

Mexico Fundraising Chapter in The Private Equity Review 2021

Category: Capital Markets, Energy, Partners, Project Finance, Publications, Telecoms
written by Nader, Hayaux & Goebel | March 2, 2021

The Law Reviews: 10th Edition - By Partners Hans P Goebel, Héctor Arangua, Adalberto Valadez and Associate Miguel A González

OUTLOOK

The private equity industry in Mexico has been re-energised in recent years by government reforms and policies, a stable macroeconomic situation, stable population growth rate, an increase in real income and an active entrepreneurial ecosystem.

Mexico has successfully completed USMCA (which superseded NAFTA) negotiations with the United States and Canada and has gone through a smooth, peaceful and democratic power transition following the presidential election that took place in July 2018, providing

certainty to investors. However, Mexico's intention of being prepared for any scenario is clear from its aim to increase trade with Argentina and the Pacific Alliance (Colombia, Peru and Chile), as well as with the European Union and Asian countries, and from the government's

continued efforts over the past few years in the infrastructure and energy sectors.

While the forecasts are moderate, we expect contract and investment opportunities to be abundant as government policies support a shift towards a larger role for a combined private and public investment in the Mexican infrastructure industry and in the still-booming energy

industries. Opportunities will also be presented by the continuing rise of the fintech industry and by the implementation of the governmental programme for the economic reactivation during 2021 and onwards. The outlook for the Mexican PE industry is, therefore, positive, with local funds becoming more global and deploying

capital, and investments by foreign funds increasing throughout the energy sector.

We predict that the regime governing publicly issued PE funds will continue to be improved, and that the regulations regarding investment restrictions applicable to Mexican pension funds will necessarily evolve towards alignment with the types of regimes seen in other, more evolved countries, allowing the pension funds to conduct private transactions and investments in funds or projects directly (rather than only through publicly issued securities such as CKDs, FIBRAs, FIBRA Es and CERPIs).

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The 10th edition of The Projects and Construction Review 2020

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We are delighted to announce that the 10th edition of *The Projects and Construction Law Review* was recently published, providing an overview of the Mexican market by Partners [Vanessa Franyutti](#) and [Santiago Medina](#).

Please download the complete document here: [Projects and Construction Review 2020_10th edition](#)

Mexico Fundraising Chapter in The Private Equity Review

Category: Capital Markets, Energy, Partners, Project Finance, Publications, Telecoms
written by Nader, Hayaux & Goebel | March 2, 2021

The Law Reviews: 9th Edition - By Partners Hans P Goebel, Héctor Arangua, Adalberto Valadez and Associate Miguel A González

Over the past 19 years, Mexico's private equity (PE) industry has raised over US\$58 billion in capital commitments to PE investments, according to the Mexican Private Equity Association (AMEXCAP). Mexico's strong industrial and manufacturing sectors, along with recent reforms to policies and regulations, have had a positive impact on the PE industry, resulting in double-digit annual growth for the industry. Real estate and venture capital (VC) also had double-digit increases in the same period, of 16 per cent and 12 per cent, respectively. Currently, the number of active fund managers is over 180, with fund managers, or general partners (GPs), active across a range of sectors, and representing a sevenfold growth since the beginnings of the industry in the early 2000s.

In recent years, the Mexican government has been an important participant in and supporter of the PE industry, investing in more than 72 funds⁷ through institutional investors such as NAFIN (the national development bank), the Capitalization and Investment Fund for the Rural Sector, Bancomext and Banobras, and through investment vehicle Corporación Mexicana de Inversiones de Capital, SA de CV, or Fund of Funds, which has invested more than US\$885 million in more than 84 funds and co-invested in 17 deals.⁸ In addition, the National Institute of Entrepreneurship helped the Mexican VC industry and seed capital ecosystem by investing or co-investing in 41 funds from 2013 to 2016. For 2016, the VC support grew to 100 million Mexican pesos, targeting one fund with an approach to the Asia-Pacific alliance countries, which is now finishing its fundraising period. Finally, domestic pension funds (AFOREs) have played a determinant role in the growth of the PE industry, having allocated more than US\$20.4 billion through 106 capital development certificates (CKDs) and investment project certificates (CERPIs) since 2008. This amount may increase by a further US\$5 billion, given the CKDs that are

in the pipeline. Mexico is seen as one of the most favourable emerging markets to invest in, and is considered top in Latin America according to various limited partner (LP) surveys, such as those conducted by the Association for Private Capital Investment in Latin America in 2014 and 2015, and by the Emerging Markets Private Equity Association in 2015, 2016 and 2017.⁹

