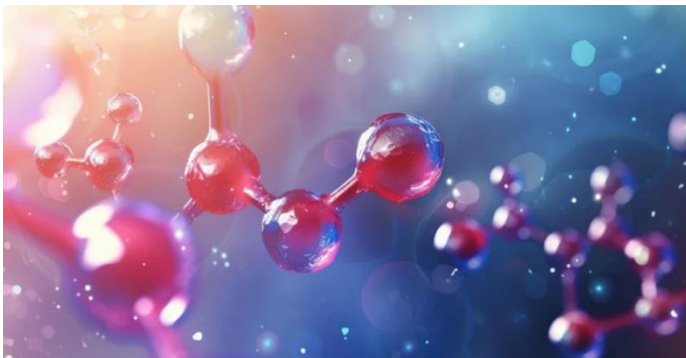


Navigating the Future: Mergers and Acquisitions in Mexico's Pharmaceutical Sector

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The pharmaceutical industry in Mexico is undergoing a transformative phase marked by regulatory enhancements, technological advancements, and an increasingly strategic relationship with the United States. These changes present numerous opportunities for mergers and acquisitions (M&A), making Mexico an attractive destination for both domestic and international investors. This article explores the key drivers of M&A activity in Mexico's pharmaceutical sector and the implications for foreign investment, providing a comprehensive outlook for 2024.

Volume and Value of M&A Transactions

Globally, the pharmaceutical sector has seen a mixed trend in M&A activities. Despite a 25% decrease in the overall deal volume in the first half of 2024 compared to the same period in 2023, the value of these deals increased by 5%, reaching approximately \$1.3 trillion ([PwC](#)). This rise in deal value is primarily due to several high-value transactions in the pharmaceutical and technology sectors. In Mexico, these global trends are mirrored, with the country experiencing significant M&A activity driven by regulatory improvements and strategic shifts in the industry.

Key Drivers of M&A Activity

1. Regulatory Enhancements

Mexico's Federal Commission for Protection Against Health Risks (Cofepris) has been instrumental in improving the regulatory environment, particularly for biosimilars. The establishment of the Pharmaceutical Development Committee for Biosimilar Biotechnological Medicines (Codebio) aims to enhance domestic

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biopharmaceutical production ([Fitch Solutions](#)). These regulatory enhancements reduce investment risks and improve market entry conditions, making Mexico a more attractive destination for pharmaceutical companies looking to expand their operations.

2. Technological Advancements

The global pharmaceutical industry is increasingly adopting digital and analytics tools to enhance operational efficiency and innovation. Mexico is aligning with these trends, focusing on digital transformation to streamline operations and improve drug discovery processes ([McKinsey & Company](#)) ([PwC](#)). This technological shift makes Mexican pharmaceutical companies appealing targets for acquisitions by firms seeking to leverage advanced digital capabilities.

3. US-Mexico Trade Relations

The growing pharmaceutical trade between Mexico and the United States presents significant opportunities for M&A. In 2023, Mexico exported over \$2.5 billion worth of pharmaceutical and API products to the US ([Wilson Center](#)). This increasing trade underscores Mexico's potential as a strategic partner in stabilizing the US supply chain, which has traditionally relied heavily on Asian markets. Enhanced cooperation between the two countries can lead to more robust supply chains and reduced dependency on a few key suppliers.

4. Strategic Partnerships and Joint Ventures

The emphasis on collaboration and strategic partnerships in the pharmaceutical sector creates opportunities for joint ventures and alliances. These partnerships facilitate market entry and provide access to local expertise and resources essential for successful operations ([McKinsey & Company](#)). For foreign companies, this means reduced risks and enhanced capabilities in the Mexican market.

5. Supply Chain Diversification

The need to stabilize and diversify supply chains, especially in response to recent global disruptions, is prompting companies to seek acquisitions that enhance their production capabilities. This strategy is particularly relevant for

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US firms looking to reduce their reliance on Asian suppliers by investing in manufacturing capacities closer to home ([Wilson Center](#)).

Implications for Foreign Investment

1. Increased Investment Attractiveness

The regulatory improvements and support for biosimilars, along with growing export capabilities, make Mexico an attractive destination for pharmaceutical investments ([Fitch Solutions](#)). The country's strategic location and improving regulatory environment provide a conducive atmosphere for M&A activities.

2. Technological and Digital Advancements

The focus on digital transformation and advanced analytics in Mexico's pharmaceutical sector aligns with global trends, attracting foreign investors looking to leverage these advancements to maintain a competitive edge ([McKinsey & Company](#)) ([PwC](#)). Companies that can integrate these technologies into their operations stand to gain significant advantages in efficiency and innovation.

3. Strategic Focus on Biotech

Large pharmaceutical companies are increasingly targeting mid-sized biotech firms to fill pipeline gaps and support growth strategies ([PwC](#)). The demand for innovative biotech solutions, particularly in areas like GLP-1 drugs used for treating type 2 diabetes and promoting weight loss, is driving M&A activity. Mexican biotech firms developing these solutions are becoming attractive targets for acquisition.

4. Operational Efficiency and Cost Management

The emphasis on digital and operational efficiencies in Mexico presents opportunities for cost savings, which can be a significant incentive for foreign companies considering M&A ([McKinsey & Company](#)) ([PwC](#)). Investments in digital capabilities and advanced analytics can help companies streamline their operations and reduce costs, enhancing profitability.

Outlook for 2024

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The M&A landscape in Mexico's pharmaceutical sector is expected to remain robust, driven by the need for inorganic growth and strategic acquisitions aimed at innovation, digital transformation, and supply chain resilience. Despite regulatory challenges, the strategic importance of these acquisitions is likely to keep the M&A momentum strong throughout the year.

In conclusion, Mexico's pharmaceutical sector offers significant opportunities for M&A, supported by favorable regulatory changes, technological advancements, and strategic trade relations with the United States. These factors, combined with an improving regulatory environment, present a compelling case for both domestic and international investors to engage in M&A activities in the country. As the industry continues to evolve, proactive engagement in M&A could be the key to unlocking substantial value in Mexico's pharmaceutical landscape.

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