Duff & Phelps

Protect, Restore and Maximize Value

Latin America Transactions Insights

Winter 2021

This material expects to bring a general perspective for the key countries in Latin America (LatAm). Brazil, Mexico, Argentina, Colombia and Chile represent +60% of the region GDP and are the countries analyzed.

Overview (1/2)

Adverse effects of the COVID-19 pandemic hit Latin America hard, but economies should return to observe growth in 2021. Regional GDP* is expected to decrease by 7.1% in 2020 and increase by 4.4% in 2021, although there will be large discrepancy among countries.

Despite political uncertainty and social disruptions (particularly in Venezuela and, more recently, in Peru), governments shall remain committed to a series of structural reforms (i.e., the administrative and tax reforms in Brazil or the labor/ third-party staffing regulation in Mexico), management of public spending and fiscal exposure, and simplification of the regulations. Privatizations also remain a top priority for the governments of most of the Latin America countries. This focus represents a short cash flow opportunity and will increase the region attractiveness for international investors.

Brazil expects a GDP contraction of -4.1% in 2020, but the country leverages on its global commodities exports position and already shows signs of a strong recovery in Q3/Q4 2020 and aims a 4% growth in 2021. All-time low interest rates (2% per year), a robust internal demand (boosted by pandemic-related government incentives that reached 10% of the GDP) and fast-maturing capital markets are contributing to the recovery.

Mexico's economy has also been strongly affected by a reduction in export demand, coupled with the COVID-19 impact and lockdown measures. Oil price volatility also affected the economy. To mitigate the impacts of the pandemic, Mexico's government took social measures, like increasing expenditures in healthcare, lending to firms and workers and providing liquidity support. Mexico's central bank has cut basic interest rates from 7.25% in 2019 to 4.25% in 2020 and introduced measures to support the financial system. The country's GDP is expected to decrease by 9% in 2020 and recover 4% in 2021.

LATAM BY THE NUMBERS

DEC 2020

GDP of USD 5.7[1] trillion

Brazil, Mexico, Argentina, Colombia and Chile totaling +60% of Latin America* GDP (USD 3.4 trillion)

646.4 million habitants[1]

Brazil, Mexico, Argentina, Colombia and Chile totaling 71% of Latin America habitants (456.4 million)

USD 1.1 trillion market cap

As of December 2020, Top 5 countries stock exchange companies had a **total market capitalization of over USD 1.0 trillion** (95% of Latin America* market cap)

Source: Itaú
(*) Latin America and Caribbean
(1) 2019 World Bank

Overview (2/2)

Argentina experienced the most severe lockdown in the region, closed for more than four months. Major challenges remain in the political area, the country's fiscal deficit and the country debt with the International Monetary Fund (IMF). GDP decline in Argentina is expected to be -11% in 2020 (after a series of nonperforming years), and the country expects a 4.5% growth in 2021.

The situation in Colombia remains complex as the country continues to experience political polarization and high levels of violence. The COVID-19 pandemic also strongly affected the country, imposing lockdowns and reduction of economic activity. 2020 GDP is expected to decrease by 7%, gaining traction in 2021 with estimated 5% growth.

In addition to the pandemic, Chile faces civil protests initiated as a response to increased public transportation fares (these fares, combined with stress from the past years, increased cost of living and the country's inequality, led to this response). A state of emergency was declared in October 2019 as the protests have been considered the "worst civil unrest" since the end of Augusto Pinochet's military dictatorship. In October 2020, Chileans voted for a new constitution. In this context the country expects a 6% GDP decrease in 2020.

LATIN AMERICA

GDP USD 5.7 Tn*

Stock Exchanges mkt cap: +USD 1.1 Tn*

+1,000 listed companies*

Population: +640 million*

BRAZIL

GDP USD 1.5 Tn

26% of region* GDP

B3[1] mkt cap: USD 0.7 Tn
+340 companies

Population: +211 million

MEXICO

GDP USD 1.1 Tn

19% of region* GDP

BMV[2] mkt cap: USD 0.4 Tn
+140 companies

Population: +128 million

ARGENTINA

GDP USD 0.4 Tn

7% of region* GDP

BASE[3] mkt cap: USD 0.03 Tn
+80 companies

Population: +45 million

COLOMBIA

GDP USD 0.3 Tn

5% of region* GDP
BVC[4] mkt cap: USD 0.1 Tn
+60 companies
Population: +50 million

CHILE

GDP USD 0.2 Tn

4% of region* GDP
SNSE[5] mkt cap: USD 0.1 Tn
+140 companies
Population: +19 million

Source: B3, Itaú, Capital IQ
(*) Latin America and Caribbean (Total GDP in 2019 World Bank)

(1) Brazilian Stock Exchange; (2) Bolsa Mexicana de Valores (Mexican Stock Exchange); (3) Buenos Aires Stock Exchange; *(4) Bolsa de Valores de Colombia (Colombia Stock Exchange); (5) Santiago Stock Exchange*

Brazil (1/2)

