MEXICO

Vol. 2

TRANSACTIONAL IMPACT MONITOR

Special Report

24 July 2020

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Transactional Track Record

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TTR SPECIAL REPORT

TTR's Transactional Impact Monitor is a Special Report combining local knowledge and market visibility from top dealmakers developed to address extraordinary situations affecting the macroeconomic stability and M&A outlook in core markets

Index

Transactional Impact Monitor: Mexico

24 July 2020

On 1 July 2020, the United States-Mexico-Canada Agreement (USMCA) went into effect, replacing the North American Free Trade Agreement signed in 1994. The pact reset the commercial relationship between the three North American nations and reaffirmed Mexico's preferential trade partner status. The visit of Mexican President Andrés Manuel López Obrador, popularly known as AMLO, to Washington a week later to celebrate the signing of the accord demonstrated that the relationship between the two nations isn't as tenuous as either leader has depicted in their rhetoric, and underscored the co-dependence that unites both countries.

In their response to the threat of a pandemic, the two leaders have exhibited a remarkably similar attitude: dismissive, contradictory and aloof. Both Mexico and the US have rapidly increased testing for Covid-19 in recent weeks, after initially limiting testing to government labs in March and April. Where the two countries have differed most in their response to the threat of pandemic, is in the release of public funds to shore up liquidity in the markets, with the US distributing trillions of dollars with little oversight or accountability, and Mexico essentially leaving the private sector to fend for itself. Concern over the impact of job losses on the economy is mounting in both countries, alongside a surge in announced Covid-19 cases that puts the US at the top of the chart, followed by Brazil, with Mexico seventh globally, according to official stats.

The outlook at the beginning of 2020 was good, there was a lot of anticipation associated with the new free trade agreement between Mexico, the US and Canada, but there was also uncertainty, said Greenberg Traurig Shareholder Arturo Pérez-Estrada. The private sector was still jarred after Mexico City's new airport project was scrapped, but there was cautious optimism after a slow year for M&A leading up to AMLO's election, and the transactional market had begun to stabilize, with an improving pipeline of deals.

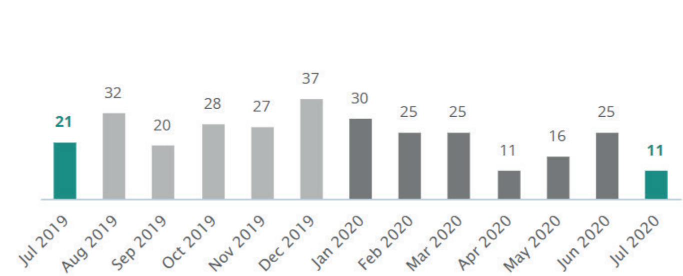
The private sector had a tough time shaking off the jitters after AMLO's election, agreed fellow Greenberg Traurig Shareholder Víctor Manuel Frías Garcés, as Mexico's largest companies are accustomed to a cozy relationship with government, and it quickly became apparent that this administration wouldn't nurture such ties.

The pipeline of new investments in the country was sparse, as foreign investors remained reserved, but companies that already had a presence in the country were sticking to their plans, Frías said. "We were facing an outlook of slow economic growth. The government's policies were not directed towards the strata that promotes M&A," Frías noted.

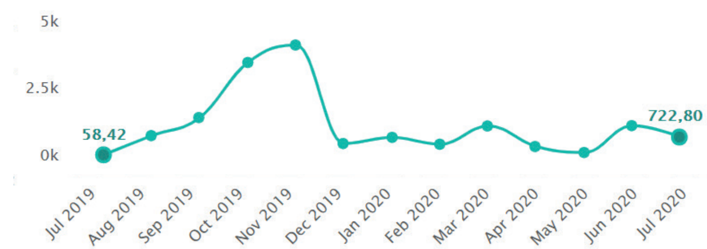
Deal Volume and Aggregate Value in Mexico

