

M&A Market in Mexico

Prepared for discussion purposes

JULY 2025

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Setting the stage



Mexico At-a-Glance

A 128m inhabitants G20 economy ideally positioned to benefit from US relationship and nearshoring. US Latinos increasing relevance. Mexico significant as US entry gate

Large, Young and Urban	<ul style="list-style-type: none">• At c. 130m inhabitants Mexico is the 10th most populous in the World and 3rd in the Americas• US and Mexican demographics pyramids are complementary. 67% of Mexicans are between 15 and 64 yrs. (working and prime consumption age) vs world average of 55%• Demographic bonus to last for next 30 yrs.
Stable Macro. Growing Economy	<ul style="list-style-type: none">• Sound macro economic data in geographical and EM context. G20 country• Political risk appears more contained than in other Latam countries• Relative growth: Mexico's GDP is now c. 0.8x that of Brazil, up from 0.5x back in 2013
Location, Trade and Labor	<ul style="list-style-type: none">• c. 2,000 miles border with US. 2 oceans. Part of North America region that accounts for 28% of global GDP• 12 free trade agreements with 46 countries. USMCA the most important¹• Only developing country with free trade agreements with US, Canada, EU and Japan• Cost efficiencies and quality benefits² based on manufacturing and labor
Strong Relationship with US	<ul style="list-style-type: none">• 56% of Mexican GDP depends on the US• Mexico exports USD 473bn/year to the US, 82% of its total USD 539bn exports• 58% of Mexican exports to US in 3 states: Texas, California and Michigan. Opportunity to increase market share in other areas (East coast)
Nearshoring	<ul style="list-style-type: none">• Part of new global paradigm. Not new for Mexico• Impact in Mexican non-oil exports: USD 34bn average yearly impact and USD 168bn expected over the next 5 yrs.• Challenges and bottlenecks include electricity, water, infrastructure and rule of law
US Latino Population and US entry gate	<ul style="list-style-type: none">• Remittances not a small part of Mexican economy.• US Latinos increasingly important as largest minority, economically and politically. Loyal to their brands• Mexico, entry gate to US: manufacturing to export. Benefited by some of recent US legislation

Source: Banorte Economic Research based on Banxico, INEGI, BEA, Mexican census; Prologis

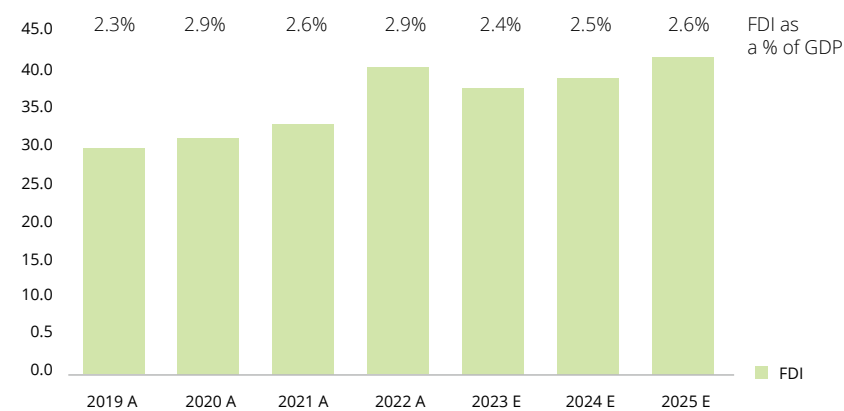
1. USMCA came into effect on July 1st, 2020

2. Mexico ranks 8th in terms of the number of engineering, manufacturing and construction graduates per year with 113.9K/year

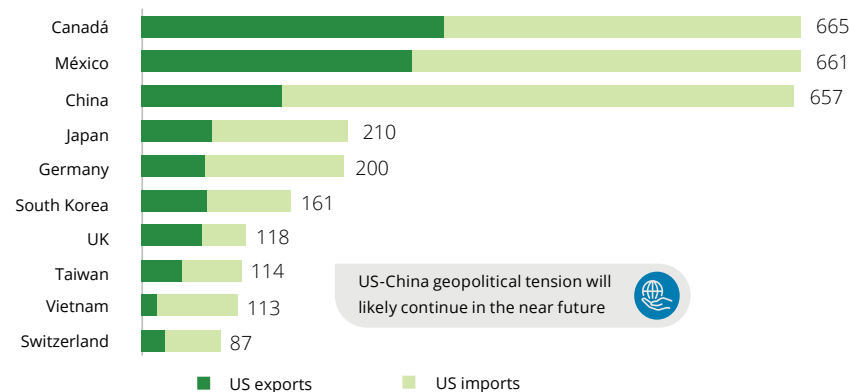
Strong Historical Relationship with the US

Economic activity remains tied to performance in US. Mexico to continue to benefit

Foreign direct investments inflows (USD bn)



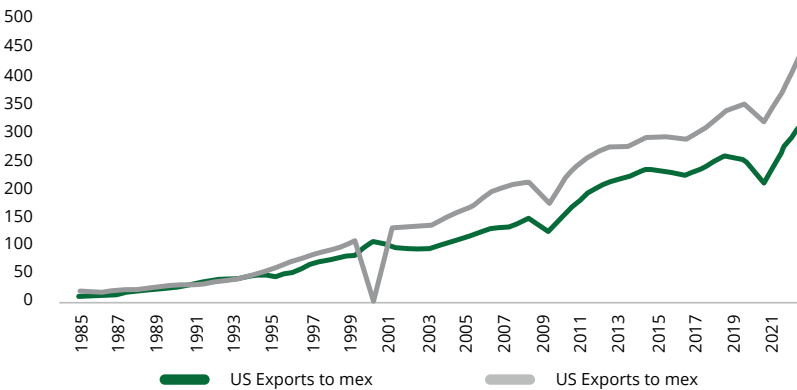
Mexico is the US # 1 Partner in terms of trading volume followed by China and Canada (USD bn)



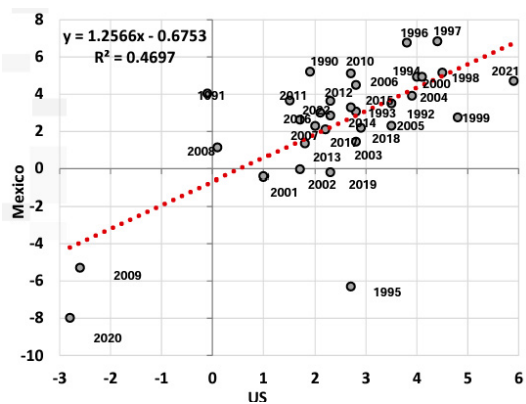
US-China geopolitical tension will likely continue in the near future

