

## Mexico debt specialist sets up advisory shop

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**A former head of Mexican debt capital markets at BBVA has set up a Miami-based boutique to advise companies in Latin America on capital structure, preparations to access capital markets and expansion plans.**

Ricardo Cano, who spent 15 years at BBVA Bancomer in Mexico, began Gateway Capital Advisors after seeing small and more remote corporates in the country being overlooked from the mainstream banking community.

“A lot of companies with annual sales in the \$50m-\$300m range do not have sufficient relationship coverage either from Wall Street banks or commercial banks,” said Cano. “And if a company is not in a big city, the coverage is even thinner.”

These companies’ financial teams focus mainly on accounting and day-to-day operations, so they have a need for “sophistication in terms of hedging risk, finding the optimal capital structure, and raising funds”.

While Cano, who also worked at ABN Amro structuring LatAm project finance deals, expects Gateway to begin work with companies in Mexico, the idea is to eventually serve all of Latin America.

Debt market conditions have become much tougher in the second half of 2013, slowing the supply of first-time Latin issuers in international markets. However, Cano still expects to work with companies on cross-border bond financings.

“Some of the companies I will focus on are certainly large enough to issue international bonds, and this can be a wise move if they are looking to go public, for example,” he said.

Yet though admitting that those companies that are prepared should take advantage of rates that are still “historically attractive” for borrowers in international markets, Cano says he will not favour one product over another for the sake of it.

“If you’re not ready to issue an international bond, then you’re not ready, and I will be looking to work with companies that don’t have a shelf ready,” he said. “They may need to implement corporate governance changes and take the time to look strategically at their capital structure.”

“It is important to work with an adviser that has managed transactions in various markets, to better understand the relative value that each can offer the company in terms of access, pricing and tenor.”

Several corporates in Mexico and Latin America have work to do on corporate governance before being able to approach the market. Gateway hopes to help companies over this challenge.

Many companies remain very private in terms of disclosing information and making decisions, with some close management teams and family-run companies not keen to let in independent board members. But this is part of a necessary transformation that first-time issuers have to undergo before approaching bond markets, said Cano.

## Mexican market mix

Mexico did not produce quite the slew of debut issuers that Peru saw in the first six months of 2013 as EM bond market conditions hit their peak. The last wave of new mid-sized issuers in international markets from Mexico was the homebuilders, according to Cano. But these borrowers — such as Homex, GEO and Urbi — have run into trouble, so it is not clear where the next wave of Mexican supply may come from.

“We are waiting to see which will be the next big sector to come to the market,” said Cano. “I feel it may be a more of a diversified group.”

Yet Mexico has a larger domestic bond market than Peru, and local markets still play an important role.

“Domestic bond markets are usually more cost-efficient than international markets — and in Mexico you can get longer tenors than in the past,” said Cano. “But once you reach a certain critical mass in local markets, you need to look to cross-border financings. Companies should also look to work the two markets against each other, once they have the size.”