1 July 2019 - 24 July 2020

Deal Volume



Aggregate Value (USDm)



Source: *TTR - Transactional Track Record*

Since March, the economy has gone from slow to stagnant, overall, similar to what has happened in other markets, particularly in the US, and companies have become very conservative in the face of weak signals of support from the Mexican government, Pérez-Estrada said. The majority of companies have been reorganizing themselves and have put their expansion plans on hold, he added. "The signing of the new free trade agreement was good news, and of course there will be winners in the downturn, from e-commerce to last-mile logistics and manufacturers of health and cleaning products, but almost everybody else is facing obstacles and preserving cash," Pérez-Estrada said.

M&A DEAL VOLUME AND AGGREGATE VALUE
(YTD 1 January - 24 July)

2020		
Aggregate value (USDm):	4,689	▼ 42.06%
Transaction Volume:	143	▼ 18.29%

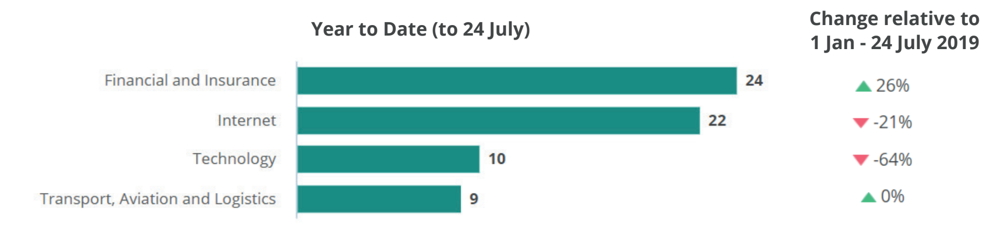
▲▼ % All the percentages represent a variation relative to the same period the previous year.

Source: *TTR - Transactional Track Record*

M&A OUTLOOK

Deal volume has fallen by 18% YTD in Mexico, while aggregate deal value is down 42%. Transaction volume trended upwards from a low of just 11 deals in April, with 16 deals in May and 25 in June, but it looks to be a weak July with just 11 deals by the third week, according to TTR data. Financial services is the most active subsector for M&A, with volume up 26% over the same period in 2019,

Leading Subsectors by Deal Volume



Source: *TTR - Transactional Track Record*

while Internet deals, which represent the second-most-active subsector, have fallen 21%. Technology follows, with volume down 64%, and then transport and logistics, which is on par with deal volume in the corresponding period of 2019. Acquisitions led by US-based buyers are down just 6% YTD relative to the same period in 2019, TTR data show.

"We endured several months with very little activity," Seale & Associates Managing Director Sergio García del Bosque told TTR in reference to 2Q20. The recent slump came on the heels of a period of political uncertainty, which AMLO, brought to the presidency, and his conduct since

1 Jan - 24 Jul	*Inbound M&A Volume from the US*
2020	30 (▼ 6.25%)
2019	71 (▲ 14.52%)
2018	62 (▲ 29.17%)
2017	48 (▲ 6.67%)
2016	45 (--)

▲▼ % All the percentages represent a variation relative to the same period the previous year.

Source: *TTR - Transactional Track Record*

taking office in December 2018, has not inspired investor confidence, García said. Mexico accounts for about 40% of Seale & Associates' deal flow, with another 40% in the US and 20% in other markets around the world, he noted.

"Over the past few months, we've seen situations unlike anything we've ever witnessed in Mexico's history," said PC Capital Managing Director and Co-Founder Pablo Coballasi.

"Where M&A is concerned, we're undoubtedly seeing an interesting period ahead," Coballasi added, even if deal volume is down by double digits and the aggregate value of M&A deals in the country has fallen by almost 50% YTD. "We're still seeing strong investment interest, and there are still opportunities to do some very interesting deals," Coballasi noted.

"What we're seeing today certainly helps push negotiations towards deal closings, for both buyers and sellers, as expectations are becoming more aligned in the context of a more sober outlook that has tempered growth in all but a few industries," Coballasi said.