Mexico and USA trade has grown at a c. 10% CAGR for the last 30 years

Mexico and USA trade has grown at a c. 9% CAGR since 1985 (USD bn)



GDP growth in US and Mexico (% y/y, 1990 to 2021)



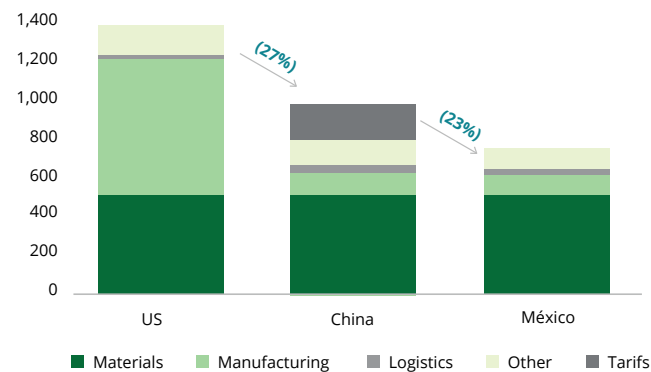
Mexico's and US economies are highly related and even correlated, after all more than 50% of Mexico's GDP depends on the US

Source: EIU; Oxford Economics; Banorte Economic Research based on Banxico, INEGI and BEA

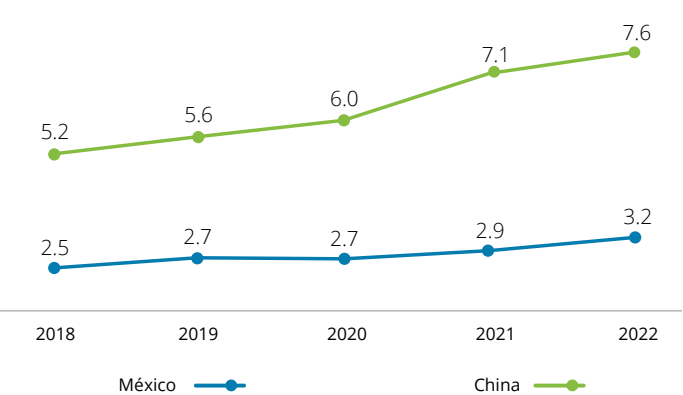
Nearshoring, “Reports on my dead have been greatly exaggerated”¹

Mexico’s competitive advantages, mid/long-term trade, value chains and geopolitical trends to remain preeminent and relevant

Production costs in the US, China and Mexico(USD)



Manufacturing workers avg. hourly rate for 2018-22 (USD/h)



Top 10		% of Mexico´s imports from The United States	% of United States imports from Mexico
1	Autoparts	13.70%	39.98%
2	Trucks, buses and diverse vehicles	10.70%	75.30%
3	Passenger vehicles	8.90%	21.38%
4	Computers	5.40%	26.64%
5	Electronic devices	5.00%	18.20%
6	Crude oil	4.20%	11.80%
7	Telecommunication equipment	3.10%	8.75%
8	Medical equipment	2.90%	31.13%
9	Engines and spare parts	2.60%	27.54%
10	Industrial machinery	2.40%	18.60%

Demographics point to worsening trends in China, with working age population expected to decrease c.12% in the coming 20yrs. While Mexico’s grows by 14%

US	<ul style="list-style-type: none">Upward revisions to inflation estimates (3.0%, for the moment) and downward revisions to economic growth estimates (1.9%). If maintained over time, the measures could cause a longer cycle of weakness with second-order impacts on Mexico and the world.
Mexico	<ul style="list-style-type: none">Mexico will only be partially impacted thanks to the exceptions contemplated by the decree (USMCA rules of content of origin).The effects will be focused on the steel and aluminum industries, as well as on the maquilas of computer equipment, telecommunications and electrical appliances, since it will be difficult for them to quickly reduce their dependence on Asian inputs.Deloitte Macroeconomic Analysis revised down our forecast for Mexican GDP growth from 1.0% to 0.8% for 2025.Possibility of applying tariffs to Mexico as a pressure mechanism continues, uncertainty will remain
Nearshoring	<ul style="list-style-type: none">Going forward, if this balance continues, Deloitte Macroeconomic Analysis would expect interest in nearshoring to resurface, as lower tariffs compared to other countries in Asia and Latin America constitute a significant comparative advantage.

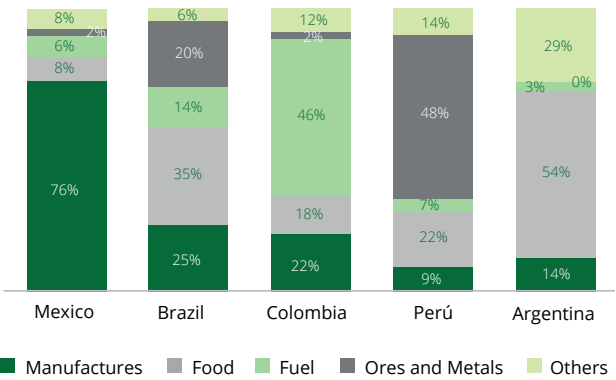
Source: Deloitte Macroeconomic, EIU; Oxford Economics; Trading Economics; Banorte Economic Research based on Banxico, INEGI and BEA; Press releases

1. Quote attributed to Mark Twain

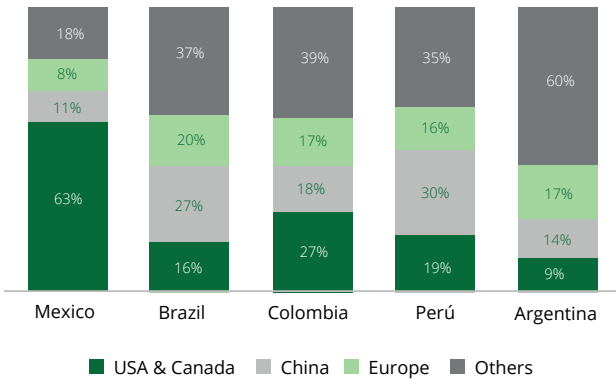
Mexico is Fundamentally Different to the Rest of Latam... It is Part of N.A.¹

