ABOUT THE DATA

2020 LAVCA Industry Data & Analysis summarizes the results of the Association for Private Capital Investment in Latin America’s (LAVCA) twelfth annual survey of fund management firms active in Latin America and the Caribbean. The survey was conducted in December 2019 and January/February 2020. It also includes historical data on fundraising and investments drawn from available sources.

Over 400 firms participated in this year’s survey, representing a broad spectrum of fund management firms investing through global emerging market funds as well as funds investing deals in local Latin American markets. Approximately 29% of the respondents were firms headquartered in Brazil, followed by Mexico and Chile (27% and 6% respectively). This year, 79% of transactions were confirmed with primary sources. Also, 91% of the deals provided financial details of the transactions (or a range of the investment size). Survey responses were carefully compared against a range of indices and data sources.

LAVCA Industry Data represents the most comprehensive and accurate source of regional industry data on private equity and venture capital investment available to date and has been designed for use in investor presentations, media reports, and conferences.

DISCLAIMER

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MARKET ANALYSIS

Brazil accounted once again for the largest share of PE/VC deployed in the region, receiving 58% of all capital invested in Latin America. The country marked a record year for investment with 276 deals capturing US$6.1b, as compared to US$3b and US$4.1b invested in 2018 and 2017, respectively. PE/VC investment in Brazil was strengthened by rising investor confidence underpinned by pension reform and regulatory changes.

Brazilian PE investments were concentrated in consumer/retail and information technology. The Carlyle Group made a minority investment in restaurant chain Grupo Madero for US$185m, while Patria Investimentos and San Francisco Employees’ Retirement System co-invested approximately US$126m in fitness center network Smart Fit. In information technology, SoftBank acquired shares worth US$344m in online lender Banco Inter, and Singapore fund GIC and General Atlantic made an undisclosed investment in online education platform Hotmart.

Other notable deals in 2019 included Brookfield Asset Management and Digital Realty’s acquisition of data center operator Acenty for an enterprise value of US$1.8b, Patria Investimentos’ joint venture with Shell and Mitsubishi Hitachi Power Systems to build and operate thermal power plant Marlim Azul for US$700m, and H.I.G. Capital’s acquisition of glassware manufacturer Nadir Figueiredo for US$224m.

It is worth noting that favorable regulatory changes meant to foster competition in the payment services chain bolstered investment in companies providing financial services to Brazilian consumers and small and medium-sized enterprises. In fact, Brazilian fintechs captured US$1.9b in 2019—nearly 20% of all capital deployed—making it the largest single business segment for PE/VC investment in the country.

Mexico captured PE/VC investment totaling US$1.1b committed across 115 deals. The consumer/retail sector received US$200m across six deals including L Catterton’s investment in restaurant holding company Grupo MYT and Alta Growth Capital and Nexxus Capital’s investment in Grupo Turistore, a retail chain holding company. Mexico also continued to develop its renewable energy assets, with BlackRock’s investment in the Aguascalientes Solar Power Plant.

Argentina received US$1b across 34 deals, a strong showing for the market based on historical data. In the information technology sector, Advent International took a 51% stake in established payments company Prisma Medios de Pago in a deal that valued the company at US$1.42b. In oil & gas, Southern Cross Group and Riverstone invested US$160m to create shale excavation company Aleph which will be tasked with exploring the Vaca Muerta shale gas deposit. In the consumer/retail sector, L Catterton completed two investments in wine producers Susana Balbo Wines and Bodega Luigi Bosca. Argentina received US$1b across 34 deals, a strong showing for the market based on historical data.

Investments in the Andean Region generated US$2b across 102 deals. A US$1b investment round in Colombian delivery startup Rappi led by SoftBank positioned...
Notes
a. 1993 - 2007 figures are based on VE-LA reports. 2008 -2011 are based on LAVCA industry surveys.

Argentina received a record US$290m in VC investment across 29 startups. SoftBank and Tencent invested US$150m in a Series C expansion round for fintech mobile banking app Ualá. Riverwood Capital completed a US$50m investment in satellite logistics company Satellogic. Lastly, SP Ventures, Techline Capital, and ACRE Capital committed US$23m into fintech company Agrofy.

The VC ecosystem in Latin America has grown steadily over the last several years with several local fund managers establishing themselves as successful early stage investors. Historically, there was a funding gap after the Series A round. Players like Riverwood Capital, General Atlantic, SoftBank and others have stepped in, allowing for a more resourced development of startups in the region.

EXITS

Exits in Latin America totaled US$6.5b across 82 partial or full divestments, representing the best year since 2011 and the second-best year overall in LAVCA statistics. Share sales, follow on share offerings, and IPOs accounted for US$2.7b in proceeds generated from 14 divestments, making public market operations the dominant path to liquidity in 2019.

Strategic sales generated US$2.6b through 39 acquisitions by both regional and international buyers. International purchasers participating in strategic acquisitions included the China General Nuclear Group, Groupement des Mines of Canada, ORPEA of France, Deutsche Erdoel and Krispy Kreme from the US.

Brazil continued to be the most active exit market with US$4.8b generated across 47 exits. Bain Capital continued to drawdown its stake after the successful IPO of healthcare conglomerate NotreDame Intermédica in 2018, garnering a further US$1b in two separate share sales in 2019. Additionally, in the healthcare sector, Advent International and Essex Woodlands sold its 51% stake in Brazilian pharmaceutical company Biotoscana to Knight Therapeutics of Canada for US$145m and Gávea Investimentos successfully exited healthcare provider Grupo São Francisco in a sale to Brazilian healthcare company Hapvida.

Public market offerings were the dominant path to liquidity for PE/VC Investors in 2019.

Consolidation is occurring within the healthcare and life sciences sector in Brazil largely through strategic sales and mergers and acquisitions. Brazilian healthcare providers are actively seeking opportunities to expand their coverage and offerings in response to middle class demand.

Other notable exits include the IPO of Brazilian Asset Manager XP Investimentos, which raised over US$2b on the NASDAQ. General Atlantic divested shares garnering US$354m as part of the listing. Elsewhere in the financial services sector, both Principia Capital and Victoria Capital separately sold their stakes in student loan provider Pravaler to Itaú Unibanco.