The sale of an important pawn shop chain to First Cash Financial Services subsidiary First Cash Empeño, which closed on 31 March with PC Capital advising the seller, is a clear example of how investor interest from abroad has not waned, despite the challenges Mexico faces, Coballasi said.

That investment thesis, where established players with significant cash reserves are confident to deepen their presence in the Mexican market is something PC Capital is seeing among foreign and domestic bidders alike, he said.

Even sellers that may not have been in a strong position to attract bids in an environment of growth now find they can attract buyer interest, Coballasi said. "If you had a company that in the past was struggling financially, it may have been difficult to attract a buyer, since bidders would have been more focused on companies that were growing, to benefit from that growth," he said. "Today, the world is different, however, and in the current environment, where few companies are growing, peers have an incentive to team up to face the challenges together, benefit from economies of scale, lower costs and improve profitability with lower overhead," he noted.

"We're also seeing well-capitalized Mexican companies looking abroad for acquisitions in the US and in the EU, taking advantage of low valuations across the board in industries that have demonstrated resilience and those that are certain to bounce back," Coballasi said. Mexican companies in the entertainment, advertising, retail and automotive industries are among those that are looking at opportunistic deals abroad, he said.

"We've seen some winner in food delivery and consumer products," García noted. Transactions led by financial investors are complicated, while strategic investors are focused on survival, he said. "We've seen increasing activity in recent weeks, however, and the phone hasn't stopped ringing," he noted, with the sharp rise in bankruptcy-related transactions of late expected to grow in the latter part of 2H20.

Seale & Associates was advising on a deal in the media and communications sector, which was put on hold, along with a transaction in the construction industry, García said, while another mandate in the cleaning products space is still very much alive. A food delivery transaction from earlier in the year also continues on track, he added. "Apart from a few exceptions, however, the common denominator is pause, or slow roll," he said.

"I think the pieces have fallen into place a bit more now," García said. "First, we closed and nobody knew what would happen, and loan payments were deferred. Now there are already companies that closed and reopened, as well as companies that didn't have to close, which have some metrics to look at and understand what has happened."

One of the main enemies of M&A is uncertainty, García noted, and some companies have thrown in the towel, acknowledging they are going insolvent, while others have been able to reflect and adapt. Still others continue operating unabated, while others are facing the harsh reality that they will die, he said.

Long established family-owned businesses that have maintained conservative business practices and have built up large cushions are feeling vindicated, and now is a great time for them to buy, both within and beyond Mexico, García said. Younger companies that were highly leveraged, on the other hand, are now seeking strategic partners to shore up their cash positions and ride out the storm, he said.

"We're seeing it all," García said. "We have clients that will likely cease to exist, but there are also many conservative companies, especially those with leadership in their 60s, who didn't believe in taking on debt to finance their growth, that have very healthy balance sheets."

Tier one and tier two auto parts manufacturers are taking advantage of consolidation opportunities to vertically integrate by acquiring suppliers, while some of the smaller players that had established a manufacturing base in the country are selling, according to Greenberg Traurig Shareholder Víctor Manuel Frías Garcés. The health sector is also quite active, Frías added. "We're going to see some deals there as well as in distribution and retail," he said. Real estate transactions could also pick up in the coming months, Frías said.

Technology infrastructure is still attracting investors, Frías added, from traditional broadband and mobile tower assets, to remote work tools and entertainment, the latter undergoing a transformation to reach consumers directly by bypassing cable companies. The demand for financial services technology has grown, accelerating the shift towards digital, as much to meet the need of consumers to shop online as for sellers to accept online payments, Pérez-Estrada said.

PRIVATE EQUITY

Transactions led by private equity funds are down 30% YTD in Mexico, while the aggregate value of such deals has surged 164%, according to TTR data.

