

Overview of the Private Equity and Venture Capital Industry in Mexico



ILPA-Cimarron Delegation to Mexico 2013

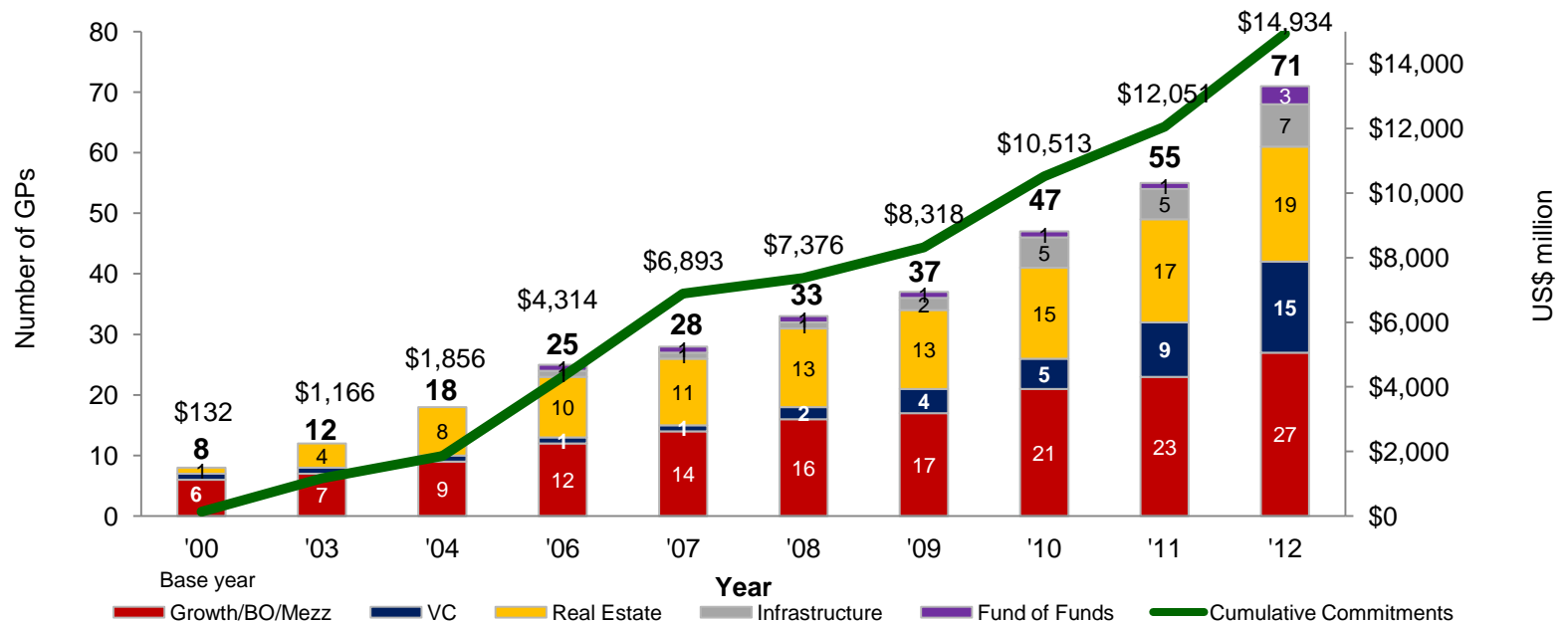
Arturo J. Saval

AMEXCAP at a Glance

- AMEXCAP is a non-profit whose mission is to foster the development of the private equity and venture capital industry in Mexico.
- The association was created in 2003 and currently represents 47 GPs managing over US\$10 billion in assets in Mexico and 35 specialized advisory services firms.
- Annually, AMEXCAP organizes the largest private equity Summit in Mexico and also collaborates with international partners on events in the United States and Europe.
- Recently, the association hosted the 8th Mexican PE/VC Summit in Mexico City (Feb. 12-13) gathering over 450 participants.
- Pipeline of international events for 2013:
 - Mexico Private Equity Day in NYC (May 16)
 - Mexico Venture Capital Day in San Francisco (September)
 - Mexico Private Equity Day in London (November)

Mexico's PE Industry has raised US\$14.9 billion over past twelve years

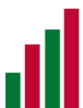
Evolution of GPs and Capital Committed to Mexico



