

Latin American IPOs could raise more than \$20 billion this year

BY JOACHIM BAMRUD

Despite the decision by Brazilian cement maker Votorantim Cimentos to suspend its planned IPO, Latin America is seeing a record number of other offerings. So far this year, the region has seen IPOs worth more than \$10.9 billion, with another \$3.6 billion in IPOs coming up, according to a *Latinvex* analysis. And that number excludes the potential \$7 billion Telefonica Latin America IPO.

"2013 will be remembered as a very good year for the IPO market in LatAm," says **Juan Pablo Cappello**, a shareholder at Greenberg Traurig who has advised on several Latin American IPOs. "That said there are some wild cards that could make 2013 an amazing year. First, Telefonica's planned LatAm IPO, which was recently put on hold but could relaunch at any point. Second, two IPOs that could come out of Mexico, each of which could be very large."

Latin American IPOs this year include the \$5.7 billion share sale of BB Seguridade, the insurance unit of Brazilian bank Banco do Brasil, in what became the world's largest IPO so far. At the end of April, Latin America only lagged North America in global IPO share, according to Renaissance Capital.

BRAZIL

Brazil leads in IPO value in Latin American this year, even though it has had fewer than Mexico.

"2013 represents a sort of revival of the IPO market for Brazil compared to the three IPOs that were completed in 2012," says **Manuel Garciadiaz**, a partner in Davis Polk's Corporate Department who divides his time between Brazil and New York. He advised the underwriters on the BB Seguridade IPO and has also advised on previous years' IPOs such as the 2009 Santander Brasil \$7.6 billion IPO and the 2008 OGX Petróleo e Gás \$4.1 billion IPO.

April was an especially impressive month. In addition to BB Seguridade, Biosev, Smiles and Alupar Investimento also raised nearly \$1.4 billion through IPOs.

Sugarcane processor Biosev – a unit of French commodities giant Louis Dreyfus Corp – raised \$407 million in an unusual offer that offered a money-back guarantee to allay investor concerns about Brazil's capital markets.

Biosev's legal advisors included US law firm Simpson, Thacher and Brazilian firms Mattos Filho, Veiga Filho, Marrey Jr e Quiroga Advogados. The Simpson Thacher team for this transaction included Todd Crider, Grenfel S. Calheiros, Thiago Spercel, Caetano Altafin Cunha and Francesco Giuliano (Corporate – Brazil office); and Robert Holo and Devin J. Heckman (Tax).



The \$950 million IPO of retailer Sanborns was the largest in Mexico and second-largest in Latin America this year. (Photo: Grupo Carso)



IPO advisers: Roderick Branch at Latham & Watkins and Antonia Stolper at Shearman & Sterling. Juan Pablo Cappello from Greenberg Traurig expects several mega-IPOs this year.

Smiles, the frequent-flier program of Brazilian airline Gol Linhas Aereas, raised 1.13 billion reais (\$564.7 million), while electricity company Alupar Investimento raised 851 million reais (\$421 million). The Miami office of White & Case LLP and Brazil's Mattos Filho, Veiga Filho, Marrey Jr e Quiroga Advogados advised Alupar, according to LatinLawyer.

While IPO activity in the first half of the year in Brazil was dominated by BB Seguridade and Votorantim, the second half will likely see a slightly larger number of deals from varied sectors, Garciadiaz predicts.

The decision by Votorantim Cimentos to suspend its planned \$4.8 billion IPO – originally scheduled for today – came as market conditions worsened over the past few days and the company feared it would have to sell below the suggested price range of 16 to 19 reais, according to Reuters. The IPO could still happen at a later date and other Brazilian companies are expected to move ahead with their share sales.

Credit Suisse estimates that companies in Brazil could raise between \$12 billion and \$15 billion from IPOs this year, according to [Reuters](#). “Brazil in the past five years has rarely failed to surprise,” Cappello says. “The capital markets continue to look favorably at Brazilian companies.”

MEXICO

Mexico also has seen a growing number of IPOs and outperformed Brazil in the number of share offerings, if not their complete value.

“IPO activity in Mexico has started off strong and should continue, driven in part by a number of REIT IPOs,” Garciadiaz says.

In February, Grupo Sanborns – the retail unit of billionaire Carlos Slim's Grupo Carso – raised 12.09 billion pesos (\$950 million) through an IPO. Cleary Gottlieb acted as counsel.

