

O'Donnell-Structuring and Public Offering of CKDs

Category: Banking & Finance,Capital Markets,Real Estate,Tax
written by Nader, Hayaux & Goebel | noviembre 13, 2018

NHG advised Grupo O'Donnell in the structuring and placement of structured notes (certificados de capital de desarrollo) or CKDs in the Mexican Stock Exchange (Bolsa Mexicana de Valores) issued through an issuing trust (fideicomiso) with an initial issuance of MXN\$400 million plus additional commitments, through a capital call mechanism, for a total committed issuance amount of MXN\$2 billion (approximately US\$100 million) with the purpose to create a private-equity fund to invest, from time to time, in industrial real estate and urban infrastructure.

This placement represents the first structured notes issued by O'Donnell, and it also involved the participation of two coinvestors controlled by O'Donnell.

Landmark Fibra E Project commended in FT's 2017 Special Report North America Innovative Lawyers

Category: Capital Markets,Firm news,Publications,Rankings
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A landmark project in which Nader, Hayaux & Goebel participated was recently commended in the 2017 Financial Times' Innovative Lawyers rankings in under the category 'Accessing New Markets and Capital'. A team lead by Michell Nader, Gunter Schwandt and Adalberto Valadez assisted investment vehicle CKD IM, as

sponsor, in the creation, registration and approval by the the Mexican securities regulator of an innovative Fibra E securities programme, worth 50bn pesos (\$2.6bn), that will allow companies to use tax-efficient structured financing to fund purchases of energy and infrastructure assets.

“This unprecedented matter will change the nature of the Fibra E market which had been primarily conceived as a monetization vehicle to allow new Fibras E to act as growth vehicles. This will give CKDIM an important advantage in the acquisition of assets in the future and the ability to harness business opportunities quickly and efficiently.” -Michell Nader, Partner-

For more information please consult the [report by the Financial Times](#). Additional coverage on the transaction is available on [Latin Lawyer](#).

Gunter Schwandt interviewed by TTR on the state of the M&A market in Mexico (in Spanish)

Category: Mergers and Acquisitions, Publications

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As an expert in acquisition finance, from a standpoint of your practice area, could you give as a general view and evaluation of the current M&A market in Mexico?

The M&A market in Mexico has seen positive growth during the last few months due to a number of factors. The political environment that currently exists throughout the world has brought uncertainty but also several opportunities in certain sectors,

such as telecomm, energy and infrastructure. The foregoing has been supported by the structural reform package that was enacted at the beginning of the current administration. Notwithstanding the foregoing, the renegotiation of the North American Free Trade Agreement that is scheduled to occur in the next months, as well as the electoral process for the presidential election that will occur mid next year, could bring a slowdown, although it is expected that foreign investment to the country will continue during such period.

With respect to Mexican companies, what are the most common forms of financing for acquisitions? What advantages do companies obtain by seeking external financing?

Acquisitions are typically funded through a mix of own capital and external financing, including syndicated loans. Similarly, issuances through the capital markets are also usual in these types of transactions, be it initially or as a mechanism to take out the financing that was originally contracted.

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Another practice area of your expertise is the issuance of CKDs (development capital certificates). What is the cause for this type of security's recent popularity? In what aspects is it interesting and attractive for issuers? And for investors?

The legal framework for development capital certificates has existed in Mexico for approximately eight years and was created mainly to allow Mexican pension funds (AFOREs) to invest in private equity-like structures for the funding of a wide variety of projects. Currently there exist more than 60 CKD issuances in the Mexican market. The regulations have evolved and have been improved throughout the years, which has allowed these funds to be structured more efficiently, granting general partners more flexibility in general terms. This instrument has become interesting for issuers since it allows them to access the capital markets for purposes of funding and carrying out a business plan and to raise capital. It has also become interesting for investors given that they generally offer attractive returns and the ability to list a

security that has been approved and is supervised by the securities regulators.

You are also a specialist in real estate financing, according to data from TTR, year to date the number of real estate transactions has significantly passed the number in 2016. What do you think may have stimulated growth of activity in this sector?

The number and amount of the transactions in the real estate industry has been growing during the last months due to several factors. Some of them include more sophistication of the participants and a more mature market, as well as the use of tax efficient structures, such as FIBRAs (Fideicomisos de Inversión en Bienes Raíces), the Mexican equivalent of a U.S. REIT.

With respect to the development of the M&A market during the year, how do you forecast the close of the current year? To what extent and how do you believe banks and other financing entities will influence the outcome of the year 2017?

It is forecasted that M&A activity will continue its current course during the second semestre of 2017. Notwithstanding the foregoing and as previously mentioned, it is possible that a number of factors (NAFTA renegotiation, the presidential electoral process that will end mid-2018, among others), will affect or alter the plans and calendar that international investors may have to invest in Mexico.

This article was first published on the [blog of TTR](#).