2020 in Review

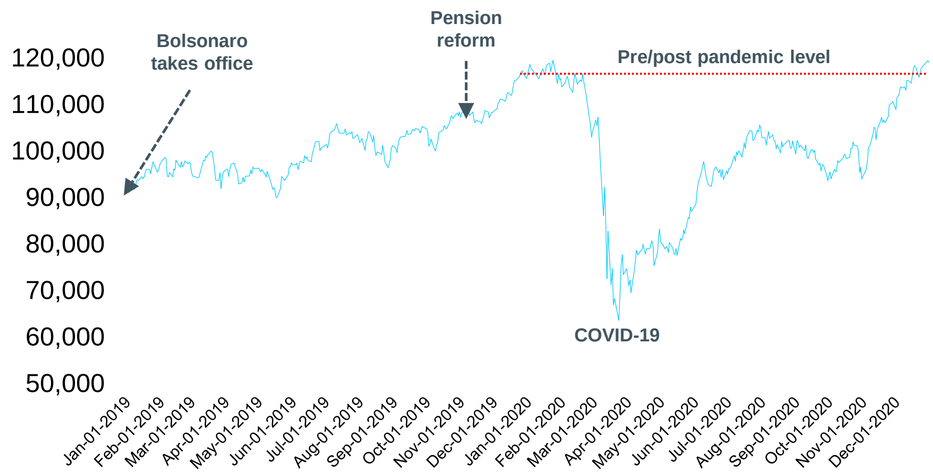
During the first year of Bolsonaro's mandate in 2019, the Ibovespa index accumulated, in local currency, one of the highest returns among the world's main indexes. Internal factors, including the lowest historical prime rate, a strong privatization program and the approval of social security reform, were strong factors influencing this performance. At the beginning of 2020, the IBOVESPA reached an all-time high mark of 119,527 points, but with the introduction of COVID-19, the index slipped to 63,569 in March 2020. December figures are back to +110,000 points—migration of investments from traditional fixed income to riskier, higher-yield assets in the real economy is a key driver of this performance. 2020 saw a record year for IPOs and follow-ons with +40 operations and almost USD 20 billion raised.

Interest: After equity activities were strongly driven by an already low interest rate in 2019 reaching 4.5%, Brazil's interest rate reached its historic low, 2%, in 2020. The movement to cut interest rates in Brazil began in 2017, when, at the time, it was 7%. The pandemic spurred this movement to cut interest rates to encourage production and consumption in the country. The interest rate is expected to reach 3.5% in 2021.

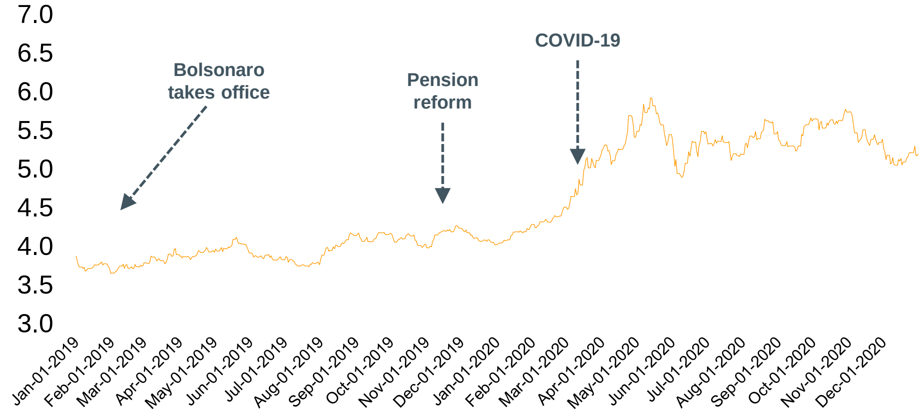
Inflation: Higher than expected and exceeding the target, inflation in 2020 closed at 4.52%, compared with 4.31% in 2019. It is expected that in 2021 inflation will drop to 3.3% according to Itaú.

Currency: In 2020, world uncertainty dominated the first half of the year, thus affecting the volume of capital because of a more conservative environment in the face of risk, which led to an impact on the US dollar exchange rate reaching BRL 5.8. In 2021, the US dollar is expected to fall to BRL 4.75.

Brazil IBOVESPA Index (^IBOV)—Index Value



Brazilian Real ($BRLUSD)—Rate Value



Source: Itaú, CNN, Agência Brasil, Valor Econômico

Brazil (2/2)

What Lies Ahead for 2021

M&A activity: 2020 experienced an all-time record high M&A activity with strategic and financial sponsors active in the market. More than 1,300 transactions are expected to be confirmed in 2020 and is expected to increase by 15% to 20% in 2021. Activity covers all sectors, from retail to food and beverage, infrastructure to industrials and logistics to agribusiness. Healthcare, Education, B2B and services lead the rankings. Family Offices are currently a pure player and competitor given interest rates level (2% per year). Capital markets activity (IPOs and follow-on operations) with USD 20 billion in 2020 are positively affecting the M&A market.

Expected impact of recent regulatory changes: Oil and gas and water and sewage regulations were updated to attract private investors. Risk of demand is extremely low in a country that lacks basic services and infrastructure. Total investments in coming years in these sectors are expected to exceed ~USD 1 billion. Private Equity investors are ranking among main participants in these processes.

Government's agenda: Despite COVID-19, Brazil's government continues to pursue a structural reform agenda, as it is fundamental to manage the country's fiscal deficit and achieve economic recovery and sustained growth. In this sense, measures such as tax reform, the intensification of the privatization program and consolidation of international agreements may produce positive effects in terms of productivity, judicial stability, free trade, increase in national competitiveness and notable social impacts.