In March, Terrafina – a unit of Prudential Real Estate Investors – raised \$765 million in its IPO. Cleary Gottlieb acted as counsel. Meanwhile, Shearman & Sterling represented Citigroup Global Markets Inc., Goldman, Sachs & Co. and HSBC Securities (USA) Inc. – the financial advisors on the IPO. The Shearman & Sterling team that handled the IPO included partner [Antonia Stolper](#) (New York–Capital Markets) and associates Christine Kim (New York–Capital Markets), Jeffrey Tate (Washington, DC–Tax) and Antonio Herrera Cuevas (San Francisco–Capital Markets). The Shearman & Sterling real estate team that handled the credit facility included partner [Malcolm K. Montgomery](#) (New York–Real Estate) and associates Elizabeth Martialay (New York–Real Estate) and Adam Rahal (New York–Real Estate).

In March, Infraestructura Energética Nova – a unit of U.S. energy company Sempra Energy – raised \$600 million in the first ever IPO by a Mexican energy company. Latham & Watkins and Cleary Gottlieb acted as counsel. The Latham & Watkins LLP team that advised IEnova on US law matters was led by partner [Roderick Branch](#) and counsel [Michael Sullivan](#), with associates [Matthew Grant](#) and [Max Kamer](#).

In March, Fibra Inn raised \$318 million through a global IPO in the United States and Mexico. DLA Piper advised Fibra Inn on the IPO. The DLA Piper team representing Fibra Inn on the Mexican public offering was led in Mexico City by [Guillermo Uribe](#) and included [Adrián Gay](#), [Jorge González](#), [Mirna Ordaz](#), [Santiago Soldevilla](#) and [Luis Álvarez](#). The DLA Piper team representing Fibra Inn on the international offering was led in the United States by [Christopher Paci](#) in New York and [Christine Lehr](#) in Raleigh and included [Gerald Rokoff](#), [Lou Anne McInnis](#) and [Frank Mugabi](#) in New York, [Daniel Gunter](#) and [Abigail Jeck](#) in Raleigh, [Joseph Hugg](#) in Boston and [Chris Edwards](#) in Baltimore.

In January, Pepsi bottler Cultiba raised \$310 million and last week, City Express – Mexico's third-largest hotel chain – raised \$200 million.

"There is chatter in the market about two "emblematic" IPOs that will come out of Mexico that shift some attention from Brazil," Cappello says. "Mexico has been overshadowed by Brazil in the past few years. The next 12 months might change that dynamic."

COMING UP

Meanwhile, a slate of other IPOs are coming up. Mexican carrier Interjet, a unit of ABC, plans to raise as much as \$1 billion through an IPO this year after cancelling its original plans for a share sale in 2011, according to [Bloomberg](#).

Spanish telecommunications carrier Telefonica is planning an IPO of its Colombia unit which could raise as much as 500 million euros (\$651 million), according to analysts.

And there's also still speculation that Telefonica could revive its earlier plans for a Latin American IPO that could raise as much as \$7 billion. Telefonica officials say it's still on hold, but could be ready within a few months if the need arose, according to [Reuters](#).

Brazilian low cost airline Azul aims to raise about 1 billion reais (\$487.8 million) through listings in Brazil and the United States, according to [Reuters](#). Another low-cost airline, Mexico's Volaris, also plans to raise funds through an IPO. The carrier hopes to raise \$400 in a global IPO, of which \$100 is planned to be raised through the New York Stock Exchange and the remainder in Mexico.

Meanwhile, Peru's construction company Grana y Montero also plans to raise \$400 through an IPO in the United States. That would make it only the fourth Peruvian company to be listed in New York (the others are Buenaventura, Credicorp and Cementos Pacasmayo).

Colombian banking group Grupo Aval is also planning a \$100 million IPO in New York, while Chilean hotel group Hoteles Atton is planning a \$100 million IPO locally, according to [Diario Financiero](#).

CPFL Renováveis, a unit of Brazilian utility CPFL Energia, is also planning an IPO after cancelling its original plans in October last year. At the time, it had sought to raise up to 1 billion reais (\$495 million) with the IPO, according to [Reuters](#).

There are also several other IPOs where no price has been revealed yet. They include Grupo Multi Holding, Brazil's largest English school chain, and Unidas SA, Brazil's second-biggest car-rental company. Both will be offered – possibly this year – through Itau Unibanco Holding SA's investment boutique, Kinea Investimentos, according to [Bloomberg](#).

FINANCE AND TECHNOLOGY

Garciadiaz expects to see increased IPO activity in the consumer and financial institution sectors.

Meanwhile, Cappello believes Latin America will start seeing more technology IPOs beyond Telefonica. "The next big story for IPOs in LatAm will be the tech sector," he says. "Mercadolibre share price has surged. There are a number of established tech companies positioning to get to market in the next 6–18 months."

In terms of country markets, Peru and Colombia continue to stand out in the region in terms of IPO potential, Garciadiaz says.

"The drivers to market interest in the LatAm market remain Latin America's growing middle class, rising income levels and low domestic unemployment," Cappello says. "Any market in the region where gov't intervention is not viewed as a threat will remain attractive."