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U.S. Billionaire Bill Gates Invests in Lucrative Mexican Beverage, Beer Industry

by LADB Staff
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US billionaire Bill Gates has acquired a small share in Mexico's giant brewing company Grupo FEMSA through his investment company Cascade Investment LLC fund. Gates, co-founder the Microsoft computer empire, has made other investments in Mexican companies, including the media giant Grupo Televisa (see SourceMex, 2003-08-06). For Gates, this is a lucrative investment in the rapidly growing Mexican beverage industry, particularly beer. In the transaction, Cascade Investment acquired about a 3% share of FEMSA for US$392 million.

The deal was reported in a passive filing with the US Securities and Exchange Commission (SEC), which does not require investors to report when the securities were acquired or the purpose behind the transactions. Grupo FEMSA is traded on the New York financial markets. Monterrey-based FEMSA has three divisions: a soft-drinks unit Coca-Cola Femsa, a beer subsidiary, and the Oxxo chain of convenience stores. Coca-Cola Femsa is the largest bottler of Coca-Cola in Latin America and the second largest in the world. The company recently expanded into noncarbonated drinks (see SourceMex, 2007-10-31).

While beer represents only 27% of FEMSA's total earnings, the industry has grown steadily in recent years, fueled by exports. Mexico, which in 2003 became the world's leading exporter of beer, surpassing Germany and the Netherlands, earned about US$1.2 billion from sales to the US market alone in 2006. Beer accounted for almost one-fourth of the US$4.9 billion in processed agricultural products sold to the US that year, said a recent study from Universidad de Anahuac. In its latest quarterly report, FEMSA reported an increase of 3.5% in domestic beer sales and 2.3% in exports in July-September.

For its latest annual report, the company recorded an increase of 6.6% in domestic sales and 13.1% in exports in 2006, according to company figures. FEMSA's beer unit, which ranks second in the Mexican brewing industry, produces several leading brands in Mexico and the export market, including Sol, Dos Equis, Bohemia, Tecate, and Carta Blanca. Mexico's leading brewer, Grupo Modelo, reported similar success, with total sales during January-September of 2007 increasing by almost 25% from the same period in 2006. Exports accounted for a disproportionate share of the increase, growing by 81% compared with 1.7% for domestic sales. The company, 49% of which is owned by US brewer Anheuser-Busch (see SourceMex, 1997-06-04 and 1998-04-15), produces popular brands like Corona and Negra Modelo.

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