Mexico

Exports and infrastructure drive post-pandemic growth

As it emerges from the ravages of the Covid-19 pandemic, Mexico is set to ride the wave of soaring global demand for key manufactured exports, with domestic growth underpinned by strong government support measures aimed at protecting the most vulnerable during the crisis. The central bank projects real GDP growth will surge by nearly 13 percentage points in 2021, with long-term expansion supported by a sweeping, multi-billion-dollar infrastructure investment programme and rising foreign direct investment (FDI) in key industries including manufacturing, utilities, and transportation and logistics.

Mexico shares more than 3,000 km of border with the world’s largest economy, and it is home to nearly 10,000 km of Pacific and Atlantic coastline, meaning its transportation sector plays an outsized role in driving and supporting economic growth. Accounting for nearly 6% of GDP today, the sector has expanded rapidly in recent years, with public and private investors channeling nearly US$400 bn into the country’s transport infrastructure between 2012 and 2018. The freight and logistics market holds especially high potential, and is forecast to grow by an average of 7.5% annually between 2020 and 2025. Grupo Traxion, the largest mobility company in Mexico, is ready to meet rising demand.

The country has been so successful in building up domestic capacity that many leading Mexican firms are now looking to export their business models. Massive stimulus packages planned in the US, Canada and Europe have created new opportunities to promote Mexican companies as world-leading manufacturers and suppliers, according to Javier Garza Buffettong, CEO of infrastructure developer Center.

"We want to see Mexico as a modernized country, and more importantly, we want Mexicans to feel proud of their country. This will entail changing the perception of Mexico in the world," which is why we’ve been pushing to expand the business into other countries. Our manufacturers are among the best in the world, so changing outside views of the country is important," he added.

With López Obrador at the helm, a strong focus on fighting corruption and improving the living standards of low-income citizens has paid off in unexpected ways since he was elected in 2018. Mexico weathered the first wave of Covid-19 pandemic remarkably well, as López Obrador highlighted in a September 2020 speech. By focusing on a bottom-up approach providing direct economic support to the country’s most vulnerable citizens, the economy remained resilient and the country performed far better than many more developed nations. The consumption of basic products, instead of decreasing with the pandemic, increased by 9.5% in real terms, compared to last year. Tax collection remained virtually the same as in 2019. This also occurred with foreign direct investment, which during the first half of the year reached $17.97 billion, the same as in 2019. EBITDA increased by more than 24%, with net profits expanding an astonishing 52% year-on-year in Q1. Traxion was one of the few listed companies in Mexico to exceed expectations and register a strong performance on the Mexican Stock Exchange, with stock prices almost increasing 100% in 2021 on a year-to-date basis. As Lijtszain explained, this is because of its resilient, agile, and diversified business model: "2020 was a challenging year for the whole world, but Traxion showed its resilient business model. I founded the company with the ambition to build it in a strong, diversified way. We can react faster to changes in the demand for our services. At the beginning of the pandemic, the auto industry came to a halt, but then supermarkets went up, as panic shopping kicked in. We were able to relocate our capacity among sectors and geographies very quickly. We were able to make the change because of the good relations we had with clients, and the strong technology we utilize. So, there were no revenue disruptions for the company," he further elaborated that Traxion’s strongest competitive advantage is its state-of-the-art technology, backed by late-generation systems and a team of software developers who take a disruptive approach, keeping Traxion one step ahead and enabling the group to better serve clients, adapt to dynamic demand, and develop commercial and business intelligence to continuously enhance the company’s performance.

Traxion is unique in that it operates high-quality, low-cost, secure transport and logistics networks across the entire country, in addition to offering more than 532,000 sq m of warehouse space. The group’s fleet has grown nearly thirtyfold since it was established in 2011, and today in Traxion work more than 15,600 people across Mexico. The Group’s President Aby Lijtszain attributes the strong growth by an ambitious but measured growth strategy: “On a compounded basis, the transportation in the group increased 13 percentage points in 2021, with long-term expansion supported by a sweeping, multi-billion-dollar infrastructure investment programme and rising foreign direct investment (FDI) in key industries including manufacturing, utilities, and transportation and logistics.

Mexico already benefits from favorable fundamentals, including a highly efficient, export-oriented economy that has powered economic development since it signed the North American Free Trade Agreement in 1994.

As Jose Antonio Diaz, CEO of leading Mexican-based anti-corruption platform, President López Obrador later announced 39 new energy and infrastructure projects valued at $14 billion, an investment that is largely financed by the private sector, and which is expected to create nearly 20,000 new jobs. On making the announcement, he stated that "We have no problem with business leaders. On the contrary, they deserve our utmost respect and admiration because they invest, generate jobs and create wealth." Mexico already benefits from favorable fundamentals, including a highly efficient, export-oriented economy that has powered economic development since it signed the North American Free Trade Agreement in 1994.