PC Capital is seeing a host of opportunities to grow its private equity portfolio, Coballasi said. The firm has started investing its new USD 100m fund and its portfolio companies have all maintained growth through the economic downturn, but there are many companies that were not so well capitalized, and for them, it's better to sell than to go bust, he said. "Perhaps they are not going to get the price they'd hoped for, but it's always preferable to survive rather than go under," he added.

Thanks to its conservative investment strategy, PC Capital's private equity portfolio was invested exclusively in businesses that were deemed essential and did not have to close, Coballasi said. All have continued operating, and some have grown significantly since March, he said, noting the fund's exposure to the agriculture sector with its market leading Rancho Los Molinos packaged seed producer, has proven especially fortuitous as the period of confinement, whether mandatory or voluntary, has encouraged consumers to start home gardens and grow some of what they eat, and the company has enjoyed top line growth of more than 90% in recent months.

PC Capital's investment in the Little Caesars pizza parlor chain, meanwhile, has also proven resilient, as demand has remained strong and this business too has grown in recent months, driven primarily by its take-out only or "Hot and Ready" business model, said Coballasi.

The firm's microfinance platform, Te Creemos, has also held strong, with growing demand for its services. Te Creemos has expanded with acquisitions every year since PC Capital's investment in 2015, Coballasi noted, and its acquisition pipeline remains robust. The fund's deal flow has doubled, as many industry peers are seeking capital and strategic partnerships, he said.

PC Capital's phone has also been ringing non-stop in recent weeks, as the fund manager and investment bank is sought out by companies seeking a sale, or a capital injection, and there are also those that have been doing extremely well that are seeking growth opportunities and acquisitions, Coballasi said. Companies that were in good health prior to the crisis will most likely return to good health, and the case is strong to invest now to tide them over, Coballasi said. This investment strategy makes sense for private equity investors as much as it does for strategic buyers, he added.

The devaluation of Mexico's peso provides an additional upside to investors with US dollars to invest, and the appetite for opportunities emanating from the coming wave of restructurings is strong, Coballasi said.

A good number of the transactions in PC Capital's pipeline have a restructuring component today, whereas there were few, if any, such deals in its pipeline a year ago, he noted. "These situations can be resolved in many ways, whether through a work-out with the banks, through a capital raise from private investors or private equity, or via M&A," he said, noting investors are very eager to provide acquisition finance to companies seeking to acquire their competitors. PC Capital always seeks co-investors in its private equity investments, Coballasi said, and the pipeline of these opportunities is strong.

A lot of Mexico's private equity fund activity was put on hold, just like strategic investments in the country, said

Private Equity - YEAR TO DATE REVIEW
(YTD 1 January - 24 July)

2020

Total aggregate value (USDm):	178	▲ 164.26%
Number of transactions:	7	▼ 30.00%

▲▼ % All the percentages represent a variation relative to the same period the previous year.

Source: *TTR - Transactional Track Record*

Seale & Associates Managing Director Sergio García del Bosque, because they couldn't model under the circumstances to arrive at a valuation. Discounted cash flow analysis is impossible to apply when revenues are in free fall, and the nature of the recovery, whether it's a V-shape or U-shape, is still up in the air, he added. There are always some opportunistic buyers, but without the ability to model, without even a clear starting point, investments were frozen for a period, he said.

PC Capital plans to deploy its new USD 100m fund with investments of between USD 5m and USD 25m in financial services and financial technology that draws Mexico's unbanked population into the formal financial system, Coballasi said. It will also invest in environmentally sustainable activities across a range of industries, and in mass-market consumer products, he noted.

The emergence of Mexican funds dedicated to providing mezzanine debt in recent years, especially to middle market companies, speaks to the demand for more flexible financing options, García said, a niche that is especially relevant under current market conditions. Firms like Promecap, Altum Capital, Northgate Capital and DD3 Capital Partners are among the firms in Mexico that have raised dedicated funds for these innovative investments, García noted.

