
CHAMBERS GLOBAL PRACTICE GUIDES

Private Equity 2025

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Mexico: Law & Practice and Trends & Developments

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MEXICO



Law and Practice

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1. Transaction Activity

1.1 Private Equity Transactions and M&A Deals in General

During 2024, the total M&A value targeting Mexican assets rose by approximately 8%, although the deal volume fell with respect to 2023. The M&A activity slowed down during the first half of 2025 in both value and volume but with a surge in the industrial sector, boosted by nearshoring trends, as well as the fintech sector. Mexico's strategic geographic localisation, relatively large population, and proximity to the United States, resulted in companies seeking to acquire local capabilities, secure supply chains, and meet regional content requirements. International investors, including, although at a minor level, European, Asian, and Middle Eastern, are aiming Mexico as a prime destination for manufacturing (with special focus on shelter companies) and logistics activities.

Due to the recent regulatory changes and reforms (judicial, energy (with an emphasis on electricity), anti-trust and telecommunications regulation, and AML, among others) enacted during the last 12 months by the Mexican government, in addition to foreign policy changes, macroeconomic headwinds are still present. Private equity deals may remain limited in volume through 2025, especially while tariffs and public policy uncertainty persist. However, high-growth sectors (such as fintech, technology, e-commerce, healthcare, infrastructure, and logistics) continue to attract foreign investment for selective opportunities in Mexico. Large and cross border M&A is projected to rebound grad-

ually, especially as regulatory clarity improves, and industrial investment related to nearshoring expands, thus creating opportunities for other strategic sectors, such as energy and infrastructure.

As is the case in the United States, foreign investors (including private equity funds) have begun exploring transactions in the sports sector in Mexico and, while limited as to the number of transactions, over time more M&A transactions in the sports sector have closed, including at least two over the first half of 2025.

The Mexican peso gained ground during the first half of 2025 after a significant depreciation during 2024. This phenomenon initially deterred foreign acquisitions, but ultimately the rate cuts made by the Central Bank eased financing costs, which enhanced the appeal of investments in Mexico and boosted foreign investment rapidly.

The lack of investment, during the previous administration, in the energy and infrastructure sector, creates an important investment opportunity for strategic and private equity investors, which has been recognised and prioritised by the current administration.

1.2 Market Activity and Impact of Macroeconomic Factors

Over the past 12 months, the Mexican private equity market has experienced a period of recalibration and uncertainty. This trend is consistent with a broader deceleration in local private equity activity, particularly in equity investments. However, mid-market activity

remains comparatively resilient, buoyed by sponsors seeking to capitalise on the ongoing nearshoring trend in advanced manufacturing, logistics, and specialty sectors. Global funds and strategic investors are increasingly stepping in to acquire assets at attractive valuations, as evidenced by recent deals involving major international players. This influx is partly driven by the opportunity to secure local capabilities, strengthen supply chains, and meet regional content requirements under the USMCA framework.

Macroeconomic conditions have played a significant role in shaping market sentiment and deal activity. The peso's strengthening in 2025, following a period of volatility influenced by the presidential elections in 2024 and structural legal reforms, US monetary policy, and global uncertainty, has provided some reassurance to investors. Nevertheless, currency risk remains a key consideration, affecting deal pricing, exit strategies, and the availability of financing. The upcoming renegotiation of the USMCA and the fear of renewed US tariffs continue to inject a degree of caution, particularly among multinational investors. These concerns are compounded by the perception that Mexico's recent legal reforms, particularly the constitutional reform to the judicial branch, could impact the investment climate or even conflict with trade treaty obligations.

The judicial reform has raised concerns about the efficiency and impartiality of the Mexican court system, especially in disputes involving government entities. Although uncertainty around private disputes has levelled, there is still a growing preference for international arbitration and extrajudicial mechanisms to mitigate exposure to local court risks. In addition, the recently enacted reform to the Mexican Economic Competition Law lowers the thresholds for mandatory notification of M&A transactions, subjecting a greater number of deals to review by the new revamped antitrust authority replacing COFECE, the National Antitrust Commission, even where market overlap is limited.

Looking ahead, the Mexican private equity market is expected to remain attractive for international investors, particularly in the mid-market segment, fintech and other technology sectors, healthcare and sectors benefiting from nearshoring. Also, the Mexican

government's active promotion of investment in key sectors, such as railways, infrastructure, and energy, under initiatives like Plan México, may create new opportunities for private equity. Continued vigilance regarding foreign exchange volatility, regulatory changes, and cross-border trade dynamics will be essential for sustaining confidence and deal flow in the sector.

2. Private Equity Developments

2.1 Impact of Legal Developments on Funds and Transactions

Mexico's regulatory landscape has evolved even further during 2024 and 2025, adding significant layers of complexity to the legal diligence required by private-equity investors. In July 2025, the Mexican Economic Competition Law was overhauled: COFECE and the IFT's competition mandate were abolished and their powers consolidated in the newly created National Antitrust Commission (CNA), which is not independent from the federal government. The CNA will possess broader investigative authority (including more flexible and forceful powers and enhanced international co-operation), materially lower merger-control thresholds, and a markedly tougher sanctioning regime that now reaches fines of up to 15% of total turnover for absolute monopolistic practices, 10% for relative monopolistic practices or unlawful concentrations, and 8% for gun-jumping. As a result, any acquisition or add-on transaction involving a Mexican business now demands an early, transaction-specific competition analysis to determine whether a pre-closing filing is mandatory. This may impact on the structuring and timing of transactions.

At the same time, Mexico's anti-money-laundering framework was comprehensively amended (effective 17 July 2025). The reform lowers the ownership threshold for identifying a "beneficial owner" from 50% to 25%, formally incorporates "politically exposed persons", extends vulnerable activities to real-estate development and construction, mandates automated transaction-monitoring systems, doubles the record-keeping period to ten years, and empowers the Financial Intelligence Unit (UIF) to act as a victim in criminal prosecutions. These changes require

private-equity funds and their portfolio companies to, among others, revisit KYC files, shareholder registers, trust structures and real-estate development vehicles, appoint an independent compliance representative, expand internal manuals and training, and – critically – to budget for the investment needed to deploy risk-based monitoring technology.

