses, especially those engaged in high-stakes or technical legal matters, understanding where a potential dispute will be handled is essential.



Grasping the civil responsibility system

In countries such as the US, the seller, by law, does not have the duty to inform the buyer of misconduct. That is why the acquiror stipulates a checklist of information they need to obtain for the deal to close.

Conversely, Argentine law establishes a duty of good faith and full disclosure in commercial transactions, particularly in the context of mergers and acquisitions. While not as codified as in Brazil, this obligation stems from general principles of civil law and contractual fairness. The seller is expected to disclose all material facts that may influence the buyer's decision, even if such information is not explicitly requested in the due diligence process. Failure to disclose relevant information may expose the seller to post-closing liability under the concept of *vicios redhibitorios* (latent defects) or contractual breach.

Unlike common law systems, where *caveat emptor* (let the buyer beware) prevails, Argentine civil and commercial law emphasises transparency and good faith, especially under the 2015 Civil and Commercial Code, which merged the formerly separate codes into a unified legal framework. This duty of full disclosure may apply even in asset deals, not just share purchases, broadening the seller's responsibility.

Once the acquisition is completed, the buyer becomes responsible for any identified or later-discovered contingencies. However, Argentine practice allows the buyer to seek contractual indemnification from the seller, provided that such rights were clearly established in the purchase agreement. As in Brazil, the emphasis is typically on indemnity clauses rather than price reductions, especially when dealing with contingent liabilities related to labour, tax, social security, and environmental risks.

As full acquisitions — known locally as *"venta llave en mano"* (turnkey sale) — may expose the buyer to unforeseen liabilities, deals often include specific indemnity provisions or escrow accounts to secure potential claims. The seller's liability often extends beyond the representations made in the SPA, given the broad legal interpretation of their duty to inform.

To adequately estimate potential liability, buyers in Argentina must conduct extensive due diligence, which includes accessing national and provincial court databases. Argentina's federal structure means that lawsuits can exist in multiple jurisdictions, including the company's registered address, operational sites, or the seller's residence. Key areas to investigate include civil, commercial, tax, labour, and administrative proceedings.

While the general statute of limitation for contractual and civil liability in Argentina is five years, some liabilities have different timeframes. For example, certain tax-related claims can be made within ten years, and environmental liabilities are governed by public policy laws, which could extend or remove time limits for state enforcement or third-party claims. Due to these risks, buyers are encouraged to request specific indemnities covering such liabilities.

In summary, Argentina's civil responsibility system places a significant disclosure burden on the seller and necessitates meticulous due diligence and well-drafted indemnity clauses. A deep understanding of local legal culture and thorough cross-jurisdictional research are essential to managing risk and ensuring deal success.



The deal structure matters

The legal structure of the acquiror and the payment scheme directly impact the seller's tax liability and the buyer's future tax exposure. As such, selecting the most appropriate structure can create value for both parties and significantly influence the financial outcome of a transaction.

In Argentina, the tax treatment of a transaction varies significantly depending on whether it is structured as an asset deal (*venta de activos*) or a share deal (*venta de acciones/cuotas*). In a share deal, capital gains realised by the seller may be taxed at a flat rate, generally 15% for individuals and 30-35% for companies, depending on the tax status of the seller. On the other hand, asset deals may trigger value-added tax, gross income tax, transfer taxes, and capital gains, making them potentially more costly from a tax perspective.

For the buyer, structuring the transaction correctly can provide tax efficiency, particularly in terms of depreciation or amortisation of acquired assets. However, unlike in some jurisdictions, goodwill amortisation is not deductible for income tax purposes in Argentina. As a result, buyers cannot benefit from reducing their taxable base through goodwill deductions.

That said, asset acquisitions allow the buyer to step up the tax basis of the acquired assets, which can enhance future depreciation deductions and improve post-acquisition cash flow. This can be particularly useful when acquiring fixed assets or tangible property with a relatively short useful life.

Additionally, depending on the buyer's structure, whether a local company, a foreign entity, or a holding vehicle, there may be implications for withholding taxes, transfer pricing rules, and the availability of double taxation treaties. Choosing the right legal and tax setup can reduce crossborder tax leakage and enhance the overall return on investment.

In summary, tax planning and deal structuring are crucial in Argentine M&A transactions. While the absence of goodwill amortization limits certain tax strategies, other planning opportunities, like stepping up asset bases and managing seller taxation, remain vital tools in optimising deal value.

Legal structures for acquisition

In Argentina, acquisitions typically occur through (i) Share Purchase Agreements or (ii) mergers with the target company's shareholders. Unlike the US, where hostile takeovers via tender offers are common, Argentina's corporate environment makes such deals rare. This is largely due to concentrated ownership, where a few shareholders control most companies, making hostile acquisitions difficult.

Case studies in Argentina

This chapter highlights the successful entry of Rio Tinto into the Argentine market through a strategic acquisition, serving as a case study of effective foreign direct investment. It also outlines key examples of other prominent international retail companies actively exploring opportunities in Argentina.





Multinational mining and metals corporation enters Argentina

Rio Tinto moves into lithium market with acquisition of Arcadium Lithium.

The parties

Rio Tinto Group is a multinational mining and metals corporation headquartered in London. Founded in 1873, the company operates globally with a diversified portfolio that includes iron ore, copper, aluminium, and critical minerals. Rio Tinto is publicly traded on the London, New York, and Australian stock exchanges.

Arcadium Lithium was formed through the 2023 merger of Livent Corporation (US) and Allkem Limited (Australia). The company became a leading lithium chemicals producer with significant assets in Argentina, particularly in the lithium triangle, an area spanning Argentina, Bolivia, and Chile that holds a significant portion of the world's lithium brine reserves.

Transaction rationale

In 2024, Rio Tinto acquired Arcadium Lithium for approximately US$6.7 billion, marking a major strategic move into the lithium market. This acquisition followed Rio Tinto's earlier investment in the Rincon Lithium Project in Argentina and represents the company's broader shift toward securing critical minerals required for global energy transition efforts, such as lithium for electric vehicle batteries and energy storage.

Shortly after the acquisition, Rio Tinto announced an additional US$2.5 billion investment to expand production at Rincon, aiming to reach a capacity of 60,000 tonnes of lithium carbonate equivalent per year, strengthening its role as a top-tier lithium producer in Argentina.

Key success factor: Strategic market entry via M&A

Rather than developing greenfield assets alone, Rio Tinto accelerated its entry and scale in the lithium sector by acquiring Arcadium Lithium, an already operational and integrated lithium producer in Argentina.

The introduction of Argentina's Large Investment Incentive Regime (RIGI) sent a strong signal to international investors, providing tax relief and legal certainties that reduced entry risk and increased long-term project viability. Consistent government messaging and policy frameworks conducive to foreign direct investment were pivotal. These transactions highlight the importance of regulatory clarity and macroeconomic stability in attracting high-value investments.

Natural resources are a strong advantage for Argentina, and opportunities are continuously being created. The acquisition aligns with Rio Tinto's publicly stated commitment to support global decarbonisation efforts by increasing its exposure to materials essential for clean technologies.

Looking ahead: the retail brands are coming back

Several well-known international brands are considering expanding into the Argentine market in 2025, signalling renewed interest in the country's retail landscape.

Notably, the French sporting goods giant Decathlon has announced plans to open two stores in 2025 as part of a broader strategy to establish 20 stores across Argentina over the next few years. This move highlights Decathlon's confidence in the growth potential of the Argentine market despite ongoing economic challenges.

Popular Brazilian fashion brand Hering and renowned French fashion house Cacharel have both expressed intentions to re-enter Argentina, marking a significant shift in their regional expansion strategies.

These brands aim to capitalise on the recovering retail sector and growing consumer demand for both affordable and premium products. Each brand is expected to enter the market through strategic partnerships with local business groups, a common practice that allows international players to navigate the complexities of Argentina's economic and regulatory environment.



Brazil





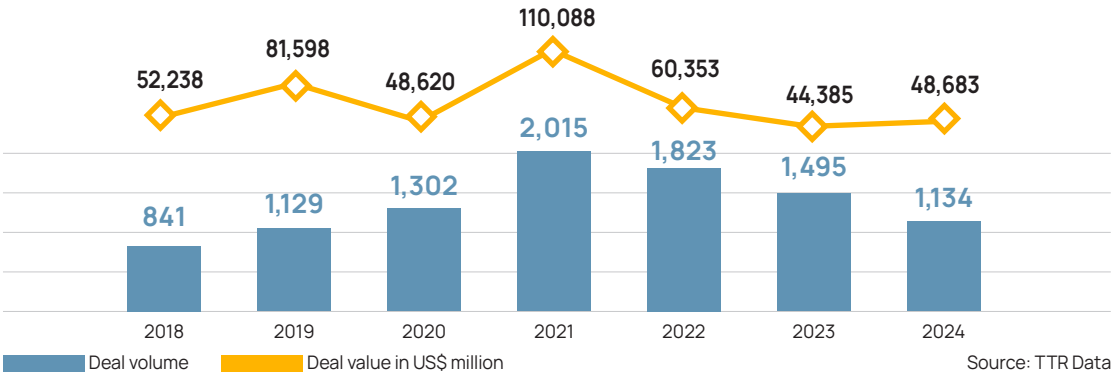
M&A landscape in Brazil

Foreign investment, dynamic ecosystem for innovation, and VC growth

Since the liberalisation of the Brazilian economy in the 1990s, M&A has been a common strategy for foreign companies to establish a presence in the country. Before the Covid-19 pandemic, crossborder deals accounted for more than half of the total transactions, playing an important part in the M&A activity in Brazil.

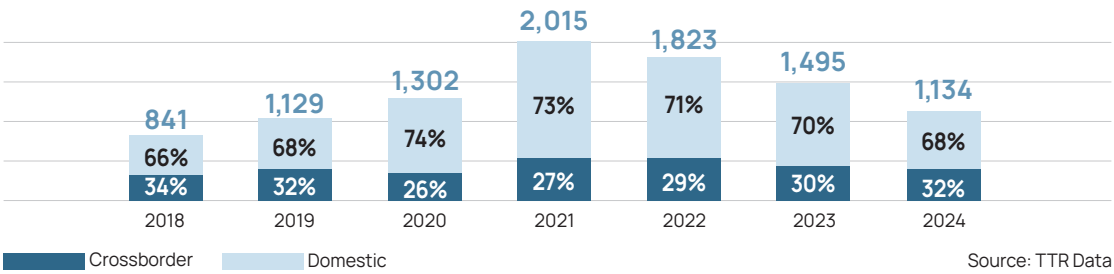
In most cases, entering the country through an acquisition stands out as a simpler alternative than starting a greenfield operation, given the sheer size and complexity of the market and the advantage of leveraging the local knowledge that a well-established company provides.

Figure 1: M&A activity by number of transactions and value



Source: TTR Data

Figure 2: Percentage of crossborder and domestic deals in Brazil



Source: TTR Data

There are successful cases of players from different countries and industries expanding into Brazil. At the end of this chapter, we briefly explore the following deals and their key success factors:

- Acquisition of Lojas Avenidas by the South African retail juggernaut Pepkor, approximately US$208 million for 87% participation in the company.
- Bupa's, the British health insurance company, acquisition of Care Plus (undisclosed sum).
- Heineken's acquisition of Schin, a local brewery company, for approximately US$700 million.

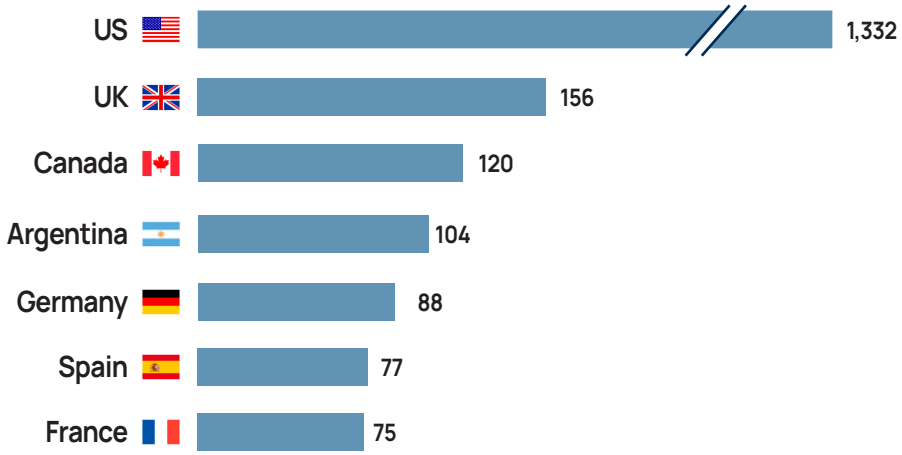
Domestic buyers are frequently at a disadvantage when competing for an asset with foreign buyers due to the lack of proper local financing for M&A. Interest rates have been historically quite high in Brazil, and local banks are reluctant to provide long-term credit.

The local debt market also does not provide instruments in local currency with sufficient maturity to adequately finance an M&A transaction. To this day, crossborder deals are mostly led by investors from the United States, followed by the UK, Canada, Argentina, and Germany.

In recent years, Brazil has cultivated a dynamic ecosystem for innovation, marked by the rapid growth of incubators, accelerators, and venture capital firms that actively support entrepreneurs. This expansion has been partly driven by the maturation of the regulatory framework for startups, with particular recognition of Brazil's Central Bank's progressive initiatives in the payments and fintech sectors. These efforts have positioned Brazil as a leading innovation hub in Latin America, propelling the country to the forefront with the highest number of venture capital deals in the region.

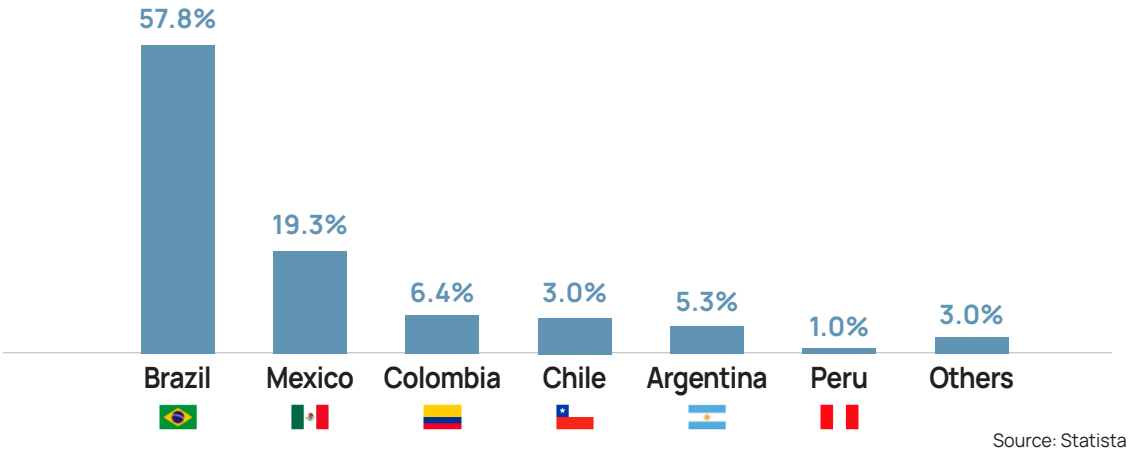
As a result, the technology sector dominates in the number of M&A transactions, followed by financial institutions, industrials, energy, and services.