Mexico returned to the World Economic Forum's (WEF) list of the top 10 countries to invest in globally, by rising four positions to number nine, sitting alongside the United States, China, Germany, India, the United Kingdom, Brazil, France, Australia and Japan. The Mexican economy is being reshaped, and in spite of an adverse economic environment, allows dynamism of its international trade, and the structure of its debts minimises the impact of external factors making it a healthy option for investing. The WEF ranks Mexico in 46th place, out of 140 countries, in the 2018 edition of the competitiveness index, which shows that the country has microeconomic and macroeconomic institutions with strong foundations. Mexico is placed as the second-largest economy in Latin America (with an estimated GDP of US\$1.222 trillion) and it is considered to have economic stability that has allowed to remain stable despite various difficulties. The Mexican economy has grown at an average annual rate of 2.5 percent for the past 10 years, mainly because of the implementation of new regulations to improve development, sensible monetary and fiscal policies, ordered management of public finances led by the Bank of Mexico, and a gradual improvement in the country's external environment, despite a zero per cent growth being estimated for 2019. The World Bank suggests Mexico might be the world's seventh-largest economy by 2050 - a positive outlook that will only serve to attract direct foreign investment.

The PE industry and the VC sector in Mexico continue to grow and mature. The internationalisation of both funding sources and investment by domestic GPs suggests that Mexico is playing an increasingly influential role in financial and economic growth at both the regional and global levels. Within VC alone, Mexico has witnessed the number of GPs triple in the past seven years. The policies being implemented in Mexico, particularly the opening-up to competition of the energy and telecommunications sectors, and labour market reforms, have been welcome steps to attract investment and raise employment and, potentially, growth.¹³ This is evidenced by the extent to which infrastructure and energy funds have also

increased significantly, reaching 30 funds in 2016 – a clear effect of the energy reform allowing private investments in the energy sector, including oil and gas, electric power generation and renewable energy. As at October 2017, an estimated US\$25 billion in cash reserves were available for investment by PE funds investing in Mexico.¹⁴

Likewise, accumulated capital commitments from 2018 to September 2019 increased by 1.7 per cent. These capital commitments were mainly concentrated on seed and early stage VC funds.¹⁵ As at September 2019, three new Mexican funds had been formed, bringing the number of funds operating in Mexico to 126, of which 60 per cent are now investing or managing their investments, while almost one-third are still at the fundraising stage.¹⁶

In general, information about PE funds is not publicly available during the fundraising stage unless the funds are public funds raised in the securities market, such as CKDs, CERPIs or Mexican real estate trusts (FIBRAs).

The Mexican fundraising market has been in an upward trend since 2014. In the past, the most attractive sector has been real estate, but recently the VC sector has clearly been rising. Mexican PE funds are active, growing and covering a large spectrum of industries (business and financial services, consumer goods, healthcare, technology, oil and gas, etc.). VC funds mainly invest in consumer services, fintech and technology; real estate funds mainly target

the industrial (mostly automotive, aerospace and pharmaceutical), commercial, tourism and housing sectors; and the infrastructure and energy funds are currently concentrated in the oil and gas sector. In March 2018, the Law Regulating Financial Technology Institutions (the Fintech Law) was enacted, providing for regulation of, among other things, electronic payments, cryptocurrency transactions and crowdfunding mechanisms. According to Fintech Radar Mexico, conducted by Finnovista in May 2019, Mexico is very close to reaching the 400 fintech start-up mark, and, in 2019, it regained leadership as the largest fintech ecosystem in Latin America, in part because of a strong presence of entrepreneurship and e-commerce.¹⁷ The Mexican fintech industry has shown an annual growth rate of 29 per cent, with the creation of 98 new start-ups, with the dominating sectors being loans, payments and remittances.¹⁸ Reports from recent years have highlighted the

high growth rates of fintech in Latin America, such as LAVCA's 2017 Trend Watch: Latin American Venture Capital, which concluded that the fintech sector represents 25 per cent of the venture investments in information technology in the region. According to a survey conducted by Finnovista in collaboration with Endeavor, Mexican fintech companies have a monthly gross transaction value of 39 billion Mexican pesos, with an average of 8.7 million Mexican pesos being billed per fintech start-up per year. These results emphasise the importance and the possibilities of fundraising and VC investment in the development of the fintech ecosystem in Mexico. As the fintech industry represents a massive potential growth area in Mexico, the government has passed legislation that seeks to ensure financial stability and provide a defence against money laundering and corruption.

OUTLOOK

The private equity industry in Mexico has been re-energised in recent years by government reforms and policies, a stable macroeconomic situation, stable population growth rate, an increase in real income and an active entrepreneurial ecosystem. Mexico has successfully completed USMCA (which is expected to supersede NAFTA) negotiations with the United States and Canada and has gone through a smooth, peaceful and democratic power transition following the presidential election that took place in July 2018, providing certainty to investors. However, Mexico's intention of being prepared for any scenario is clear from its aim to increase trade with Argentina and the Pacific Alliance (Colombia, Peru and Chile), as well as with the European Union and Asian countries, and from the government's continued efforts over the past few years in the infrastructure and energy sectors.