A manufacturing economy connected to the US, its largest business and investment partner

Exports by sector by US trade partners in Latam

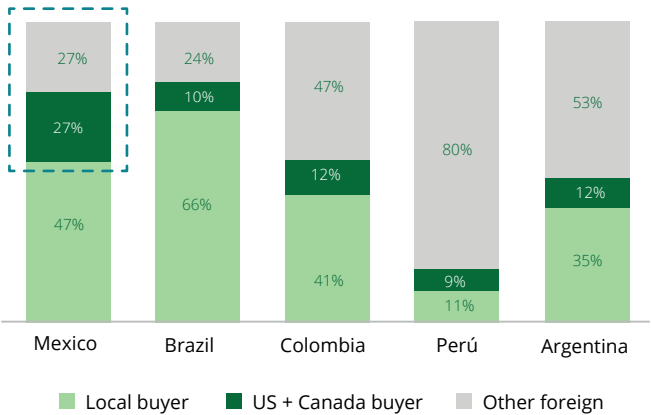


Imports and exports by US trade partners in Latam



This different nature and DNA translates to the M&A market

Latam M&A deals breakdown² by buyer type



- Unlike other Latam countries, the share of US & Canada buyers acquiring Mexican companies is very relevant (almost 30%).
- Overall foreign buyers account for more of 50% of buyers into Mexico
- While foreign participants play a role (buy or sell) in more than 70% of transactions

Source: World Bank 2021. Dealogic as of August 4th, 2023

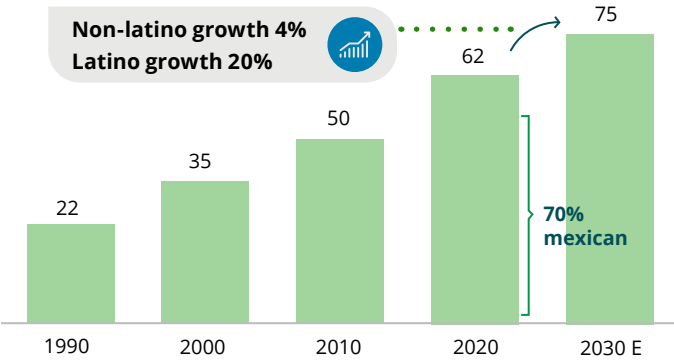
1. North America

2. 2018 - 2023 YTD including transactions with deal value > USD 100m involving Mexican targets

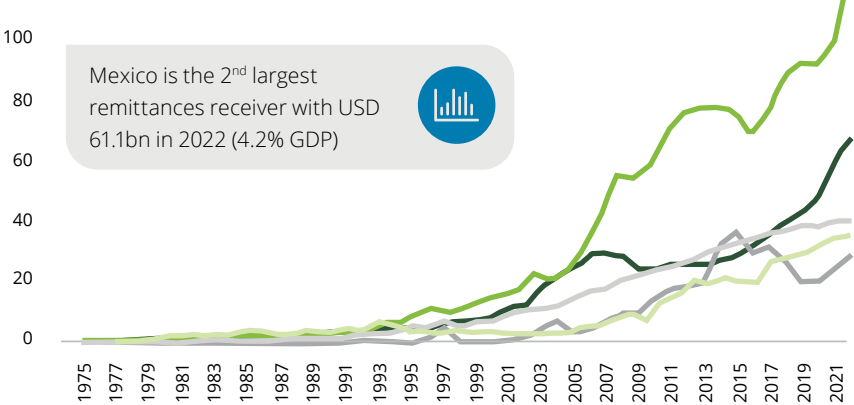
US Latino – 70% from Mexico – A Growth Driver and an Opportunity

Large and growing minority¹, very loyal to their brands. Remittances a significant component of Mexican GDP. Mexico also an entry gate to US

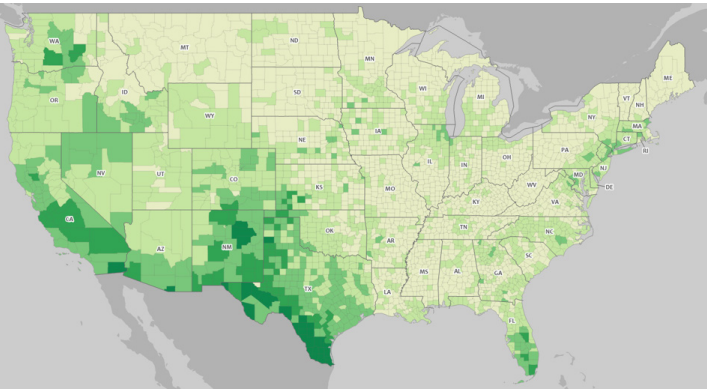
Latino population growth in the US (millions)







Main remittances receiving countries (USD bn)



Concentration of latino population by county 2020



Latino population remains very loyal to homeland brands

-  Chedraui
-  Bimbo
-  Lala
-  Sigma

Source: US Census Bureau and Pew Research Center , Claritas' Hispanic Market Report. World Bank, Personal remittances received (current USD)
1. In US 2020, according to the US Census, Hispanics accounted for 19% of the US population, 62.1 million out of the US 331.4 million population.

