Top 100: Mexico

Survey: Who Represents Latin America's Biggest Companies 2014?

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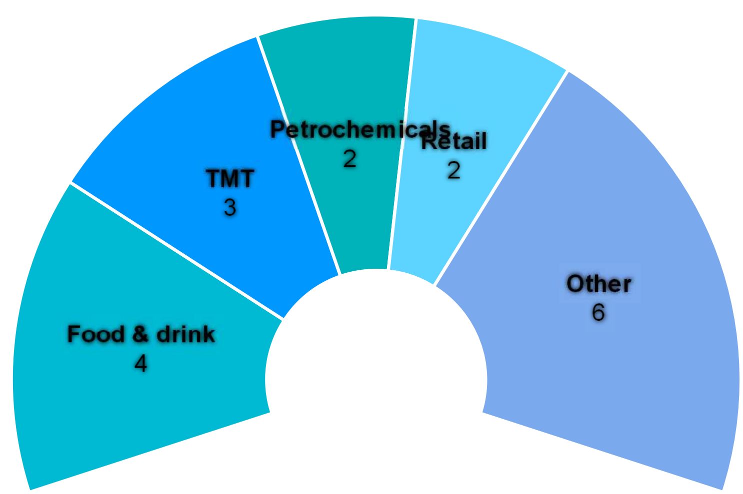
While rock-bottom oil prices and a weak peso contributed to sluggish growth in 2014 for Latin America's second largest economy, many companies expect sweeping energy, tax and telecoms to boost foreign investment and are making moves to positions themselves to take advantage of the good times ahead.

In August, President Peña Nieto officially opened Mexico's oil-sector for business. For the first time in over seventy years, private companies were given the right to invest in the sector - part of a landmark reform aimed at reversing years of declining oil and natural gas output by enabling Mexico to take advantage of new technologies to tap undeveloped and geologically more complex fields. After decades of underwhelming economic performance, many expected the historic reforms would give birth to 'Mexico's moment'; swelling government coffers with tax revenues and adding one per cent to the country's gross domestic product by 2018.

Rather than reaping the rewards, last year has seen Mexico's government forced to take preventative measures. With global oil prices falling to the lowest level in six years, and looking likely to remain there for some time to come, 2014 saw Peña Nieto forced to reduce this year's budget by US$8.3 billion. With the first public oil & gas bidding rounds scheduled to be held in spring this year, many predict the 14 exploratory fields that are being offered in the Gulf of Mexico will attract lower bids than expected and lead to some projects being delayed. As a result, the region's third largest state owned oil company, Pemex, is expected to cut capital spending in the coming year, at a time when the company is expected to become partner to more projects than ever before. "Although we are actively advising a number of clients in the prequalification stage of the first round for oil assets, there is a long way to go before the energy reform results in significant work in the oil industry," explains Patricio Trad Cepeda of Mijares, Angoitia, Cortés y Fuentes SC.

While Mexico's economy will certainly be feeling the effects of a global slump in oil prices, the country continues to show promising signs elsewhere. Seventeen Mexican companies made it to the Top 100 rankings this year (see figure 1). Billionaire Carlos Slim's América Movil remained in fourth position, while Wal-Mart de México slipped one position to 10th spot after reporting a slight decline in profits since 2013. Mexico-based beverage bottler Coca-Cola FEMSA, meanwhile, reported a minor net income growth of 1.2 per cent and jumped four places to 19th position.

1) Number of companies by industry



Mexico remains the world's largest consumer of fizzy drinks, and despite the introduction of a new tax on highly calorific foods and beverages aimed at curbing consumption, Arca Continental, the region's second largest cola bottler, was a new entry into the list at 98. The company has shown steady growth and recently invested US$80 million for the construction of a new production plant in Ecuador, which is expected to further increase output.

