



Building a better
working world

Argentina highlights

Capital Confidence Barometer



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Improving confidence in the local economy boosts M&A activity as well as organic growth opportunities

Based on the latest *Capital Confidence Barometer*, Argentine companies are feeling optimistic about the shape their domestic economy is taking. Supporting this positive sentiment, we're seeing an increasing appetite for M&A and increasing efforts to improve companies' existing operations.

Recent Argentine midterm elections delivered victories for President Macri in key districts, helping to strengthen his hand in executing economic plans he deems necessary to improve the country's economy and competitiveness. Our *Barometer* respondents appear to welcome the direction of this economic revival plan, as nearly two-thirds (63%) of Argentine executives see the local economy improving – a 20-percentage-point increase from a year ago.

This confidence is supported by strong economic fundamentals across the board. Executives report an improved outlook for corporate earnings and short-term market stability – sentiment around these factors is up by more than one-third from our last *Barometer*, in April.

This rising confidence in Argentina's outlook is generating momentum for M&A: 70% say they expect to pursue deals in the next 12 months. Healthy deal pipelines, coupled with the return of private equity as a major player in the M&A market, are expected to propel dealmaking further. Almost two-thirds (63%) of Argentine executives anticipate the M&A market improving over the course of the coming year.

Even as Argentine companies actively pursue M&A as part of their broader growth strategy, the strong local economy will also provide a boost to organic growth. In the coming year, 70% of Argentine executives indicate that they are focused on existing operations and products.

At the boardroom level, digital disruption dominates the conversation. Asked about the primary disruptive forces affecting their sectors, a combined 60% of Argentinian executives cite the impact of digital technology on their business models and threats from digitally enabled competitors.

Given these pressures, more than three-quarters of Argentine respondents say they are taking a proactive approach to addressing the impact of digital disruption on their business models. And half say they are proactively responding to threats from digitally enabled competitors and start-ups. Among the range of options to address these issues, a majority of Argentine executives are both acquiring digital capabilities and entering into joint ventures (JVs) to drive their digital transformation.

As Argentine companies look ahead and consider multiple future scenarios, a majority are seeking to future-proof their businesses through corporate venture capital (CVC) investments; in fact, 62% are committing up to 10% of their planned acquisition capital toward CVC investments. A plurality of respondents say the primary driver for this CVC activity is to gain access to new capabilities and technologies.

In all cases – in Argentina, as in the rest of the world – the goal of corporate leaders is to stay one step ahead of the disruption that offers a wealth of both opportunity and risks.

Argentina highlights



63%

see the local economy as **improving**



63%

see the M&A market as **improving**



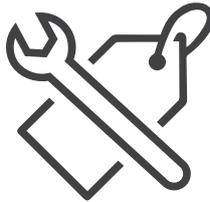
70%

intend to **pursue acquisitions**



33%

expect increasing competition for assets from private equity



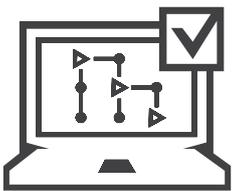
63%

are anticipating the full range of **integration challenges and opportunities** ahead of the deal



60%

see short-term market stability **improving**



77%

take proactive measures to **counter the impact of digital transformation** on their business model



59%

are **buying, forming alliances or creating JVs** with digital companies to improve digital capabilities



46%

are **developing corporate venture capital arms** to drive better access to new capabilities and technologies

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EYG no. 06619-171Gb1

1709-2410424

ED None

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