Banks should learn from these funds, García said, as flexible financing will be key to Mexico's recovery and will make all the difference in the world, García said, as many companies are hunkered down, protecting limited cash flows and need support to pay their staff.

The weak peso creates an incentive for international investors to make a move into Mexico, meanwhile, Frías said, and historical concerns related to unionized labor and land tenure are nothing new; they're simply seen as part of doing business in the country.

Family offices, as well as institutional private equity investors have been very active of late, and the current scenario creates a plethora of opportunities to maximize their liquidity by acquiring at low valuations and benefit from a rebound over the long term, Frías noted.

"This may be the moment for mezzanine financing to really take off in Mexico," said Pérez-Estrada, who is advising a group of investors putting together one such fund to position themselves in this niche. Revenue-based financing models can offer the kind of flexibility companies need at the moment, he said, with the exit of the funds not necessarily predicated on a sale of the target.

Mexico's banks were already conservative lenders, and the current crisis has only made them more cautious, Coballasi said. They are prepared to provide financing to companies with steady cash flow and a strong track record, however, but there are other financing alternatives that may be more relevant, including private debt funds that provide mezzanine and senior debt under more flexible terms, he said, noting this wasn't the case five years ago.

Flexible venture funds will find plenty of areas to invest in, agreed Frías, including real estate development, which will be seen as a higher risk asset class given the preponderance of developers and construction companies that are highly leveraged, many of them unmanageably so.

"We are seeing many issuers renegotiating their debt, owing to the high degree of uncertainty and new market conditions," Pérez-Estrada said. In general, the current crisis is moving the needle towards debt financing as a means of aligning the objectives of investors and management, he said, while providing the kind of liquidity needed to withstand what could otherwise be a devastating six-to-10-month spell for many companies. This type of deal also appeals to the family offices that are able to offer flexible alternatives to equity investments, and those kinds of opportunities are being identified, Pérez-Estrada added.

Despite the abundance of opportunities for private equity investment, it's not likely to be a great time for fundraising in Mexico, Frías said. Those with ample dry power, however, are well positioned to pick and choose some great deals, Coballasi noted.

"This may be the moment for mezzanine financing to really take off in Mexico"

ARTURO PÉREZ-ESTRADA
GREENBERG TRAURIG

DEALMAKER CONFIDENCE (Next 12 Months)
(0-10 lowest-highest):

- Economic Outlook: 2
- M&A Forecast: 6
- Private Equity Outlook: 5
- Equity Capital Markets: 4
- Crisis Management: 0

CAPITAL MARKETS

Mexico's equities market remains shallow, sources noted, with a limited number of listed companies and even fewer that trade in significant volumes on any given day. The Bolsa Mexicana de Valores (BMV) was attracting few new issuers before the onset of the current economic crisis, noted García, and this is unlikely to change in the near term.

Even before the threat of a pandemic hit Mexico's economy, the capital markets were facing turbulence, Greenberg Traurig Shareholder Arturo Pérez-Estrada said. The capital markets will continue to suffer, and Mexico's stock market still lacks depth, Coballasi agreed. "Companies will resist pursuing transactions on the exchange at low valuations; this is a trend we've seen since last year, and the recent plummet hasn't encouraged companies to come to market," he noted.

"There's a perception that public listings are only for mega companies," Pérez-Estrada said, and this view is unlikely to change in the context of depressed valuations. "It's slow because of structural reasons associated with the country and the business community, rather than because of any circumstantial reasons," he added.

In general, the market has responded with skepticism to the initiative to create a second, tech-focused stock exchange that can facilitate smaller listings, Greenberg Traurig Shareholder Víctor Manuel Frías Garcés said. "Frankly, we don't see this as bringing more guests to the party, but rather dividing the guests that are already there," he said in reference to the newly minted exchange.

HANDLING THE CRISIS

Mexico will resist and rebound, just like in crises past, sources told TTR. The country's geographic position, its strong manufacturing base and favorable relations with the US and Canada, especially in the context of trade and diplomatic tensions with China, engender optimism, regardless of the political party in power, according to Seale & Associates Managing Director Sergio García del Bosque.