Figure 3: Accumulated total number of transactions by country (2020-2024)



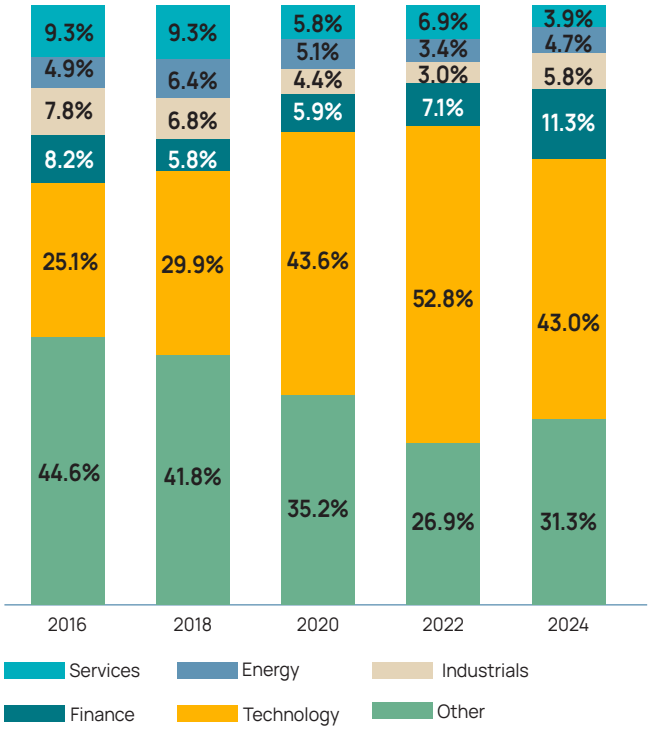
Source: KPMG

Figure 4: Distribution of venture capital deals in Latin America in 2020



Source: Statista

Figure 5: Percentage of M&A transactions in Brazil by sector



Source: KPMG

Economic sectors



Oil & gas

Brazil is among the 10 largest oil-producing countries in the world (in barrels per day) and the largest in Latin America. Brazil gained international prominence in oil & gas after 2006, when reserves of over 50 billion barrels of oil were discovered in ultra-deep waters (pre-salt layer).

Ever since the pre-salt discovery, Brazil has been self-sufficient in crude oil. In 2024, it was the country's most exported commodity, surpassing soybeans, traditionally the number one export item. Nevertheless, due to its limited refining capacity, some oil products, mainly diesel, are still imported.

Petrobras, the state-controlled company, is the dominant player in the sector, and is Brazil's largest company by market capitalisation. The company underwent a partial privatisation, but the federal government still owns a relevant share and has active influence in company's decision-making. Other national producers (often called "Junior Oils") also have growing relevance, with many being publicly traded as well, such as PRIO, PetroRecôncavo, and Brava Energia (merger of 3R Petroleum and Enauta). Many international oil companies are also present in Brazil, representing +20% of the country's total production. A consortium called Libra, including Petrobras, Shell plc, TotalEnergies, and other Chinese oil companies, was formed to explore Brazil's pre-salt.



Mining

Mining is a key sector for Brazil, generating over US$40 billion in exports yearly. The country is a key player internationally, with relevant reserves of iron, copper, gold, nickel, bauxite, and niobium, among others. Over 50% of the country remains geologically unmapped, with potential for discoveries across different metals (including gold and rare earths).

Iron ore still dominates Brazil's mining sector. The country is the second largest iron ore exporter globally after Australia and has the world's largest iron ore mine: Pará state, belonging to Vale. Additionally, Brazil is the world's largest niobium producer (with ~98% of global reserves), a key mineral for high-tech alloys and superconductors

Vale is Brazil's most dominant player in the mining sector, being one of the five largest companies in Brazil by market capitalisation. Although the company is private, the government still has influence in it, due to a golden share and a 9% stake owned by the pension fund f Banco do Brasil, the bank of the federal government. Vale is the world's largest iron miner. Nickel and copper are also relevant metals for the company, which sold a minority stake in its base metals business unit

to international investors, including PIF, Saudi Arabia's sovereign wealth fund. The company is still recovering from reputational and legal challenges after the Brumadinho and Mariana dam disasters.

International mining companies also operate in Brazil, including Anglo American (nickel and iron ore), Norsk Hydro (bauxite), Kinross (gold), Sigma Lithium, and others.



Renewable energy

With heavy reliance on hydropower, Brazil has one of the cleanest energy mixes in the world, with renewables accounting for over 80% of Brazil's electricity generation. Itaipu is the country's largest hydroelectric dam and the third largest in the world, located on the border between Brazil's state of Paraná and Paraguay. Besides hydropower, wind and solar energy have shown high growth in recent years, especially in the Northeast and Minas Gerais regions, due to fiscal incentives. With huge agricultural output, biomass is also a relevant source, mainly from sugarcane bagasse, which can be used in ethanol plants.

Eletrobras is Latin America's largest renewable energy company and represents 21% of Brazil's total installed capacity. It is controlled by the Brazilian government but was recently privatised through a US$5 billion public offering. Many other energy companies are listed on the Brazilian stock exchange, including generation, transmission, and retailing assets, such as Equatorial, Energisa, CEMIG, COPEL, among others. Many international players also hold subsidiaries in Brazil, including Enel (from Italy), Neoenergia (subsidiary of the Spanish Iberdrola), Engie (from France), CTG (from China), and CPFL (invested by Chinese State Grid).

The Brazilian energy sector has been very active in M&A and foreign investments, such as Engie's acquisition of hydroelectric plants from EDP and CTG for US$500 million; the US$2.4 Billion joint venture of TotalEnergies with Casa dos Ventos, a leading developer of wind power projects; the sale of AES's Brazilian

Brazil has one of the cleanest energy mixes in the world, with renewables accounting for over 80% of Brazil's electricity generation.

operation to Auren, Brazil's third largest renewable energy company. With a clean energy matrix and a relatively neutral stance in the global trade wars, Brazil has become an attractive destination for industrial players from Asia and Europe. These companies are seeking to establish clean production bases in markets that allow access to major global economies without significant trade barriers. In many cases, it is more efficient to build clean production capacity in Brazil than to attempt to decarbonise the electricity grid in their home countries, where energy transitions can be slower and more complex.



Agribusiness

Brazil's agribusiness represents 23% of the country's total GDP and almost half of the country's exports. Brazil is one of the world's largest exporters of soybeans, corn, sugar, coffee, orange juice, and animal protein.

With vast land, a favourable climate, and multiple harvests throughout the year, many Brazilian states are globally relevant in various cultures. Mato Grosso is the country's most important state for agriculture, especially soybeans and livestock. Paraná state is key for corn, São Paulo for sugarcane (often used for ethanol production), Minas Gerais for coffee, and Bahia for cotton. There are many agricultural companies listed in the Brazilian stock exchange, including SLC Agrícola, 3tentos, and Boa Safra.

In livestock, Brazil is the largest global exporter of beef and poultry, and one of the five largest explorers of pork. Brazilian publicly traded companies include

JBS (the world's largest meat company), BRF (mainly focused on poultry and pork), Marfrig (mainly focused on poultry and pork), and Minerva (mainly focused on fresh beef and premium meats, such as lamb).



Infrastructure

Infrastructure investments in Brazil have been driven by privatisation and concessions offered by the government, modernisation of the energy and utilities assets, telecommunications, and data centres and digital infrastructure investments.

Over 60% of Brazil's cargos are transported through roadways. Thus, road concessions (an agreement where the government allows private companies to operate, maintain, and invest in the highway, in exchange for toll revenues over a set period) are among the main infrastructure investments in logistics. Most active private investors in highway auctions include alternative investment firms (such as Kinea, BTG-managed funds or Patria), and publicly-traded infrastructure services companies (such as CCR and EcoRodovias).

In addition to roadways, over 15 airports have been privatized in the last years, including São Paulo's Congonhas and Brasília's Juscelino Kubitschek. The government also announced plans to privatize over 35 ports and waterways, which could amount to over USD 10 Bn in private investments. The logistics sector also attracted international players, leading to large M&A deals in 2024, including the US$1.8 billion acquisition of Wilson Sons (a Brazilian logistics company operating multiple maritime terminals) by MSC (Mediterranean Shipping Company) and the US$2.4 billion acquisition of 48% stake in Santos Brasil by the French shipping giant CMA CGM.

Partial privatisations also occured in the country's largest energy and utilities companies (respectively Eletrobras and Sabesp). Sabesp is the waste and sewage utility company for the São Paulo state (Brazil's largest state by population and GDP). The company was partially privatised, becoming listed on Brazil's stock exchange and attracting Equatorial (a Brazilian energy conglomerate) and other funds as investors. By attracting private capital, Sabesp will invest over US$5 billion in the next five years, to make viable the state's new sanitation framework, targeting universal access to water and sewage by 2033.

In telecommunications, there have been investments in neutral networks, a shared infrastructure among asset-light telecom companies. Leading the segment is V.tal, invested by BTG Pactual, which is responsible for the infrastructure of Oi's clients (a large telecom provider that filed for bankruptcy in 2016 and had to sell its assets).



Technology

Brazil's technology sector has seen rapid growth in recent years, driven by widespread digital adoption and one of the most connected populations globally. With over 210 million mobile connections, 86% internet penetration, and 66% social media usage, the country offers a highly favorable environment for digital innovation. This has attracted global tech platforms and positioned Brazil among the top markets for mobile and social media apps.

A major enabler of this ecosystem is Pix, the instant payment system launched by Brazil's Central Bank in 2020. With over 160 million users and trillions of reais transacted annually, Pix has transformed digital payments by lowering costs, improving access, and enabling fintechs, e-commerce platforms, and digital services to scale more efficiently.

Brazil is now home to one of the most vibrant tech ecosystems in Latin America, with over 20 unicorns and a peak of more than US$5 billion in annual venture capital investment. High-growth startups are active across fintech, SaaS, e-commerce, and digital infrastructure, supported by global investors such as SoftBank, General Atlantic, Sequoia Capital, and Warburg Pincus.

Economic and business environment

Brazil's global standing and investment appeal

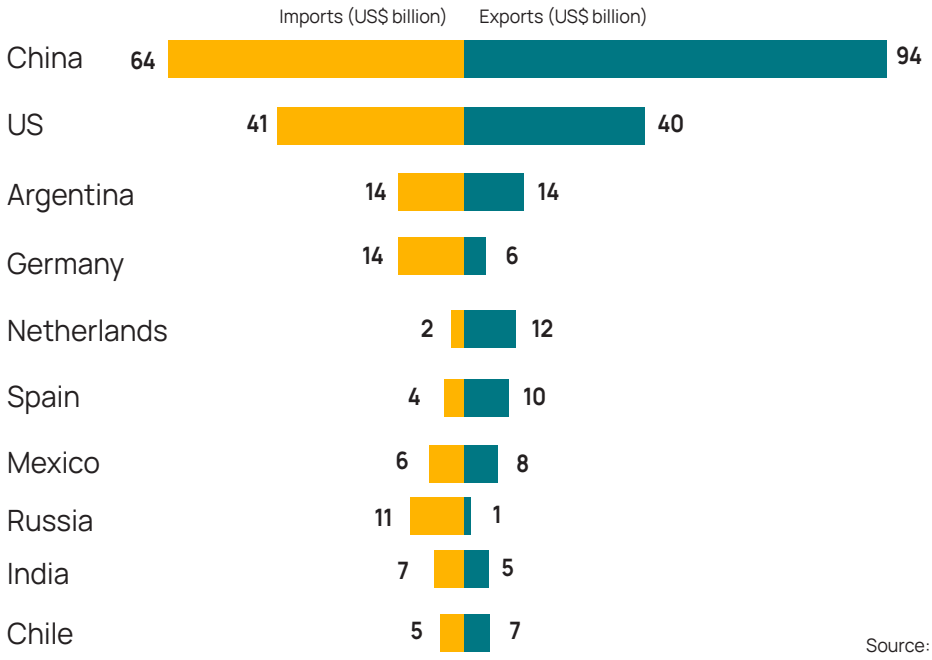


Brazil is a Federative Republic comprised of one federal district, 26 states, and over 5,000 municipalities. With a GDP of US$2.2 trillion, an area of 8.5 million km², and a population of over 210 million people, Brazil stands as the largest economy in Latin America and the 10th in the world (2025), while also being the fifth largest country and the seventh most populous.

Like many other countries, Brazil's population is unevenly distributed across its territory, with three states, São Paulo, Minas Gerais, and Rio de Janeiro concentrating about 40% of the population. This reflects the distribution of business opportunities, as the same three states account for about 50% of the country's GDP.

São Paulo state, home to the largest and most populous city in the southern hemisphere, alone accounts for roughly 30% of Brazil's GDP, positioning itself as the country's financial and business capital. The state's

Figure 6: Brazil's main trading partners in 2024



Source: Comex Stat

economic significance is further highlighted by its status as a major transportation hub, with the largest airport in Latin America, a well-developed network of highways, and the headquarters of B3, the largest stock exchange in Latin America.

The state of Rio de Janeiro, known for its postcard-perfect beaches, accounts for 10.5% of Brazil's GDP, driven by its oil and gas industry. Meanwhile, the state of Minas Gerais, with its major mining and agriculture operations, accounts for 9.5% of the country's GDP.

