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Mexico
Private Equity

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This country-specific Q&A provides an overview of private equity laws and regulations applicable in Mexico.

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Mexico: Private Equity

1. What proportion of transactions have involved a financial sponsor as a buyer or seller in the jurisdiction over the last 24 months?

Publicly available deal tracking for Mexico is inherently incomplete (many mid-market processes and sponsor add-ons are not fully disclosed). That said, the latest TTR Data / Datasite snapshots show that Mexico recorded 240 announced and closed M&A transactions through October 2025 (USD 26.771bn), and 268 transactions through November 2025 (USD 28.108bn).

As a practical proxy for "financial sponsor" involvement, TTR Data also reports 21 private equity transactions through October 2025 (USD 433m) and 62 venture capital transactions (USD 1.324bn).

Using disclosed figures over the 2024 full year (359 M&A transactions; 52 PE; 85 VC) plus 2025 YTD, sponsor-led activity typically lands in the low double-digits as a share of reported M&A if you count only PE; and closer to one-third if you include VC/growth capital as financial sponsor activity—recognizing these buckets are not a perfect one-to-one match with "buyer/seller" in classic M&A.

2. What are the main differences in M&A transaction terms between acquiring a business from a trade seller and financial sponsor backed company in your jurisdiction?

In Mexico, trade sellers (founders/family groups/corporates) often have more "operational" motivations (strategic partnerships, succession, carve-outs, liquidity without a full exit). As a result, processes can be less standardized: disclosure is sometimes more relationship-driven, and terms may be more flexible on price mechanics, transitional arrangements, and post-closing support—though this varies widely by sophistication and governance.

By contrast, sponsor-backed sellers tend to run more disciplined exit processes. They typically arrive with a cleaner equity story, tighter data rooms, and a sharper focus on certainty of closing and limitation of residual liability (caps, baskets, shorter survival, escrow discipline, and frequent use of W&I when available/efficient). Sponsor-backed exits also tend to be more prescriptive around management rollover, reinvestment, and governance packages, because those points drive underwriting and return outcomes.

3. On an acquisition of shares, what is the process for effecting the transfer of the shares and are transfer taxes payable?

Share transfer mechanics (typical private M&A):

• Confirm transfer restrictions (bylaws / shareholders' agreement: ROFR, tag/drag, consent, change-of-control).

• Execute the SPA and closing deliverables; deliver/endorse share certificates (if certificated) and record the transfer in the company's share registry book (and issue new certificates if applicable).

• Update corporate books and governance (board/manager resolutions, officer appointments, ancillary agreements).

• File any regulatory notices triggered by the transaction (commonly: foreign investment filings if the company has foreign participation; and "beneficial owner/controller" information updates where applicable).

Transfer taxes / tax on the transaction:

• Mexico generally does not impose stamp duty or a "share transfer tax" on the transfer itself.

• VAT is typically not triggered on a share sale (shares are commonly treated as VAT-exempt financial instruments).

• The main tax exposure is income tax on the seller's capital gain. For non-resident sellers, the baseline rule is often 25% withholding on gross proceeds (no deductions), with an alternative to be taxed on the net gain at 35% if conditions are met (including appointing a representative), and treaty relief may apply in the right fact pattern.

4. How do financial sponsors provide comfort to sellers where the purchasing entity is a special purpose vehicle?

In Mexico, acquisitions through a special purpose vehicle

(SPV) are standard for financial sponsors. Seller comfort is typically addressed through a combination of credit support and enforceable recourse beyond the SPV. The most common approach is a joint and several guarantee (obligación solidaria) granted by the sponsor's parent entity, holding company, or, in certain cases, the ultimate beneficial owner, so the seller has a direct claim for payment and/or post-closing obligations if the SPV fails to perform.

Where the seller is focused on certainty of funds at closing (particularly in competitive processes), it is also common to require evidence of funds and/or bank-supported instruments, such as letters of credit or other bank guarantees, especially if any portion of the price is deferred or subject to conditions. Depending on leverage and timing between signing and closing, sellers may also request a limited sponsor guarantee covering specific obligations (e.g., reverse break fee, certain indemnities, or purchase price funding), combined with escrow/holdback mechanics to secure post-closing claims.