"Right now we're in the eye of the hurricane and beginning to see a flood of deals in the pipeline"

SERGIO GARCÍA DEL BOSQUE
SEALE & ASSOCIATES

DEALMAKER CONFIDENCE (Next 12 Months)
(0-10 lowest-highest):

- Economic Outlook: 6
- M&A Forecast: 9
- Private Equity Outlook: 7
- Equity Capital Markets: 6
- Crisis Management: 6

Mexico's demographic profile, with its median age of 29, bodes well for future productivity and growth, and the size of its internal GDP will continue to attract investment from around the world, García noted. Mexico is still one of the most stable and attractive emerging markets, he added, and companies based in South America see it as an example and aspire to establish a presence in the country to access its large internal market, as well as the US and Canada.

Mexico's large internal market also holds promise for a recovery of tourism, which accounted for nearly 9% of GDP in 2019, García said. The trend towards remote work could spur a recovery in domestic tourism, even if it may be a long time before travelers are ready to take to the skies or board a cruise ship, he said. Some hospitality players see the potential of future growth and are taking the opportunity to remodel their properties during the present lull, he noted.

Mexico's normally booming tourism industry was generating large infrastructure investments, but the blow to travel has taken the wind from the sails for these projects, said Frías. Demand in the hospitality industry will return very slowly so long as widespread fear of getting on a plane persists.

Mexico's airlines are struggling to remain airborne, with Aeromexico the latest major Latin American carrier to file for bankruptcy protection on 1 July and Interjet announcing a USD 150m capital injection from Mexican businessmen Carlos Cabal and Alejandro del Valle two weeks later as part of its restructuring measures being undertaken to avert collapse. IATA forecasts that it will take three years for air traffic demand to recover to pre-March levels. "It's hard to tell at this point how this crisis could generate anything positive for Mexico's airlines," Pérez-Estrada noted.

There will undoubtedly be a rebound in the demand for travel in the months ahead, but people won't want to go too far, and will prefer to stay within Mexico owing to health concerns and reduced disposable income, Coballasi said. "We expect this to last at least 12 months," he said. There are opportunities among those travel and hospitality businesses that have been brought to a complete standstill, he said, but there are still a lot of factors that will impact the recovery of the tourism industry.

We look at companies, business segments and M&A with a long-term view, García said. There will be lulls in M&A when we can use the downtime to refocus our work in other areas, but M&A will rebound, even if the uptick is attributable to a rise in distressed situations, he said. "Right now we're in the eye of the hurricane and beginning to see a flood of deals in the pipeline; it's part of the circle of life and we just need to tighten the screws where necessary and adjust."

This crisis has accelerated pre-existing trends, providing tailwinds to companies that were driven by shifting consumer behavior and innovation, Coballasi noted. There are many consumers who have turned to e-commerce for the first time in their lives, and home delivery services, already on the increase, have boomed in recent months, while financial technology that grants consumers access to services remotely, has become essential, rather than simply a convenience, he said.

"Even though Mexico's GDP growth has been sluggish historically at around 2-3%, in good years, businesses like Wal-Mart have grown 5% to 10% range year-over-year," Coballasi said. There's still enormous opportunity to benefit from this growth in demand driven by the country's demographics and aspirational middle class, he said.

"When there's a lot of volatility, that's when there's most opportunity, and the best time to invest is in the bottom of the cycles"

PABLO COBALLASI
PC CAPITAL

DEALMAKER CONFIDENCE (Next 12 Months)
(0-10 lowest-highest):

- Economic Outlook: 6
- M&A Forecast: 10
- Private Equity Outlook: 10
- Equity Capital Markets: 7
- Crisis Management: 4

Once the loan deferment granted by Mexico's banks as a private sector-led measure to mitigate the impact of the economic fallout from months of lockdown expires, it will become apparent that some companies will not survive, while others will need to go to the negotiating table to avert insolvency, García said. There's a strong incentive for the banks to play ball, however, as they don't want to lose their money, which favors reaching agreements of some kind, he noted. Between 4Q20 and 1Q21, however, there will be a surge in bankruptcies and distressed M&A, García predicted. Prepackaged deals, whether sponsored by friends and family or private equity funds, will begin to be inked in the interim, he said.