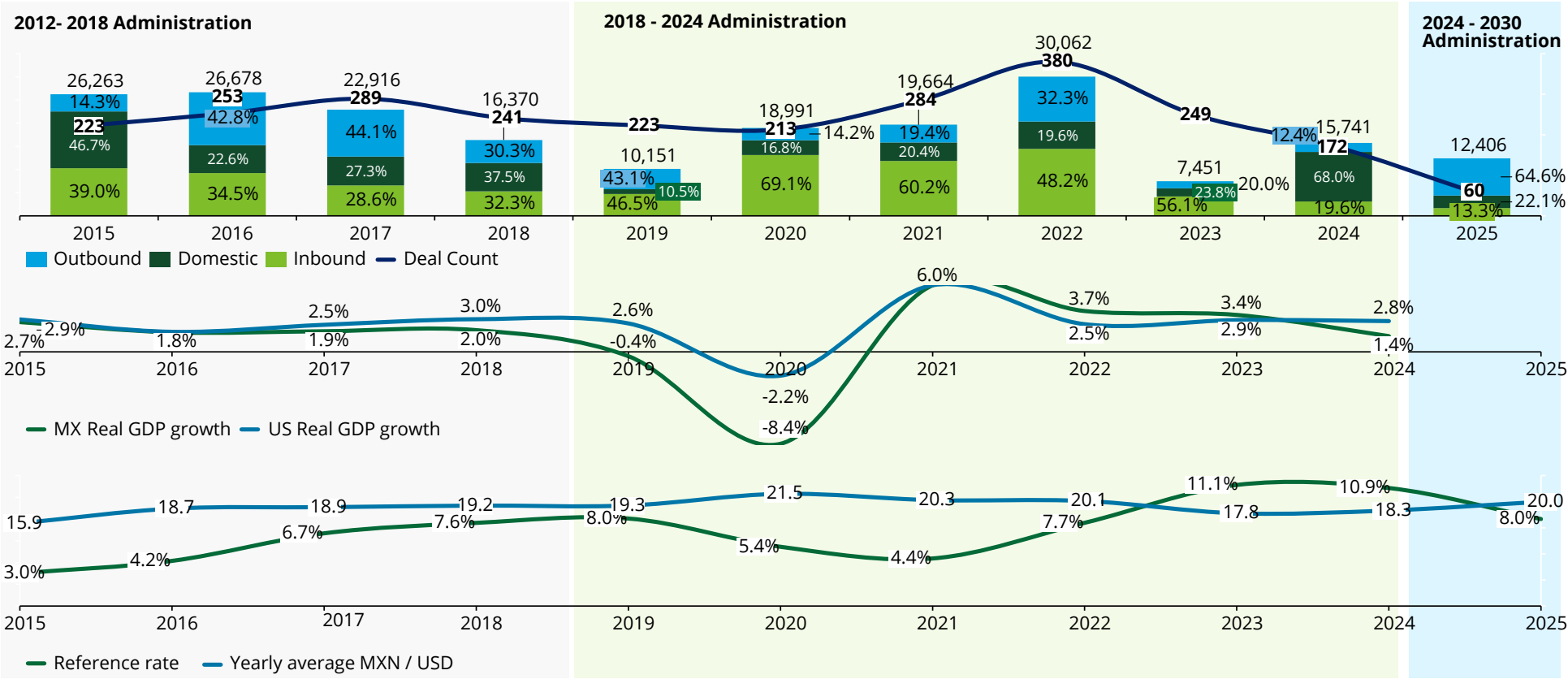
Analyzing the Market



An Analysis of Mexico's M&A Market

Macroeconomic, fiscal and monetary policies, political and social moods, all domestic and international (mostly US), together form up expectations and confidence level which in return conditions and skews the M&A market

M&A Market in Mexico

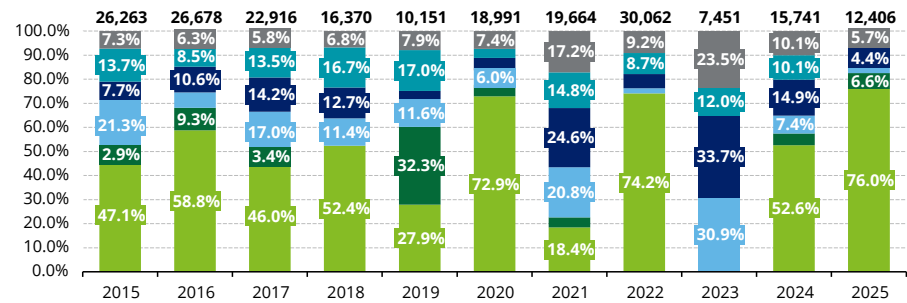


Source: Mergermarkets, Economist Intelligence unit and Banxico

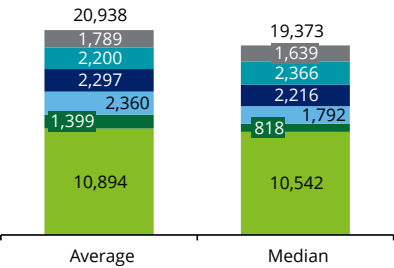
An Analysis of Mexico’s M&A Market | Market Distribution

Lack of information causes underestimation. Mexico is a 250 transactions/yr, c. usd 21.0 bn M&A market

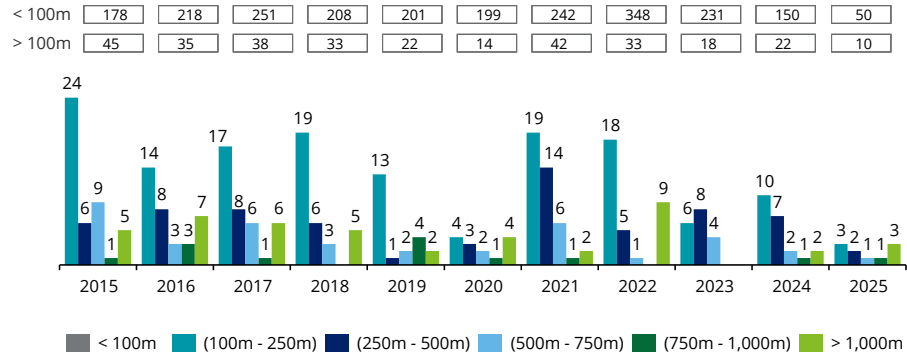
Market Size (USD m)



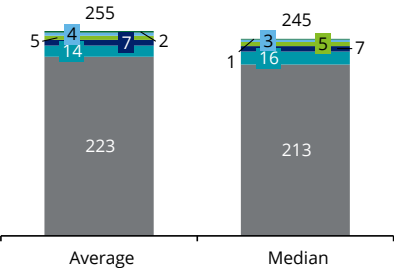
Market average 2015 through 2024



Deal count



Average count 2015 through 2024



Commentary

Only c.45-47% of all transactions provide deal detailed information. Thus, actual market total size is underestimated

Mexico M&A market is on average at least a usd 21 bn annual market

- At that size, it represents c. 1.2% of its GDP
- Mexico is still below other OECD¹ countries and thus somewhat underdeveloped

Mexico is a market of c. 250 transactions a year. With a maximum of 380 in 2022 and a minimum of 172 in 2024

Yet, >85% is made up of transactions below usd 100m and most of a fraction of that figure

The “size mix” conditions the overall market value as the presence or lack of larger transactions skews the overall size