As a practical matter, these tools are calibrated to the risk profile of the transaction (signing/closing gap, financing conditions, and the seller's bargaining power), but the market expectation is that the SPV structure should not leave the seller with "empty recourse.

5. How prevalent is the use of locked box pricing mechanisms in your jurisdiction and in what circumstances are these ordinarily seen?

There is no single "market rule" in Mexico, but in practice completion accounts/post-closing adjustments remain more common than locked box structures in private equity transactions. Most deals still rely on a purchase price mechanism that adjusts after closing for items such as cash, indebtedness, working capital and, where relevant, transaction expenses—particularly when there is variability in cash flows, seasonality, or where the parties want the closing balance sheet to drive the final economics.

That said, locked box mechanisms are increasingly seen in specific scenarios, typically where the seller has strong leverage (auction processes), the target has stable and predictable financials, and there is confidence in the quality and auditability of the accounts used as the locked box reference. When a locked box is used, the negotiation usually focuses on (i) a robust "no leakage" covenant, (ii) clearly defined permitted leakage and value extraction parameters, and (iii) interest/ticking fee concepts and remedies for leakage.

In short, locked box is available and used, but it remains a selective tool—more frequent in competitive or cross-border transactions where the seller prioritizes price certainty and a clean exit.

6. What are the typical methods and constructs of how risk is allocated between a buyer and seller?

Risk allocation in Mexico is primarily driven by the stock purchase agreement (SPA) and ancillary documents, and the market toolkit is broadly consistent with international private equity practice. The most typical constructs include:

1. Representations and warranties (R&Ws). These are heavily negotiated and cover corporate authority, title, compliance, taxes, financial statements, labor, litigation, environmental, and related matters. Buyer-side R&Ws are usually narrower (authority, due authorization, and—where relevant—availability of funds).

2. Indemnification regime and limitations. Risk is allocated through indemnities for breaches of R&Ws and covenants, typically subject to negotiated limitations such as survival periods, de minimis thresholds, baskets/deductibles, and caps (often differentiated for fundamental vs. business warranties). Tax and other "known" items are commonly addressed through specific indemnities.

3. Security for claims. Sellers are frequently asked to support the indemnity package through escrows, holdbacks, or other collateral, and—when the buyer is an SPV—seller comfort may also include sponsor/parent guarantees for defined obligations.

4. Covenants and closing conditions. Where signing and closing are separated, the SPA will include interim operating covenants, information/consent rights, and conditions precedent (including regulatory approvals, financing/availability of funds where negotiated, and third-party consents).

5. Purchase price mechanisms. The structure (completion accounts vs. locked box) is itself a major risk allocation lever, complemented by leakage protection, debt/cash definitions, and working capital methodologies.

Although still not universal, R&W (W&I) insurance and similar solutions have started to appear in certain transactions, typically to bridge gaps on caps/survival or to facilitate cleaner exits, but they remain more the exception than the rule.

7. How prevalent is the use of W&I insurance in your transactions?

W&I (R&W) insurance is still not the market default in Mexico, but it is increasingly used in selected deals, particularly in cross-border PE transactions (eg, foreign-law governed SPAs and/or where a non-Mexican insurer can underwrite).

In practice, it is typically deployed to facilitate a cleaner seller exit and to re-balance indemnity/escrow mechanics, but it usually requires robust diligence and underwriting discipline, which can make it less attractive for smaller or time-compressed deals.

8. How active have financial sponsors been in acquiring publicly listed companies?

Compared to the US/Europe, sponsor-led acquisitions of Mexican listed issuers remain relatively limited and episodic, largely because the pool of listed targets is smaller and many issuers have highly concentrated control blocks.

When sponsors do pursue public deals, structures commonly run through Mexican tender offer mechanics and—if a take-private is intended—CNBV-driven delisting/squeeze-out pathways, which are process-heavy and timing-sensitive.

9. Outside of anti-trust and heavily regulated sectors, are there any foreign investment controls or other governmental consents which are typically required to be made by financial sponsors?