The macroeconomic and political situation will undoubtedly be complex over the next 12 months, Coballasi said, with a projected fall in GDP of as much as 10%. This will be followed by a period of accelerated recovery, however, with growth in the 2% to 4% range, he predicted.

"When things are going badly, the probability that things will improve increases," he said. M&A activity and the investment banks have an important role to play to address the need for liquidity, which will result in strong deal flow, Coballasi said, and the same applies to private equity investments. "When there's a lot of volatility, that's when there's most opportunity,, and the best time to invest is at the bottom of the cycle," he said.

There's a palpable concern among consumer products groups, like food and dairy companies, for example, that dwindling purchasing power among consumers could affect sales when job losses begin to be felt, Frías said. This situation is affecting incumbent players more than new, long-term investors, he said. Mexico's large self-employed population will help buoy losses in the institutional labor market, but a wave of layoffs will inevitably impact consumption, the country's economic engine, he said.

We are already seeing a lot of renegotiation between companies and their landlords and with their employees under the premise of maintaining liquidity, said Pérez-Estrada, a precursor to the wave of financial restructurings that can be expected in 3Q20 and 4Q20 as the deferment period expires on bank debt.

These kinds of negotiations account for between 40% and 45% of the workload in recent months, Pérez-Estrada said, much of it for clients that until a few months ago had ambitious investment plans, compared to about 10% of the workload under normal conditions. M&A deals still account for 55% to 60% of the workload, mostly related financial technology and last-mile logistics, he said.

Historically, it was very common for incoming administrations to announce ambitious infrastructure development plans, but the market has become someone accustomed to many of these projects never being realized, Frías said. With the current administration, we're not going to see much in terms of infrastructure, as AMLO is more focused on supporting the bottom of the pyramid than in fomenting megaprojects, he noted.

The last administration's energy sector reform indeed generated investment, but the current administration has backtracked and the fate of state-held oil company PEMEX and electricity distribution monopoly Compañia Federal de Electricidad (CFE) remain in flux. The energy sector has been more impacted by the unstable regulatory framework than by the threat of a pandemic, Pérez-Estrada said, and though there were many energy deals on the table in 1Q20, most of those transactions are in the doldrums.

Considering that consumption is the motor of Mexico's economy, the economic toll job losses will have on the country is a looming threat, Pérez-Estrada said. "I don't see a well-structured plan to

"The recovery may not be as rapid as we'd like, but Mexico is an enormous market and its people are eternal optimists, always willing to make a go of it"

VÍCTOR MANUEL FRÍAS GARCÉS
GREENBERG TRAURIG

DEALMAKER CONFIDENCE (Next 12 Months)
(0-10 lowest-highest):

- Economic Outlook: ●●●●●○○○○○ 5
- M&A Forecast: ●●●●●●○○○○ 6
- Private Equity Outlook: ●●●●●●○○○○ 6
- Equity Capital Markets: ●○○○○○○○○○ 1
- Crisis Management: ●●●●●○○○○○ 5

confront this issue, not in the public sector, nor in the private sector," he said.

Mexico is not going to fall apart, no matter what, and it has proven its resilience through many crises, Frías noted. "This is a country that rewards hard work and allows for growth, where people can live well. When you talk about investment, the same concepts always surface: a stable regulatory framework, secure land tenure, a dependable labor regime and a large internal consumer market," Frías said, adding, "that's how it's been and there is stability. We already know what can be expected in Mexico."

