M&A trends in 2024

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2023 was a year of uncertainty in the global political and macroeconomic scenario, leading to a fall in merger and acquisition transactions in Brazil of about 22% over 2022, according to TTR Data. What were the factors that influenced this decline, and what can we expect for 2024?

Circumstances like a new federal government in Brazil, deepening international conflicts, global inflation and rising interest rates drove the decline in M&A transactions last year.

Mismatches between potential buyers, with reduced appetite for risk, and sellers, who had expectations based on the value of past transactions, meant that even when transactions were initiated, they did not progress beyond the due diligence phase, as buyers became more stringent about the assets they acquired, and turned to lower-risk investments.

Despite the continuing ambiguity at the macroeconomic level, and fewer transactions in January 2024 than in the same period last year (according to TTR Data), the market's outlook for 2024 is hopeful, in view of signs that the world economy is recovering.

In Brazil, 2023 saw a record in foreign investment, according to the survey conducted by Seneca Evercore and published in the financial news magazine Valor Econômico, signaling a positive perception internationally in relation to Brazilian market. Given that in December 2023 S&P Global Ratings raised Brazil's credit rating, the country should continue to attract foreign investors and consolidate the trend begun last year.

Another trend that seems to have come to stay is business combinations between listed companies, with a number of transactions announced for 2024. Although these transactions offer the companies involved an opportunity for inorganic growth without capital outlay, they require additional care since they are negotiated directly between the companies' managements, without the possibility for adjustments in the exchange ratio or indemnification for losses occurring subsequently, due to free float volatility. In the current scenario, caution is called for in various aspects of the deal, such as the treatment of confidential information, contractual negotiations that respect both management's duties and shareholders' interests, and confirmatory due diligence, even when information on the companies involved is publicly available.

Some sectors remained attractive, such as infrastructure, renewable energy, health, technology, services and real estate (especially shopping centers), and these sectors can be expected to show continued M&A activity in 2024.

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