Actions	Considerations
Central Bank Independence	In April 2019, the government announced a law project intended to formally make the Brazilian Central Bank (Central Bank) independent. This project will allow the Central Bank to implement monetary policies without third-party interference. **Current situation:** in course in the Lower House.
EU - Mercosur	President Bolsonaro and his team have effectively pursued trade liberalization agreements. After the relaunch of negotiations in 2016, the EU-Mercosur Association Agreement, one of the largest in history, was announced in June 2019. The Brazilian government projects an additional USD 87.5 bn a year in exports for 15 years and a massive increase in investments of over USD 113 bn for the same period.
Administrative Reform	The administrative reform aims to bring greater efficiency and reduce government spending in public services. **Current situation:** under Lower House appreciation.
Privatization Program	Paulo Guedes, the Economy Minister, advocates free-market policies, pivoting away from state interventionism. The government privatization program expects to privatize several companies in 2021; Eletrobrás, Correios, Porto Santos and Pre Sal Petróleo, are the key companies.
Tax Reform	The complexity of the Brazilian tax system has produced significant costs nationwide. Unification of the tax system (value-added tax or VAT) is proposed. According to *IPEA* (*Brazilian Institute of Applied Economic Research*), it is estimated that under the proposed reform, the Brazilian GDP could grow 5.42% more until 2033. **Current situation:** Phase 1 presented to Congress and under consideration of a special committee.
Bankruptcy Law	In August 2020, the Lower House approved the bankruptcy law reform. The main goals of the reform is to supplement the legal security for creditors, make improvements in the business environment and increase the productivity of the private sector of the Brazilian economy. **Current Situation:** sanctioned by President Jair Bolsonaro.

Source: S&P Capital IQ, Brazilian Government

Mexico (1/2)

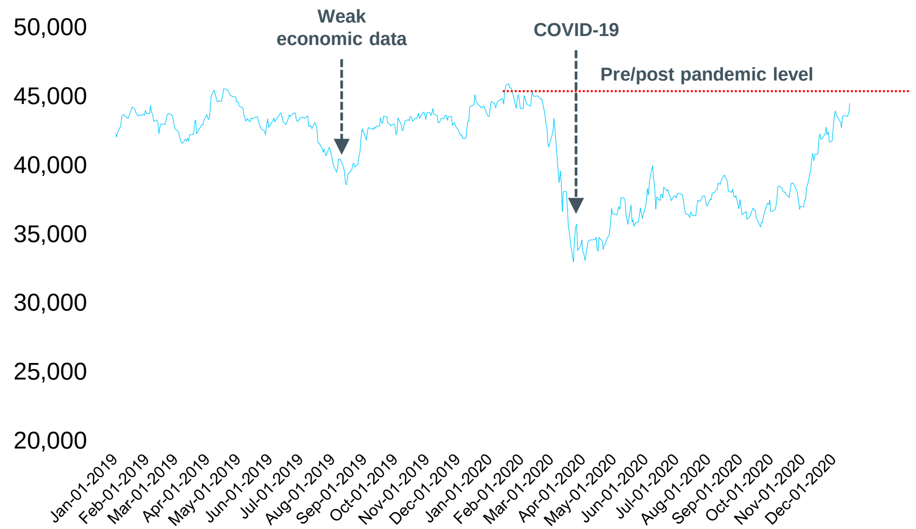
2020 in Review

During the second year of the López Obrador administration in 2019, Mexican GDP contracted by -0.14%. The economy was affected by uncertainty regarding global markets, lack of private investments and general political climate. At the beginning of 2020, the MEXBOL Index saw a slight recovery, but the COVID-19 pandemic adversely affected equities, leading to a five-year minimum for the Mexican index. December figures look promising, since the MEXBOL has erased losses for the year as of mid-December 2020; nonetheless the Mexican market hasn't seen an IPO in the last two years.

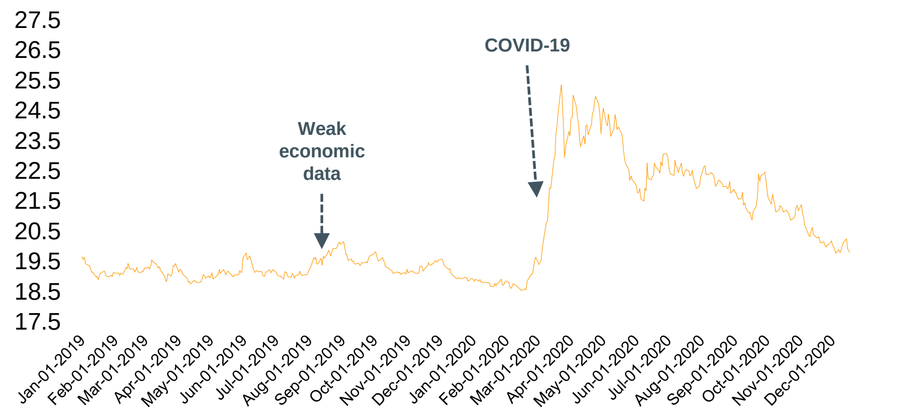
Interest rates: Mexico's central bank has had an important role in the economics of the country. The interest rate back in 2018 stood at 8.25%, the highest since the 2008 financial crisis (4.25% as of December 2020). Nevertheless, the bank is facing one of the worst economic contractions and resilient consumer prices in today's markets. In November, the bank paused a record cycle of 11 straight cuts, arguing that it needed time to assess inflation, which had sped past its target of 3%. The central bank decided to hold the monetary policy interest rate at 4.25% at its November meeting, and according to the members of the bank, "interest rates are low, but there's still room for additional reductions."

Currency: Before the COVID-19 pandemic, the Mexican peso was experiencing stability against the US dollar after initial struggles as the López Obrador administration took office and canceled landmark projects such as the new international Mexico City airport. Nevertheless, the impact of the pandemic and the preliminary results of the US election (momentary Trump victory), increased exchange volatility for the second, third and fourth quarter of 2020. After the positive vaccine news and the outcome of the US election (Biden victory), the Mexican peso has seen a gradual recovery against the US dollar.