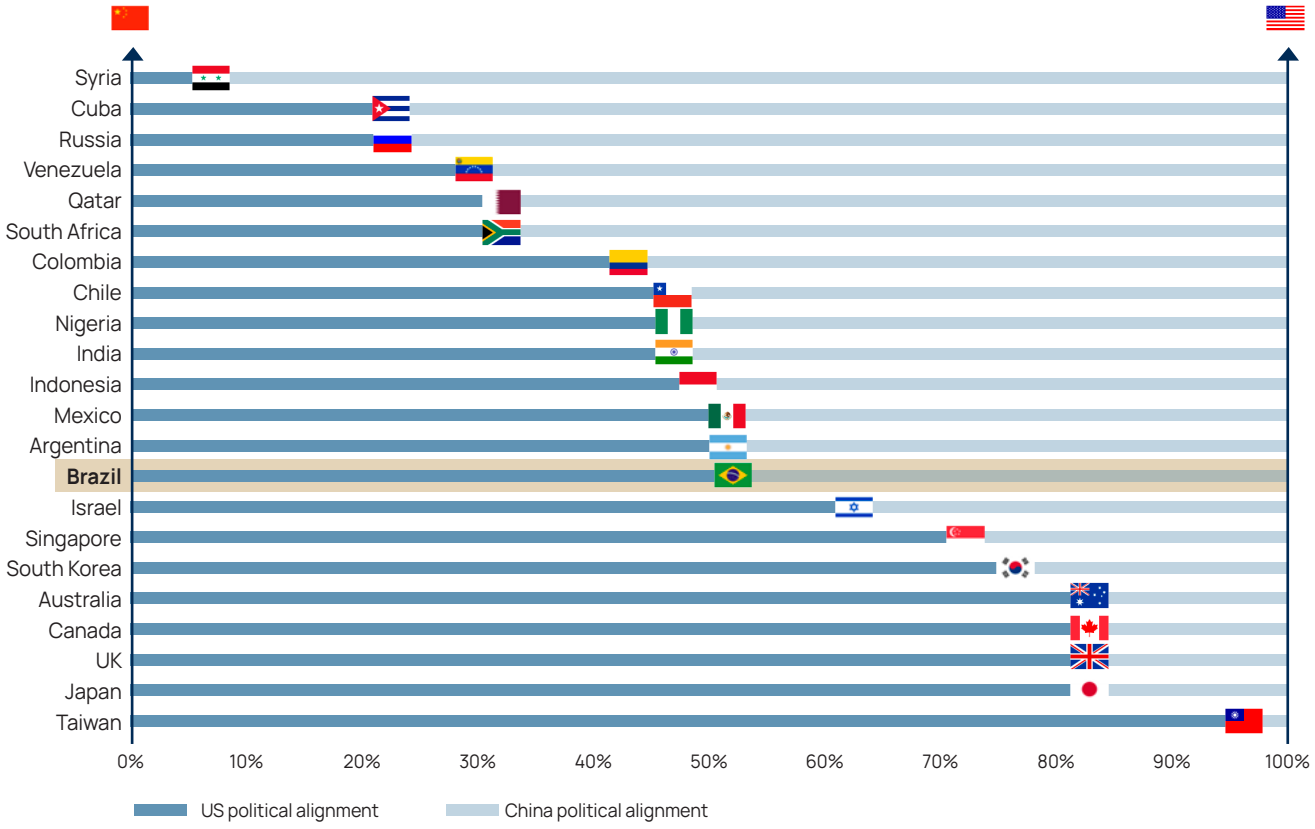
Overall, the abundance of natural resources, fertile land, and favorable climate conditions have contributed to the success of Brazil's agricultural industry.

The country dedicates approximately 30% of its land to agriculture, with innovation in this sector being mostly led by the state-owned company Embrapa and by private companies, allowing the country to maintain a competitive advantage. Brazil is the world's largest producer of many agricultural commodities, such as coffee, sugar, and orange juice. It is also the leading exporter of soybeans, corn, beef, and poultry, the second-largest exporter of iron ore, and the eleventh-largest oil exporter.

Brazil's main imports are manufactured goods (~90% of total imports), such as refined petroleum, lubricants, machinery, motor vehicle parts and accessories, and fertilizers. China is Brazil's largest trading partner, with both countries sharing strong economic ties. The United States follows behind, with Argentina, Germany, Netherlands, and Spain also playing significant roles in Brazil's import and export markets.

Diplomatically, Brazil maintains fairly good relations with the world's leading economic powers — China and the US — serving as a neutral and attractive destination for investors from both nations. This strategic positioning, combined with Brazil's economic growth and well-established capital markets, has made the country an attractive destination for global investment. In the first half of 2024, Brazil was the second largest destination of all Foreign Direct Investment in the world, just behind the US.

Figure 7: Political alignment by country - US versus China



Source: Ray Dalio, "The risks of US-China military war have declined and a new type of war has begun"

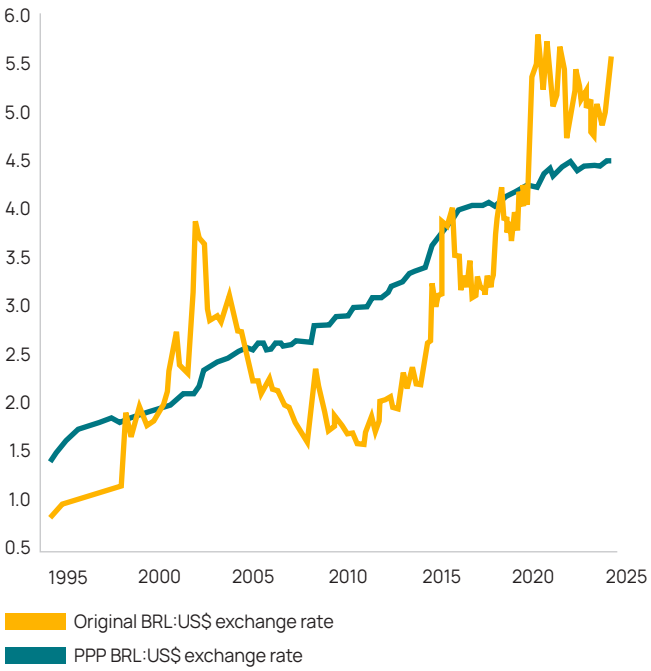
The Brazilian real and the economic plan behind it have allowed Brazil to tame inflation, and the currency has experienced reasonable stability since its introduction in 1994. This is especially important for companies considering relevant, long-term investments in which the return on investment is expected to occur over several years.

As Figure 8 illustrates, the relationship between the Brazilian real and the US dollar oscillates around a point of equilibrium when adjusted for the inflation differential between the countries. While periods of currency overvaluation or undervaluation can persist for extended durations, the Brazilian real is expected to eventually return to its equilibrium as the country operates with a floating exchange rate regime.

The Culture Map applied to the Brazilian business landscape

Brazil is divided into five regions, each with unique cultural and behavioral norms influencing business practices. While each region has its specific subtleties and particularities, the outline below can provide insights into common approaches to negotiations across the country:

Figure 8: Actual and adjusted exchange rate



Source: IPEA-Data, Brazilian Central Bank, Clairfield research

Figure 9: Brazilian map divided into regions and states



Source: Clairfield research

Southeast: As the most economically developed region, business practices are more formal and fast-paced, particularly in major cities like São Paulo and Rio de Janeiro. However, even in this corporate environment, personal relationships and social networks play a crucial role in business success.

South: The influence of European immigrants shapes the business culture here, which can be more structured and formal. Businesses are often family-owned, and there is a high value placed on tradition and local customs, which can influence negotiation styles and business partnerships.

Northeast: This region is known for its warm and welcoming nature, which extends into business practices. Interactions are often personal and informal, with a significant emphasis on building personal connections before formal business dealings.

Central-West: The straightforward and pragmatic approach of this region reflects its agribusiness-driven economy. Business discussions are direct and focused on practical outcomes, yet there remains a strong preference for face-to-face meetings to solidify business relationships.

North: Community-focused and sustainable practices often influence the business environment. Relationships are key, with a slower pace of negotiations that emphasises long-term partnerships and community benefits.

Figure 10: Brazil's main economic indicators

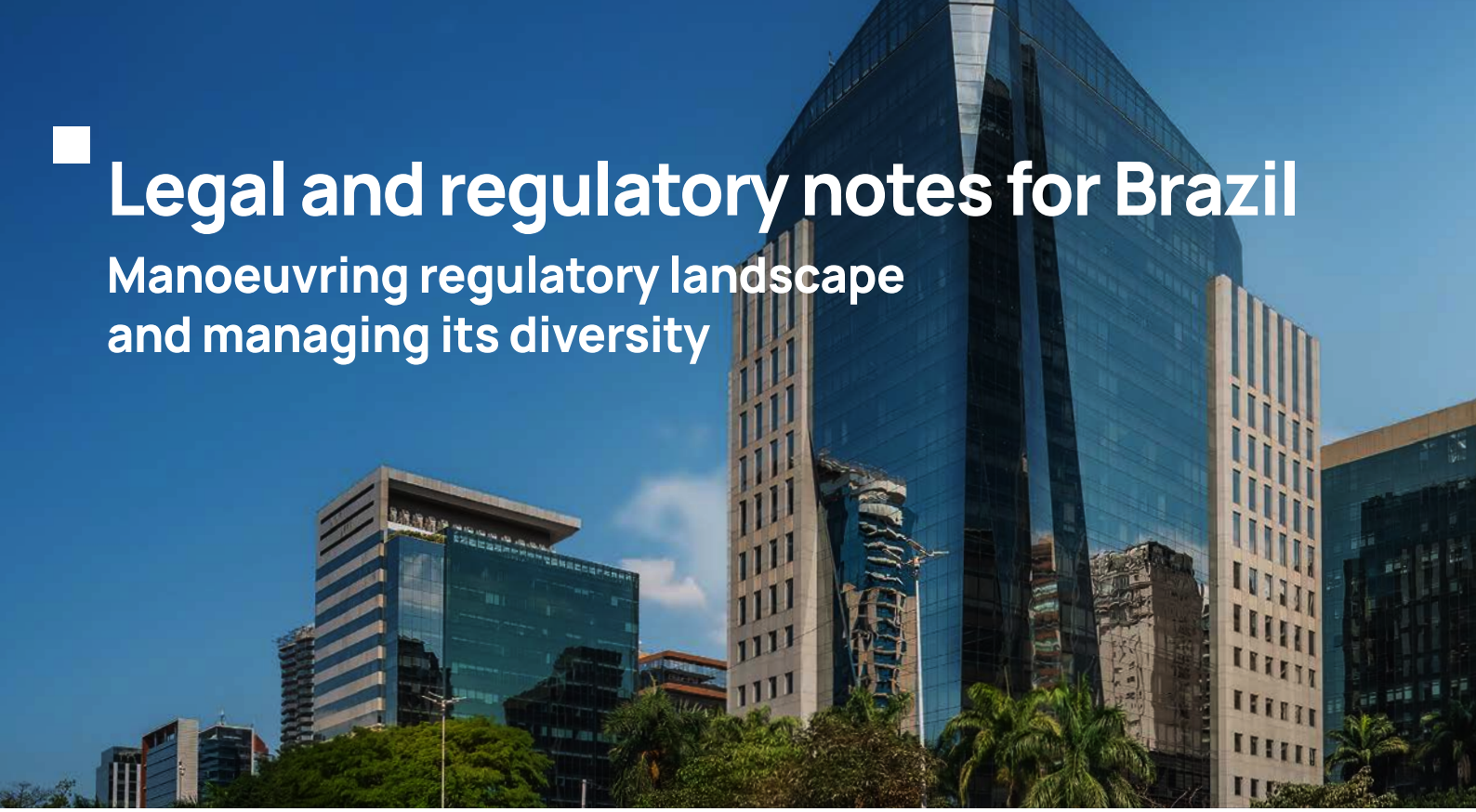
GDP (2023)	US$2.2 trillion
GDP growth (2023)[1]	2.2%
Population (2024)[1]	212.6 million
Real GDP per capita (2023)[2]	US$10,043
Capital	Brasilia
Language	Portuguese
Currency	Brazilian Real (BRL, R$)
Population median age[3]	35.1
Sovereign ratings[4]	Moody's - Ba1, Positive
Inflation target[5]	3.0% p.y (+/-1.5%)

Sources: 1. Brazilian Institute of Geography and Statistics (IBGE) 2. World Bank 3. CIA, The World Fact Book 4. National Treasury, October 2024 5. Brazilian Central Bank, considering the 2024-2025 period

Figure 11: Share of Brazil's GDP and population size by region

Region	%GDP (2022)	Population (million, 2022)
Southeast	52.3	88.6
South	17.3	31.1
Northeast	13.8	57.1
Central-West	10.3	17.1
North	6.3	18.7

Source: IBGE



Legal and regulatory notes for Brazil

Manoeuvring regulatory landscape and managing its diversity

Overcoming legal deadlocks

Litigation

In Brazil, as in Argentina, the same judge may rule on both car accidents and M&A disputes, resulting in varying levels of expertise across courts. Knowing where a potential dispute will be handled is crucial, as it can lead to greater legal certainty and a faster, more cost-effective resolution. Until recently, the parties were free to choose the location for dispute resolution. Even if one party were based in Recife, another in Salvador, and the contract executed in Rio, the chosen forum for dispute resolution could be São Paulo.

A 2024 legislative change now limits parties to choosing a dispute resolution venue only at their base or where the obligation is fulfilled. This may force disputes into small local courts, where judges may lack expertise in M&A transactions, rulings can be slow, and proximity to local shareholders may introduce bias.

Private arbitration chambers have become an alternative to the judiciary system. Even before the new legislation, arbitration was already becoming increasingly popular, as shown by the rising total value of cases in just one arbitration chamber.

Arbitration in Brazil has clear advantages: it offers faster, more specialised resolution than traditional courts, with arbitrators skilled in areas such as M&A and commercial law. This expertise often leads to quicker, more predictable outcomes, and the proceedings are private, which helps protect sensitive business information. However, arbitration can be costly, with fees that may be too high for smaller companies. Decisions are also binding, with limited appeal options, which may deter parties who want extensive legal recourse. Additionally, as arbitration grows in popularity, some chambers face heavier caseloads, which can slow down the process and reduce its efficiency.

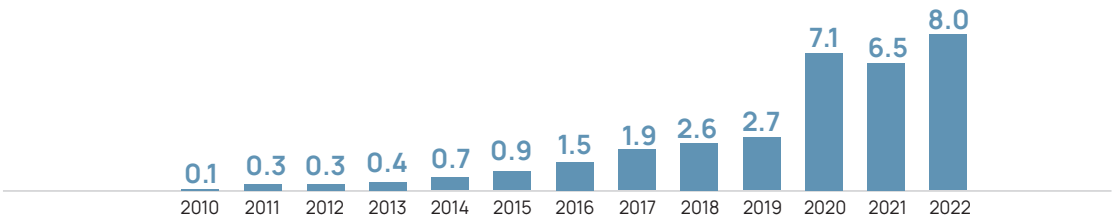
Arbitration in Brazil has clear advantages: it offers faster, more specialised resolution than traditional courts, with arbitrators skilled in areas like M&A and commercial law.

Grasping the civil responsibility system

In countries such as the US, the seller, by law, does not have the duty to inform the buyer of misconduct. That is why the acquiror stipulates a checklist of information they need to obtain for the deal to close.

Conversely, Brazilian law places a duty of full disclosure on the asset owner. The practical distinction between this and other legal systems is significant: in Brazil, the seller's obligation goes beyond merely providing the information requested in a due diligence checklist. The seller must disclose all material facts, including essen-

Figure 12: Amounts disputed in Câmara do Mercado (US$ billion)



Source: Câmara do Mercado

tial details that may not be explicitly requested. This broader duty means that indemnities are not limited to the information supplied in the due diligence process or the sale and purchase agreement.

Once the acquisition is completed, Brazilian law assigns responsibility for any contingencies to the buyer, who must then seek indemnification from the seller. This stringent disclosure requirement often results in indemnity clauses, as opposed to upfront price reductions, to account for potential liabilities. Consequently, buyers in Brazil typically address post-acquisition contingencies through indemnification mechanisms rather than price adjustments. This legal framework makes full acquisitions, known as *porteira fechada* (loosely translated as "closed door"), relatively rare. Hidden liabilities, particularly related to labor and tax matters, are generally managed through indemnity agreements rather than through direct reductions in the sale price.

