

Colombia highlights

Global Capital Confidence Barometer



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A message from Andres Gavenda, Latam North Region Deputy,
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M&A rebounds as a pro-business government reignites confidence in Colombia

At the time of our last *Capital Confidence Barometer*, Colombia was in the middle of elections. It was a time of uncertainty as two candidates from opposite ends of the political spectrum squared off. M&A intentions fell to 33% from 68% six months previous, even as respondents expressed optimism in macroeconomic indicators.

The current CCB results are in and with President Iván Duque now leading a pro-business majority government, Colombian corporate confidence has rebounded, as 51% of executives indicate they expect to pursue acquisitions in the next 12 months. Similarly, expectations around pipeline and completions have seen significant improvements, with 54% expecting increases in both, vs. 11% six months ago.

Yet, even as confidence returns, Colombian executives are keeping a close eye on the new government's policy intentions. Proposed tax reforms, even if they may be good for business, and other policy initiatives have 38% indicating that regulatory and policy uncertainty pose the greatest near-term risks to their growth objective; 51% see this uncertainty as the biggest risk to dealmaking.

These policy uncertainties, as well as increasing trade tensions globally, have Colombian executives re-examining strategic and financial criteria more frequently; 57% indicate they review portfolios annually, and 58% are stress-testing their strategies annually or more frequently to prepare for multiple scenarios. More than three-quarters (76%) have identified assets ripe for divestment through regular portfolio reviews.

Policy uncertainties notwithstanding, Colombian executives are feeling bullish about the domestic M&A market, with 89% expecting it to improve over the next 12 months. With record dry powder, 44% say they expect private equity to emerge as a dominant player in the M&A market. At the same time, 31% expect cross-sector M&A to take center stage as Colombian corporates look for technology and digital assets to remain agile in the face of unending disruption. With growth expected and elections behind them, Colombian companies are looking to get off the sidelines and back into the M&A market.

Macroeconomic and external environment

Strong corporate earnings and open-credit markets point to a continued upswing in equity markets.

73%

see the local economy as improving.

54%

see corporate earnings improving.

51%

expect the M&A market to improve.

Buy and integrate

Executives see the M&A cycle continuing at elevated levels. While some executives look to pause their dealmaking, for others, M&A remains an imperative. Identification and realization of synergies are at the center of M&A value creation.

51%

expect to actively pursue acquisitions in the next year.

54%

are starting integration planning earlier.

51%

say they achieved lower synergies than anticipated in their most recent deal.

Major M&A themes

Trade and tariff issues are compelling some executives to pause their M&A plans. Private equity is seen to be a major influence in near-term dealmaking, and cross-sector dealmaking is on the rise.

51%

cite regulation and policy uncertainty as the biggest potential risks to dealmaking.

31%

see an increase in cross-sector M&A driven by technology and digital.

52%

expect more competition for assets from private equity buyers.

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