Mexico IPC Index (MEXBOL)—Index Value



Mexican Peso ($MXNUSD)—Rate Value



Source: Bloomberg. Banco de México (BANXICO)

Mexico (2/2)

What Lies Ahead for 2021

M&A activity: 2020 experienced a pandemic-induced reduction in M&A activity compared to 2019, as approximately 30% fewer deals were closed. While strategic and financial sponsors were active in the market, venture capital and private equities played a key role in driving M&A activity accounting for more than 50% of disclosed deal value. The strongest quarter on quarter reduction (-50%) was observed in Q2, followed by Q3 and Q4 (both -22%). On the bright side however, more than 85 transactions have been announced in 2020 but not completed, indicating a cautiously optimistic deal in the pipeline for 2021. Nonetheless, we expect another volatile year, as further pandemic waves (and the lack of economic stimulus) threaten the livelihood of medium and small businesses, and midterm elections in July could have political implications on deal making that are not yet foreseeable.

Expected impact of recent regulatory changes: The latest central bank bill has aroused controversy; if passed in its current form, Banxico would be required to act as the buyer of last resort for local banks that are having trouble selling their dollars back to the US because of money laundering controls. Mexico's central bank would add the dollars that it bought to its international reserves. Banxico officials have complained that the legislation risks forcing the central bank to buy cash of dubious origin mainly from drug trafficking.

Government's agenda: Since the beginning of the López Obrador administration in December 2018, the Mexican government has engaged in a fight against corruption and the development of a new economic model centered mainly on growth with austerity, a tax reform, no additional debt issuance, independence of the central bank, employment and the strengthening of the domestic market. The new economic model is mostly relying on two large (and controversial) infrastructure projects: the construction of a 340,000 barrel of oil per day oil refinery and the expansion of the national rail system in the Yucatán Peninsula.

Actions	Considerations
Expansion of National Rail System	In May 2020, the current administration began the construction of the Mayan Train, which comprises a 1,500 km passenger and rail line. According to the government, the construction of this train will allow economic development in the south of the country. **Current situation:** under construction.
Construction of Oil Refinery	President López Obrador and his team are encouraging the economic development through the national oil company (Pemex), and in 2019 they started the construction of Dos Bocas oil refinery, with the main objective of increasing the output of refined products. **Current situation:** under construction.
Tax Reform	The tax reform aims to help the government avoid tax evasion and corruption and bring efficiency to the public expenditure. **Current situation:** approved by Congress.
National Anti-Corruption System	In line with the fight against corruption, the government created a new independent entity called National Anticorruption System, which aims to punish the acts of corruption between public officials and other government agencies.
Social/Aid Programs	Since the beginning of the current administration, the government has prioritized different social programs to boost the national economy and to help the people in need. These programs have centered on supporting seniors, students with lack of resources for college and agribusiness.

Source: Bloomberg. National Development Plan, Ministry of Energy

Argentina (1/2)

2020 in Review

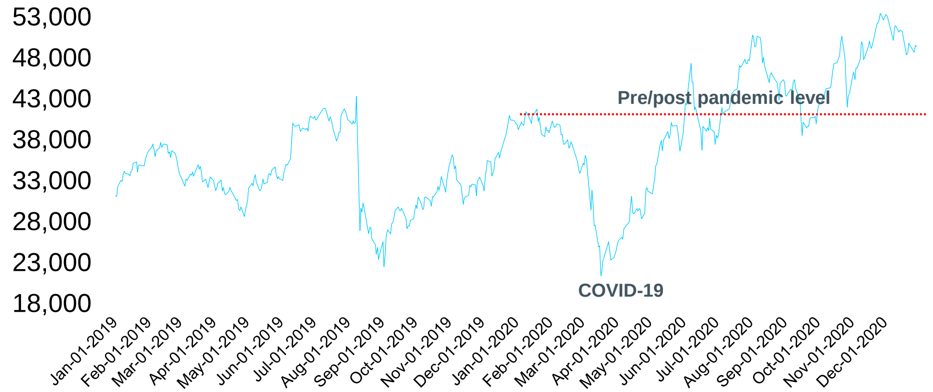
During the first year of Alberto Fernández's mandate in 2020, the COVID-19 health crisis affected Argentina's economy. Fernández imposed a strict national lockdown from March until October. After October, restrictions became more flexible, and every province enforced social distancing measures and other practices according to the situation. Even though some sectors continued to operate on a regular basis many others were not able to do so. According to the National Institute of Statistics and Census of Argentina (INDEC), the long-term consequences to Argentina's industries is yet to be determined. Moreover, new currency controls implemented during the first year of the new Peronist government contributed to the broadening of the black market and the official bank exchange rate.

In November 2020, the MERVAL Index advanced 20.5% in ARS compared to the previous month and 19.2% in USD. Compared to the end of 2019, it increased 31% in ARS and decreased 34.6% in USD. The index registered a higher close of 58.2% ARS and presented a negative variation of 20.8% USD in November 2019.