Given that the seller is typically responsible for indemnifying the buyer, two critical factors must be considered: estimating the total potential liability and determining the buyer's guarantees for indemnification. In order to estimate liability, buyers must conduct thorough research, often consulting court databases to identify existing civil, criminal, tax, labor, and administrative lawsuits or proceedings involving the target company or individual. Since these inquiries must be made in the relevant jurisdictions, it is best practice to search across multiple states, focusing on the asset's location, the company's place of incorporation, and other key regions.

Generally there is a statute of limitation of five years; however, environmental liabilities, for instance, are not subject to any statute of limitation, making it necessary for the buyer to be even more careful during the due diligence process.

The deal structure matters

The legal structure of the acquiror and the payment scheme directly impact the sellers' tax amount and the buyer's future tax bill.

Thus, choosing the most suitable structure can increase the value for both the acquiror and the seller.

For example, Brazilian tax legislation allows, in specific scenarios, the amortisation of the goodwill paid by the acquiror, which can generate tax savings equivalent to up to 25% of the transaction value at net present value. Depending on the applicable legislation, goodwill can be amortised over time and deducted as an expense for tax purposes. In Brazil, for instance, this amortisation can occur over a period of 5 to 10 years, reducing the taxable income of the acquiring company. The amortization of goodwill decreases the company's taxable profit, resulting in tax savings over the years. Essentially, the buyer can reduce its tax burden by leveraging the amortised goodwill as a deductible expense.

By reducing taxes due to amortisation, the buyer can increase the available cash flow. This is especially important in transactions where goodwill is substantial since the tax savings can be a significant source of funds for reinvestment or for paying down acquired debt.

Legal structures for an acquisition

The two primary means of acquisition in Brazil are purchasing shares or control blocks through Share Purchase Agreements, and incorporating the target company and its shareholders.

Unlike the United States, where the corporate control market has long been active with raiders that acquire companies through hostile tender offers, Brazil's legislation on this matter, such as defense mechanisms, is uncertain as there are few hostile takeovers. The main reason is that Brazilian corporate organisations tend to concentrate on ownership, making it difficult for hostile M&As to happen.

Not only that, but one must also be aware of the widespread use of a Brazilian version of poison pills where the buyer commonly must place an offer to buy all shareholders with an offer price that ultimately kills the transaction. An example of this mechanism can be seen in the failed acquisition of the tech company Positivo by the Chinese Lenovo.

Manoeuvering the regulatory landscape

Regulatory agencies

Depending on the nature of the economic activity developed by the target company, distinct government agencies interact with the company and the transactions. For example, acquiring control of a company that holds the right to explore the energy generation capacity of a dam requires previous authorisation from ANEEL, the Brazilian electric energy regulator. These agencies can issue regulations, watch over the market, and persecute wrongdoers. Moreover, Brazil has developed institutional arrangements that allow its agencies to exercise their authority with a high degree of autonomy.

Figure 13: List of a few Brazilian regulatory agencies by sector

Regulatory agency	Sector
CVM	Capital markets
CADE	Antitrust
ANEEL	Electric energy
BACEN/CMN	Financial institutions and payments
ANATEL	Telecommunications
SUSEP	Insurance
ANTT	Ground transportation
ANP	Oil
ANA	Sanitation

Source: Clairfield research

Like most countries, Brazil has a securities regulator known as the *Comissão de Valores Mobiliários* (CVM), which oversees public companies and stock market activity. Companies must comply with specific regulations to go public or carry out M&A transactions involving listed firms. For example, creeping acquisitions are effectively prevented because buyers must disclose their holdings once they reach 5 percent of a company's shares.

It is also of the utmost importance to analyse whether foreigners are allowed to invest in the target sector, as there are limitations depending on the nature of the activity. Until recently several sectors, such as healthcare, telecommunications, and airlines, had restrictions on foreign ownership. Legislation has evolved, but several sectors with restrictions remain, including nuclear energy and rural properties.

Existing limitations on rural assets are particularly relevant given the well-known opportunities to explore Brazilian agribusiness and natural resources. Brazilian law prohibits foreigners from buying large tracts of rural land except when directly authorised by the National Congress. Attempts to bypass this restriction can result in several risks, including undoing the transaction.

The dispute between J&F and fellow shareholder Paper Excellence over the sale of Eldorado Brasil, a major pulp and paper producer that owns rural land, highlights key regulatory risks. In 2017, J&F agreed to sell Eldorado to Indonesian-owned Paper Excellence. However, post-signing disagreements led to a prolonged legal battle, with J&F attempting to walk back the deal. During litigation, it was argued that the sale violated federal law because Paper Excellence had not obtained required approvals from Congress or Incra (Instituto Nacional de Colonização e Reforma Agrária) to acquire rural land. As a result, Incra and the State Prosecution Office opposed the deal, and the courts suspended the transaction pending further review.

Despite the restriction, legal workarounds are possible with creative structuring. For example, when a major global commodities trader acquired grain warehouses in rural Brazil to meet rising demand for corn and soybeans, it avoided regulatory hurdles by purchasing only the buildings and equipment, coupled with a 99-year lease on the land. This reduced the risk of the transaction being challenged.

In light of this, Incra and the State's Prosecution Office positioned themselves against the transaction, claiming it was void. In response, the judiciary power suspended the transaction until the matter was properly investigated.

Despite this restriction, there are legal mechanisms to circumvent this problem with some creative deal structuring. For instance, when one of the largest commodities traders in the world acquired grain warehouses in the Brazilian countryside to cope with the growing demand for corn and soybeans, it structured the transaction as an asset purchase of buildings and equipment, coupled with a 99-year term lease of the land, thus reducing the risk of having the transaction rejected.

Failure to obtain CADE's approval can lead to significant financial losses.

Antitrust laws

There is one agency that can prove to be a deal breaker in itself: the Brazilian antitrust authority (CADE). Fortunately, CADE has historically approved the vast majority of M&A proposals. From its establishment in 1994 until 2018, only 0.21% of the transactions were rejected. By law, the proposed transaction is required to be submitted to CADE when: one of the parties involved in the transaction has a gross revenue in Brazil equal to or bigger than BRL 750 million (~US$136 million) and the other party involved in the transaction presents a gross revenue equal or bigger than BRL 75 million (~US$14 million).

CADE assesses whether the deal constitutes a control acquisition based on the financial threshold. In such cases, the parties are required to wait for CADE's authorisation. However, it is important to note that it is not only control acquisitions that need CADE approval.

The threshold that triggers CADE analysis depends on the target's economic sector. Acquisitions of 20% or more of the target's shares if the firm's activities are unrelated to the buyer's market (i.e., they are not a competitor or present in the same vertical chain) call for governmental approval. It is worth noting that if the company is a competitor, even buying only 5% or more shares automatically triggers the agency's need to analyse the transaction.

Any deal that satisfies these criteria relies on the antitrust authority's approval for closing. Disobeying this can result in a heavy fine, a serious consequence that emphasises the importance of adhering to CADE regulations. For instance, Govesa Motor Veículos and Kuruma Veículos were sanctioned with fines of up to 20% of the transaction value for not waiting for CADE's authorisation to conclude the deal.

Failure to obtain CADE's approval can lead to significant financial losses. To mitigate this risk, parties often include a break-up fee clause to cover the costs and resources invested in the M&A process.

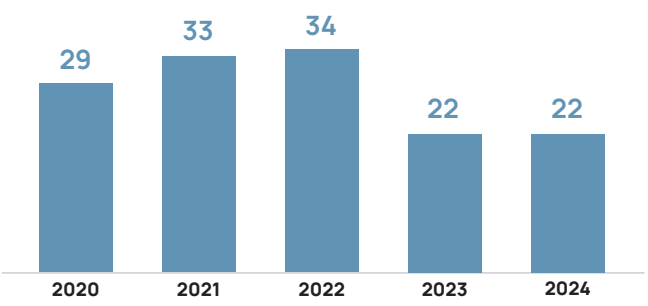
The case of Suzano and Fibria illustrates this situation. In 2018, Suzano bought Fibria for US$16 billion. During the transaction, the parties had foreseen the regulatory risk of CADE rejecting the acquisition since the acquisition would create a company that concentrated 16% of the global production of cellulose. Therefore, the SPA contained a break-up fee clause of BRL 750 million (~US$136 million).

While each transaction is unique and varies in complexity, CADE offers a "fast-track" review for deals that pose low risk to competition. The agency outlines specific situations in its regulations where this faster process applies. In such cases, CADE has 30 days to review the deal, compared to the standard timeline of up to 240 days.

In 2024, CADE reviewed 712 transactions, with 92 percent processed through its fast-track procedure. These were completed in an average of 15.1 days, compared to 94 days for cases under the regular process. In 2023, CADE launched the e-Notifica System, allowing transactions to be filed online. The system and the faster review times show the authority's ongoing efforts to improve efficiency.

In 2024, CADE analysed 712 transactions. Of those, 92% were reviewed by the authorities' "fast pass" procedure. A review of transactions filed via the fast pass procedure was completed in 15.1 days on average, compared to 94 days of those filled through the regular proceeding. During 2023, CADE announced the e-Notifica System, which created an online process for filing transactions with the agency. The system and the improvement in the time taken to analyse the transactions indicate that the authority has been able to and continues to look for ways to improve efficiency.

Figure 14. Average time for regulatory approval of Brazilian deals (number of days)



Source: CADE

Learning from successful acquisitions in Brazil

This chapter examines notable M&A transactions in Brazil across a range of sectors, including retail and health insurance. Each case offers insight into the strategies used and the lessons learned, providing practical perspectives on conducting deals in the Brazilian market.





Pepkor pushes Avenida's value creation plan forward

Pepkor acquires Lojas Avenida as a move to expand geographically.

The parties

Pepkor, headquartered in South Africa, is a prominent retail conglomerate known for its influence in the discount and value retail sector. Established in 1965, the company strategically focuses on the lower living standard measure (LSM) market, and it was valued at US$5.4 billion by the time of the acquisition of Grupo Avenida.

Conversely, Grupo Avenida is a leading retail chain in Brazil, specializing in fashion apparel and accessories. Founded in 1978, the company has become one of the country's largest fashion retailers in the central-western region, focusing on products for people with lower purchasing power.

In 2022, Pepkor expanded its international footprint by acquiring 87% of Lojas Avenida shares for US$208 million.

Transaction rationale

The strategic move marked Pepkor's ambitious entry into the Latin American market, significantly broadening its global presence. With a previous desire to expand its brand positioning and core values, the buyer focused on a market of over 200 million inhabitants and with four times South Africa's GDP — a great target.

Avenida was previously owned by Kinea, one of the leading private equity companies in Brazil, and by the founding family. Both seller groups understood that the transaction was perfect timing. After a failed IPO attempt in 2021, the group needed an investor to provide financial strength to perform its plan to open 170 new stores. The Brazilian retailer could also benefit from its new owner's access to Asian suppliers.

Both sides considered the deal successful. Pepkor announced that it would speed up the expansion of Lojas Avenida, aiming to open 50 stores per year. In December 2023, the buyer reported an increase of 8.5% in Avenidas's store sales, higher than the rest of the group.

Key success factor: Operational streamlining

Pepkor advanced Avenida's value creation plan by eliminating unprofitable product categories, converting stores to the Avenida format, and enhancing competitive positioning with a discount strategy that drove higher volumes.



Bupa identifies a well-managed target in a prime regional market

Bupa acquires Care Plus, aiming to enter a highly regulated market internationally.

The parties

In 2017, Bupa, a leading international healthcare group, acquired Care Plus, a Brazilian health insurance company known for its premium services in the corporate segment.

Transaction rationale

At the time of the deal, the target had approximately 90,000 registered beneficiaries with a revenue of US$238 million at the end of 2017.

This acquisition significantly strengthened Bupa's presence in Latin America, particularly Brazil. The buyer's goal with the deal was to broaden its global reach and engage in key emerging markets, expecting to increase revenues and clients by over 20% and bring new coverage services focused on the high-end corporate public.

Inorganic expansion was a smart decision since the health insurance market in Brazil is highly regulated by the National Health Agency. It plays a crucial role in overseeing and enforcing regulations to ensure that providers comply with strict guidelines related to service quality, financial stability, consumer protection, and transparency. The regulatory framework requires a deep knowledge and understanding, which the Care Plus team covered.

The years have shown that the deal was successful with the target fully integrated into Bupa's platform. The Care Plus unit achieved revenues of US$475 million by the end of 2024, representing a +100% growth since the acquisition.

On the other hand, another M&A in this segment was not successful. United Health Group acquired Amil for US$5.3 billion in 2012. However, the Brazilian company was experiencing a turbulent period, intensified by the Covid-19 pandemic. In 2022, the controlling shareholder attempted to shut down the individual plan portfolio, but the measure was blocked by the National Health Agency. As a result, the group opted to sell its entire Brazilian operation for US$2.2 billion, incurring a loss of nearly 50 percent.

The example above highlights the importance of understanding local regulations and institutions in the healthcare sector, which is critical for successful M&A. It also underscores the need for effective regional adaptation, supported by a well-designed post-merger integration plan.

Key success factor: Strategic timing and disciplined execution

Bupa identified a well-managed target in a prime regional market. The timing was also crucial. Bupa avoided entering a heated market by moving quickly to execute the deal once the target was identified.



Heineken demonstrates a clear strategy

Heineken acquires Schincariol, becoming the second-largest player in Brazil.

The parties

Brasil Kirin, producer of Schin beer, was fully acquired by Heineken in 2017 for BRL 2.2 billion (US$707 million). The deal included 12 production facilities, the supply chain, business operations, and sales infrastructure.

Transaction rationale

This was Heineken's second attempt to acquire the company. In 2011, it was outbid by Japanese brewer Kirin in the race to buy Schincariol. During the second process, the original founders of Schincariol also tried to repurchase the business but were unable to raise sufficient capital.

At the time of the acquisition, Heineken was already active in Brazil with brands including Heineken, Amstel, Dos Equis, Birra Moretti, Kaiser, and Bavaria. The acquisition supported two key goals: to expand operations in Brazil's northern and northwestern regions where Heineken had limited market presence, and to enhance its portfolio with popular premium and mainstream brands such as Schin, Devassa, Baden Baden, and Eisenbahn.

Heineken also saw the deal as an opportunity to strengthen its position against global competitor AB InBev, which had recently acquired SABMiller. With this move, Heineken aimed to demonstrate its global competitiveness, including in the home market of its largest rival.

In a later interview, the CEO noted, "Brazil is not for amateurs, especially when foreigners look at the business environment, which includes bureaucracy and concerns about tax and legal framework."

The transaction significantly expanded Heineken's footprint in Brazil. Following the deal, it became the country's second-largest brewer with a 20 percent market share. Brazil also became Heineken's largest market by volume.

Key success factor: Strategic timing and disciplined execution

Heineken showed restraint by walking away from the initial sale process and avoiding overpayment. Its patience allowed the company to return with greater market insight and a well-defined strategy. This led to a well-timed acquisition that secured valuable assets and accelerated its growth in a complex but high-potential market.