Source: Mergermarkets

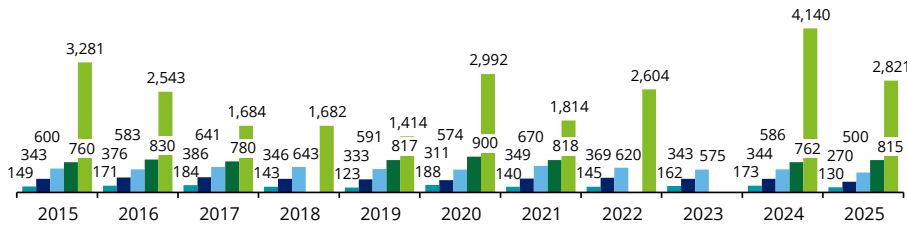
1. US 4.5% - 11%; UK, 5.0%; France, 5.0%; Spain, 4.0%

An Analysis of Mexico’s M&A Market | Transaction Distribution

Indeed a market of small transactions

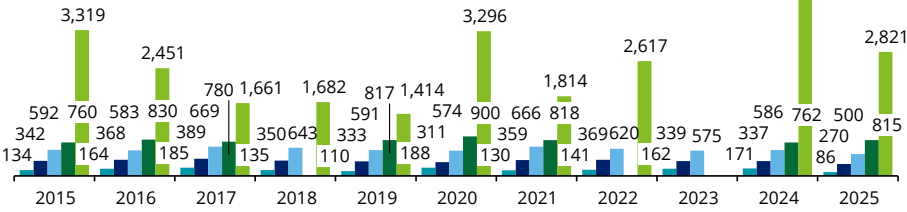
Average transaction size (USD m)

< 100m	25	25	15	22	15	20	30	17	20	25	33
> 100m	1,027	901	735	563	655	993	765	802	216	1,201	907



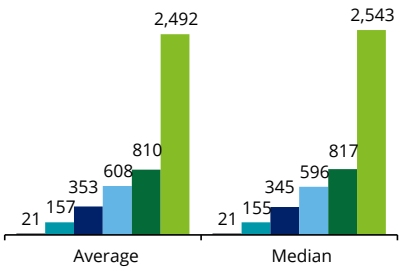
Median transaction size (USD m)

< 100m	15	15	7	15	8	14	18	6	13	14	28
> 100m	600	583	641	346	591	574	670	369	162	586	500

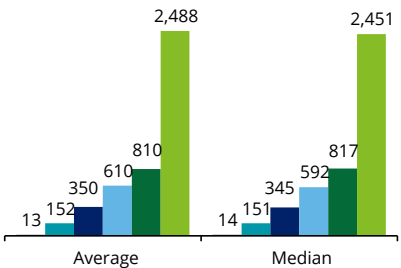


(100m - 250m) (250m - 500m) (500m - 750m) (750m - 1,000m) > 1,000 m

Average transaction 2015 through 2024



Median transaction 2015 through 2024



Commentary

99

The overall average transaction is c.usd 187m whereas the median is usd 33m which indicates the lack of centrality

Most transactions size average buckets are represented by companies in the lower end of the said range, except in the large transaction size average bucket where the average transactions size is substantially above the figure pro

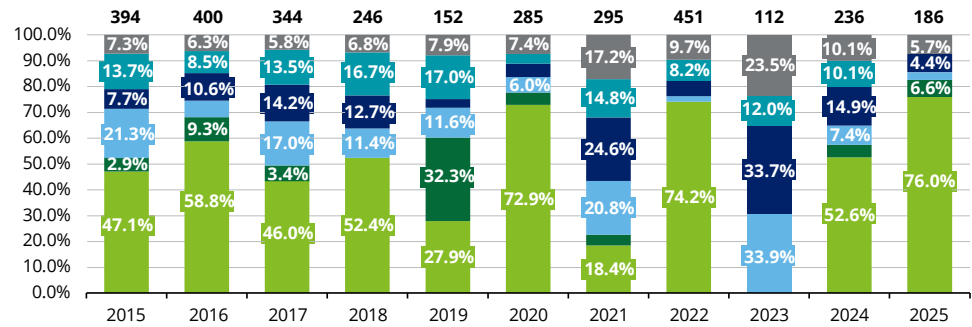
As size bucket increases the difference between arithmetic average and median tends to shrink

Lack of deal information affects the calculations.

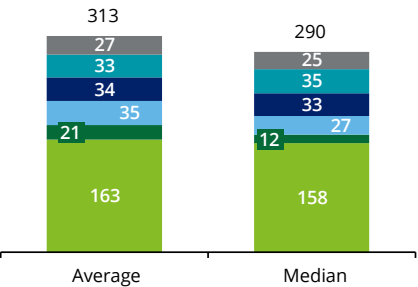
An Analysis of Mexico’s M&A Market | Potential Fees

The potential c.usd 310m/year Mexican M&A fee pool is wildly unevenly distributed

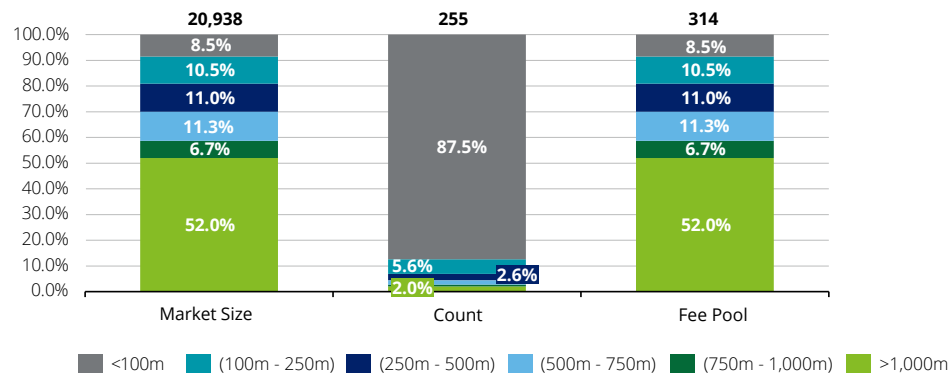
Fee Pool (USD m)



Average fee pool 2015 through 2024



Fee Analysis (USD m)



Commentary

It is assumed that there are two sides to every transaction (buy and sell side). It is also assumed that on average one side charges 100bp and the other is basically 50% of that. This is a simplification as transaction fees depend on deal size among other ad hoc factors

Again, as per comment in page 11, we believe the potential fee pool is underestimated based on the lack of information in many transactions.