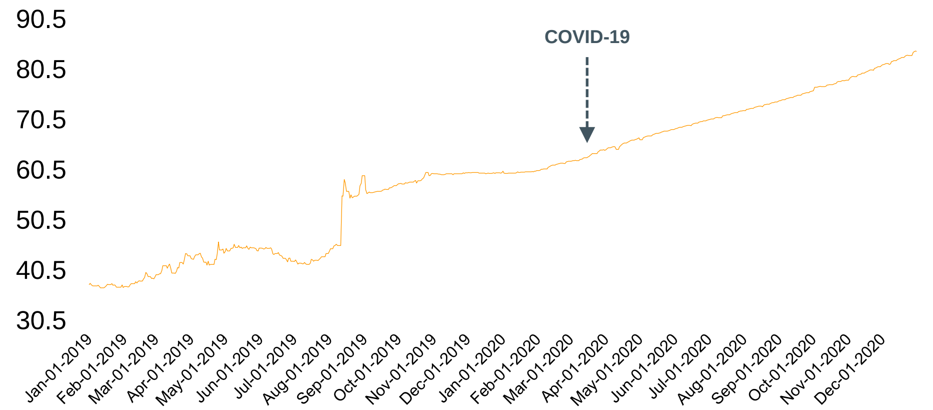
Inflation: The variance of domestic monthly inflation rates is 3,2%. According to the Central Bank of Argentina (BCRA) the annual average inflation for December 2020 will be 36.4%. Private consulting forecasts for the next 12 months present an expected inflation of 52.5%.

Currency: The retail exchange rate closes the year at 1 ARS = 88.92 USD, while the wholesale exchange rate equals 83.36 USD in December 2020. The implicit exchange rate registered a depreciation of 1.1% month-over-month as of November 2020. The BCRA reference USD A 3500 benchmark registered a depreciation of 3.8% the same month.

Argentina Merval Index (^IMV)—Index Value



Argentine Peso ($ARSUSD)—Rate Value



Source: AFIP, BCRA, INDEC, MERVAL

Argentina (2/2)

What Lies Ahead for 2021

M&A activity: M&A activities in Argentina were weak in 2020; the first half of the year saw a 50% decline in the number of transactions compared to the same period in 2019[1]. 2020 was similar to 2019, which was unstable because of elections. M&A transactions entered a more accelerated decline because of the pandemic in 2020. According to the Mergermarket database, the year 2020 saw a 24% decline in the number of deals, totaling 34 transactions, compared to 45 in 2019[1].

IMF negotiations: 2020 closes with negotiations with the IMF on a new program to support the government's economic plan. Moreover, Argentina's government expects to renegotiate the repayments for the USD 44 billion loan from the IMF in 2018. The first repayments are due in September 2021. In August 2020, the government managed to restructure more than USD 66 billion in foreign debt. According to the IMF, gross public debt rose to nearly 90 of GDP at the end of 2019, which is 13 times higher than projected.

Government's agenda: Argentina's government aims to protect its economy in sight of managing the country's fiscal deficit and achieve economic recovery and sustained growth. In this sense, measures such as tax reform, pension reform and an increase in healthcare spending have been the preferred measures to tackle the health crisis impacts to an already damaged economy and reach collection efficiency.

Actions	Considerations
Healthcare Spending	Prioritizing health has been the motto for Argentina. Fernández's administration instituted a lockdown in March that lasted until October under the idea that the country "can recover from a drop in the GDP, but one can't recover from death", which led to a shutdown of the economy. However, this decision resulted in early testing and purchase of Sputnik V as well as AstraZeneca vaccines. Negotiations with Pfizer and Janssen laboratories are in place. Moreover, a consortium of national scientists, biologists, medics, researchers and national universities were able to develop a hyperimmune equine serum therapy for COVID-19 in Argentina To date, the country confirmed 1,799,243 cases of COVID-19, 1,583,465 recovered patients and 45,407 deaths.
Monetary Program	Because of the lack of international funding prospects, Argentina's Central Bank emitted massive amounts of money to cover government programs during 2020 in an attempt to ease deficit problems heightened by the COVID-19 crisis.
Nationalization Program	Following a nationalization attempt of soy giant Vicentin during mid-2020, uncertainty grew among Argentina's private sector, noting similarities with the expropriation of YPF in 2012. President Fernández defended the decision by affirming that "the measure regarding Vicentin was exceptional." He stated that the expropriation occurred because Vicentin was an insolvent company undergoing bankruptcy proceedings and that his administration had no interest in taking control of private companies. However, Fernanda Vallejos, a deputy from the official party, had proposed in May that the state should have "participation in the capital" of the companies it assists with subsides during the COVID-19 health crisis. As she considers to be "unfair for companies with proven ability and resources to pay salaries to capture public resources". The proposal did not move forward.
Pension Reform	Deputies sanctioned a pension reform bill promoted by the government that establishes a quarterly adjustment of pension assets with a formula that combines 50% of National Administration of Social Security (ANSES) revenues with 50% of salary variation index. The opposition unsuccessfully demanded that inflation would also be included in this formula. This new scheme directly impacts more than 18 million people who benefit from ANSES social policies, and in the long-term, retirees may lose an important percentage of their purchasing power.
Tax Reform	As per Law 4659/2020 starting on December 23, 2019, every individual or legal person who resides in Argentina must pay the PAIS tax, a 30% charge to any transaction involving buying or selling foreign currency or the acquisition of foreign services. In addition, on September 16, 2020, a 35% tax was imposed over (1) the acquisition of foreign currency for personal savings (monthly maximum $200), and (2) credit/debit card expenses in foreign currency (which may include services such as Netflix, Spotify and Amazon). The government allegedly stated that contributors will be able to receive a tax return for this tribute during the next fiscal year.

Source: Argentine Government
(1) Mergermarket

Colombia (1/2)

2020 in Review

The COVID-19 pandemic hit Colombia starting in March 2020 and had a significant impact on market fundamentals for the first three quarters of the year. In the second and third quarters of 2020, the economy felt its effects fully, brought on by government-sponsored shutdowns, coupled with a national mandatory quarantine and later locally mandated ones. One of the COVID-19 consequences that affected Colombia the most during the second quarter was the collapse of oil prices because of excess production and demand drop. According to Colombia's Central Bank (BanRep), 2020 GDP is expected to decrease by 7.6%.