Mexico



M&A landscape in Mexico

Shaped by location, strong trade relationships, and a skilled and sizable workforce

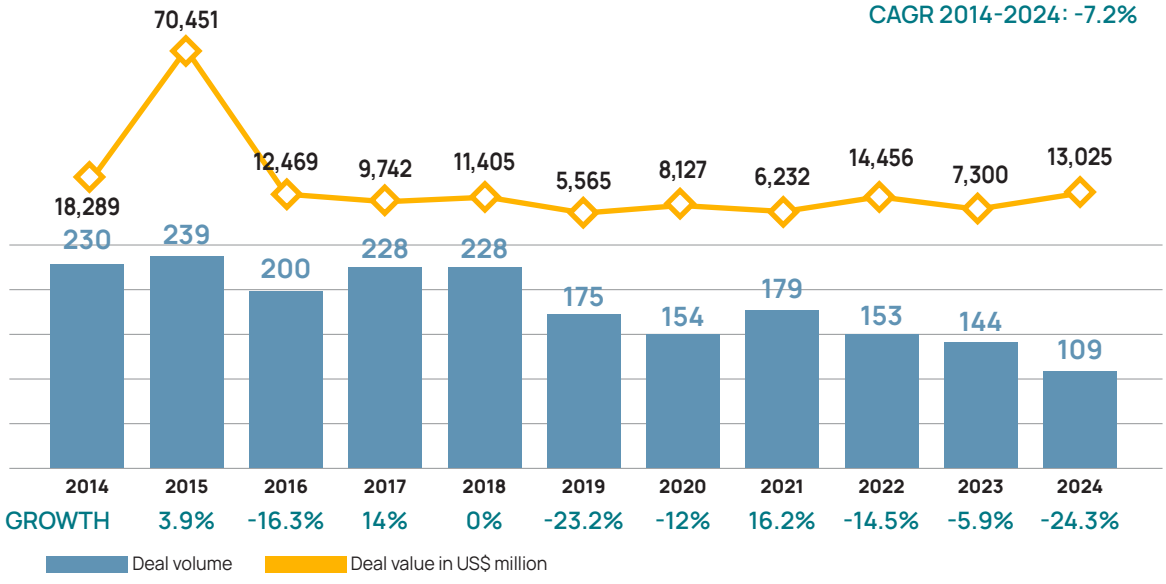


The Mexican M&A market has long played a pivotal role in the country's economic development, dating back to the liberalisation era ushered in by NAFTA in 1994. Its attractiveness to both domestic and international investors has been shaped by its strategic geographic location, strong trade relationships, particularly with the US, and a skilled, cost-effective workforce.

Following the contraction during the pandemic, M&A activity in Mexico has recovered in cycles, with periods of strong dealmaking followed by slower phases. These fluctuations reflect not only global macroeconomic uncertainty but also political and financial headwinds at the national level. Despite these challenges, investor interest has remained strong, particularly in sectors such as technology, manufacturing, and consumer goods.

Mexico remains a leading destination for crossborder deals, attracting investors from the US, Canada, Spain, and the UK, among other nations. The nearshoring trend, particularly among US-based companies, has accelerated since the onset of the US-China trade war,

Figure 1: M&A activity by number of transactions and value



Note: The chart includes both public and private transactions. However, some deals may go unreported or be disclosed with delay, which may lead to discrepancies when compared with other sources of information.

Source: Capital IQ & Clairfield research

Strategic buyers continue to play a significant role in the M&A landscape in Mexico, particularly in sectors such as technology, industrials, and business services.

positioning Mexico as a key node in the restructuring of global supply chains. The manufacturing and logistics sectors have particularly benefited from this shift.

While the broader implications of recently announced tariffs remain to be fully seen, they have added a layer of uncertainty to the trade environment. Ongoing political and trade developments may continue to influence crossborder activity, though their exact impact is subject to change. However, early indicators point to a tangible short-term slowdown. During the first quarter of 2023, there were 33 M&A transactions, followed by 30 in the same period for 2024. By 2025, this figure declined to 15 deals, reflecting a notably subdued start to the year for the M&A activity.

Strategic buyers continue to play a significant role in the M&A landscape in Mexico, particularly in sectors such as technology, industrials, and business services. Their ability to leverage internal resources and focus on long-term operational synergies allows them to stay active even in periods of high interest rates and tighter credit markets. These corporate acquirors are generally less dependent on external financing, enabling them to pursue growth opportunities through acquisitions despite a more conservative lending environment.

In contrast, private equity firms continue to face structural constraints. Financing conditions remain tight due to elevated borrowing costs, prompting many players to adopt a more selective and measured investment approach. While private equity remains an important part of the M&A ecosystem, current market conditions have led to a more cautious approach compared to their corporate counterparts.

Access to capital remains a structural challenge. Mexico's high-interest rate environment and cautious credit markets have limited deal flow, particularly for leveraged transactions. While the Central Bank of Mexico (*Banco de Mexico* or Banxico) has managed to keep inflation relatively contained at 4.42% versus a target of 3.0%, the high reference rate continues to constrain deal financing. A more flexible monetary policy stance could help reignite activity in the medium term.

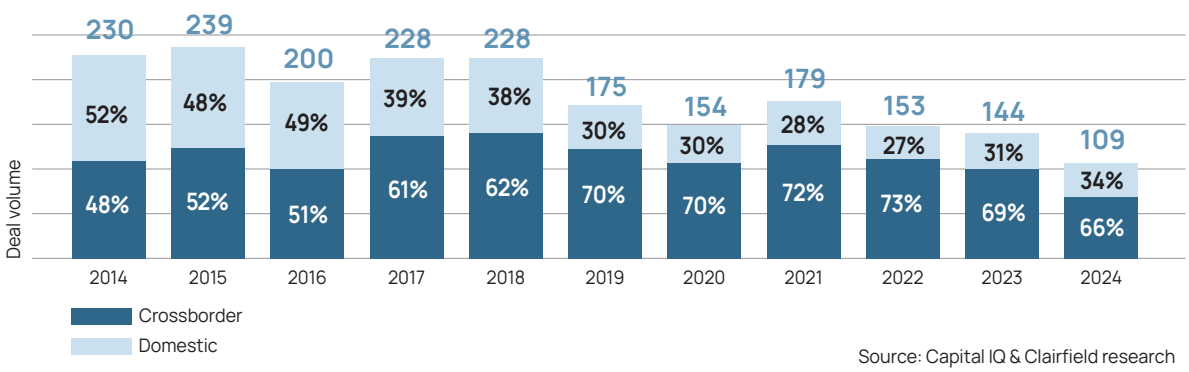


Technology and innovation as key drivers

Mexico is increasingly positioning itself as a regional innovation hub. Innovation clusters in Guadalajara, home to tech giants such as Intel and Oracle, and Monterrey, where global manufacturers like Caterpillar and Siemens operate, play a key role in fostering this environment by providing talent, infrastructure, and business-friendly ecosystems. The country's venture capital landscape has gained strong momentum, mainly driven to forward-looking regulation like the 2018 Fintech Law, which established clear guidelines for crowdfunding platforms, electronic payment institutions, and innovation sandboxes, thus fostering trust and encouraging growth in the fintech sector. By offering legal certainty and promoting innovation in digital financial services, the law positioned Mexico as a regional pioneer with one of Latin America's first dedicated fintech regulatory framework.

In parallel, crossborder investment from the United States and Europe continues to support the expansion

Figure 2: M&A participation by geography of buyers



Source: Capital IQ & Clairfield research

The technology sector has exhibited sustained growth in Mexico and now accounts for a significant portion of M&A activity.

of early-stage tech companies, further strengthening the country's innovation ecosystem.

The technology sector has exhibited sustained growth in Mexico and now accounts for a significant portion of M&A activity. In particular, the fintech segment continues to attract strong investor interest, driven by the pursuit of regulatory capabilities and market expansion. A notable example is Argentina-based Ualá's acquisition of ABC Capital in May 2023, a move that enabled the fintech to operate as a regulated financial institution in Mexico. Similarly, Australian unicorn Airwallex acquired MexPago in October 2023 to gain access to local payment licenses and strengthen its footprint in Latin America. These deals reflect a push by fintech players to obtain regulatory licenses and accelerate market expansion.

According to the 2024 edition of the Finnovista Fintech Radar, Mexico hosts 773 active domestic fintech startups and over 217 international firms. This robust ecosystem highlights the country's leadership in Latin America's fintech space and the growing maturity of its innovation and investment landscape.

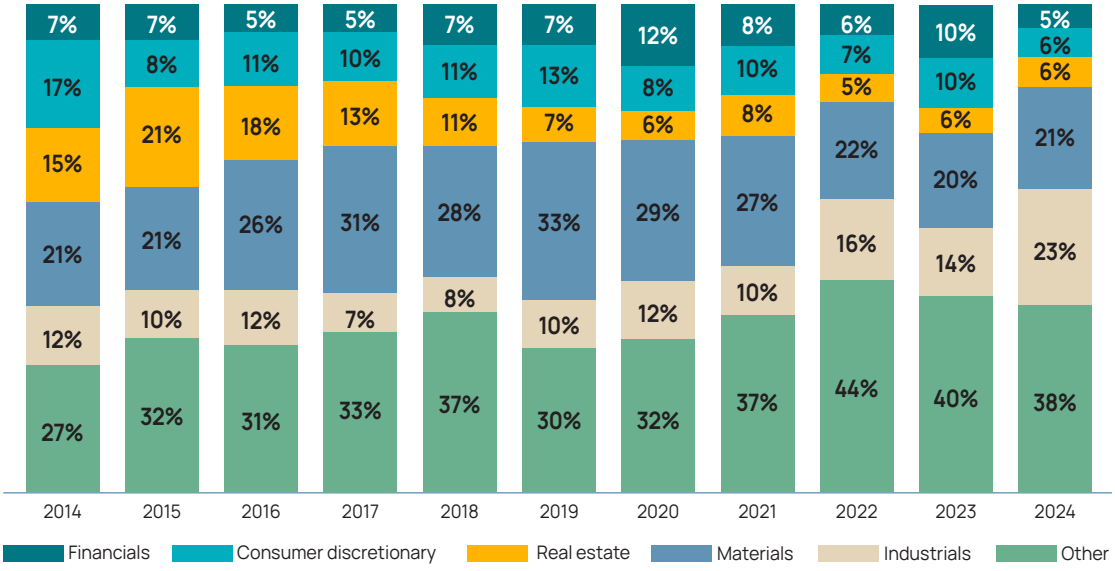


Sector trends and outlook

M&A activity in Mexico continues to show strong momentum across several key industries, according to Bloomberg. The **consumer discretionary industry**, particularly retail and food & beverages, remained highly active throughout 2023 and 2024, as companies have sought to capture the resurgence in consumer demand. A standout example was FEMSA's US$385 MM acquisition of Delek US's retail business, marking OXXO's entry into the US market and reinforcing its international expansion strategy. Looking toward 2025, M&A in this sector is expected to stay dynamic, driven by strategic and financial buyers targeting Mexico's expanding middle class, although persistent inflation and elevated interest rates may slightly moderate the pace.

Industrial and manufacturing deals have remained a cornerstone of M&A activity in Mexico, with 2023 and 2024 marked by heightened interest from global firms seeking to capitalise on nearshoring trends. Many companies pursued acquisitions of Mexican manufacturers and logistics providers to strengthen their regional supply chains and move operations closer to the US market. A notable example was UPS's

Figure 3: M&A activity by industry



Source: Capital IQ & Clairfield research

Mexico's real estate sector emerged as a bright spot for M&A in 2023 and 2024, driven by strong demand for industrial and residential properties.

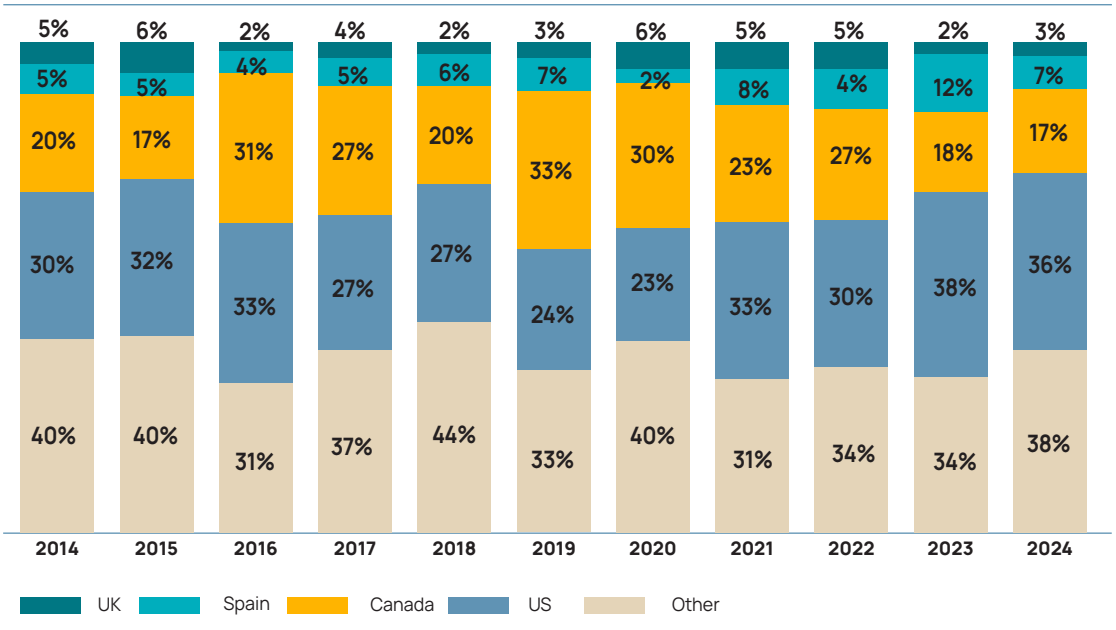
announcement of an agreement to acquire local carrier Estafeta, forming a major logistics platform aimed at supporting crossborder trade. This momentum is expected to continue into 2025.

M&A in Mexico's **materials industry**, such as mining and natural resources, has been relatively subdued in the last several years. Investor appetite was dampened by regulatory headwinds as the government halted new mining concessions and tightened resource laws, alongside a global downturn in mining deals. Few large transactions materialised in this period as uncertainty over resource nationalism made buyers cautious. The outlook for 2025 remains guarded: unless regulatory conditions improve, materials-sector deal activity may stay modest, focused only on strategic mineral assets and selective consolidation among existing players.

Mexico's **real estate industry** emerged as a bright spot for M&A in 2023 and 2024, driven by strong demand for industrial and residential properties. Notably, the country saw its first major REIT consolidation when Fibra Prologis acquired industrial REIT Terrafina, creating the largest industrial property trust in Mexico as nearshoring fueled demand for warehouses. Homebuilders also joined the wave. Developer Vinte's acquisition of rival Javer will turn Vinte into Mexico's largest housing builder, aligning with the growing housing demand near new factories. With nearshoring and e-commerce sustaining high demand for logistics space and housing, further real estate consolidation is anticipated in 2025 and 2026, even as high interest rates could slightly constrain dealmaking momentum.