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Gentor
Mexico’s sustainable developer

As real estate demand rises in Mexico, electricity and water consumption is also expected to soar. Mexico’s residential real estate market was worth more than $30 billion in 2018, and it is projected to reach by nearly 10% annually until 2025 to double in value. Energy demand has risen in lockstep with new real estate projects, with total domestic electricity consumption surging from just over 100 terawatt hours (TWh) in 1991, to nearly 300 TWh in 2019. Innovative businesses like Gentor have been in the market long enough to know that consumption patterns will accelerate, and as the world shifts to a greener way of life, Gentor is set to embark on a period of unprecedented growth.

At family-owned conglomerate with 55 years of history in Mexico, Gentor got its start as a land development company. Driven by a philosophy that hinges on sustainability and innovation, the group has since widened its scope by launching operations in high-value industries including energy, water, air purification, real estate, Sustainable Urban Mobility, and telecommunications. As group CEO Javier Garza Buffington highlights, Gentor’s approach to doing business has seen it grow to become a national leader in sustainable solutions.

“We’ve always been pioneers in the world of sustainability. In 1966, we were the first in the world to install solar panels. Today, we are looking to see Mexico as a modernized country promoting well-being in Mexico is very important, and human well-being is very closely intertwined with environmental well-being."

Underpinned by this forward-looking philosophy, Gentor has continued to evolve since it was founded. Today seven different companies, five of which provide basic services, operate under Gentor’s portfolio. The group’s businesses range from waste-to-energy projects, to commercial real estate, and men’s clothing, and real estate investments. It is active in high-demand waste management activities (Eco), its telecommunications business is focused on neutral host of fiber-optics, spectrum, and small cells, and its energy business is focused on landfill remediation, management, and operations.

G gentor operates from Nuevo León’s waste-to-energy site in Latin America. The project operates from Nuevo León’s waste-to-energy site in Latin America. The project runs daily on 87% of the energy demanded from clean energy sources; we’re providing 100% of the water needed for the irrigation of the 16 acres of the project. It recovers water from the wastewater and the rainwater generated by the buildings, water, and the industrial processes of the dwellers. Also, we provide innovative solutions such as “Cooling as a Service” to reduce energy demand for cooling, and “Efficiency as a Service” to reduce energy demand for lighting. The group is investing heavily in sustainable micro-mobility solutions and green active areas to promote community building. We’re pursuing the LEED and WELL certifications as we understand the importance of a culture of sustainability,” he explains.

Gentor traces its roots back to 1966, when Don Javier Garza first established a commercial land investment company active in real estate, investment, and real estate development in Mexico, and in 1972, and in 1976 Garza’s original company was rebranded to Gentor SA. This business was active in retail real estate projects, acquisition of commercial properties, development of residential projects, and real estate investments. The group’s evolution and expansion accelerated in the 1980s, as it moved into the banking, energy cogeneration, and innovative real estate investment, and the following year, it established Grupo Domus, active in providing solutions for land management, wastewater treatment, and air purification industries.

The energy firm Seisa followed in 1992, and Gentor launched its American subsidiary, American Gentor Corporation, in the same year. By 1997 Gentor has established a telecommunications division, and the group began shifting its land management activities towards waste management, landfill remediation, management, and operations. Grupo Domus rebranded to Oneo in 2007. In 2018 it was integrated into Gentor, with a renewed focus on sustainability. Astra, an upscale community development company, launched in the same year. The company’s philosophy explores the link between social well-being and environmental degradation. This is shifting the way in which telecommunication infrastructure in Mexico is deployed, managed, and operated. Since the privatization of the telecom industry in Mexico, the telecommunications infrastructure, regardless of spectrum, small cells, and fiber optics has been owned and operated by the carrier, without any responsibility of environmental impact. That is the reason why the sustainable goals of the company need to be met, and the community needs to be involved in the decision process. Even before the launch of Astra and Land Operations, Gentor was investing heavily in sustainable micro-mobility solutions and green active areas to promote community building. We’re pursuing the LEED and WELL certifications as we understand the importance of a culture of sustainability,” he explains.

Gentor’s goal is to maintain a balance between social life and the environment. Astra focuses on building the tangible and intangible aspects of the communities, from the built environment to the placemaking activities which makes these communities thrive. Astra is committed to tackling the greatest challenges facing cities: urban mobility, energy demand, water consumption, telecommunication, connectivity, and carbon emissions.

Astra communities are built to reduce the water demand and energy used per unit of area. Through onsite waste-to-energy solutions, wastewater treatment, water recycling, distinct cooling systems, clean energy production, and sustainable mobility strategies, these communities meet net-zero goals soon. Astra believes that the culture of the neighborhood is also important. People will change their behavior through the built environment. As these communities are fed by clean energy, people are more likely to change their behavior. That is the reason why the sustainable goals of the company need to be met, and the community needs to be involved in the development process.