Mexico would seem to have an annual M&A fee potential of at least c. usd 310m/year.

Interestingly 52% of the fee wallet is represented by 2% of the transactions. Whereas on the other end 8.5% of the said fee wallet is associated to 88% of the transactions. The other 10% of the transactions in the middle shared the remaining c.40% of the fees.

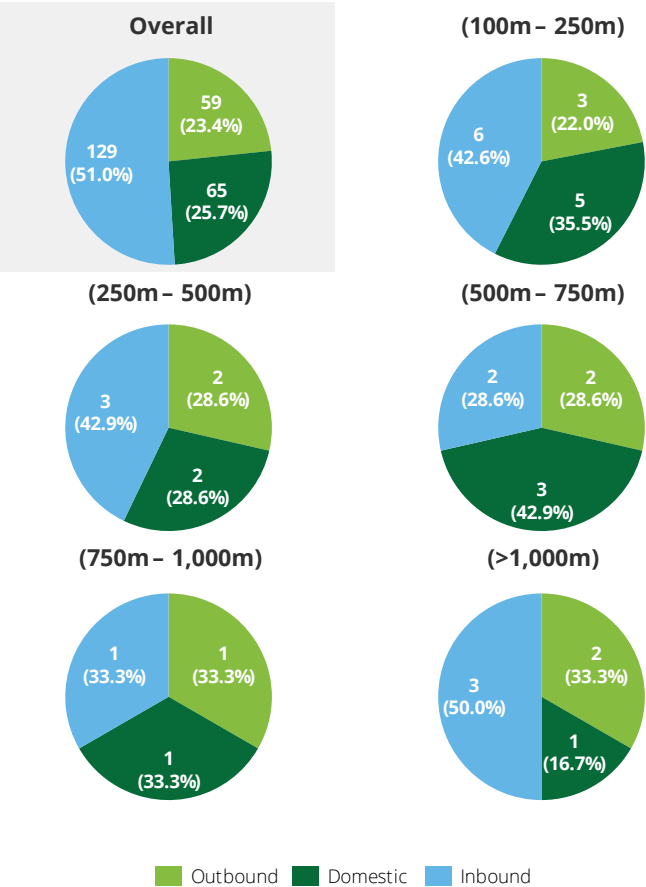
Diving in



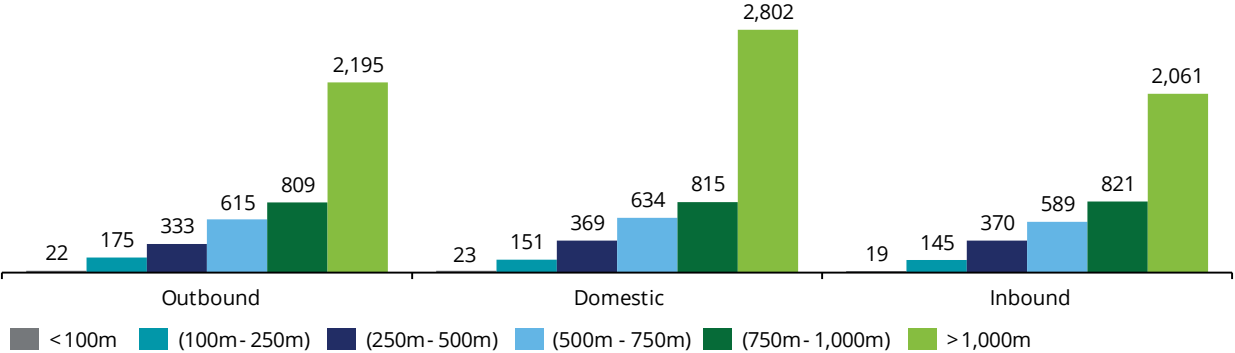
An Analysis of Mexico’s M&A Market | Deep Dive, Transaction Breakdown

Mexico and Mexican sellers seem to be very open and welcoming of foreign acquirors. As per page 7 comment, Mexican economy different nature and DNA conditions its M&A market

Deal distribution



Average Transaction size per distribution 2015 through 2024



Commentary



Inbound transactions amount to more than 50% of all deals in Mexico

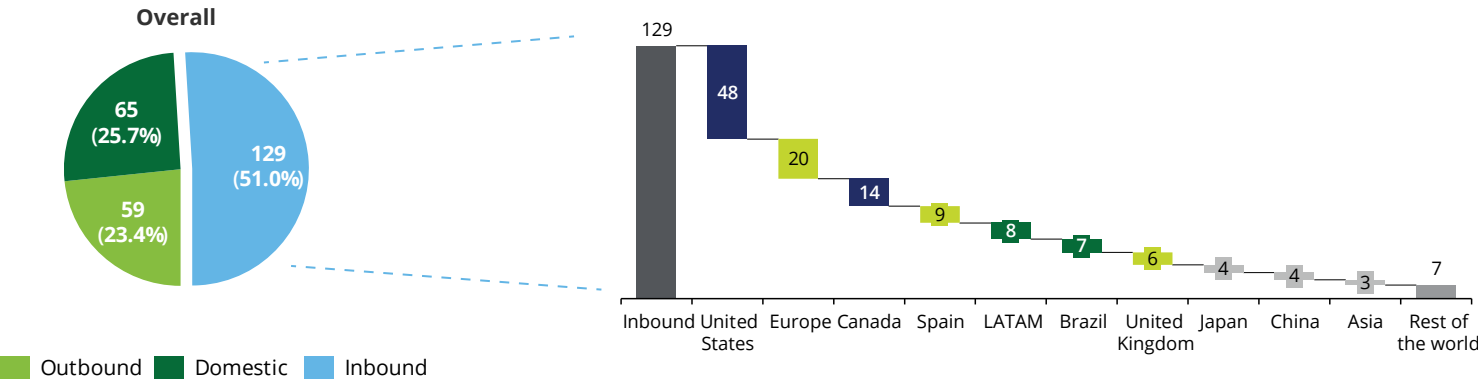
Inbound transactions are the most preminent type of transactions in any size bracket except the usd 500m to usd 750m

Mexican acquirors are increasingly venturing outside Mexico, however, it still accounts for less than 25% of all transactions