Deal activity in Mexico's **financial industry** was mixed in recent years. Traditional banking saw fewer big transactions. Notably, Citigroup's planned sale of its Banamex unit fell through, prompting the bank to pursue a spin-off IPO instead. Meanwhile, fintech and non-bank lenders drove smaller deals; for example, local lender Finsus acquired two fintech platforms to expand SME lending, and digital bank Stori merged with a regulated entity to obtain a banking license. As economic conditions begin to stabilise and banks face growing pressure to modernise, a rebound in financial services M&A in 2025 is expected. Partnerships between traditional banks and fintech companiescould play a key role in this wave of activity, though ongoing regulatory challenges and tight margins may keep expectations measured.

Figure 4: M&A activity by acquiror nation



Source: Capital IQ & Clairfield research



Economic and business environment in Mexico

The macroeconomic stability reinforces investor confidence

Mexico is a federal republic composed of 32 states. Government powers are constitutionally divided between executive, legislative, and judicial branches. As of 2023, it had a real GDP of US$1.3 trillion, an area of 1.9 million km², and a population of 126 million people, according to the 2020 population census. Mexico is the third largest country in Latin America by land area, after Brazil and Argentina. It is also the second largest economy in the region, following Brazil, and ranks as the 15th largest economy in the world.

As in many other countries, population and economic activity are concentrated in just a few states. The State of Mexico, Mexico City, Jalisco, and Nuevo Leon together represent approximately 30% of the total population. This reflects the distribution of business

Figure 5: Population and territorial area of key Mexican states



Source: DataMexico & INEGI 2020 national census

Regional growth poles support projections that Mexico could become the world's seventh largest economy by 2050.

opportunities, as the same four states account for 40% of the country's GDP.

Mexico City, is one of the most populous metropolitan areas in the world. In 2023, it alone accounted for 15% of Mexico's GDP. It serves as the nation's administrative, financial, and business capital, and is one of Latin America's most important economic hubs. This diverse economy is driven by business, financial and IT services, with services accounting for about 75% of economic activity. Mexico City also serves as a transportation hub with one of the region's busiest airports.

Jalisco and Nuevo Leon are key locations for industrial development. Jalisco leads in high tech, with Guadalajara emerging as a Latin American tech hub. Nuevo Leon, home to the city of Monterrey, is a powerhouse in manufacturing and industrial output. These regional growth poles support projections that Mexico could become the world's seventh largest economy by 2050.

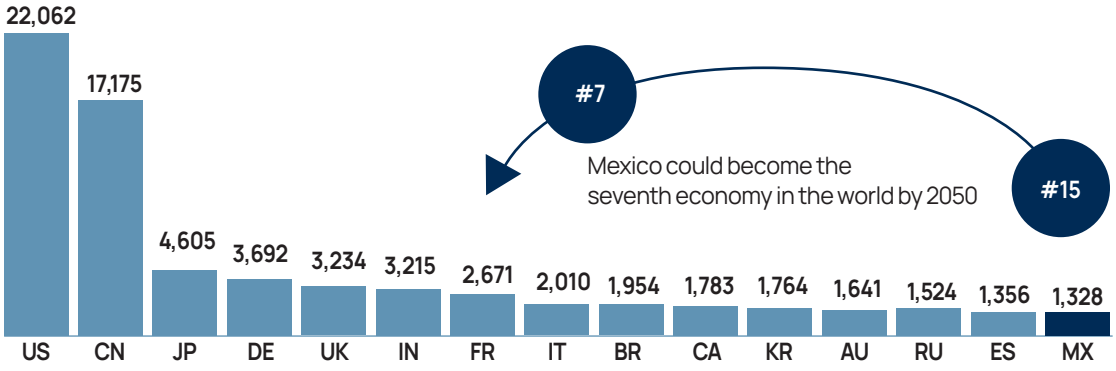
Mexico's natural resources, fertile land, and favourable climate conditions make agriculture a pillar of the economy. Approximately 103.6 million hectares of land are dedicated to agriculture, and the country ranks 20th globally in agricultural employment. It is the world's largest exporter of several agricultural products, including tomatoes, watermelon, avocados, cucumbers, onions, limes, papayas, bell peppers, and chili peppers. It also leads in the export of tequila and beer.

Figure 6: Key state indicators

	Mexico City	Nuevo Leon	Jalisco	Estado de Mexico
Percentage of national GDP (2023)	15.0%	8.0%	7.5%	9.0%
Foreign direct investment*	US$14.4 billion	US$2.1 billion	US$1.1 billion	US$2.6 billion
Exports*	US$3.9 billion	US$56.0 billion	US$27.2 billion	US$22.8 billion
Inhabitants (2020)	9.2 million	5.8 million	8.3 million	16.9 million
Percentage of national inhabitants (2020)	7.3%	4.6%	6.6%	13.5%
Unemployment rate*	3.9%	3.5%	2.6%	4.0%

Source: Secretaria de Economia (SE) and Clairfield research
* Data from 2024 (annual)

Figure 7: Mexico's perspective and real GDP ranking in 2023



Source: PwC Research

In manufacturing, Mexico ranks as the seventh largest automobile producer worldwide and also holds the 11th position globally in oil exports.

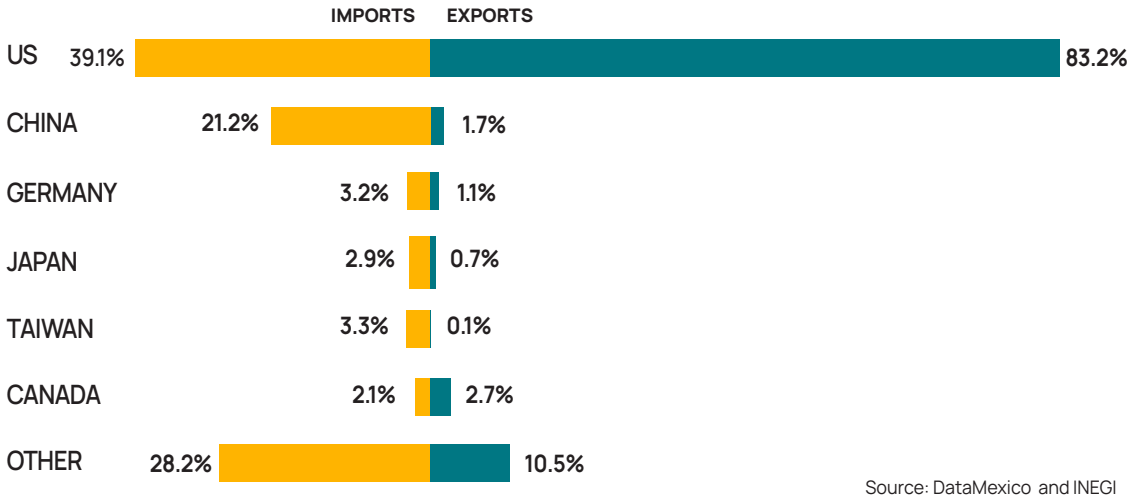
International trade is another key engine of growth. Mexico's main imports include refined petroleum, machinery, motor vehicle components, and consumer goods. Its strongest trading relationship is with the United States, which accounts for over half of its foreign investment and is the leading partner for both imports and exports. Other significant partners include China, Canada, Germany, Japan, Colombia, and Brazil. Mexico's diplomatic neutrality and open market policies make it an attractive destination for both US and Chinese investors.

This strategic position has led to growing global investor confidence. In 2024, Mexico ranked ninth worldwide as a recipient of foreign direct investment, and third among developing economies.

Macroeconomic stability has played an important role in reinforcing investor confidence. The Mexican peso has shown notable resilience under a floating exchange rate regime. Although periods of overvaluation and undervaluation occur, the peso tends to revert toward equilibrium when adjusted for inflation differentials with the US. This currency stability is particularly important for long-term investors with multi-year return horizons.

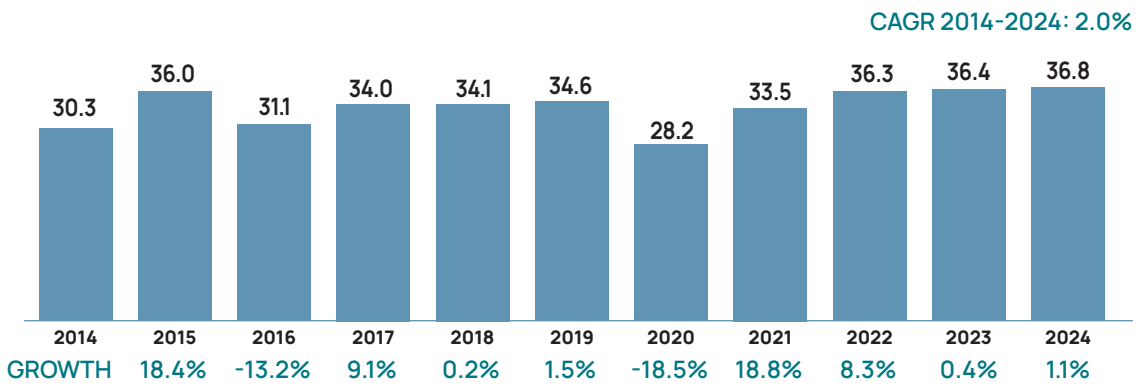
As of 2024, the performance of the Mexican peso remains closely tied to inflation, government policies, and global market conditions. The Central Bank of Mexico (Banxico) continues to manage inflation proactively, and monetary strategies have supported a controlled inflation rate and macroeconomic balance.

Figure 8: Mexico's imports and exports by country in 2024



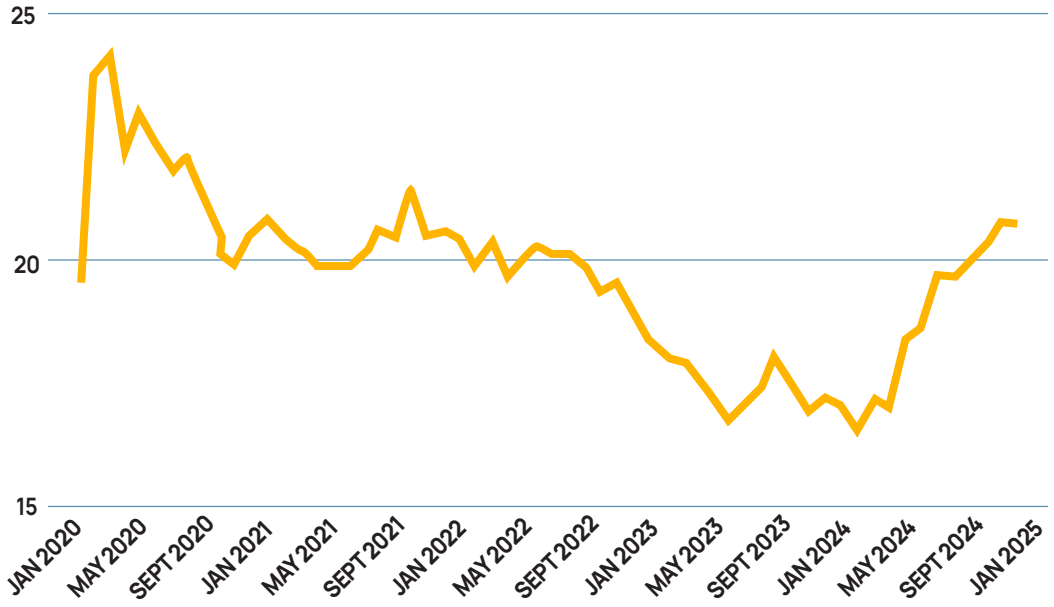
Source: DataMexico and INEGI

Figure 9: Foreign direct investment in Mexico (in US$ billion)



Source: DataMexico

Figure 10: Monthly trend of USD/MX exchange rate



Note: data from from 01.2020 to 01.2025

Source: Banxico

Figure 11: Mexico's main economic indicators

Real GDP (2023)	US$1.3 trillion
GDP growth (2023)	3.2%
Population (2020)	126.1 million
Real GDP per capita (2023)	US$ 10.2 thousand
Capital	Mexico City
Official language	Spanish
Currency	Mexican peso (MX Ps.$)
Population median age	29.6
Sovereign ratings	Moody's-Baa2, S&P-BBB
Federal funds rate	CETES
Consumer price index	CPI
Inflation target	CPI (+3.3%)

Source: Clairfield research



Legal and regulatory notes for Mexico

Understanding Mexico's legal framework

M&A regulations and oversight

Mexico's M&A environment is shaped by a comprehensive regulatory framework, with specific rules varying by sector and transaction type. Certain industries, including telecommunications, financial services, and energy, are subject to close oversight by the National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores* or CNBV). In the case of listed companies, transactions are governed by the framework established by the CNBV, along with the operational and disclosure standards set by the Mexican Stock Exchange (*Bolsa Mexicana de Valores* or BMV), which define key steps in public company acquisitions.

A company can be acquired through either a share purchase or an asset purchase. Each method has its own rules and procedures. For the purchase of a private company, the transaction is relatively straightforward and requires a contract between the parties and registration in the shareholder registry. Asset acquisitions, however, require additional procedures to formalise the legal transfer of ownership.

If the target company is a public company, the acquisition is made through a public stock offering. In this case, a formal offer must be presented to all shareholders, respecting the times and rules established by CNBV.

Acquisitions of Mexican companies are primarily governed by the General Law of Mercantile Corporations and the Commercial Code. In the case of asset purchases, the applicable legal framework includes both the Commercial Code and the Federal Civil Code. Additional regulatory provisions may apply depending on the industry. Moreover, foreign investment may require prior authorisation from the National Foreign Investment Commission if it exceeds 49% ownership, among other criteria.

Finally, there are mandatory formalities after the purchase, such as notifying the change of shareholders to the Ministry of Economy and the Federal Taxpayers Registry. In the case of transfer of real estate assets, the change of ownership must be registered with the Public Registry of Property. Not meeting these requirements might result in fines or other penalties.

The Federal Economic Competition Commission (*Comisión Federal de Competencia* or COFECE) is currently the authority responsible for reviewing mergers and acquisitions to prevent excessive market concentration and safeguard consumers. Although recent constitutional reforms anticipate potential changes to its institutional framework, its core antitrust functions are expected to remain in place. Currently, COFECE remains operative, and the antitrust approval process could take up to six months, with the possibility of a single extension. Incorporating this timeline into the transaction process

is essential to mitigate regulatory risks and ensure certainty execution.

Given this legal complexity, M&A strategies must anticipate and mitigate these regulatory risks to ensure the viability of the business and optimise the transaction structure. Beyond regulations, the execution of a rigorous due diligence process is a determining factor in any transaction. Although Mexican law does not impose time limits for this phase, defining a clear time frame provides certainty to the parties.



Tax implications and optimisation strategies

Tax implications in M&A directly affect profitability and operational viability of a transaction and are thereby key elements in transaction success. A notable example is the purchase of Banamex by Citigroup in 2001, where the identification of tax risks and alignment with CNBV and Banxico regulations were critical for the successful integration into the global financial system. Every transaction requires a thorough analysis of tax liabilities and structuring to avoid contingencies that may compromise the deal.