The institutional environment for dispute resolution (particularly in disputes against the government) has also shifted, with direct implications for funds' litigation and enforcement strategies. Constitutional reforms were approved in late 2024 and have placed all federal judges and Supreme Court justices under direct popular election, reduced the Supreme Court's size and term lengths, and created a new Judicial Discipline Tribunal empowered to investigate and summarily sanction members of the judiciary who miss the newly imposed six-month deadline for resolving most commercial and tax matters. While these reforms are intended to accelerate rulings, they introduce an unknown electoral dynamic, increasing uncertainty around litigation strategy, forum selection, and enforcement prospects for funds and their portfolio companies.

For the following transactions, pre-closing work streams must now address antitrust filing requirements under the new thresholds, audit AML controls and beneficial-owner registries, and assess exposure to judicial reform-driven procedural risks.

3. Regulatory Framework

3.1 Primary Regulators and Regulatory Issues Key Regulators

Prior to engaging in any M&A transaction, the parties must evaluate whether any government approvals are required, specifically, the approval of the Federal Antitrust Commission (*Comisión Federal de Competencia Económica* – COFECE) and soon to be the CNA, or the National Commission of Foreign Investment (*Comisión Nacional de Inversiones Extranjeras* – CNIE). In addition to the foregoing, there are instances where authorisation from the Ministry of Economy (*Secretaría de Hacienda y Crédito Público* – SHCP) or the Mexican Securities and Exchange Commission

(*Comisión Nacional Bancaria y de Valores* – CNBV) is required, particularly in the fintech or financial sector. Additional authorisations could be required, but these are more specific to a particular transaction in a specialised sector – for example, authorisation by the Ministry of Infrastructure, Communications and Transportation (*Secretaría de Infraestructura, Comunicaciones y Transportes* – SICT) in respect of infrastructure and telecommunications transactions.

In respect of CNA approval, the July 2025 reform to the Mexican Economic Competition Law, references to COFECE must soon be read as references to the new CNA. A filing with the soon to be new antitrust authority (ie, the CNA) is mandatory whenever the transaction and/or the agents involved (including the private equity fund, directly and indirectly) satisfy one of three revised statutory thresholds, these being the value of the transaction, the assets of either one of the agents in Mexico, and the combined assets of all agents involved. Provisions regarding the filing with CNA and the ability of the parties to exit a transaction based on conditions imposed by CNA are heavily negotiated.

As it relates to foreign investment controls, the notice or consent requirement varies depending on the industry where the direct or indirect investment is being conducted and the percentage of the investment (ie, there are activities that are reserved exclusively for Mexican nationals, or entities 100% controlled by Mexican investment, and others for which the percentage that foreign investment may hold is limited). In recent years, foreign investment controls have become stricter, specifically in more sensitive sectors (ie, aerial passenger and cargo transportation) in an effort to protect national interests and sovereignty.

National Security

In respect of national security, scrutiny comes through the diverse government agencies whose consent is required, namely the National Commission of Foreign Investment (CNIE). While foreign investment is not a specific national security matter, scrutiny of a foreign national would start with this organism. It is important to note that while the law does not necessarily differentiate between private foreign investment and state-

backed investment, the latter naturally undergoes a higher degree of scrutiny.

EU FSR Regime

The EU FSR Regime is not really applicable in Mexico. This regime could be related to a transaction in Mexico to the extent that a private equity fund from a European jurisdiction is participating. Here, the burden would be on such participant to comply with the additional scrutiny in Europe. At this point, this is not likely to be of material relevance to the private equity sector in Mexico.

Anti-Bribery and ESG – Recent Developments

While not a specific development, over the last 12 months more anti-bribery investigations have been conducted and it appears that the related laws are being and will be more strictly applied and enforced. This, in addition to the more comprehensive due diligence process, is resulting in private equity portfolio companies having to implement and enforce harsher and stricter compliance policies, as well as compliance by all members of the company.

ESG continues to be a trending topic worldwide and Mexico is no exception. Both government authorities and the market in general are scrutinising investments, issuances and day-to-day operations to consider ESG practices. Private equity is no exception to the foregoing, and investments are being scrutinised to ensure that they include an ESG component.

4. Due Diligence

4.1 General Information

Generally, investors ask for a full and extensive due diligence review with a view to producing a red flag report (ie, highlighting key findings in respect of items requiring either some action or special consideration and identified contingencies). However, there are instances where investors require a full due diligence report which includes full descriptions of all legal aspects of a target company, including templates identifying the main provisions of diverse legal documents executed by the target.

Due diligence is not limited to reviewing documents. It comprises other activities, such as available public independent searches (ie, public registries), site visits, management presentations conducted by the target, and Q&A processes with relevant officers of the target.

As mentioned before, a legal due diligence is a comprehensive process as it focuses on all relevant areas; however, focus and detailed review may vary based on the industry and operations conducted by the target.

Key Areas Covered by Standard Legal Due Diligence

The following are the key areas covered by a standard legal due diligence in Mexico:

- corporate;
- material agreements;
- real estate matters;
- financing matters;
- environmental and other regulatory matters;
- labour and employment matters;
- intellectual property;
- compliance (including anti-bribery and anti-money laundering);
- litigation;
- tax matters;
- data privacy; and
- insurance.

Additionally, in Mexico, the use of representations and warranties (R&W) insurance is less common than in other jurisdictions. While some players are currently making an effort to implement it, the number of exceptions and exclusions for Mexico result in lower use of the product. Consequently, the legal due diligence report becomes not only a key element for understanding the target's business and deciding whether to move forward with the proposed transaction, but also plays a fundamental role in negotiating the underlying M&A agreement. This is particularly relevant with respect to representations and warranties, and indemnification clauses.