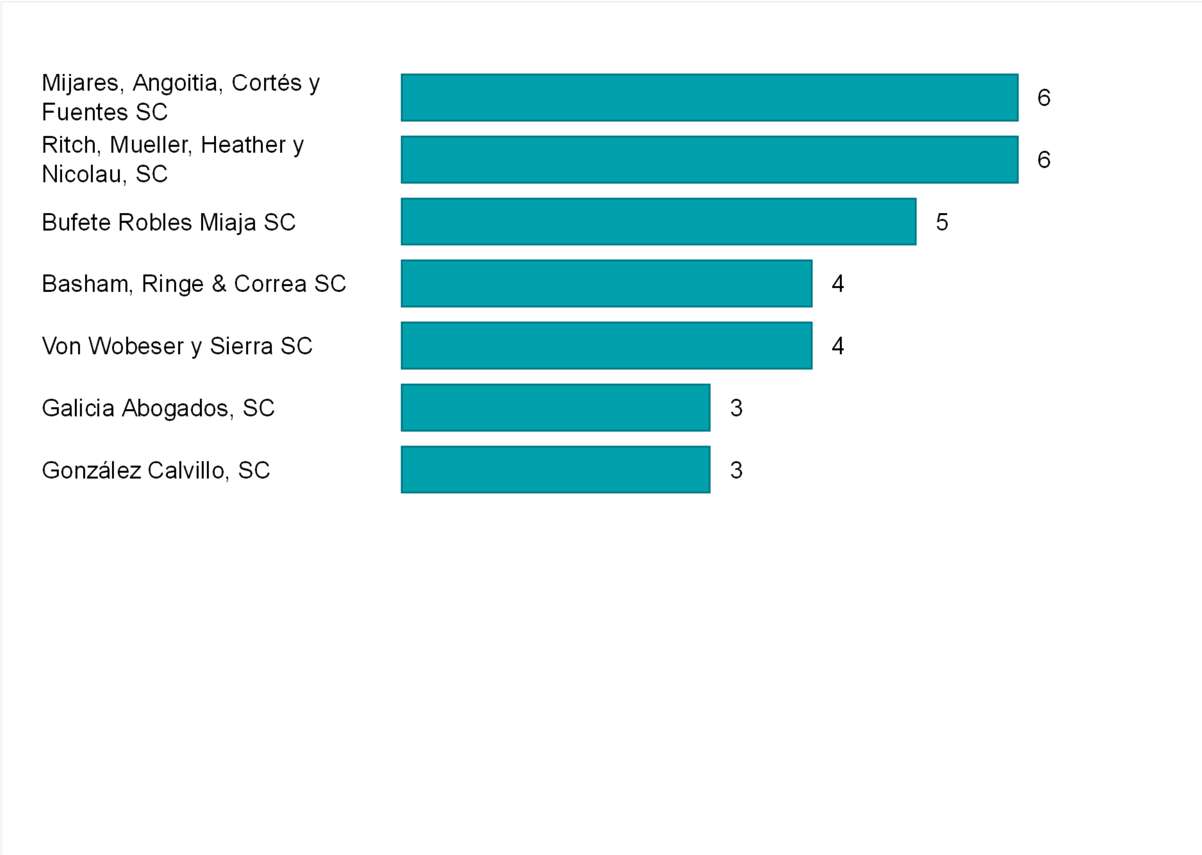
With shares up by 2.8 per cent in 2014, Mexican retailer Chedraui was also a new entry into this year's list coming in at 89th place, while a series of acquisitions in the US in 2013 saw Grupo Bimbo, the world's largest industrial baker, jump five places to 33rd in the rankings. Coinciding with the 20th anniversary of NAFTA, the company also recently acquired Canada Bread, involving all three members of the commercial treaty and continuing the company's plans for further global expansion.

Mexico also benefitted from a strong recovery in the US, particularly in the export sector. The weakened peso is expected to provide an additional boost to manufacturing and attract more foreign investors, especially as US companies look to quickly increase capacity in light of growing domestic demand. Proximity to, and historical ties with, the US has long meant Mexico is a stronghold for foreign multinationals, and Mexican law firms are certainly making the most of it with some of the biggest investors. Coca-Cola, Cargill, American Airlines, Ford, Nestlé, and Telefónica all regularly use local firms in the country.

With more and more foreign companies looking to set up shop in Mexico, many firms note increasing demand for services related to compliance risks; an inevitable requirement when doing business in the country and the corruption risks that Mexico represents. "Focusing on having a home-grown and very experienced team of lawyers has been a pillar of our long term growth strategy that has helped us in constructing long term relationship with our clients," says Trad.

Mijares, Angoitia, Cortés Y Fuentes and Ritch, Mueller, Heather y Nicolau, SC are the top-tier transactional firms preferred by local and international companies, and both have major clients including AB Inbev, General Electric, Marfrig and Grupo Modelo. High-end corporate boutique Bufete Robles Miaja SC also featured strongly with home grown clients such as América Movil, Telmex and Grupo Carso. Full service firm, Basham, Ringe y Correa and arbitration stalwart Von Wobeser y Sierra SC also fared well among the most popular firms.

2) Leading Mexican firms



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