In most “ordinary course” sectors, foreign sponsors can acquire Mexican targets without prior foreign investment clearance, and the workstream is typically post-closing reporting/registration.

Prior authorization generally becomes relevant only in restricted/sensitive activities and, in particular, where foreign investment seeks to exceed 49% in scenarios that trigger the CNIE prior authorization regime (including the asset-value threshold that is updated periodically).

Separately, RNIE filings are commonly required post-closing to record the investment (and certain subsequent corporate changes).

10. How is the risk of merger clearance normally dealt with where a financial sponsor is the acquirer?

Mexican merger control is governed by the Federal Economic Competition Law (Ley Federal de Competencia Económica). In July 2025, a statutory reform entered into force adjusting—effectively reducing—the notification thresholds applicable to concentrations. While the thresholds continue to be expressed in daily UMAs (Unidad de Medida y Actualización), the reform lowered the applicable monetary benchmarks across all tests by approximately 15–20%, expanding the universe of transactions subject to mandatory pre-merger review.

Pre-merger clearance is required where a transaction meets any of the statutory thresholds, including: (i) transactions exceeding 16 million times the daily UMA (currently equivalent to approximately USD 95–105 million); (ii) acquisitions of 30% or more of an undertaking whose Mexican assets or Mexican sales exceed 16 million times the daily UMA (approximately USD 95–105 million); or (iii) acquisitions in Mexico exceeding 7.4 million times the daily UMA (approximately USD 45–50 million), where the parties' Mexican assets or sales jointly or separately exceed 40 million times the daily UMA (approximately USD 240–260 million), in each case as adjusted following the 2025 reform.

In private equity transactions, merger clearance—when applicable—is typically treated as a condition precedent to closing. Filings are commonly pursued jointly by buyer and seller, supported by detailed cooperation covenants covering information exchange, strategy and remedies management. Allocation of antitrust risk is transaction-driven: in competitive processes sellers may seek enhanced buyer commitments, while sponsors generally favour reasonable best efforts standards and calibrated remedy exposure. Post-reform, parties place increased emphasis on early antitrust assessment, given the broader scope of notifiable transactions, managing timing risk through long-stop dates, extension mechanics and clearly defined termination rights.

11. Have you seen an increase in (A) the number of minority investments undertaken by financial sponsors and are they typically structured as equity investments with certain minority protections or as debt-like investments with rights to participate in the equity upside; and (B) ‘continuation fund’ transactions where a financial

sponsor divests one or more portfolio companies to funds managed by the same sponsor?

We continue to see significant minority investment activity by financial sponsors in Mexico, particularly in growth-oriented transactions where founders and strategic shareholders seek capital and expertise while retaining operational control. These investments are most commonly structured as equity (often with preferred economics) coupled with robust minority protections, such as board representation, enhanced information rights, vetoes over reserved matters, and negotiated exit pathways (drag/tag rights, liquidity triggers, IPO-ready governance and, in some cases, put/call mechanics). While debt-like structures (e.g., structured credit with warrants or conversion features) do appear, they are more typical in specific verticals—most notably fintech and retail—where valuation, regulatory or cash-flow dynamics make hybrid instruments attractive. As to continuation fund (GP-led) transactions, Mexico remains an emerging market, but we are seeing a gradual increase, particularly in strategies with longer-duration assets—most visibly real estate-focused portfolios—where sponsors seek to provide liquidity options while maintaining exposure to high-conviction assets.

12. How are management incentive schemes typically structured?

In Mexico, there is no single “market standard” structure; the design of management incentive schemes is deal-driven and tends to track the sponsor’s thesis, the target’s corporate governance profile, and local labor-law sensitivities. In practice, incentive schemes commonly combine (i) equity-linked upside for key managers (most frequently stock options or, in many cases, phantom equity to avoid shareholder / governance and employment-law friction), and (ii) performance-based cash compensation tied to operational KPIs and/or exit outcomes.

Where equity-like awards are used, it is typical to see: vesting (time-based and/or performance-based), good leaver / bad leaver economics, forfeiture and clawback mechanics, and alignment with the sponsor’s distribution waterfall (i.e., payout upon a liquidity event). These arrangements are typically documented through a dedicated incentive plan (and, where actual equity is issued, aligned with the bylaws / shareholders’ agreement).