4.2 Vendor Due Diligence

Vendor due diligence has proved to be a valuable resource for conducting due diligence processes in the context of a bid; however, this trend and market

practice is mainly used in the context of European-led bidding processes and is hardly implemented in Mexico. When using a vendor due diligence report, it is likely that sellers will have to provide reliance and even representations as to the accuracy, completeness and correctness of the vendor due diligence, opening the door to additional indemnification risk for the sellers/target.

In Mexico, advisers are required to put together a vendor due diligence report mainly in the context of cross-border due diligence processes where a local subsidiary is being sold as part of a global transaction, for which the sell-side has implemented a vendor due diligence.

However, it is not uncommon for legal advisers to take a leading role in advising in the context of an auction sale. In such cases, they typically conduct a focused and limited review of the most relevant aspects of the target's business, without performing full vendor due diligence reports. The aim of this is to assist the target's management and/or officers in navigating the legal due diligence process effectively, including tasks such as the proper and organised preparation of the virtual data site, responding to Q&A mechanics, participating in expert sessions, and addressing various other legal due diligence enquiries.

5. Structure of Transactions

5.1 Structure of the Acquisition

In Mexico, private equity transactions are generally private and are implemented through either:

- a purchase agreement, structured as a secondary transaction (ie, the fund acquires shares from existing shareholders), which approach is mainly used when the private equity fund is acquiring 100% of the target; or
- subscription or investment agreements, structured as a primary transaction (ie, the fund subscribes and pays for a capital increase of newly issued shares by the target, thus diluting the existing shareholders).

In conducting a privately negotiated transaction (as opposed to a bidding process), private equity funds have more leverage and are more aggressive in their positions, from a valuation standpoint through the definitive agreements. Another relevant feature when conducting private negotiations is the increased flexibility for parties to be creative in structuring and searching for alternative accommodation of the parties' needs. While these structures have historically been driven primarily by the applicable tax considerations, the Mexican government has recently become more aggressive in exercising its tax audit authority, which in addition to the judicial reform has decreased the ability for institutional investors, such as private equity funds, to be flexible on these structures.

From time to time, private equity funds also participate in bidding processes. Such a process generally aims to sell 100% of the equity of the target and is a seller-controlled process in respect of timing and economic and legal terms. In this process, multiple bidders compete and submit confidential bids for a target, including a position in respect of a draft purchase agreement that the seller makes available. This limits the ability to be aggressive in negotiating transaction documents and related negotiations, as the sell-side will consider – in addition to the economic offer – the ability to close expeditiously and the availability of a cash payment (ie, no acquisition financing). There are other disadvantages for private equity funds in bidding processes, including the need to be aggressive in the economic offer considering the competitive nature of the bid, offering a higher amount than may possibly have been agreed privately, and the expenses incurred in the process with the uncertain component of being able to successfully close a transaction.

5.2 Structure of the Buyer

The private equity fund does not invest directly, but uses a special purpose vehicle (SPV) for the particular transaction. The SPV used for the acquisition is led directly by the fund's internal team. The selection of the type of SPV and the jurisdiction of its incorporation is generally tax driven, but is also affected by the time required to set up an SPV in Mexico. Sometimes, the fund signs the initial agreement and then assigns its rights to the SPV ahead of closing the transaction.

5.3 Funding Structure of Private Equity Transactions

Private equity investments are conducted with a mix of equity and financing. For the purposes of the equity, private equity funds do provide an equity commitment letter, subject to general caveats such as due diligence.

In relation to financing, sellers generally ask that a commitment letter from a financial institution be delivered at signing. This provides sellers with the certainty that sufficient funds will be in place for closing and comes at a cost to the fund because a commitment fee is payable at signing. Financing could be in the form of a bridge loan to be refinanced following the acquisition, which is the more expensive option as the interest rates are higher, or a term loan, which is the more suitable option but also the one that takes longer. This has not changed over the last 12 months.

5.4 Multiple Investors Consortiums

Consortiums are a standard structure conducting private equity transactions, specifically in instances where certain assets are limited for acquisition purposes or where the ticket is too high. Consortiums entail entering into agreements as to how the consortium will vote and/or conduct investments.

Co-Investors

Co-investment is also a standard practice, particularly in respect of international private equity funds. In this case, the private equity fund negotiates the deal and incorporates another entity at the end. The sellers do not interact with the co-investor which, in many cases, is an institution such as a multilateral bank. These co-investors are passive and all the business and negotiation is fronted and carried by the fund.

6. Terms of Acquisition Documentation

6.1 Types of Consideration Mechanism Initial Cash Payment

In Mexico, the main form of consideration is an initial cash payment at closing based on a multiple of the enterprise value which is then subject to a closing or post-closing adjustment, mainly based on work-

ing capital, debt and cash. In some instances, such as a deal with a simultaneous signing and closing, the price may be fixed and not subject to adjustment, as all pricing components are known at the time of closing.

Earn-out payments for existing shareholders

As mentioned before, the Mexican market has adopted as common practice the structuring consideration for private equity transactions of granting the existing shareholders earn-out payments based on a set of performance metrics that take into account the financial information for the ongoing year, future performance or a mix of both.

Rollovers for existing shareholders

Another form of consideration that comes in the context of private equity transactions is rollover for existing shareholders, whereby the existing shareholders receive equity in the acquiring entity and share limited corporate rights and full economic rights in addition to exit rights (and obligations) together with the private equity fund. This feature works well in the context of acquisitions where the private equity fund acquires 100% of the target and generally intends to conduct the target's operations. This consideration mechanism has its challenges, the main one being that it limits the amount of the cash-out consideration for the existing shareholders and could dissuade them from closing the transaction.

Deferred Consideration

Deferred consideration is a must in any mid-size or bigger transaction. Deferred consideration is the most efficient form of securing indemnification for potential known (assuming this is negotiated) or unknown contingencies that materialise within a period of time following closing. The main structures for negotiating a deferred payment are either (i) a holdback, whereby the buyer retains a portion of the purchase price and releases periodic payments (assuming no indemnification payments are required to be made), which is a pro-buyer/investor mechanism and is considered an aggressive provision; or (ii) an escrow, whereby the buyer deposits a portion of the purchase price with an independent third party (eg, a Mexican trust executed by a Mexican financial institution) which, in turn, releases funds pursuant to the trust agreement

and upon instructions from the applicable parties. This is the more moderate approach and the market standard for deferred payment.