To ensure adequate fiscal support, BanRep introduced a broad range of measures to increase liquidity. On the fiscal front, the government introduced a sizable fiscal package of COP 31 trillion (approximately USD 8.8 billion) to provide additional resources for the health system while increasing transfers for vulnerable groups through social programs: Ingreso Solidario, an unconditional cash transfer program, and VAT, reimbursements for low-income segments of the population. Other measures included delayed tax collection in selected industries and lower tariffs for health instrumentation imports.

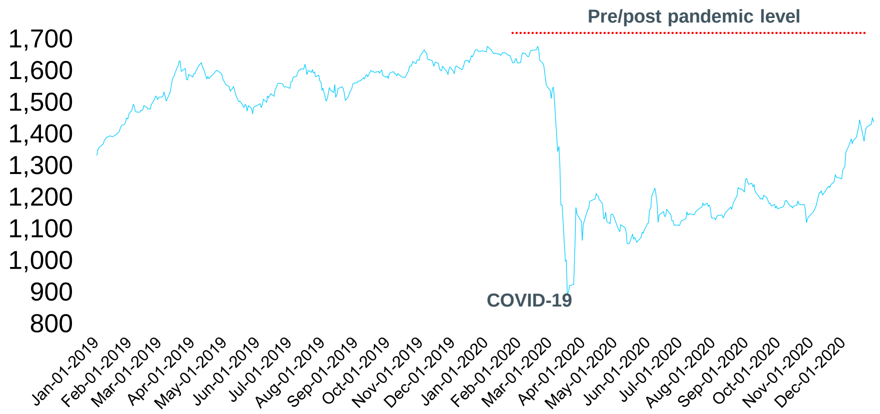
Interest: The BanRep left its key interest rate steady at a record low of 1.75% on November 27, 2020, in line with market forecasts. BanRep indicators showed economic activity is recovering and is expected to continue its recovery in 2021.

Inflation: The National Department of Statistics and the BanRep reported that inflation in December 2020 was 1.61%, compared with 3.80% in December 2019. According to the statistics department, December 2020's figure is the lowest since 1955 in the country's history. According to the BanRep numbers, inflation was above 3% in the first quarter of 2020, inflation remained between 2% and 3% in the second quarter, and the figure dropped below 2% in the third quarter of the year.

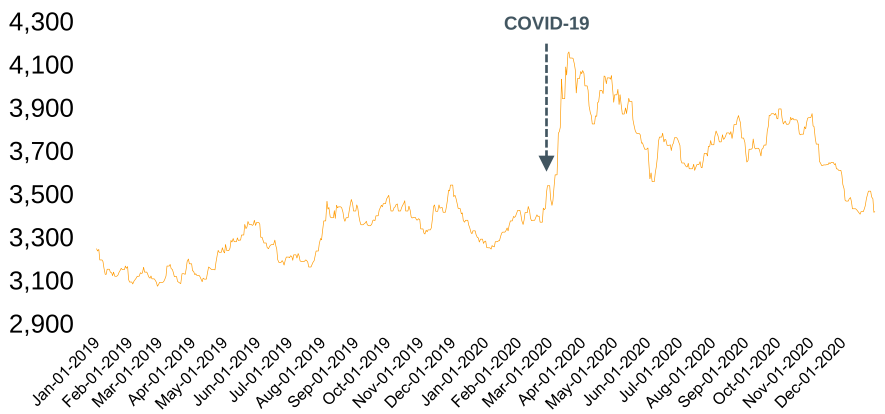
Currency: The Colombian peso dived sharply in early March amid the rapid spread of the coronavirus pandemic and the significant drop in oil prices. During March, the peso hit an all-time low and traded at 4.031 COP = 1 USD, marking a 16.2% depreciation over the same day a month prior. The Colombian peso is ending 2020 at 3,482 COP = 1 USD.

Source: Banco de la Republica de Colombia (BanRep), National Department of Statistics, FocusEconomics

Colombia COLCAP Index (^ICAP)—Index Value



Colombian Peso ($COPUSD)—Rate Value



Colombia (2/2)

What Lies Ahead for 2021

M&A activity: M&A in Colombia decreased 51% in the first half of 2020 and registered 57 operations for USD 2,367 million. The industries with the most M&A transactions were the financial and insurance industries with 44 of the 216 transactions registered. Other industries that were also active on M&A during 2020 were healthcare, IT, agro-industry, energy and pharmaceutical. One of the most important M&A transactions in 2020 was the acquisition of 65% of Wiedii by MD Cloud Practice Solutions, which was valued at USD 140 million. The most significant factors influencing M&A transactions in Colombia over the next two years are likely to include tax benefits and an economic growth during 2021.

Government's agenda: Colombia's Vice Minister of Mines and Energy Miguel Lotero assured that the oil and gas sector will continue to boost the country's economy through 2021 with the Pilot Research Investment Projects that range from USD 400 million to USD 650 million. The oil and gas sector represents 47% of the country's exports, which is 40% more of foreign investment and 80% of the royalties that are distributed within the Colombian territory. In addition, to boost the country's economy, Duque's government is likely to implement tax, pension and labor reforms in 2021, mainly focused on austerity measures for public spending. Finally, the government is expecting the infrastructure sector to provide a boost to the economy in 2021, with a new wave of projects as well as the 2021 restart of several projects that were stalled in 2020.