13. Are there any specific tax rules which commonly feature in the structuring of management's incentive schemes?

A key tax driver is that, under Mexico’s income tax framework, the benefit realized by an employee upon exercise of a stock option is generally treated as employment (salary) income, with the taxable base typically being the spread between fair market value at exercise and the exercise/strike price.

Once the option is exercised, the amount treated as salary generally becomes the manager’s tax basis for the shares, and any subsequent sale should then follow the ordinary capital gains regime applicable to the individual.

In addition, where dividends are paid, individuals may face ordinary income treatment plus an additional dividend withholding component (commonly referenced as 10% on dividends).

Practically, these rules often push sponsors to (a) carefully manage valuation support at grant/exercise, (b) consider phantom equity / cash-settled instruments where equity issuance creates friction, and (c) coordinate withholding and reporting mechanics upfront, since salary-type treatment typically implies employer-side withholding and compliance execution.

14. Are senior managers subject to non-competes and if so what is the general duration?

Mexico does not have a clean, codified “senior manager non-compete regime,” and post-termination non-competes can face enforceability headwinds given constitutional principles protecting freedom of work. That said, in sponsor-backed deals it is common for senior management to sign non-compete undertakings, typically drafted with tight guardrails to improve enforceability.

As a market practice, where used, the duration is commonly 12–24 months, and sometimes up to 36 months, but the clause is usually limited by territory, scope of activity/industry, and restricted counterparties (e.g., specified customers), to reduce the risk of being struck as overbroad.

In parallel (and often more reliably), sponsors routinely lean on confidentiality / trade secrets protections, IP assignment, and non-solicit covenants, which generally present a more defensible enforcement profile than a broad non-compete.

15. How does a financial sponsor typically ensure it has control over material business decisions made by the portfolio company and what are the typical documents used to regulate the governance of the portfolio company?

In Mexico, a financial sponsor typically implements a layered control framework that combines (i) corporate governance rights, (ii) minority / investor protections and (iii) exit-driven protections, calibrated depending on whether the investment is a majority or minority stake.

At the governance level, sponsors generally seek board representation (and, in some cases, board observer rights) and the ability to influence strategic and operational decisions through reserved matters requiring sponsor consent or supermajority approval at both shareholder and board levels. These reserved matters often cover structural and "value-shifting" actions (eg, mergers, spin-offs, material acquisitions or disposals, changes to business lines, material capex, related-party transactions, changes in key management or compensation policy, issuance of equity or equity-like instruments, incurrence of material indebtedness, dividends/distributions and amendments to governing documents). This allows sponsors to control material business decisions even where day-to-day management remains with the executives.

From a documentation perspective, the governance package is usually implemented through a combination of: (i) a shareholders' agreement setting out governance rights, information rights, transfer restrictions and sponsor protections; (ii) the company's bylaws (estatutos sociales) (particularly for provisions that sponsors want to be enforceable and "embedded" in the corporate framework); and/or (iii) voting agreements and, in some cases, a voting trust (fideicomiso de acciones) where shares are conveyed to a trustee to centralise voting mechanics and ensure discipline around approvals and deadlocks. In practice, sponsors will often prefer to "hard-wire" key governance and transfer provisions into the bylaws (or a voting trust structure) to reduce execution risk and ensure the agreed decision rights operate seamlessly throughout the life of the investment.

Where the sponsor's control is deployed through a debt position (eg, leveraged or structured investments), the equivalent control levers typically sit in the financing documentation: affirmative and negative covenants, reporting undertakings, event-of-default triggers, restrictions on additional debt, liens and asset disposals, and consent rights for extraordinary corporate actions. If the capital structure includes multiple creditor tranches or a sponsor syndicate, the allocation of control (eg, enforcement rights, voting thresholds, inter-creditor priorities and standstill periods) is generally governed by an intercreditor agreement acknowledged by the borrower group.