Another way to structure deferred consideration is through an agreement between the parties to release payments as certain conditions are met, which is a pro-deal provision. These conditions may be based on the mere lapse of time or the achievement of specific milestones. This mechanism can be implemented in transactions involving deferred signing and closing, and it contributes to providing greater closing certainty. As the seller works towards fulfilling the agreed conditions, which, once met, justify the release of the agreed-upon payments, the buyer also receives the target under the expressly agreed-upon circumstances deemed necessary for its operation. This mechanism can be structured as a sellers' financing, including relevant debt features or simply a schedule of payments.

Leverage

Private equity buyers are generally more aggressive and have leverage. When structuring transactions, they aim to keep the existing shareholders on the hook for indemnification payments through holdback or escrows (which are often used to secure any potential price adjustment payments). Rather than having long discussions as to the security mechanism, private equity funds try to get the highest potential amount within the deferred payment structure. Holdbacks and escrows range from 5% of the purchase price (being a very low threshold and very aggressively pro-seller) to 25% or even 30% of the purchase price (being the highest threshold and very pro-buyer). To keep sellers on the hook, private equity funds try to pay a lesser amount of cash while retaining the sellers with skin in the game and motivating them to maximise their exit value with an earn-out and, potentially, through a rollover mechanism.

Private equity sellers try to sell and exit in an "as is, where is" structure, pursuant to which they get paid and no deferred consideration or other post-closing price adjustment remains. This is in part because at the time of exit, many funds are dissolved and all amounts have to be distributed, and private equity sellers strive to avoid having surviving liability. In this sense, when

the fund is a selling shareholder, it pushes to avoid making representations in respect of the business, as the existing shareholders are those involved in the day-to-day operations. This is an instance where sellers push for R&W insurance to be included as part of the transaction so that there is no need to negotiate security mechanisms for indemnification payment.

A key concept in all these negotiation strategies is leverage, as leverage will determine how far an off-market position can go in the negotiation.

6.2 Locked-Box Consideration Structures

It is not typical in Mexico to have a locked-box consideration. Parties agree on an initial value, but that changes as the negotiation process moves along. Although upon signing binding agreements the agreed consideration remains, it is subject to the agreed-upon price adjustments (such adjustments can be made either at closing, or post-closing). In any event, when agreeing on a locked-box consideration, the seller is liable for leakages.

6.3 Dispute Resolution for Consideration Structures

When parties agree on a price adjustment mechanism, such mechanism includes a standard dispute resolution process. At or before closing, the sellers provide a closing statement identifying in good faith the amounts corresponding to each item of the adjustment and what they believe the final price to be. Following closing, buyers have a period of 30–60 days to audit the target and get back to the sellers either accepting or refusing the amounts allocated to the items in the statement. There is then a period for the principals to negotiate in good faith and, where they fail to agree on one or more item, such items are submitted to a pre-agreed independent expert who will determine the amounts in respect of the disputed items. Such resolutions will be final and cannot be appealed.

6.4 Conditionality in Acquisition Documentation

In Mexico, the conditionality of private equity deals mirrors that of an M&A transaction. In addition to regulatory consents (ie, antitrust – CNA, foreign investments – the CNIE), the second main type of conditions

are those that require third-party approvals in respect of the business. These conditions include waivers or consents from financial institutions, as well as potential consent requirements from suppliers, landlords and so on.

Whether shareholder approval is required is based on the by-laws of each target, but in Mexico, to conduct a primary issuance of shares, a waiver from the existing shareholders is required in respect of their statutory right to subscribe and pay any capital increase proportionally. This is generally addressed at closing, within the corporate resolutions (which is a standard closing deliverable).

Additionally, given that Mexico is a highly regimented country, conditions may sometimes involve actions directly related to the proper functioning of the target, such as registering its intellectual property rights with the relevant authorities or ensuring that agreements with employees retained by the target comply with applicable Mexican labour law.

The following are conditions to any M&A or private equity transaction in Mexico – material adverse effect, the absence of judgments and orders, as well as true and correct R&W insurance. However, the importance and scope of these concepts varies from deal to deal, based on the parties, the industry and the current market conditions.

6.5 “Hell or High Water” Undertakings

“Hell or high water” provisions in Mexico are related to antitrust approval and, in respect of other regulatory approvals, they are negotiated on a case-by-case basis but are rarely seen, as antitrust agencies may impose conditions while other regulatory agencies may only approve or not approve the transaction.

“Hell or high water” provisions are considered aggressive and are not really customary in Mexico but they can be a starting point in seller-driven negotiations or in sellers’ initial drafts.

Ultimately, parties should agree to share the risk of the authority approving the transaction with conditions, except for in very specific circumstances. It has become increasingly common to find “burdensome

conditions” providing that if the conditions imposed by CNA (formerly COFECE) materially affect the buyer, then the buyer has the right not to close the transaction. This applies both for M&A and private equity deals.

6.6 Break Fees

Break fees in Mexico are more common in competitive processes than in private deals. The reason for this is that when a seller decides to close a transaction with a specific buyer to the detriment of others, the expectation is that a successful closing will occur and the break fee will cover the trade-off of closing with another buyer.

Break fees range from 1% to 3% of the purchase price and the main triggers are – to the extent the buyer has an obligation – failure by the buyer to obtain regulatory approvals, failure by the buyer to secure financing, and breach by the buyer of the underlying purchase agreement.

6.7 Termination Rights in Acquisition Documentation

Termination provisions are fairly standard in Mexico. Agreements may be terminated by:

- mutual agreement of the parties;
- the buyer or seller if any of the conditions precedent to their respective benefit are not satisfied or become impossible to satisfy (provided that the other party is not in breach at such time);
- either party if the other party breaches the agreement; or
- either party not in breach if any of the conditions have not been met at the longstop date.