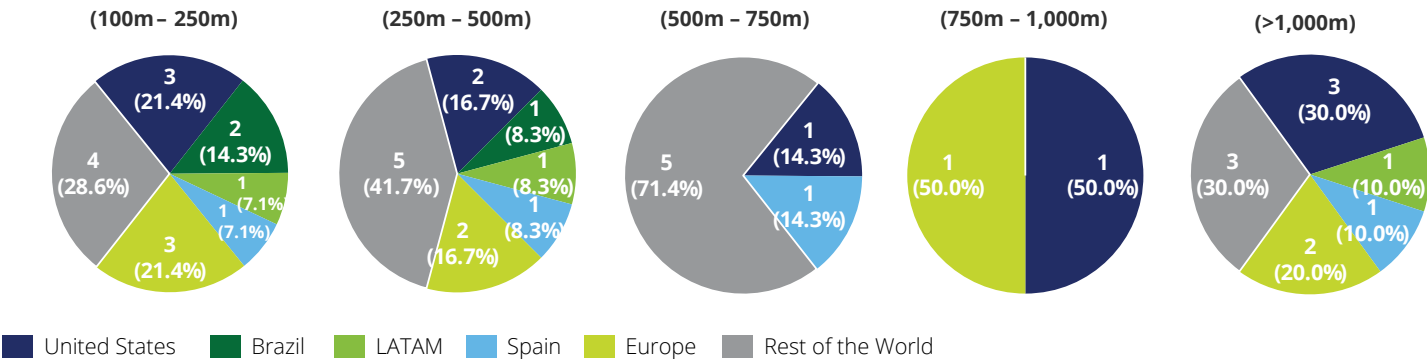
An Analysis of Mexico’s M&A Market | Deep Dive, Inbound Country Breakdown

Mexico’s M&A market confirms that is an open economy with foreign acquirors leading 51% of all transactions. USMCA partners lead almost 50% of inbound deals and the US, whom with Mexico has a strong relationship, leads on average on 75% of those

Inbound distribution by country



Average country participation in deal segments



Commentary



This is one of the areas where the strong relationship between Mexico and the US makes itself more evident

US market participants take part on average in c. 37% of the transactions. The US together with Canada, the USMCA partners, take part in 48% of the transactions

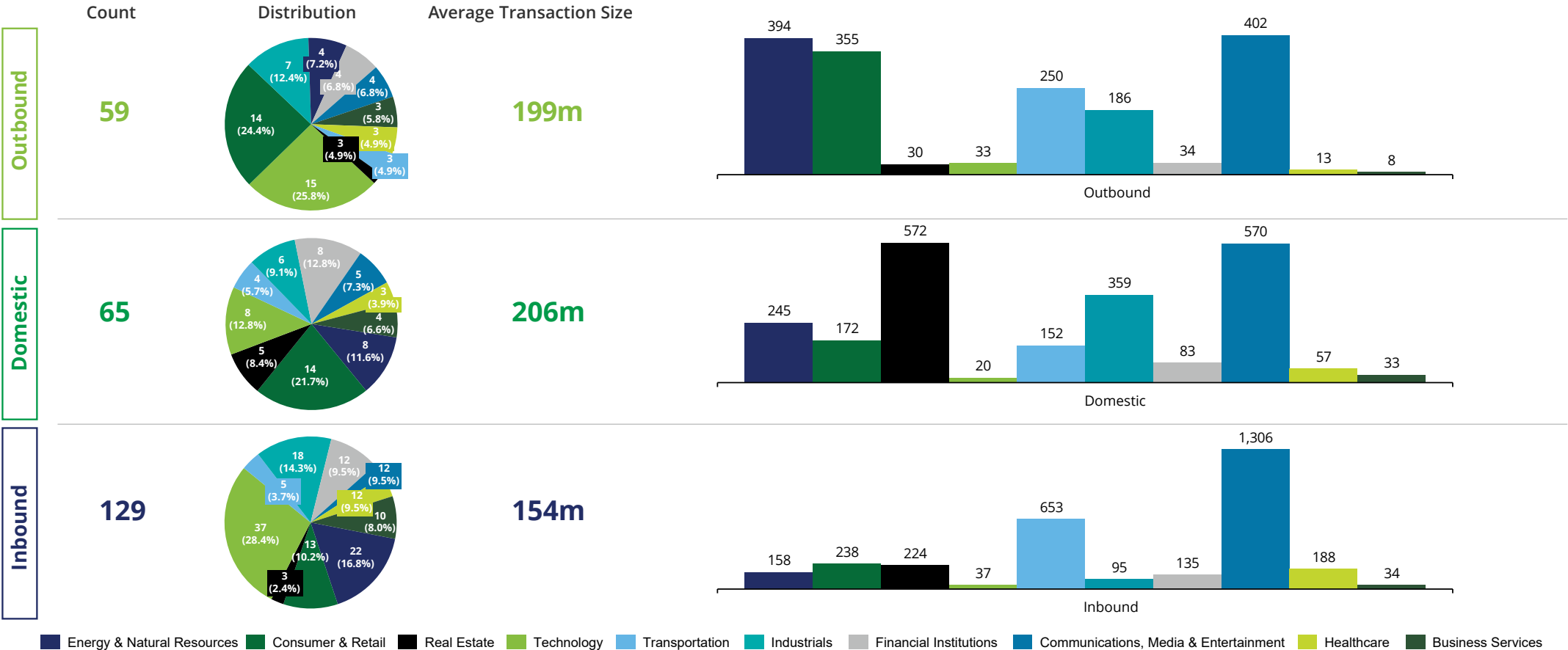
European (ex Spain and UK) market participants lead 16% of the deals, which increases to 27% together with Spain (7%) and the UK (5%)

US remains a dominant force throughout the different size brackets

An Analysis of Mexico’s M&A Market | Deep Dive, Target Industry Breakdown

Domestic breakdown seems more atomized and diverse; domestic real estate and FI proportions are higher than in in/outbound. Inbound is dominated by tech, energy and nat resources, industrials and consumer and retail. Outbound is dominated by tech, consumer and retail and industrials. Sector mix affects the average transaction