16. Is it common to use management pooling vehicles where there are a large number of employee shareholders?

Yes. In Mexico it is common to use pooling structures—most frequently a trust (fideicomiso)—when there is a large number of employee or management participants under an incentive plan. The primary driver is operational: a trust allows sponsors and issuers to centralise administration, streamline cap-table management and implement the plan rules in a consistent and enforceable manner, particularly around vesting, leaver provisions and exercise mechanics.

From a governance and process standpoint, the trustee (a regulated financial institution) acts as an independent third party that holds the relevant shares (or the economic rights tied to the incentives) and executes instructions under a pre-agreed framework. This typically enhances transparency, reduces the risk of inconsistent treatment among participants and helps ensure that voting and transfer mechanics are executed in line with the plan documentation, without having to coordinate dozens (or hundreds) of individual signatures for corporate actions. As a practical matter, pooling also helps sponsors preserve clean governance at the portfolio-company level while still offering broad-based participation in the equity upside.

In the Mexican market, these pooling arrangements are often paired with standard Private Equity incentive mechanics (eg, vesting schedules, good-leaver/bad-leaver outcomes, forfeiture provisions and repurchase rights) so that the sponsor can protect value and continuity of the business while aligning management with return objectives. Trust-based mechanics are also frequently used as part of the broader control architecture of the investment, because they integrate naturally with voting discipline and exit execution.

17. What are the most commonly used debt finance capital structures across small, medium and large financings?

Mexico does not have a single "standard" debt product for sponsor-backed deals; structures are largely driven by deal size, the credit profile of the target, sector dynamics, currency needs, sponsor track record, and whether the financing is predominantly domestic or cross-border. That said, there are clear market patterns across the spectrum.

For small and many mid-market financings, the most common structure remains a secured loan facility provided by one or more commercial banks, typically with customary security and covenant packages. Where traditional bank credit is constrained (eg, early-stage companies, limited collateral, or high-growth profiles), sponsors increasingly rely on private debt providers or structured credit solutions as an alternative source of capital.

For larger transactions, structures tend to become more layered and may include combinations of senior secured and subordinated debt, club or syndicated facilities, and (depending on the nature of the asset base and cash-flow profile) structures that mix term loans with revolving facilities and/or asset-based components. In certain cases—particularly for larger corporates with access to institutional markets—financings can extend into private placements, capital-markets instruments and other structured products.

For the largest financings, and depending on market windows, sponsors and issuers may tap public debt markets or use securitisation-type structures (especially where there are predictable receivables or other financeable cash-flow streams). Over the last couple of years, Mexico's loan market has shown resilience even amid rate volatility, and structured finance solutions have remained an active tool for borrowers.

18. Is financial assistance legislation applicable to debt financing arrangements? If so, how is that normally dealt with?

Mexico does not have a statutory "financial assistance" regime comparable to the UK/EU concept (i.e., a per se prohibition on a target or its group providing guarantees/security to fund the acquisition of its own shares). As a result, leveraged acquisition financings where the target group grants guarantees and/or security are not unlawful per se under Mexican law.

That said, sponsors and lenders still structure these transactions conservatively, because the real constraints in Mexico are corporate authority, corporate benefit and insolvency risk (not "financial assistance" as a standalone doctrine). In practice, the target/guarantor's ability to grant upstream guarantees and security is assessed through: (i) corporate purpose / authority (alignment with the company's objeto social and by-laws), (ii) proper approvals at the relevant corporate level (board and, where applicable, shareholders), and (iii) conflicts and related-party discipline, particularly where the guarantee supports acquisition debt incurred at a holding/SPV level.

From a lender diligence perspective, the core focus is whether the guarantor received (or can credibly be said to receive) a direct or indirect benefit from the financing (e.g., access to capital, refinancing of existing indebtedness, group liquidity, or strategic business consolidation), and whether the structure is defensible under a potential clawback / vulnerability analysis in an insolvency scenario.

Where regulated entities are in the perimeter (financial institutions, SOFOMs, etc.), parties will also layer in sector-specific restrictions and internal approvals, but the baseline point remains: Mexico does not prohibit financial assistance as a matter of general corporate statute.