The longstop date varies depending on the type of transaction and the conditions applicable to it, but six months is the usual timeframe when antitrust approval is required.

6.8 Allocation of Risk

Allocation of risk for private equity buyers is the same or more aggressive than it is for corporate buyers (as private equity buyers strive to protect a fiduciary duty and justify investments before investment committees).

With regard to private equity sellers, they tend to be very risk averse and try to limit or, where possible, avoid, any surviving liability following closing, as previously discussed (see **6.1 Types of Consideration Mechanisms**).

6.9 Warranty and Indemnity Protection

Private equity sellers try to avoid any business-related representations. If it comes to making representations, then a full package is expected from the private equity sellers (irrespective of management, as the fund will ultimately be liable for any indemnification payment).

When selling, private equity funds will try to negotiate a materiality threshold for a claim to be indemnifiable, a basket with a true deductible, and limit the liability to 5% or 10% of the purchase price at the most. In addition, they will push for a liability survival of maximum 12 months (except for fundamental representations and extended representations). The limitations discussed in this paragraph are those that are sell-side friendly. In respect of known contingencies, parties either adjust the price or agree on a specific indemnity that is not generally tied to the limitations negotiated. Parties also negotiate rights to defend any such known contingency.

6.10 Other Protections in Acquisition Documentation

Protections in acquisition documentation have been covered in this chapter.

6.11 Commonly Litigated Provisions

The most-litigated provisions in the context of private equity negotiations are the scope of the representations and indemnification security, both as buyers and sellers. Metrics for earn-outs are also heavily discussed among principals. Finally, in respect of partial investments, corporate governance, exit rights and mechanisms for solving controversies are also heavily negotiated.

Furthermore, depending on the nationality of the sellers and buyers (ie, for tax purposes), provisions related to tax obligations and responsibilities become highly significant, such as filing of tax returns, straddle periods, refunds and post-closing actions.

7. Takeovers

7.1 Public-to-Private

The Mexican securities market is quite inactive and highly illiquid, thus the volume of M&A transactions taking a public company private is limited. Moreover, most public companies are controlled by private families, thus acquiring and delisting them is difficult. Assuming there is no tender offer, the board of directors of any such targets would generally request a fairness opinion prior to bringing the transaction to the shareholders for approval. Upon agreement, the parties would execute a transaction agreement setting forth the necessary steps for the transaction and very limited representations and warranties.

7.2 Material Shareholding Thresholds and Disclosure in Tender Offers

Any shareholder that reaches an ownership percentage of 5% or more in a public company must disclose their shareholding to the Mexican Stock Exchange, while a shareholder who reaches 10% ownership must file a notice with the Mexican Stock Exchange setting forth their ownership structure and any agreements related to the shares they own (ie, voting or otherwise).

The foregoing are the most relevant notices a private equity buyer must deliver. In addition to these, there are tender offer notices and filings which are dependent on the type of tender offer (ie, voluntary or mandatory).

7.3 Mandatory Offer Thresholds

The Securities Market Law sets forth that upon reaching a shareholding of 30% or more of the outstanding shares of a public company, the holder thereof (directly or through related parties) must conduct a tender offer for 100% of the outstanding shares. Such mandatory tender must be priced at least at the highest value paid by the acquiring shareholder over the last 12 months.

7.4 Consideration

As stated in **7.3 Mandatory Offer Thresholds**, mandatory tenders must be priced at least at the highest value paid by the acquiring shareholder over the last 12 months. The market in Mexico is split in respect

of consideration. While in some instances, mainly in respect of family-run businesses, consideration is paid in cash, there are more strategic tenders where payment is made with an exchange of shares.

7.5 Conditions in Takeovers

Tender offers in Mexico may be conditional. Such conditions may include a minimum percentage of acceptance of the offer, material adverse effect, regulatory approvals and obtaining financing. In addition to these conditions, there are instances where bidders may try to protect their tender offer by adding break fees, matching rights and exclusivity provisions.

7.6 Acquiring Less Than 100%

Bidders not seeking 100% ownership can strive to obtain other corporate governance rights such as seats on the board, certain veto rights or super-majority matters, as well as protections granting the bidder a right to consent in instances where their investment or shareholding could be affected. Information rights in addition to statutory disclosure obligations are also available.

Squeeze-outs in Mexico can be conducted through a tender offer; however, if unsuccessful or a minority interest remains within the ownership structure, majority shareholders may vote to buy out the minority shareholder or approve a share redemption, thus redeeming such minority's shares or, alternatively, to squeeze a party out through a long legal proceeding.

7.7 Irrevocable Commitments

In advance of the launch of a tender offer, bidders often obtain significant assurances from the controlling group as to the acceptance and main terms of the tender offer. Bidders aim for these commitments to be irrevocable, but a premium needs to be paid as the principal shareholders relinquish their right to seek other options by shopping the deal. Negotiations for irrevocable commitments generally occur within the weeks or months leading up to the launch of the tender offer.

Among the features included in these negotiations are the irrevocable nature of the offer, the right to accept another offer (if a new, higher and unsolicited offer is received), additional consideration and the duration of the offer.

8. Management Incentives

8.1 Equity Incentivisation and Ownership

In an effort to achieve alignment between the investors and the management team, the private equity fund will generally grant stock options (or, sometimes, phantom stock) as equity incentive plans. The percentage ownership allotted to these plans is somewhere between 5% and 10% of the total common (or non-voting) stock.

8.2 Management Participation

Sweet equity is generally the type of stock covered by an incentive plan. The plan allows for management to receive part of the shares allotted to each member with the passing of time and to the extent the member remains working for the company. Shares vest over time as well. Additional shares may be granted if performance metrics are achieved.

In Mexico, management do not often obtain preferred shares. Such shares would be part of preferred distributions in the event of liquidity and payment of dividends.

8.3 Vesting/Leaver Provisions

Vesting of stock is standard in Mexican stock option plans. Vesting allows the company some certainty as it relates to the employee staying and their corresponding commitment to the company. Shares typically vest some time between three to four years.