While the forecasts are moderately strong, we expect contract and investment opportunities to be abundant as government policies support a shift towards a larger role for private investment in the Mexican infrastructure industry and in the still-booming energy industries. Opportunities will also be presented by the continuing rise of the fintech industry. The outlook for the Mexican PE industry is, therefore, positive, with local funds becoming more global and deploying capital, and investments by foreign funds increasing throughout the energy sector. If conditions remain the same and the growth rate remains at the levels we have been seeing, the PE industry should, according to AMEXCAP, reach US\$80 billion by the end of 2020. We predict that the regime governing publicly issued PE funds will continue to be

improved, and that the regulations regarding investment restrictions applicable to Mexican pension funds will necessarily evolve towards alignment with the types of regimes seen in other, more evolved countries, allowing the pension funds to conduct private transactions and investments in funds or projects directly (rather than only through publicly issued securities such as CKDs, FIBRAs, FIBRA Es and CERPIs).

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COP 26 Private Finance Agenda launched

Category: Banking & Finance, Energy, Legal Alerts, Project Finance, Tax
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On February 27, 2020, the 'COP26 Private Finance Agenda' was launched in London (the "**Agenda**").

The Agenda aims to assist the private sector in its transition to a net zero carbon economy.

The objective is to achieve that every professional financial decision takes climate change into account. The Agenda will focus on creating the right framework for reporting, risk management and returns to help finance a whole economy transition. The foregoing will require that every company, bank, insurer and investor will need to adjust their business models for a low carbon world.

The COP 26 - co-hosted by the UK and Italy - will also seek to support developing countries to deliver a prosperous, zero carbon future for all.

For more information on the Agenda, please find the link to the corresponding page <https://www.bankofengland.co.uk/events/2020/february/cop26-private-finance-agend>

[a-launch](#).

We will be following up on the work and development of the Agenda in a timely manner, and we remain at your service in case you have any comments regarding the above and to provide you with the advice you require regarding the implementation of the Agenda and the evaluation of its impact on your operations.

For further information with respect to the COP26 Private Finance Agenda or in respect to the application of the Sustainable Development Goals (SDO) in your business, please reach out to your regular contacts at Nader, Hayaux & Goebel or Yves Hayaux-du-Tilly L. +52 (55) 4170 3003 yhayaux@nhg.com.mx.

Two new partners promotions mark NHG's solid growth path

Category: Banking & Finance, Capital Markets, Firm news, Mergers and Acquisitions, Project Finance, Securities and Capital Markets, Securitizations & Structured Finance

written by Nader, Hayaux & Goebel | March 2, 2021

Nader, Hayaux & Goebel is pleased to inform that [Ana Paula Telleria](#) and [José Humberto Rocha](#) have been named Partners of the Firm as of January 1, 2019.

Ana Paula's practice focuses mainly on securities and capital markets, with significant expertise in secured transactions, including joint ventures, mergers and acquisitions and corporate related matters. She is regularly involved in cross-border transactions in connection with the structuring, development and financing of projects in Mexico.

Ana Paula also specializes in real estate finance and investment. She has a strong

background in relevant real estate transactions including business, commercial, industrial and residential developments, tourism and leisure projects (hotels, time-share regimes and mixed-use developments). She has substantial experience advising clients on structuring of CKDs (development capital certificates) and FIBRAs (the Mexican equivalent of a U.S. REIT), private funds and other financial investment vehicles for the real estate sector. Chambers and Partners Latin America has ranked Ana Paula two years in a row as an *Associate to Watch* in the area of Capital Markets. Ana Paula graduated from Universidad Panamericana, attorney at law (2007) and received her LL.M. from New York University School of Law (2012) with special focus on Corporate Law.

José Humberto is an expert in finance law, counseling domestic and foreign credit institutions and other financial organizations in domestic, cross-border and global transactions, as well as large-scale companies in structuring and restructuring their debt.

As an associate of NHG, he has been the lead attorney in a variety of credit transactions, including innovative and traditional credit facilities secured by different kinds of collateral such as real estate mortgages, security trusts, ship mortgages, tangible and intangible pledges and other corporate guarantees.

José Humberto has strong experience in banking law, corporate finance, mergers and acquisitions, private equity and debt and corporate restructures. He graduated as attorney at law from Universidad Anahuac in 2009 and holds a Master in Corporate Law and a Post-Graduate degree in Corporate Law (summa cum laude) both from Universidad Anahuac. In 2014, he completed his LL.M. at the University of Chicago Law School, and worked as a foreign associate at Proskauer Rose, LLP's New York office from 2014 to 2015.

The Firm is proud of Ana Paula and José Humberto's appointments. We are certain that in their new endeavors they will further strengthen the Firm's capabilities in some of the Firm's core practices, including capital markets, banking and finance and M&A.