19. For a typical financing, is there a standard form of credit agreement used which is then negotiated and typically how material is the level of negotiation?

There is no single "standard form" credit agreement in Mexico for leveraged or sponsor-backed financings. Documentation is largely transaction-driven and lender-led, and it varies based on (i) the lender mix (Mexican commercial banks vs. international banks vs. private credit), (ii) whether the facility is bilateral, club or syndicated, (iii) governing law (Mexican-law facilities vs. New York/English-law facilities with Mexican security), and (iv) the sponsor's market leverage and timeline.

In the lower/mid-market, lenders (especially domestic banks and some direct lenders) often start from their internal forms and playbooks; negotiation is typically concentrated on a limited set of "high-impact" items (pricing/fees, conditions precedent, key covenants, default triggers and remedies), with the rest of the agreement tracking the institution's precedent. In these deals, the process can feel closer to a "market package" with selective customization, particularly when execution speed is a priority.

In larger sponsor-led acquisition financings, the level of negotiation becomes materially more robust. Sponsors typically drive the process through a term sheet and commitment phase, and they will push for a more sponsor-friendly construct across: (i) debt and lien capacity, (ii) restricted payments and distributions, (iii) EBITDA and other financial definitions (including add-backs), (iv) flexibility for permitted acquisitions/disposals and intra-group movements, and (v) transfer/assignment economics and consent rights. The documentary set will commonly include the facility agreement, Mexican-law guarantees and security (pledges, mortgages, security trusts where used), and—where there is layered debt—an intercreditor arrangement setting out enforcement and waterfall mechanics.

20. What have been the key areas of negotiation between borrowers and lenders in the last two years?

Over the last two years, negotiation dynamics in Mexico have remained highly sensitive to liquidity conditions and pricing, with borrowers/sponsors focusing on preserving operational flexibility while lenders seek tighter downside protection. In practice, the heaviest negotiation has tended to cluster around five workstreams:

1. Economics and flex: interest margins, upfront/commitment fees, utilization fees, break costs and prepayment premiums—particularly where refinancing optionality and early take-outs are realistic.

2. Events of default and remedies: tighter drafting on triggers and grace/cure periods, materiality thresholds, and "technical" defaults. Borrowers have pushed for clearer guardrails on acceleration and enforcement sequencing, including more borrower-friendly cure mechanics where feasible.

3. Covenant package and baskets: the "give" is typically in leverage and coverage ratios (if any), plus covenant cure rights; the "take" is often in the calibration of permitted debt/liens, restricted payments, permitted investments, and asset disposal parameters.

4. Lender transfers/assignment: borrowers increasingly insist on consent rights (and defined disqualified institutions), especially where credit funds, distressed strategies, or competitor exposure are concerns.

5. Mexican-market discretionary lender rights: in Mexican-law facilities, "restricción" (discretionary reduction of available commitments) and "denuncia" (discretionary cancellation/termination rights—sometimes even pre-disbursement) have been key friction points. Borrowers have sought to limit these rights to narrow, objectively defined scenarios, rather than open-ended discretion.
Across deal sizes, we have also seen heightened attention to sanctions/AML reps, information undertakings, and tighter conditions precedent packages—reflecting a more risk-controlled underwriting posture while sponsors continue to demand execution certainty and speed.

21. Have you seen an increase or use of private equity credit funds as sources of debt capital?

Yes. Mexico has seen a clear increase in the use of private credit funds (both domestic and international) as sources of debt capital, particularly in sponsor-backed mid-market financings and in sectors where speed, structuring flexibility and bespoke underwriting are at a premium (notably fintech and other high-growth businesses). Private credit has positioned itself as a practical complement—and, in certain situations, an alternative—to traditional bank lending, offering faster execution, greater certainty of funds, and tailor-made structures (including senior secured, unitranche/mezzanine and asset-backed or receivables-based solutions), often in pesos or dollars depending on the borrower's cash-flow profile. While Mexican and international banks remain central to larger-cap financings and certain regulated industries, private credit funds are increasingly filling financing gaps created by tighter bank risk appetite, market volatility and underwriting constraints. Barring a sharp deterioration in macro conditions, we expect this trend to continue.

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