Additionally, Mexico has adopted a “good leaver” and “bad leaver” concept. A good leaver is an employee who leaves for the right reasons and on good terms (including termination without cause) with the company and is generally entitled to keep their vested shares, and sometimes even negotiate payment for unvested shares, with the company. On the other hand, a bad leaver is an employee that is terminated for cause or otherwise leaves the company for the wrong reasons, in which case, the employee forfeits their unvested shares and the company buys back the vested shares at a penalty (ie, nominal valuation, at cost).

8.4 Restrictions on Manager Shareholders

The main restrictive covenants in Mexico are non-compete, non-solicitation, non-disparagement and

confidentiality obligations for members of management or key employees. These remain enforceable for the duration of the employment and for a year or two following termination (in some cases, this could go up to three years).

Whether these are part of the equity package, employment arrangement or standalone documents depends on the specific circumstances of the hiring.

8.5 Minority Protection for Manager Shareholders

The stock option shares generally enjoy minimal rights aimed to protect the grant and the percentage represented, but avoiding granting rights that are related to the business operation. These shares are granted vetoes regarding critical matters of governance and potential changes (ie, amending the rules of the plan, changing the rights of the shares subject to the plan) and also anti-dilution provisions. Standard information rights are granted as well.

9. Portfolio Company Oversight

9.1 Shareholder Control and Information Rights

The level of control a private equity fund has in its portfolio companies varies based on the size of the investment and the percentage owned. Private equity has seats on the board of directors and veto rights over both the board of directors and shareholders' meeting (the main governing body in Mexico) regarding super-majority matters. Some of the matters for which vetoes are granted, include:

- amending the by-laws;
- conducting strategic transactions;
- approving the business plan;
- approving annual budgets;
- approving capital expenses and financing beyond certain thresholds;
- disposing of material assets; and
- hiring or removing of high-level executives (ie, the CEO and CFO).

Private equity investors have standard information rights.

9.2 Shareholder Liability

Generally, the private equity fund would have no liability; however, there are instances under the applicable law where the private equity fund may be deemed liable for the actions of the portfolio companies. Such circumstances include:

- piercing the corporate veil if the shareholders are deemed an extension of the fund;
- fraud; and
- when management of the private equity fund participates in management of the portfolio company.

10. Exits

10.1 Types of Exit

Unfortunately, in Mexico exiting through an IPO is an option that is difficult to explore as the market for IPOs has been dry. Private equity funds are exiting through either a sale of 100% of the shares of their private equity-backed company or by conducting secondary sales to other private equity funds. These are the typical ways in which private equity investors exit their investments. It is not standard to see rollovers or reinvestments from private equity in Mexico.

10.2 Drag and Tag Rights

Drag and tag rights are fairly standard in Mexico; however, these are rarely used, as informal negotiations take place ahead of initiating the drag or tag processes. For drag-along provisions to be triggered, generally offers must be for 100% of the company. In some instances, for the drag-along to be triggered, a minimum consideration threshold must be obtained. Regarding tag-along rights, minimum thresholds generally start at 10%.

10.3 IPO

In light that there is a fairly illiquid market in Mexico, IPOs are scarce, which makes it difficult to discuss recent trends. However, it used to be that standard lock-up periods ranged from six months to one year. A recently enacted reform to the Mexican Securities Market Law created a simplified offering regime, with the objective to allow mid-sized companies to access the public markets; as of the time of writing, no offering under the simplified regime has taken place.

Trends and Developments

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Ritch Mueller is a top tier multidisciplinary transactional firm committed to offering high value-added legal advice to national and international clients in the structuring, development, and financing of its private businesses and public sector projects in Mexico. The firm's work includes transactions across various sectors including financial, industrial, infrastructure, en-

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Private Equity in Mexico: Trends and Developments in 2025

Over the past 12 months, Mexico's private equity sector has undergone a series of important changes. Market participants have navigated a shifting landscape marked by heightened international investor interest in nearshoring opportunities, evolving legal frameworks in competition and judicial matters, and ongoing structural reforms in key industries such as energy and infrastructure. In 2025, the private equity market continues to mature while facing challenges. Fund managers and portfolio companies must be mindful of new regulatory obligations and enforcement priorities, including those introduced by recent reforms to the antitrust regulation while considering the constitutional reform to the judiciary branch.

The following provides an overview of the most relevant trends and regulatory developments in Mexico's private equity market. It briefly reviews the current macroeconomic environment, highlights core drivers shaping investment decisions, and analyses the legal reforms that directly influence fundraising, deal structuring, and exit strategies. Whether exploring first-time entries into the Mexican market or managing existing portfolios, private equity players will benefit from understanding the confluence of these changes as they plan their transactions in the year ahead and beyond.

The macroeconomic landscape and nearshoring dynamics

Mexico's proximity to the United States, as well as its extensive network of free trade agreements, continue to make it an attractive destination for global capital.

Over the last year, even in the context of geopolitical shifts and supply chain disruptions caused by events including revisions to trade accords and changes in tariff policies, nearshoring strategies have continued to rise. Foreign investors, especially from the United States, Europe, and Asia, have actively sought to relocate production in Mexico to reduce manufacturing and logistics costs and ensure more reliable access to North American markets.

The United States–Mexico–Canada Agreement (USMCA) remains a central consideration for investors structuring supply chains. Private equity funds and multinational corporations see Mexico as a strategic gateway, allowing them to leverage Mexico's comparative advantages while benefiting from preferential treatment under the agreement. Automotive parts, electronics assembly, and industrial manufacturing remain particularly active sectors for private equity transactions. As companies reposition and expand production lines to meet the USMCA rules of origin requirements, they frequently turn to private equity financing to support acquisitions, joint ventures, and enhanced operational capacity.