In share deals, the seller is responsible for paying income tax on capital gains. However, the buyer may inherit past tax liabilities or irregularities from the acquired company, making thorough tax due diligence and planning essential. Failure to address these risks can lead to penalties, post-closing disputes, or reputational damage that could jeopardise the transaction.

Defining whether an acquisition should be structured as a stock or asset purchase is a crucial decision with profound tax and operational implications. In a stock purchase, the acquiror automatically assumes all the company's liabilities, including litigation and employment commitments, which represent a significant risk if not managed carefully.

Mexico's tax burden is a decisive factor in M&A, and poor planning can lead to unexpected costs, audits, or operational inefficiencies.

In asset purchases, the acquiror selects specific strategic elements, such as infrastructure, brands, or operations while avoiding unwanted liabilities. This type of structure can offer important tax and legal advantages, although it often requires renegotiating contracts and securing new permits and licenses. Notwithstanding, when a substantial portion of a company's assets is acquired, certain legal and regulatory frameworks may still impose liability rules to address potential contingencies. A strong example is Mondelez International's acquisition of Ricolino, the confectionery division of Grupo Bimbo. In April 2022, Mondelez agreed to buy the business for approximately US$1.3 billion. By structuring the deal as an asset purchase, Mondelez was able to take over key brands, production facilities, and distribution capabilities without assuming Bimbo's existing liabilities. At the time, Ricolino employed nearly 6,000 people. The deal was approved by Mexico's antitrust authority, COFECE, in October

2022. This structure helped reduce legal and fiscal risks and allowed for a more efficient integration, highlighting how asset purchases can sometimes be a smart strategy in complex M&A transactions.

Mexico's tax burden is a decisive factor in M&A, and poor planning can lead to unexpected costs, audits, or operational inefficiencies. In share purchases, the seller faces income tax on capital gains, often prompting complex negotiations around price and withholdings. In asset purchases, the buyer pays VAT and registration fees, which can raise costs if not properly structured.

Companies have developed advanced strategies to mitigate these effects, such as the application of treaties to avoid double taxation or the optimisation of accumulated tax losses in strategic acquisitions. An emblematic case was the restructuring of Grupo Alfa's assets, where a tax strategy was implemented to defer certain tax burdens and maximise the financial benefits of the transaction. In an increasingly strict tax environment conducted by the Tax Administration Service (*Servicio de Administración Tributaria* or SAT), designing efficient structures and foreseeing tax contingencies is essential to ensure the long-term viability of the deal.



III. Other regulations

Data protection, environmental compliance, and dispute resolution regulations can pose significant hurdles in M&A if not properly managed. The Federal Law for the Protection of Personal Data imposes strict protocols on the management of confidential information, the non-compliance of which can result in penalties and damage corporate reputation. Robust confidentiality agreements and data management systems, that align with the best international practices, are recommended to mitigate these risks.

In terms of environmental considerations, the Ministry of Environment and Natural Resources establishes stringent regulations for the operation of acquired assets, especially in industries such as manufacturing and energy. Detailed environmental due diligence and corrective action planning prior to acquisition can prevent regulatory penalties and delays.

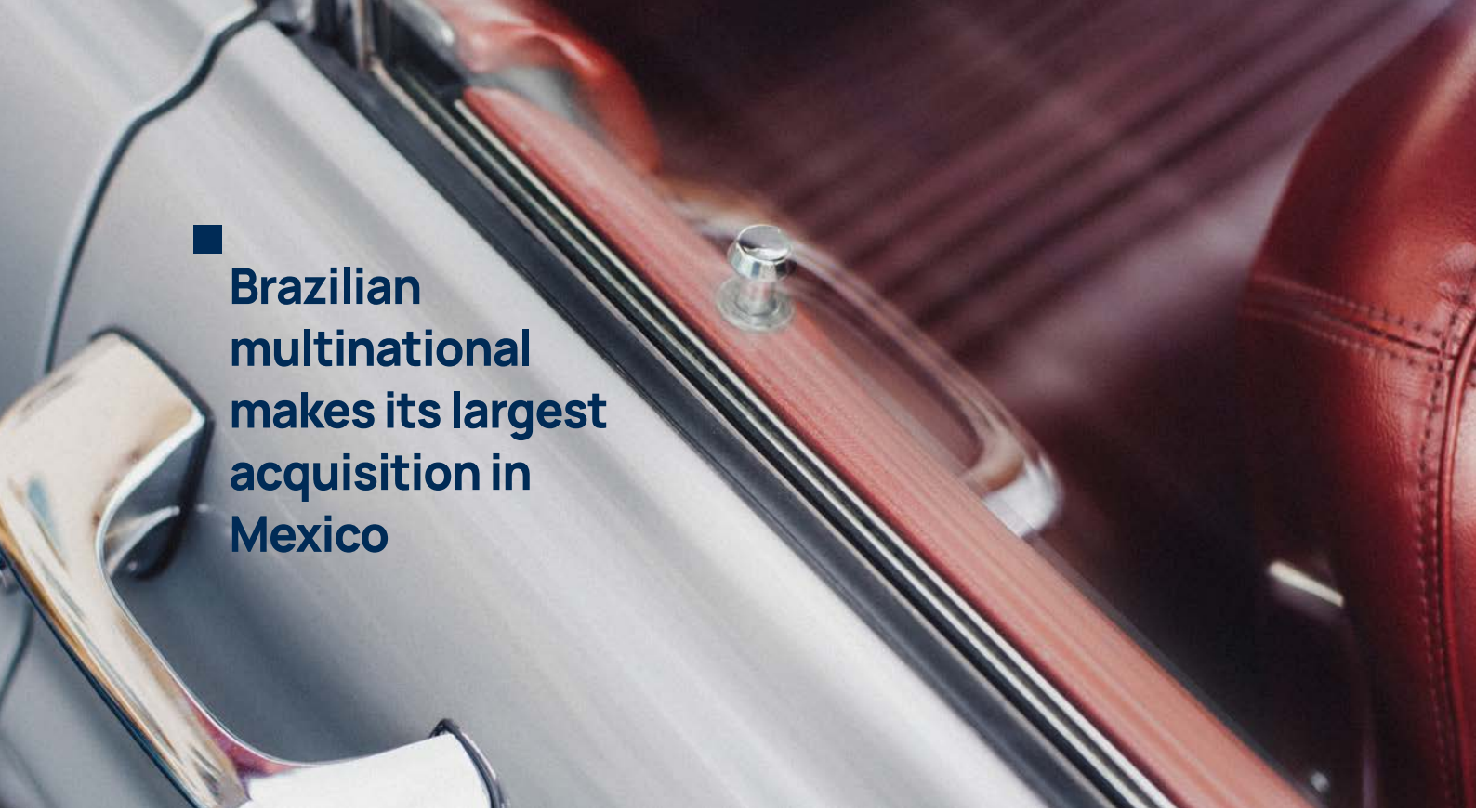
In crossborder transactions, dispute resolution is another key consideration. Choosing arbitration under ICC Mexico or the Arbitration Center of Mexico rules has proven effective in reducing legal risk and avoiding protracted court proceedings. Anticipating potential disputes and incorporating clear contractual mechanisms helps preserve transaction stability.

The M&A landscape in Mexico continues to evolve. While the country continues to be an attractive destination for strategic and financial investors, the success of each transaction depends on the ability to anticipate risks, structure tax-efficient solutions, and comply with a constantly evolving regulatory framework. In this environment, experience in the design of tax and regulatory strategies not only optimises the benefits of the operation but also becomes a key differentiator to ensure the viability and sustainability of investments in the long term.

Learning from successful acquisitions in Mexico

This chapter reviews notable M&A transactions in Mexico involving international buyers across industries such as automotive aftermarket, live entertainment, and insurance. These cases illustrate how foreign investors have approached entry or expansion in the Mexican market, offering practical insights into deal execution and integration.





Brazilian multinational makes its largest acquisition in Mexico

Fras-le S.A acquires KUO Refacciones (now Dacomsa) and strengthens its leadership in the Latin American auto parts market.

The parties

Fras-le Mobility S.A, a Brazilian multinational specializing in mobility solutions, operates in over 120 countries with a portfolio of over 21,000 products, including components for braking, suspension, steering, and transmission systems. With a strong manufacturing and commercial presence across the Americas, Europe, and Asia, the company has focused its expansion strategy on consolidating its leadership in the automotive aftermarket segment throughout Latin America.

Conversely, KUO Refacciones was the automotive aftermarket business unit of Mexico-based Grupo KUO and included a group of well-known brands and operations: Moresa (engine pistons), TF Victor (engines gaskets), Fritec (brake pads and brake shoes), and Dacomsa, which was the commercial arm in charge of distributing these products. The company had a strong domestic distribution network and exported to the United States, South America, the Middle East, and Europe.

Transaction rationale

On June 24, 2024, Fras-le announced the acquisition of KUO Refacciones from Grupo KUO for approximately US$402.9 million. The transaction was friendly, cross-border, and cash-based. After satisfying all regulatory and contractual conditions, the deal was completed on January 14, 2025, for a final value of US$360.9 million. As part of the agreement, Fras-le gained full control of the manufacturing plants and all associated brands. Following the acquisition, Fras-le unified all these assets under the Dacomsa name, which now refers to the entire acquired business.

This transaction represented the largest acquisition in Fras-le history, significantly expanding its presence in Mexico and the broader Latin American region. With this move, the company consolidated its leadership in the three largest automotive aftermarket markets in the region: Brazil, Mexico, and Argentina. The strategic location of these assets also improved Fras-le's access to the US market and strengthened its global supply chain.

The financial markets responded positively to the deal. Fras-le's stock price rose by 20% between the announcement of the definitive agreement and the completion date, reflecting investor confidence in the strategic value of the acquisition.

Key success factor: Brand integration

Fras-le expanded its presence in Latin America's automotive aftermarket by integrating leading brands and manufacturing capabilities, strengthening its supply chain, and leveraging operational synergies. The acquisition of KUO Refacciones (now Dacomsa) enhanced Fras-le's distribution reach, reduced production costs, and reinforced its position in key regional and export markets.



World's leading live entertainment company integrates Mexican promoter

Live Nation Entertainment acquires OCESA and strengthens its presence in the Latin American live entertainment market.

The parties

Live Nation Entertainment, headquartered in Beverly Hills, California, is the world's leading live entertainment company, known for promoting concerts, managing artists, and operating ticketing platforms such as Ticketmaster. With operations in more than 40 countries, Live Nation has sought to expand its footprint in key global markets, including Latin America.

OCESA, founded in 1990 and based in Mexico City, is the leading live entertainment promoter in Mexico and one of the most prominent in Latin America. The company organizes over 3,100 events annually, attracting nearly six million attendees in Mexico and Colombia. OCESA's portfolio includes promoting concerts for international artists such as Coldplay, Paul McCartney, and U2, as well as organising major festivals like Corona Capital and Vive Latino. OCESA operates Ticketmaster Mexico, selling approximately 20 million tickets annually.

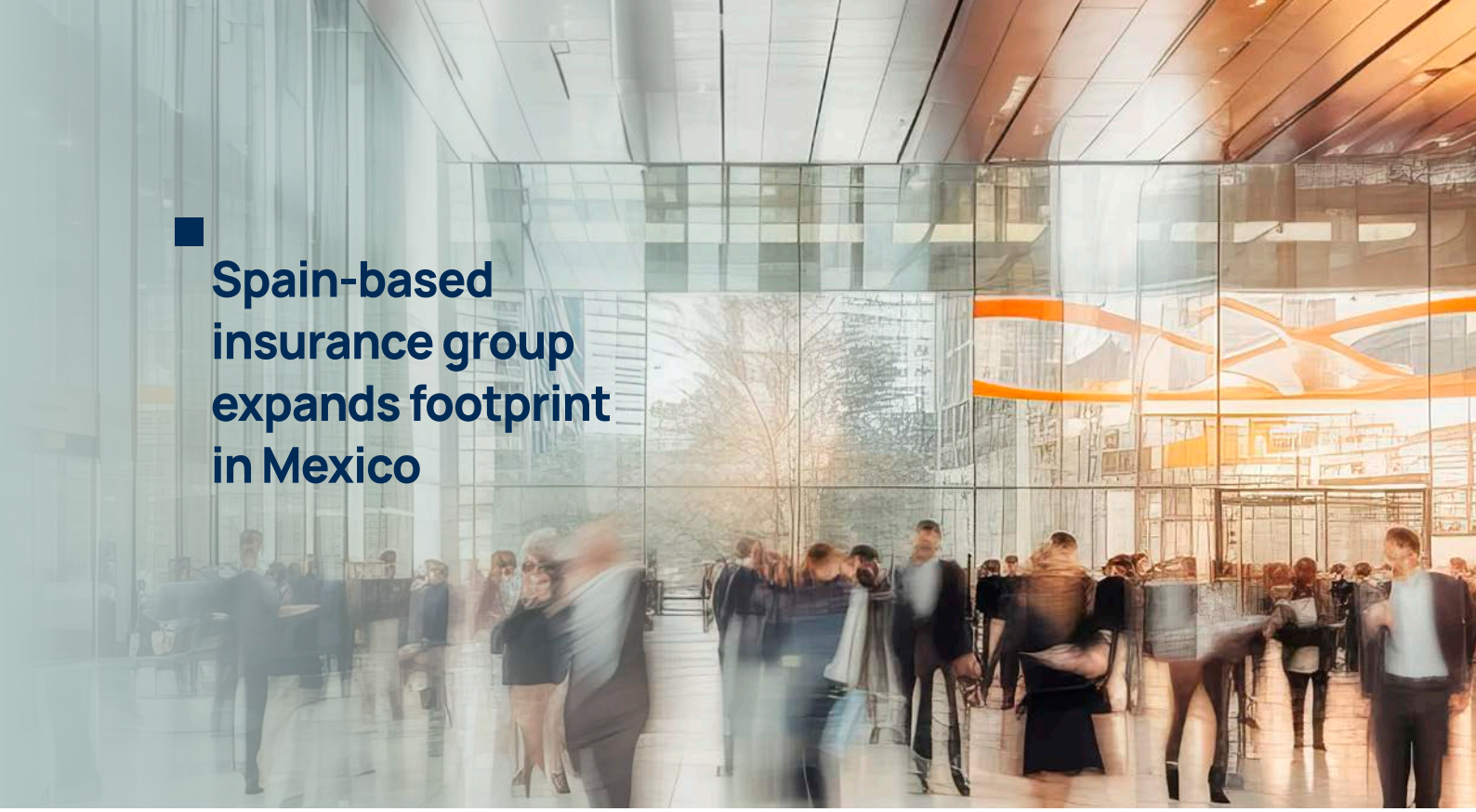
Transaction rationale

In December 2021, Live Nation Entertainment completed the acquisition of a 51% stake in OCESA for approximately US$444.6 million. This transaction involved purchasing a 40% stake from Grupo Televisa and an additional 11% from Corporación Interamericana de Entretenimiento (CIE). The deal was initially announced in July 2019 but was postponed due to the Covid-19 pandemic. Following the acquisition, CIE retained 49% ownership in OCESA.