Notwithstanding the regular democratic changes in government, and the current discourse geared towards social support, the positive fundamentals haven't changed, Pérez-Estrada concurred. Mexico will indeed suffer, but if you compare the country to other major global markets, there's also a lot of healthy competition battling over key sectors that have no clear dominant player, Pérez-Estrada added, whether in mobile payments, passenger transport or remittances, he said. This makes Mexico particularly attractive to international investors seeking to battle it out in these important growth segments, he noted.

While Mexico may never see astronomical GDP growth, there are many multinational players, in diverse industries, that have consistently done well in the country, Frías said, and that bodes well for the country's recovery. "We recently spoke with a director of Cargill who told us how the company has generated an annual profit margin of 25% over the past 25 years. There are few other markets that offer this kind of consistent growth," Frías said. "The recovery may not be as rapid as we'd like, but Mexico is an enormous market and its people are eternal optimists, always willing to make a go of it," Frías added.

There's been no government support to the private sector which forms part of the formal economy, noted Pérez-Estrada, who said he doubted AMLO would change his rhetoric in the months and years remaining in his six-year term. "I see zero flexibility at this point in the public sector, but we hope this will change should the crisis deepen," he said.

There will be opportunistic deal making in a range of sectors, but the uncertainty will make companies behave conservatively and pursue more introverted strategies, Frías said. "I don't see large investments on the horizon in emerging segments among companies that operate in consolidated industries," he added.

It's clear that the government won't offer support to large corporates, Frías said, as the official position is that these companies have the capital to face the crisis on their own and that subsidies should be reserved for the base of the pyramid. One can argue about the efficiency of this strategy, but it will foment consumption, Frías added, notwithstanding the dissatisfaction and anger among many companies that are accustomed to government support and now feel left out in the cold. ■

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DEALMAKER PROFILES*

Arturo Pérez-Estrada

Greenberg Traurig

Shareholder

Arturo Pérez-Estrada focuses his practice on M&A, private equity, financial regulation, corporate governance, regulatory matters, and compliance. He provides legal advice to clients in matters related to venture capital, financial regulation, and shareholders agreements.

Sergio García del Bosque

Seale & Associates

Managing Director

Sergio García del Bosque has advised numerous public and private companies on international and domestic transactions since joining Washington, D.C.-based investment bank Seale & Associates in 2008. He has led the firm's Mexico City office since 2016.

Pablo Coballasi

PC Capital

Managing Director and Co-Founder

Pablo Coballasi has helped build PC Capital into one of Mexico's leading Private Equity and Investment Banking firms. He was previously VP at FondElec Capital Advisors, and before that, worked with Deloitte Consulting/Braxton Associates.

Víctor Manuel Frías Garcés

Greenberg Traurig

Shareholder

Víctor Manuel Frías focuses his practice on commercial law, including competition, M&A and arbitration. He has represented clients across a wide range of industries, contributing his expertise to a large number of acquisitions, takeovers, and joint ventures.

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Coming soon:
Transactional Impact Monitor: Vol. 4

ANDEAN REGION

Transactional Impact Monitor: Vol. 1

Transactional Impact Monitor: Vol. 2

TTR

TTR

Reliable Data + Market Intelligence = Better Decisions

What is TTR?

Transactional Track Record (TTR) is a premium financial technology platform that delivers unrivalled transactional data and actionable market intelligence in real time, empowering professionals to seize opportunities and make more informed strategic decisions.

Equity

- Mergers & Acquisitions
- Equity Capital Markets
  (IPO, Follow-on and Block Trades)
- Private Equity
- Venture Capital
- Asset Acquisition
- Joint Ventures

Debt

- Project Finance
- Acquisition Finance
- Bonds (soon)
- Debt restructuring (soon)
- Brazil: Debentures, CRI, CRA, LF, NP, FDIC (soon)

CLICK HERE FOR FREE TRIAL

TTR
Transactional Track Record

For more information:
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