Additionally, nearshoring has resulted in a wave of cross-border deal activity, reflected in partnerships with local manufacturers and logistics providers. A significant portion of these deals is financed by global funds that see an opportunity to boost portfolio returns by investing in companies poised to benefit from the continued growth of trade within North America. By securing local manufacturing (particularly through shelter companies) and supply chain capabilities, private equity can mitigate external risks linked to

tariffs or currency fluctuations, thereby strengthening the value proposition of Mexican portfolio companies.

Legal reforms and their impact on private equity

Although the macroeconomic environment is broadly favourable, private equity activity has also been reshaped by important regulatory and institutional changes. Over the last 12 months, two reforms of particular note have generated robust discussions within the investment community: (i) reforms to Mexico's judiciary branch; and (ii) the reform to the Mexican Federal Economic Competition Law and Telecommunications Law which result in the creation of a replacing competition authority as described below. Both legal reforms have direct and indirect implications for private equity transactions, from the way disputes may be resolved to the thresholds and approvals required for merger control.

Judiciary reform

Approved in late 2024, Mexico's judiciary reform introduces several structural changes to the country's judicial framework. One of the headline features is the requirement that Justices of the Supreme Court of Justice, members of Circuit Courts, and Federal District Judges be elected through direct vote of Mexican citizens. Although full implementation of the reform is expected to conclude within the last quarter of 2025, the new provisions are already influencing how legal disputes are adjudicated and how investors perceive the impartiality and efficiency of courts, thus, modifying their approach when negotiating jurisdiction and conflict resolution clauses.

From a private equity perspective, the key considerations include the potential impact on litigation timelines, the independence of judicial bodies (particularly as it relates to disputes with the government), and the administrative processes for securing injunctions or protective measures. Although the reform intends to reduce backlogs and increase transparency, short-term uncertainty may arise as new justices take office and the adjudication processes adapt to the revised framework. Investors should be mindful that significant changes to the Supreme Court's structure, particularly reducing it from eleven to nine justices and reducing their terms, could affect the pace of constitutional review and the predictability of certain rulings

that directly impact commercial deals. Fund managers are encouraged to assess potential litigation risk, not only within their transactional documentation (possibly prioritising arbitration clauses or carefully negotiated venue and jurisdiction provisions to mitigate any short-term volatility as the reform is fully implemented), but also when evaluating transaction structures (which are typically tax driven) and liabilities of their target companies.

The reform also establishes a new Judicial Discipline Tribunal, which has the authority to investigate and sanction judicial officers who fail to meet professional standards. Although this tribunal is largely designed to address misconduct and inefficiency in the judiciary, market participants should be aware that the tribunal's powers could influence the speed at which courts process corporate and commercial cases. If the tribunal vigorously enforces its procedural timelines, dispute resolution may become faster in the medium term, a development that would be well-received by private equity managers looking to protect or enforce their contractual rights in Mexico.

Antitrust reform and the birth of the CNA

Alongside judiciary changes, Mexico has recently enacted important reforms in antitrust matters. The Federal Economic Competition Commission (*Comisión Federal de Competencia Económica*, or COFECE) will transfer its legal authority to a new body: the National Antitrust Commission (*Comisión Nacional Antimonopolio*, CNA). This newly established entity will operate as a decentralised public agency within the Ministry of Economy, possessing technical and operational autonomy.

Crucially, the CNA's expanded capabilities include the following.

- Increased investigative powers – the CNA holds greater authority to perform inspections and collect statistical data from individuals and companies. These enhanced capacities could lead to more frequent and in-depth probes of transactions that raise potential antitrust concerns.
- Reduced financial thresholds and share accumulation tests for merger control – the values that trigger mandatory pre-merger notification have been

lowered, as has the percentage of asset or stock accumulation that requires regulatory clearance. While this change broadens the scope of transactions subject to review, it also underscores the importance of early stage guidance from antitrust counsel to ensure timely compliance.

- Higher fines and economic penalties – enforcement measures have intensified, with increases in the fines that can be imposed on parties found guilty of monopolistic practices or illegal concentrations. For private equity funds, this means the cost of non-compliance has risen, reinforcing the need for robust due diligence and careful structuring of portfolio acquisitions, especially in sectors that are more prone to market dominance issues.

In addition to these statutory changes, budget cuts and transitional uncertainty surrounding the transition from COFECE to the CNA may result in delayed enforcement or shifting regulatory priorities, at least in the near term. Nonetheless, the overarching trend is clear: private equity sponsors should anticipate more vigilant review of deals, particularly in industries with moderate to high levels of market concentration. Thorough competition analysis at the outset of a transaction becomes essential to mitigate the risk of investigations or penalties further down the line. These changes are expected to result in more conservative approaches in respect of regulatory approvals as the CNA is likely to be more difficult to predict.

Legislative and regulatory considerations

In the context of private equity transactions, thorough attention to regulatory compliance has become ever more critical. The concurrent changes in the judiciary and the instalment of the CNA elevate the importance of legal due diligence at the earliest stages of a deal. Private equity sponsors must be especially mindful of the following.

- Authority approvals and notification requirements – transactions that exceed lowered antitrust thresholds must secure prior regulatory authorisation from the CNA. Given the newly expanded investigative powers, sponsors are well advised to file timely notifications and prepare comprehensive competitive analyses to reassure regulators of the transaction's market objectives.

- Sector-specific regulations – the Mexican regulatory environment can be stringent in strategic sectors such as telecommunications, transportation, and energy. Depending on the intended portfolio company's line of business, investors may need to secure concessions, permits, or other approvals from government entities. In certain industries, foreign ownership restrictions or specific ownership caps remain in place, requiring creative transaction structures – such as joint ventures with local partners – to achieve compliance.
- Labour and employment reforms – in recent years, labour reforms have restricted the use of outsourcing arrangements and increased employer responsibilities for social security and benefits. Further, labour reforms have aimed to regulate, as employees, the independent contractors within the gig-economy. Private equity-driven turnarounds often rely on cost efficiencies derived from labour strategies, so fund managers must be vigilant about compliance with relevant labour laws, which could affect entire business models, with non-compliance resulting in significant liabilities (including criminal).
- Judicial enforcement mechanisms and dispute resolution – even though the judiciary reform may generate some uncertainty in the short term, it is also meant to streamline judicial processes and impose stricter deadlines on courts. Private equity sponsors typically rely on robust dispute resolution mechanisms to ensure that enforcement of rights proceeds predictably, such as international arbitration or specialised commercial courts. The reform's emphasis on reducing backlogs, if realised, could ultimately lower litigation risk and shorten the timeline to resolve investor-state or commercial disputes.

