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U.S. Entrepreneur Bill Gates Confirms Investments in Mexico's Televisa

by LADB Staff
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Bill Gates, co-founder of the Microsoft computer empire, confirmed he has acquired a 7% share in Mexico's leading television network Grupo Televisa. In a report to the US Securities and Exchange Commission (SEC), Gates said he held about 6.3 million of Televisa's Global Depository Shares as of July 16. Gates was required to report the transaction to the SEC because his shares in a company reached 5% or more. The Microsoft executive reported an investment of US$235 million in the Mexican media company through holding company Cascade Investment LLC and the Bill & Melinda Gates Foundation.

Financial analysts said Gates acquired shares on the open market in Grupo Televisa and not its parent company Televicentro. Among the principal holders in Televicentro, which is not a public company, are Mexican entrepreneurs Emilio Azcarraga Jean and SINCA Inbursa, which is partly owned by Carlos Slim Helu.

Analysts were divided on whether they thought Gates intended to expand his investment in Televisa in the near future. "This is merely a financial investment without a strategic character," analyst Francisco Rivera of Grupo Santander told the Mexico City business daily newspaper El Financiero.

Others agreed with this assessment. "This operation has no relationship to a control in Televisa, nor on influencing the policies of the company," Mexican financial analysts told the Mexico City daily newspaper La Jornada.

Conversely, a few analysts saw the possibility that Gates might consider further purchases to gain a controlling interest in Grupo Televisa. "When someone acquires a participation larger than 5%, that person normally sees an opportunity," said Whitney Johnson, of Merrill Lynch & Co. in New York.

Even under this scenario, Gates' influence would be limited by Mexico's foreign-investment law (Ley de Inversiones Extranjeras), which gives foreigners the right to vote but prohibits their direct participation in the decisions of the executive council.

Gates is not the first foreign interest to invest in Mexican media operations. Spain's media company Grupo Prisa formed a joint venture with Televisa in 2001 to acquire the radio outlet Radiopolis, managing to get around the Mexican constitutional provisions that reserve the air waves for Mexican nationals.

Some analysts suggested Gates' decision to buy into Televisa might have a more direct connection to his Microsoft empire than is suspected. "The close relationship between Emilio Azcarraga and..."
Bill Gates is not widely known," said Dario Celis Estrada, a columnist for the Mexico City daily newspaper Reforma. "The Microsoft president sees Televisa as an ideal source to generate Internet content." Celis Estrada and others expect a Microsoft-Televisa partnership to engage in a heated battle with TV America Azteca for the growing number of Latino customers in the US.

As expected, the announcement of Gates' investments in Televisa helped the media company's stock increase on both the Bolsa Mexicana de Valores (BMV) and the New York Stock Exchange (NYSE). But analysts said Gates' decision to invest in Televisa was a shot in the arm for Mexican investors in general. "Even though this appears to be a strictly financial transaction, it is positive that someone of the stature of Bill Gates would want to be among the minority owners in a Mexican enterprise," said analyst Jose Luis Ramirez of Ixe Casa de Bolsa. (Sources: Reuters, El Financiero, La Jornada, El Universal, Spanish news service EFE, Notimex, 07/31/03; Milenio Diario, El Sol de Mexico, 08/01/03; Reforma, 07/31/03, 08/01/03, 08/04/03)

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