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MÜGGENBURG,
GORCHES Y PEÑALOSA

OVERVIEW FOR M&A ACTIVITIES IN LATIN AMERICA

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According to the report prepared by Intralinks in partnership with Mergermarket, 32% of Latin American negotiators expect M&A activity to increase over the next 12 months, though coincidentally, 32 percent also predict a decline, so the outlook remains uncertain, in addition, among the challenges encountered in a difficult market, is that negotiators will be particularly focused on ensuring a detailed understanding of the targets, so the lack of transparency plays an important role. The Latin American negotiators expect due diligence processes to become more complex.

UPDATE FACTOR FOR SAS

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Last Tuesday, December 27, 2022, the update factor to the total annual income of a Simplified Stock Company (Sociedad por Acciones Simplificada S.A.S) was published in the Official Gazette of the Federation (Diario Oficial de la Federación), in accordance with the provisions of article 260 of the General Law of Commercial Companies (Ley General de Sociedades Mercantiles or LGSM).

The figure of Simplified Stock Company, was created in 2016 with the purpose of facilitating the procedures for the incorporation of a company, establishing that the total annual income of this type of companies may not exceed 5 million pesos since incase of exceeding the respective amount, the Simplified Stock Company must be transformed into another corporate regime contemplated in the LGSM and in the event that the shareholders do not carry out such transformation, they will be liable to third parties, subsidiary, jointly and severally, and unlimitedly; however, such amount will be updated annually on the first of January of each year, for which the update factor corresponding to the period from December of the penultimate year to the month of December immediately preceding that for which the update is made will be taken into consideration, and will be obtained in accordance with article 17-A of the Federal Tax Code.

For this year 2023, the update factor to the total annual income of a Simplified Stock Company corresponds to 1.0780, and the total annual income may not exceed **\$ 6,783,425.40** (Six million seven hundred and eighty-three thousand four hundred twenty-five pesos 40/100 Mx.Cy.).

FOREIGN INVESTMENTS

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Please remember to renew the registration annually in accordance with the general resolutions issued by the National Foreign Investments Commission (Comisión Nacional de Inversiones Extranjeras) for the first five months of each year, in accordance with the following calendar depending on the letter with which the name or corporate name of the subject who will file the information:

1. From A to J, during April of each year, and
2. From K to Z, during May of each year.

The annual economic report is presented only if during the year in question, the corresponding corporation has reached an amount equal to or greater than \$110'000,000.00 (one hundred and ten million pesos 00/100 Mx.Cy.) in any of the following items: Assets, Total Liabilities, Income or Expenses.

The quarterly update report will be presented only if, during the quarter in question, there are modifications related to: (a) name or corporate name; (b) economic activity or corporate purpose; (c) tax domicile; and (d) corporate capital or shareholding structure that involves a movement greater than \$20,000,000.00 (Twenty million pesos 00/100 Mx.Cy.).

NEARSHORING PANORAMA IN MEXICO

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In order to carry out nearshoring in Mexico, the conditions offered by the country must be improved so that more companies decide to relocate their production lines to our country. This phenomenon has gained momentum due to situations that have had negative effects on the supply chains of several industries, which is reflected in shortages of raw materials and an increase in prices. Mexico's attraction is its strategic location, 13 free trade agreements that bring it closer to more than 50 economies around the world, as well as a skilled labor force in several industries. However, the country faces weaknesses in infrastructure, mainly in the energy sector. In any case, the country will seek to strengthen industrial activity in sectors such as aeronautics, automotive and semiconductors, as well as boost the real estate market in the northern region of the same.

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