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Grupo Indi
Building Trust

After a challenging period of pandemic-induced economic shocks, Mexico is set for a major bounce back, and the construction sector is fast-emerging as a leading driver of future growth. The Mexican Finance Executive Association recently projected Mexico’s construction industry would grow by as much as 5% this year. Over the medium-term, the sector is projected to record a compound annual growth rate of 7.6% to reach $170 billion in value by 2024. Grupo Indi, a leading domestic infrastructure developer, will be a major beneficiary of the coming boom.

Established in 1977, Grupo Indi is a family-owned business built on a dream. The group’s core foundational principles hinge on commitment, passion and discipline, and they remain a central part of its corporate identity to this day. The business has grown and diversified over nearly half a century to become one of Mexico’s largest and most-trusted infrastructure developers. As Arq. Manuel Muñozcano, CEO of Grupo Indi explained, the company has built a reputation for not only being a reliable partner but because it never gouges clients.

“It’s about reliability. You have to honor your word, as well as the project schedule. We benefit from having the flexibility to be able to move and adapt depending on the opportunities we see in the market. We have lots of partnerships for different projects and buildings for a reason: because we can trust our partners to deliver on time and on budget.”

Grupo Indi has frequently joined forces with the public sector under a public-private partnership (PPP) framework to deliver spectacular new builds. Major public infrastructure works have included Mexico City’s peripheral ring road, the Cancun International Airport’s aeronautical bridge, a mega-warehouse container terminal in the Port of Lazaro Cardenas, and the legislative precinct of the Mexican senate. Other notable landmarks include the High Court of Justice Building, the National Arts Centre, and the National College of Economists. But as Muñozcano highlighted, Grupo Indi’s activities are not limited to public infrastructure alone: it is also an engineering, procurement and construction (EPC) contractor actively involved in railway, parking, and retail projects.

In the private sector, the group has developed top-tier tourism builds such as the Hotel Viva Wyndham Maya, Mexico’s largest parking complexes like Indi Park and the Patio Martin Carrera shopping center. It is also currently working on a retail complex on a massive scale and using “multi-mall.” The Covid-19 pandemic may have impacted project planning, but Grupo Indi expects to deliver the project as it always has - on time and on budget. This is in keeping with trends that saw the company survive and thrive during a challenging year.

“2021 has to be the foundation for the next three years, we have to act on the opportunities that we saw emerging in 2020. We’re a company that has been here for almost 45 years, and we’re now thinking ahead to the next 45. We have to grab the opportunities when they come, so we’re thinking about and looking for long-term projects and businesses,” he concluded.

Médica Sur
Investing in a healthier future

Though battered by the Covid-19 pandemic, Mexico’s health sector is poised for a major growth spur. The World Bank reports that health expenditure in current US dollars rose by 6% over the previous 20 years to hit $520 per capita, indicating both rapid recent growth and room for improvement. As the pandemic subsides and the sector exits crisis mode, the prospects for high-performing private hospitals like Médica Sur are bright. Médica Sur’s history dates back to the 1980s. The hospital got its very humble start when 17 doctors in Mexico City banded together with the purpose of mind cooperation with the world’s elite medical institutions to bring quality care to Mexico.

As Dr. Misael Uribe Esquivel, Chairman of Médica Sur explained, the hospital took a different approach from the very beginning. “There were two groups that created Médica Sur: a team from Harvard and one from Mayo Clinic. We have a clinical approach that puts education at the core of the system. We have also focused strongly on acquiring highest-quality foreign equipment, and on exchanges to improve knowledge transfer and know-how. Mexico cannot be isolated; we need cooperation from abroad.”

Construction of its first facility began in Mexico City in 1981, and today the institution’s portfolio spans a specialty care center and a medical university complex affiliated to the National University of Mexico. A forward-thinking approach allowed the hospital to act early when the pandemic first hit, and it has clocked a stellar performance as a result. In Q1 2021, operating income surged by 256% yo-yo to hit $19.7 million, while EBITDA rose by 15% to hit $23.7 million. Consolidated net profits rose by an astonishing 437% to reach $13.2 million.

Dr. Uribe is hoping to build on these successes with new international collaborations and investments, which will support its mission to train new professionals and expand its services. Médica Sur already has the land and a plan – all it needs now is a like-minded partner. We’d like to create new services for cardiovascular diseases, immunology, pulmonary diseases and other conditions. It is important for us to have well-trained people, and for that we need investment. In Médica Sur we believe in quality first, then success revenues to sustain the project; this is our philosophy,” he concluded.

Neolpharma
Quality medicine in a fast-changing world

Mexico’s economy is gearing up for a construction industry boom. Grupo Indi’s portfolio of PPPs, having already successfully delivered around 40 such projects. Affordable equity and win-win international operations, in cooperation with new foreign partners.

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