Fundraising and capital markets access

Notwithstanding complex legal developments, Mexico's private equity ecosystem continues to raise capital successfully. Institutional investors, including domestic pension funds (AFORES) and international development finance institutions, remain critical sources of capital. Over the past year, larger funds have been able to target specialised verticals, like renewable energy, technology, or infrastructure, while

leveraging government incentives and private partnerships.

Beyond direct fund investment, some sponsors have relied on the capital markets to monetise holdings. Mexico's Securities Market Law has progressed in ways that afford more flexibility and streamlined issuance processes for debt or equity instruments. Private equity managers see this as a welcoming development, especially in the context of designing exit strategies. Accessing the public market through local and international listings has become a viable avenue for well-performing portfolio companies, provided they meet the necessary listing standards and disclosure requirements.

Additionally, in response to heightened competition, there has been a trend of co-investment arrangements wherein multiple funds collaborate on larger deals. This structure allows the sharing of expertise, pooling of capital, and spreading of risks across multiple sponsors. Such collaborations can be particularly advantageous when navigating high-stake industries, ensuring that the relevant transaction is backed by robust operational know-how and an expanded network of governmental and commercial relationships.

Challenges and risks

Although the outlook for private equity in Mexico may seem generally positive considering the recent decrease in transaction volume, there remain inherent challenges that investors must overcome. First, the government's shift toward greater state involvement in certain industries, most notably in energy, can introduce uncertainty about the stability of concessions, procurement processes, and foreign ownership rules. Investors targeting these areas may need to employ additional negotiation strategies, partner with local entities, or deploy advanced regulatory analysis to anticipate policy shifts.

Second, the transition from COFECE to the CNA could produce temporary enforcement lags or policy misalignments, particularly if budget constraints materialise and hamper the new commission's operational capacity. While this environment might enable certain deals to close with less immediate scrutiny, the robust legislative mandate given to the CNA promises

that, once fully operational, its oversight will increase. Funds that attempt to bypass or delay compliance obligations could face severe penalties in the future.

Third, the judiciary reform introduces electoral processes into the selection of judges and justices. Critics have cautioned that politicising judicial appointments may lead to fluctuations in rulings, adding complexity to long-term legal predictability – particularly in disputes involving government bodies or regulatory agencies. In contrast, supporters of the reform argue that greater democratic legitimacy can help counter corruption and inefficiency. Either way, private equity participants should account for temporary uncertainty, especially over the next few years, as judges and justices adapt to their newly instituted roles and disciplinary processes.

Finally, Mexico's macroeconomic environment, though relatively stable, remains vulnerable to external shocks such as shifts in US trade policy, global recessionary trends, or currency volatility. Private equity funds that rely heavily on cross-border financing must weigh the risk of interest rate fluctuations and hedging costs. Additionally, while domestic consumer demand is reasonably strong, inflationary pressure could dampen growth if measures to contain it are not effectively calibrated.

Outlook and opportunities

In spite of these risks, Mexico's private equity ecosystem is poised for continued evolution and expansion. The interplay between nearshoring-driven manufacturing investment, a growing fintech sector, and renewed infrastructure initiatives presents fertile ground for well-positioned funds to generate meaningful returns. For sponsors with thorough knowledge of the local market, strong legal counsel, and robust compliance protocols, Mexico remains an enticing destination. In addition, the sports industry, while limited, has become an area of focus for M&A transactions generally, and private equity deals specifically.

Deal structures will likely become more innovative. Funds that combine local knowledge with cross-border networks will have a distinct advantage in starting or scaling portfolio firms that meet the demands of North American supply chains. Operators with prov-

en expertise in navigating regulatory bodies, from the Ministry of Economy to newly formed commissions, will further stand out to international investors seeking on-the-ground partnerships.

Over the medium to long term, the reforms to the judiciary and the establishment of the CNA could yield benefits in terms of legal certainty and competitive fairness. If the new judicial structure successfully curtails inefficiencies and the CNA focuses on promoting robust competition, private equity transactions could become more transparent and less susceptible to opaque obstacles. However, the transition period for the remainder of 2025 and the ensuing years will undoubtedly test market resilience. Investors and advisers should remain agile and regularly monitor legislative and regulatory developments to anticipate potential pitfalls.

Conclusion

Mexico's private equity market is transforming alongside sweeping legal and economic reforms. The climate of 2025 underscores opportunities for growth in sectors such as energy, infrastructure, fintech, and specialised manufacturing. Meanwhile, nearshoring continues to propel foreign direct investment toward new acquisitions and expansions, reinforcing Mexico's position as a key gateway to North American markets.

Yet, this optimism must be tempered by mindful attention to the complexities introduced by the new judiciary framework and the establishment of the CNA. The lowered thresholds for merger authorisation, coupled with heightened investigative powers and increased fines, demand that dealmakers approach antitrust compliance with rigour. Likewise, the evolving judicial environment, characterised by electoral appointments and the introduction of a Judicial Disciplinary Tribunal, may temporarily introduce uncertainties into dispute resolution.

In order to flourish in this environment, private equity managers should adopt a multifaceted strategy:

- conduct rigorous legal due diligence;
- cultivate strong relationships with local authorities; and
- remain attuned to ongoing policy developments.

By doing so, they can better navigate the road ahead and capitalise on Mexico's unique combination of well-developed trade networks, substantial internal market demand, and political momentum toward modernising key segments of the economy. While 2025 certainly presents its challenges, it could also offer fertile ground for innovative private equity investments that align with both global macrorends and the new regulatory reality in Mexico.

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