Actions	Considerations
Anti Corruption Agenda	As President Iván Duque sought to advance anti-corruption reforms following a referendum in August 2018, progress on these measures is unlikely to expedite partially as a result of opposition from the Centro Democrático political party.
Inflation	Although pandemic-related risks will continue to persist, the country's economic recovery is expected to continue in 2021 as inflation dropped to a historic low of 1.5% in November following October's 1.7%. Thus, while inflationary pressures are expected to remain subdued until Q1 2021, they are projected to rise to 2.7% by the end of 2021 and 3.0% by the end of 2022.
Venezuelan Migration	The government generally executes a prudent fiscal policy on the back of the fiscal rule introduced in 2011, which aims to curb the central government deficit to a maximum of 1% of GDP by 2022. Nevertheless, the rule was recently suspended because of the necessary expenditures with Venezuelan refugees (generating concerns that it could prompt to a lax in fiscal discipline in subsequent years). IMF estimates the net fiscal costs associated with the migration crisis will gradually retreat over the next five years with the progressive integration of migrants into the economy.
Fiscal Deficit	Because the country was affected by the fall in oil prices in late April, as oil accounts for 40% of Columbian exports, the fiscal deficit is likely to grow, followed by a slowdown in economic activity, a deterioration of the country's credit rating and a significant decrease in foreign investment.
Economic Recovery	A rebound in growth is expected for 2021—2022, facilitated by the lower interest rate environment and an increase of private consumption growth. The BanRep forecasts a rebound in investment as major infrastructure projects including some 4G roads and the Bogotá metro projects resume in the upcoming year.
Civil Unrest and Labor Unions	Civil unrest is likely to reignite in 2021 if recession deepens and unemployment soars, as most mobilizations paused with the COVID-19 outbreak. Unions will continue to strengthen into 2021, capitalizing on marked discontent with Duque's government, as numerous grievances by unions in transportation, unions of public employees and unions within the extractive industries can cause significant disruption through work stoppages, roadblocks and site blockages.

Chile (1/2)

2020 in Review

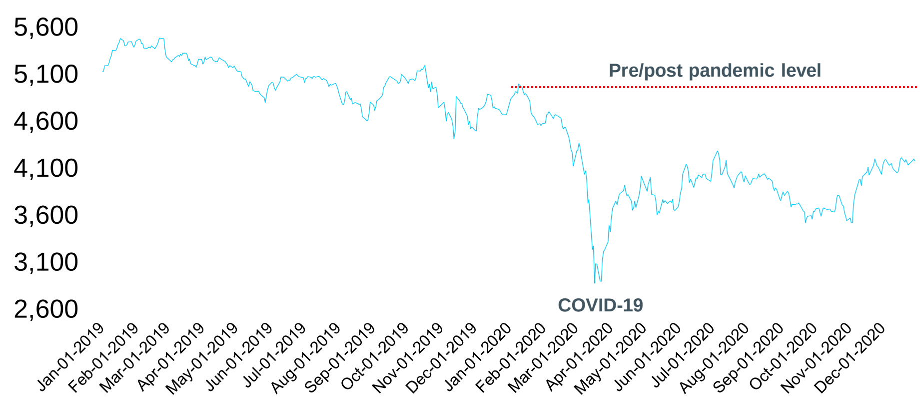
In 2020, the IPSA index of the Santiago Stock Exchange, which is made up of the 30 largest and most liquid companies on the respective stock exchange, suffered a great drop as well as other exchanges in Latin America. The index started the year reaching 4,996.19 points (its high in 2020). However, with the entry of the pandemic in March, it fell to 2,876.03 points (a 58% drop compared to the high score in 2020), also following the fall of Latin American markets. The IPSA index ended 2020 at -13.06%. The Chilean stock exchange had eight public offers in 2020. In addition, Chilean GDP is expected to grow 6% in 2021, a positive result when compared to the expected 6% drop in 2020.

Interest: Since 2019, Chile already had a low interest rate of 1.75%, and in 2020, unlike other markets, its interest rate reached almost zero at 0.5%. In 2021, the interest rate is expected to remain at 0.5%, one of the lowest rates in all emerging markets.

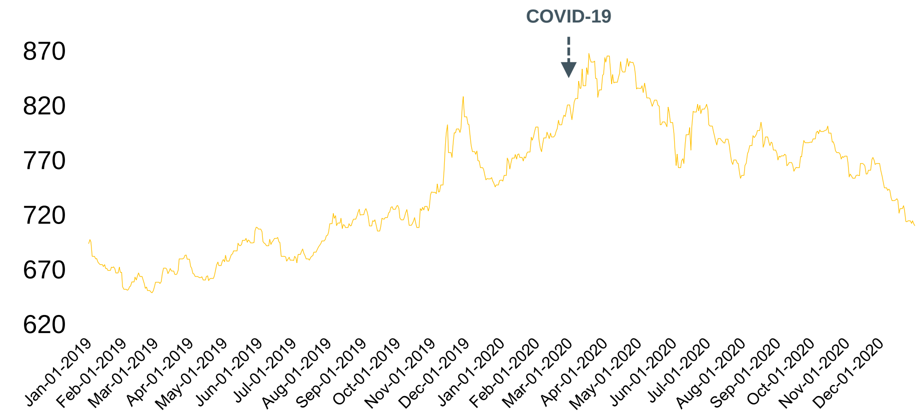
Inflation: In 2020, inflation in Chile ended with the expectation of reaching 2.8%, and it is expected to reach 3% in 2021. With the approval of the economic stimulus plans against the pandemic, inflationary pressure occurred during the last year.