Target Industry breakdown

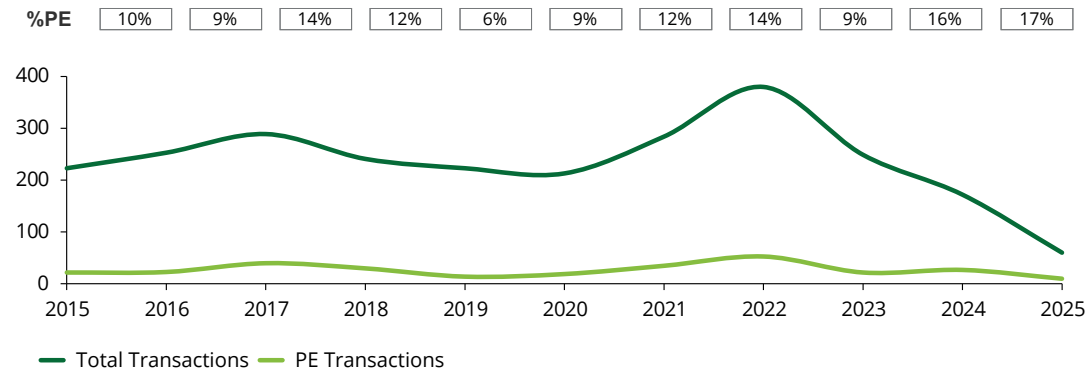


Source: Mergermarkets

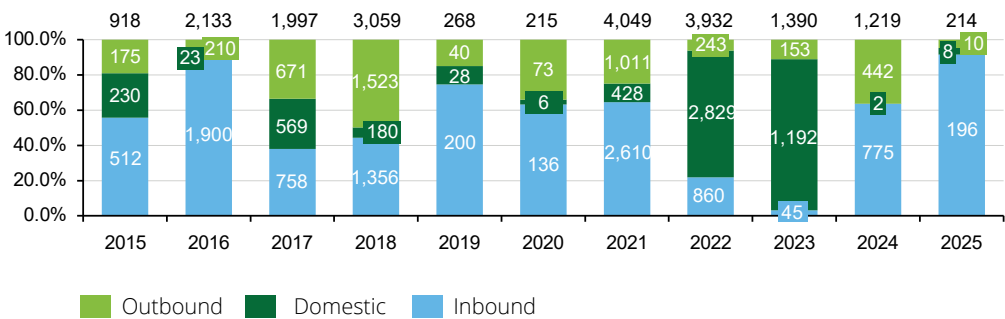
An Analysis of Mexico’s M&A Market | Deep Dive, Private Equity Participation

PE/VC led transactions still represent a small fraction of the market, 10%-11% on avg, which is lower on a relative basis vs other countries. The findings would seem to indicate that funds are present mostly on the buy side in inbound transactions which potentially could illustrate one of traditional issues with PE in Mexico, lack of exits

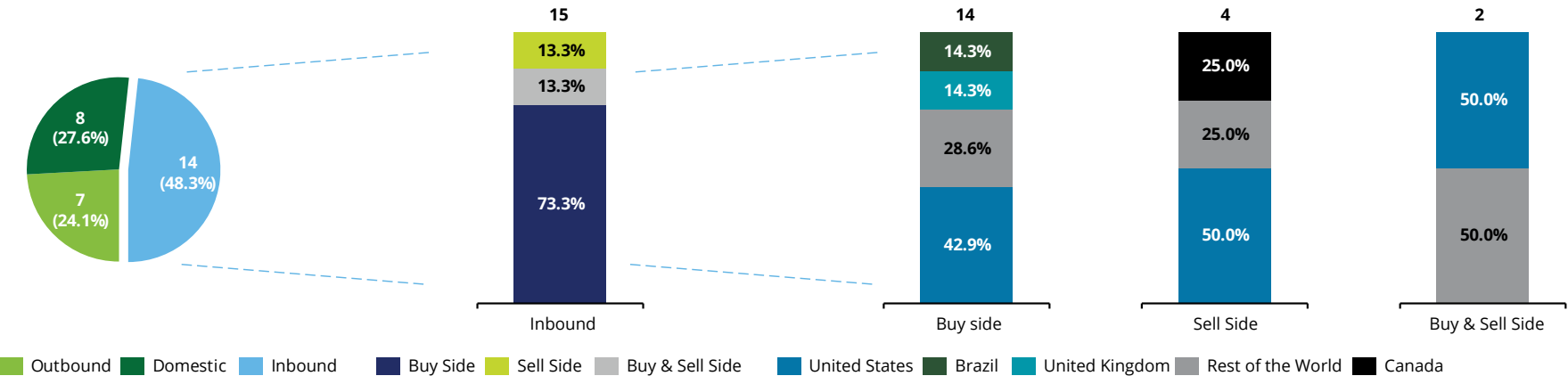
Private Equity Market Participation



PE transaction Market (USD m)



Inbound PE breakdown



Again, the US, rather its funds, play a major role in the Mexican M&A market

Source: Mergermarkets

Appendix



Contact Information



Miguel Llorio
Partner, Investment
Banking & Restructuring

S-LATAM | México

milorrio@deloittemx.com

D: +52 (55) 5080 6422

M: +52 (55) 6488 1969

Experience summary

Miguel is a 25+ years investment banking seasoned professional with extensive experience in multiple sectors, geographies (Europe, US and Latam) and products/services (M&A, equity and debt).

Miguel has worked both with public and private companies as well as financial sponsors both on the private equity and on the private credit spectrum.

Over the course of his career, Miguel has led or been involved in transactions aggregating over US\$75 billion across a diverse group of industry sectors and geographies.

Miguel has worked both on the sell side (investment banking) and on buy side (M&A arb, special sits and distressed debt fund; private credit/mezz fund).

In terms of education, Miguel

- holds a double undergraduate degree in Law and Business Administration
- four master degrees from London Business School; Columbia Business School; Northwestern Law School; ISDI

He is a Chartered Alternative Investment Analyst (CAIA).

Relevant highlights

INVESTMENT BANKING

- 19 years from analyst to MD / Partner / country head
- Member of Corporate & Investment Bank, Wholesale Banking, global M&A and global sectors committees
- Based out of London, NY, Madrid and Mexico
- Both
 - » Global Bulge bracket: UBS, Salomon Brothers (Citi), Barclays capital, Bank of America Merrill Lynch, Santander
 - » Boutique advisory firms (regional)

BUY SIDE / Investor side

- 6 years
- Mexico Credit (mezzanine – direct lending) fund targeting tailored high yielding solutions to middle market Mexican companies
- UK Multi-strategy fund (usd 1.8bn AuM)
 - » participated in M&A arbitrage, even equity and special situations / distressed debt strategies



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