This acquisition allows Live Nation to enhance its presence in the Latin American live entertainment market by integrating OCESA's extensive portfolio of events, venues, and ticketing operations. The transaction provides Live Nation with access to OCESA's established infrastructure, including 13 premier venues across Mexico with a collective capacity of nearly 250,000 seats, and strengthens its position in the region's growing live entertainment industry.

Key success factor: Acquiring local expertise

The integration of OCESA enables Live Nation Entertainment to consolidate its leadership in the Latin American live entertainment market, leveraging OCESA's established operations, local market expertise, and strong brand portfolio to deliver enhanced live experiences to a broader audience in the region.



Spain-based insurance group expands footprint in Mexico

Grupo Mapfre acquires Insignia Life consolidating its market expansion and its presence in the Mexican market.

The parties

Mapfre S.A., headquartered in Spain, is a leading multinational insurance group established in 1933. With an enterprise value of approximately US$11.5 billion, Mapfre provides comprehensive insurance and reinsurance solutions across various segments. The company maintains a solid presence across Europe and Latin America, where it is one of the most recognised insurers, particularly in life, health, and auto segments. In Mexico, it operates through Mapfre México, with a nationwide footprint and more than 200 offices.

Conversely, Insignia Life, S.A. de C.V. is a Mexican insurance company founded with 100% national capital and based in Santa Fe, Mexico City. The firm specialises in life, retirement, and education savings insurance, with a particular focus on individual and SME clients. The company has a strong regional presence in Mexico City, Jalisco, and the State of Mexico.

Transaction rationale

In October 2024, Mapfre S.A. completed the acquisition of 94% of Insignia Life for MXN$1,615.8 million, equivalent to approximately US$95.0 million, with an additional MXN$566.9 million (approximately US$33.3 million) earn-out contingent on full achievement of strategic objectives. The outstanding 6% equity stake remains with Insignia Life's current management team, which will continue operating the company. The friendly, unsolicited transaction was subject to regulatory approval and was funded entirely with Mapfre's internal resources.

This acquisition forms part of Mapfre's strategy to strengthen its presence in high-growth insurance markets. With this acquisition, Mapfre expands its footprint in Mexico's life insurance sector, increasing its market share from 2% to 3%, and entering the top ten players in this segment. Additionally, the transaction enhances Mapfre's product diversification, as Insignia Life's portfolio complements Mapfre's traditional offerings, particularly in the life individual segment, where it previously had limited participation.

The financial markets responded positively to the transaction. Mapfre's shares increased by 34.2% between the definitive agreement and the deal's closing date, indicating investor confidence in the strategic and financial benefits of the acquisition.

Key success factor: Continuity

The decision to keep the operation in the hands of the Insignia Life's management team and leave a 6.0% participation reflects Mapfre's interest in ensuring a trouble-free transition and preserving the knowledge and experience of the local team.

Mergers and acquisitions in Latin America

Turning complexity into competitive advantage



In Brazil, Mexico, Argentina, and other emerging Latin America countries, complexity doesn't have to be a barrier to entry; it can be a strategic advantage to those who navigate it well. Throughout this handbook, we have outlined how demographic, regulatory, and technological factors create both risk and opportunity across Latin America's major economies.

Our Clairfield advisors in Brazil, Mexico, and Argentina transform these complexities into manageable steps to achieve success. With their expert local knowledge and tailored approach, they do more than execute transactions; they understand the nuances within competitive markets, and have a network of trusted relationships, and so can identify high-potential targets early on. Our in-country advisors secure early access to information through non-disclosure agreements. This on-the-ground expertise is essential in an environment where private companies often lack public financial data and have a minimal digital presence.

To conclude our *LatAm M&A Handbook*, we have rounded up seven key strategies from our advisors who are experts in going beyond simply executing the deal. Here we draw on our years working alongside international buyers to mitigate risks when pursuing acquisitions in Latin America.

1 Know your client

Determining the right party to engage with at a company can prove challenging. Family-owned businesses dominate the Latin America markets. The real decision maker is often a family patriarch or another figure who holds no formal shares or directorships but wields significant influence. Identifying and convincing this individual is crucial for deal success.

It is commonly said that family-owned companies represent approximately 85% of all businesses in Latin America, contribute around 60% to the region's GDP, and employ 70% of the private workforce. These numbers illustrate the significant role that family-owned businesses play in Latin America's economy.

Adding to these challenges, many business owners in these markets are unfamiliar with M&A. Carefully educating sellers or identifying those with at least a baseline understanding of such transactions goes a long way to smooth the process. Deals may falter due to unrealistic price expectations or disputes over tax liabilities without such preparation.

2 Prioritise early detection of red flags

Mid-sized companies in Latin America are rarely audited, and financial statements often omit relevant liabilities. Changing legislation can lead to unknown contingencies or inappropriate practices uncovered in due diligence that even the owner may be unaware of. The cost of failure is high once the acquisition process has begun.

In Mexico, while federal legislation is relatively uniform across states, managers sometimes miss minor updates that can impact compliance. Brazil, in contrast, features heavier regional legislation that varies significantly from state to state, increasing the complexity of due diligence. Evaluating the seriousness and motivation of the seller early on, by assessing their background, reasons for selling, responsiveness, and even their body language, can prevent costly misunderstandings later.

Focus on critical areas early to determine deal-breaking risks and conduct initial red flag assessments before full due diligence. Key areas to review include compliance with tax regulations, labour practices, regulatory documentation, and environmental liabilities. Ultimately, it's about advising our clients to either mitigate risks or walk away early if necessary.

3 Check the sustainability of commercial agreements

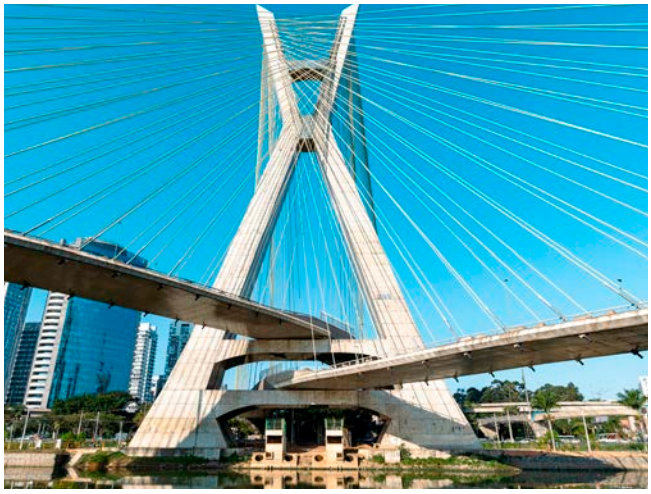
Mid-sized companies often operate with informal business contracts tied to personal relationships. Such agreements may not withstand the transition to new ownership and can lead to revenue loss post-acquisition. However, many acquirors are so focused on financial statements that they fail to notice the problems lying underneath: weak commercial partnerships, evolving regulation, and concentration of revenues in a small number of clients.

Clairfield advisors look to structure the transaction so that payments are contingent upon migrating informal agreements into formal, commercially sound contracts to mitigate risks and strengthen post-acquisition integration. This helps to ensure that the business can operate independently of prior owners' personal networks and shows long-term stability.

In many markets in this region, non-arm's length transactions are prevalent. These may include underpaid CEO salaries, real estate leases between shareholders and the company at non-market rates, or intercompany transactions designed for tax optimisation or personal gain. Addressing such issues requires extensive due diligence to map the company's group structure, evaluate related-party transactions, and assess the nature of these relationships.

4 Resolve conflicting risk assessment and synergy assumptions

Complex and shifting regulatory environments in Latin America often also lead to discrepancies in risk assessments. Buyers and sellers



may have differing perceptions of the likelihood or severity of liabilities, particularly when local regulations are subject to frequent change or lack alignment with international standards. These differences can complicate negotiations as assumptions about risks and synergies may diverge significantly. Generalist due diligence teams may struggle to accurately evaluate such risks, resulting in flawed assumptions about synergies and costs.

Engaging independent experts outside the core due diligence team to assess legal, tax, technological, or industry-specific liabilities and implementing tailored mechanisms to address these risks can offer both parties greater comfort and confidence during negotiations. For instance, in Argentina "industry-specific advisors are essential to understanding complex risks, such as the alignment (or misalignment) of national and international standards in sectors like technology, agriculture, and manufacturing," says Miguel Arrigoni, partner of Clairfield in Argentina.

Tailored mechanisms such as indemnification clauses, holding periods, and escrows are effective tools for bridging gaps in risk perception. In Brazil, indemnification clauses are a common solution for managing potential liabilities without reducing the purchase price. In Mexico, mechanisms such as holding periods and escrows are frequently employed to manage buyer concerns, especially for experienced international acquirors.

The risk perception of potential liabilities plays a crucial role in negotiating final contracts, and expert insight is key to avoiding misjudgements. Final negotiations often hinge on how these liabilities are perceived by both parties and the mechanisms proposed to manage them.





5 Bridge the valuation gap between acquiror and seller.

One thing is true for transactions all over the world, and that is the tension between high price expectations on the part of the seller and the search for a bargain on the part of the buyer. The valuation gap between buyer and seller is often exacerbated by local capital costs and tax liabilities. Tax liabilities are particularly common in smaller deals and can represent a substantial portion of the total transaction value.

"In some regions, expected taxes upon closing are so high (30-35%) that sellers demand prices over market value to offset the tax burden, often refusing to sell otherwise," comments Pablo Coballasi, partner of Clairfield in Mexico.

In many regions, the acquiror is legally bound to the target company's liability for past tax obligations (typically with a five-year statute of limitation). Structuring deals to protect the acquiror while remaining attractive to the seller is therefore critical.



Earnout structures, where part of the purchase price is tied to the target's future performance, may seem like a solution but can generate conflicting incentives and create serious discord post-transaction. If there is a lack of clarity regarding what the parties consider satisfactory performance or other valuation metrics that trigger the earnout, costly and time-consuming disputes may occur. This mechanism is not universally used.

Flexible deal structures such as vendor financing or holdback structures to can be employed to align value expectations. Solutions such as escrows, holding periods, and deferred payment structures are often employed to manage buyer concerns without reducing the price. Vendor financing, particularly common in regions with high capital costs, allows sellers to achieve an attractive nominal transaction value while meeting buyers' cash flow needs. In Mexico, vendor financing can succeed when buyers provide strong guarantees to reassure sellers. These approaches bridge valuation gaps, protect against liabilities, and ensure deals remain attractive to both parties.

6

Adjust accounting data before making an offer.

Preparing a non-binding offer based on sellers' unadjusted accounting or managerial figures can be tricky. Many mid-sized companies' financial statements do not reflect the true state of their operations. At Clairfield, we have observed some common and easily identifiable missteps, such as reporting employee compensation as dividends, not reporting all revenues and expenses to avoid taxation, which can both overstate or understate the profitability, and using company funds for personal expenses. These practices can distort profitability and lead to inaccurate valuations.

Making an initial offer based on unadjusted figures can create friction with the seller if the price is later reduced following due diligence. Conversely low initial offers can result in the buyer being excluded from negotiations, even when they might be willing to pay more if accurate data were available.

It's essential to apply the necessary adjustments to the target's financials before indicating a price.

Looking ahead

Emerging markets do not remain in this category forever. As regions mature, they align more closely with international standards, adopt more transparent practices, and become more stable business environments. "The robust M&A markets in Eastern Europe offer a clear precedent, and we are noticing similar reforms are underway in many of our countries in Latin America. This is positive and signals that the business environment is becoming more predictable, promising, and more attractive to well-prepared acquirors," says Luiz Penno, partner of Clairfield in Brazil. ■

Consistently ranked among the top financial advisors by LSEG, Mergermarket, and TTR. Our Latin America teams have a proven track record of delivering successful outcomes. With their expertise, Clairfield ensures that acquisitions are both strategically sound and value accretive.

Clairfield advisory on acquisitions in Latin America

Selected transaction experience

Apparel, gear & accessories

enjoei

acquired

CRESCI E PERDI

Automotive

CORVEN

acquired

Kawasaki

representation in Argentina

Banking

ICBC

acquired

Standard Bank

Business process outsourcing

Qualytel Teleservices

acquired

next

Beverages

GRUPO PEÑAFLOR

Bodegas Argentinas Líderes

acquired

Local winery

Construction & building products

Midea

acquired

Carrier

A United Technologies Company

E-commerce

enjoei

acquired

elo7

from

Etsy

E-commerce

DREAMCO

acquired

P&G F&HC

Facility services

5àSec

acquired

Its franchise in Argentina

Financial institutions

deja

acquired the interest of

AWA

in

Office Fund I

Fintech

Méliuz

acquired

acesso bank

Fintech

Méliuz

acquired

acesso bank

Fintech

locaweb

acquired

CREDISFERA

Fintech

BANCO Hipotecario

acquired

TARJETA SHOPPING

Food & agribusiness

La Anita Desde 1913

acquired

ZAASCHILA

Food & agribusiness

PUNJAB CHEMICALS AND CROP PROTECTION LTD.

ISO 9001:2015 & ISO 14001:2015 Certified Company

acquired

SÍNTESIS QUÍMICA

Food & agribusiness

DULCOR

acquired

esnaola & VENEZIANA

Human capital

Godrej

acquired

ISSUE GROUP Co.

&

Argencos S.A.

Human capital

acquired

Securitas

Argentina

Internet services

locaweb

acquired

Social Miner

Internet services

Méliuz

acquired

Melhor Plano

Internet services

Méliuz

acquired

promobit

IT services

WinguNetworks SA de CV

a subsidiary of

KIO Networks

acquired the capital stock of

internetworks

IT services

KIO Networks

acquired all the assets of

planet The Internet Company

owner and operator of

SuEmpresa.com

IT services

Carvajal

HACE LAS COSAS BIEN

acquired

Alcard

and

Levicom

IT services

Méliuz

acquired

alter

IT services

CI&T

acquired

transpire

IT services

BRQ DIGITAL SOLUTIONS

acquired

QDOIS DATA INTELLIGENCE

IT services

locaweb

acquired

DOOCA COMMERCE

IT services

locaweb

acquired

[SINTESE]

Media

locaweb

acquired

Squid

Media

CATTRI

acquired

lightbox

Medtech

Clariens Educação

acquired

IMEPAC ITUMBIARA

Non-food retail

FirstCash

acquired

Maxi Prenda

Empeños Mexicanos Solución a la mano

Realice

Non-food retail

MEGATONE

acquired

MUSIMUNDO

Non-food retail

MAGNA CAPITAL

acquired

Barugel Azulay

Oil & gas



acquired

raízen

Packaging

STERIMED INFECTION CONTROL

backed by

MEESCHAERT

acquired

Especialistas en Esterilización y Envase

Packaging

Baumgarten

acquired

autopack

Plant, machinery & equipment

mills

acquired

JM EMPILHADEIRAS

Plant, machinery & equipment

AXXON GROUP PRIVATE EQUITY

acquired

Aspro & GUERRA

Software & apps

locaweb

acquired

bagy

Software & apps

locaweb

acquired

bling!

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acquired

CPlug

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ROFEX

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TOPI

Software & apps

DIAGEO

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Rum-producing company

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