Currency: Despite the dollar's rise in 2020 amid the pandemic, the American currency fell in December, leaving a value of CLP 760.3 at the beginning of the respective month, to close CLP 711.7 at the end of 2020. It is expected that as the evolution of the fight against the pandemic progresses together with economic recovery, the dollar will be in a downward trend in the coming periods.

Chile IPSA Index (^IPSA)—Index Value



Chilean Peso ($CLPUSD)—Rate Value



Source: S&P Capital IQ, Itaú, BTG Pactual, Banco Central de Chile

Chile (2/2)

What Lies Ahead for 2021

M&A activity: 2020 was a year of turmoil for Chile, not only because of the pandemic, but also because of the previous year's protests and unemployment that generated caution and attention. The first half of 2020 saw a 53% decline in the number of transactions compared to the same period in 2019. According to the Mergermarket database, 2020 totaled 40 M&A transactions, compared to 68 in 2019. The transactions that occurred in 2020 are mainly composed of energy and consumer companies[1]. The largest announced transaction in terms of deal value was the acquisition of EGP Américas by Enel Américas for USD 4.9 billion. According to the Deloitte Chile Survey, M&A activity will increase by 43% in 2021.

Government's agenda: Chile is currently experiencing uncertainty, generated mainly by the new constitution. In addition, the country, like the rest of the world, is suffering from the pandemic. The government continues to take measures to minimize the impact, such as emergency aid for the Chilean population, increased unemployment fund and aid for companies.

Actions	Considerations
New Constitution	In 2019 through early 2020, a wave of protests occurred in Chile when the population fought for governmental changes based on social dissatisfaction in the country. The Chilean government responded to the demand for a plebiscite for a new constitution to replace the constitution of the Pinochet era. The plebiscite was approved, and a Constituent Assembly will be formed in April 2021.
Social Reform	The Chilean government in the context of social reform has already implemented and is implementing changes in metro fees, pension reform, stabilization of electricity prices and other projects. Among these projects, the pension reform aims to increase tax expenditures so that the middle class and women have better pensions, as well as improving the pension for the disabled.
Health Plan	The Chilean Government is taking measures such as the creation of a bill that creates insurance against financial fragility in the face of serious illnesses for the middle class. In addition, the expansion of the national health fund aims to reduce the price of medicines to benefit thousands of Chileans.
SME Aid	Assistance for SMEs includes a package of actions and benefits such as credit expansion, free advice on economic matters and extension of payment terms. This package is important in facing the economic impacts caused by COVID-19.
Criminal Law Reform	Law reform in Chile includes a change in the Chilean penal code in response to aggressors who attack public health professionals. In addition, a bill that seeks to facilitate access to legal and psychological assistance for victims of crimes is in the process.

Source: (1) Mergermarket,
Chile Government website

LatAm by the Numbers*

	Brazil		Mexico		Argentina		Colombia		Chile	
	2020P	2021P	2020P	2021P	2020P	2021P	2020P	2021P	2020P	2021P
Inflation (%) Median	4.4	3.3	3.6	3.2	37.0	50.0	1.5	3.0	2.8	3.0
Exchange Rate EOP (Local Currency/USD)	*BRL* 5.25	*BRL* 4.75	*MXN* 20.0	*MXN* 19.0	*ARS 85.0*	*ARS 125.0*	*COP 3470*	*COP 3560*	*CLP 745*	*CLP 760*
Nominal Interest Rate (%) EOP	2.0	3.5	4.25	3.5	34.0	34.0	1.75	2.0	0.5	0.5
Nominal GDP (USD bn)	1,461	1,706	1,075	1,276	379	398	274	307	242	273
Real GDP Growth (% – Market prices)	-4.1	4.0	-9.0	4.0	-11.0	4.5	-7.0	5.0	-6.0	6.0
Trade Balance (USD bn) – EOP	60	70	34.0	15.0	15.0	14.5	-6.5	-7.5	15.0	9.0
Direct Investments (% GDP)	3.4	3.2	2.0	2.2	1.0	1.0	2.7	3.7	3.7	2.7
International Reserves (USD bn)	357	357	195	196	38.5	38.5	60	61.5	37	37
Gross Public Debt (% GDP)	88.8	83.8	53.5	52.6	114.0	114.4	66.5	66.7	N/A	N/A
Primary Result (% GDP)	-10.6	-2.1	0.2	0.0	N/A	N/A	-8.9	-6.5	-8.4	-4.4
Unemployment – % EOP	15.3	15.3	4.8	4.6	12.2	11.5	16.5	14.0	10.4	8.7

Source: IMF, Bloomberg, IBGE, INEGI, Banxico, Banco Central, INDEC, Dane, Banrep, BCB, BCCh, INE, Haver and Itaú
(*) as of December 2020

This material expects to bring a general perspective for the key countries in Latin America (LatAm). Brazil, Mexico, Argentina, Colombia and Chile represent +60% of the region's GDP and are the countries analyzed.

Middle-Market M&A Ranking

Top Ranked U.S. Middle-Market M&A Advisor

Firm	No. of Deals	Rank
Houlihan Lokey	1,505	1
Piper Sandler & Co	1,023	2
Stifel/KBW	788	3
Raymond James Financial Inc	747	4
Duff & Phelps	**598**	**5**
Jefferies LLC	575	6
Lincoln International	567	7
William Blair & Co	531	8
Goldman Sachs & Co	530	9
Moelis & Co	511	10

Source: Thomson Financial Securities Data (U.S. deals $10M < $150M, including deals without a disclosed value). Full years 2011 through 2020.

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