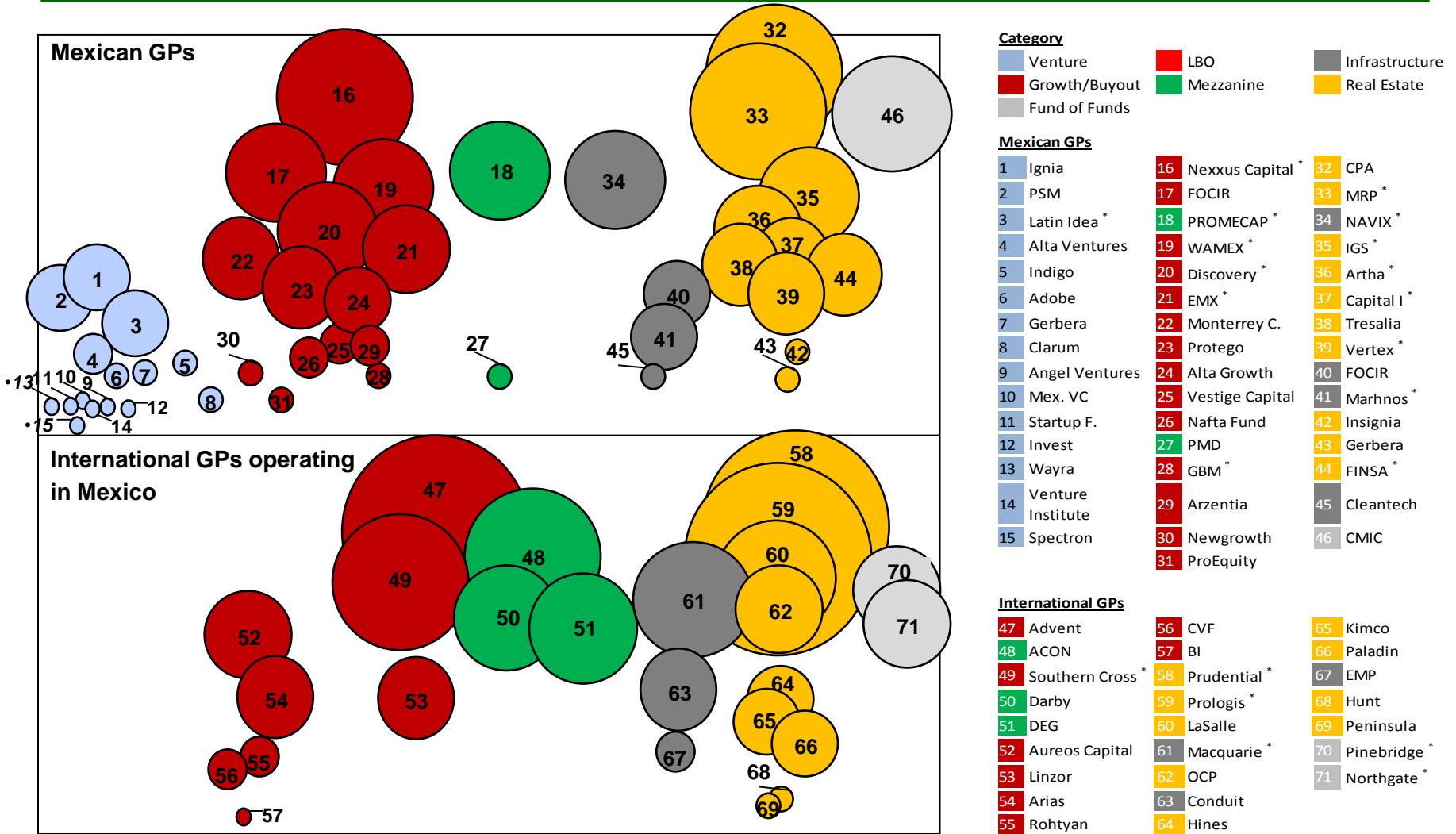
Catalysts:

- ✓ In 2006, introduction of new corporate legal frameworks such as the Trust (Fideicomiso) and a new form of a Limited Liability Corporation locally called “SAPI”,
- ✓ The new bankruptcy procedure “Law of Mercantile Contests”, enacted in the year 2000,
- ✓ Mexican Government key proponent of industry has been investing in funds since 1995. In 2006 launched Fund of Funds program with over US\$500 million commitments. In 2010 launched a US\$100 million venture fund of funds vehicle.
- ✓ Mexican pension funds have invested in twenty six funds since 2009 (regulation enacted) committing over US\$ 5 billion.

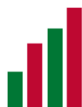
Source: AMEXCAP



Universe of GPs operating in Mexico covers diverse strategies; most focus on Real Estate and Growth Equity

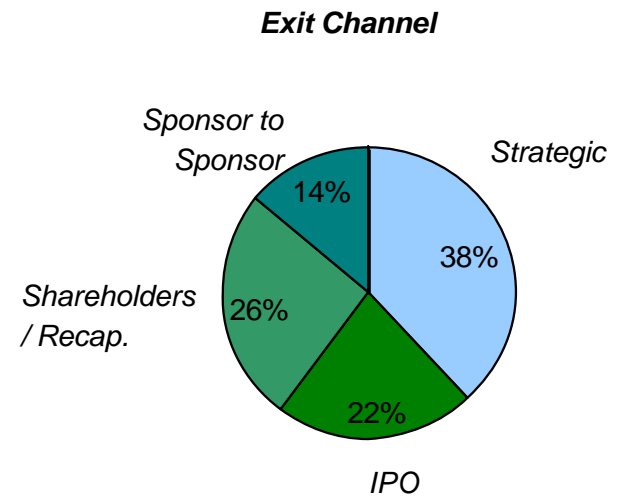
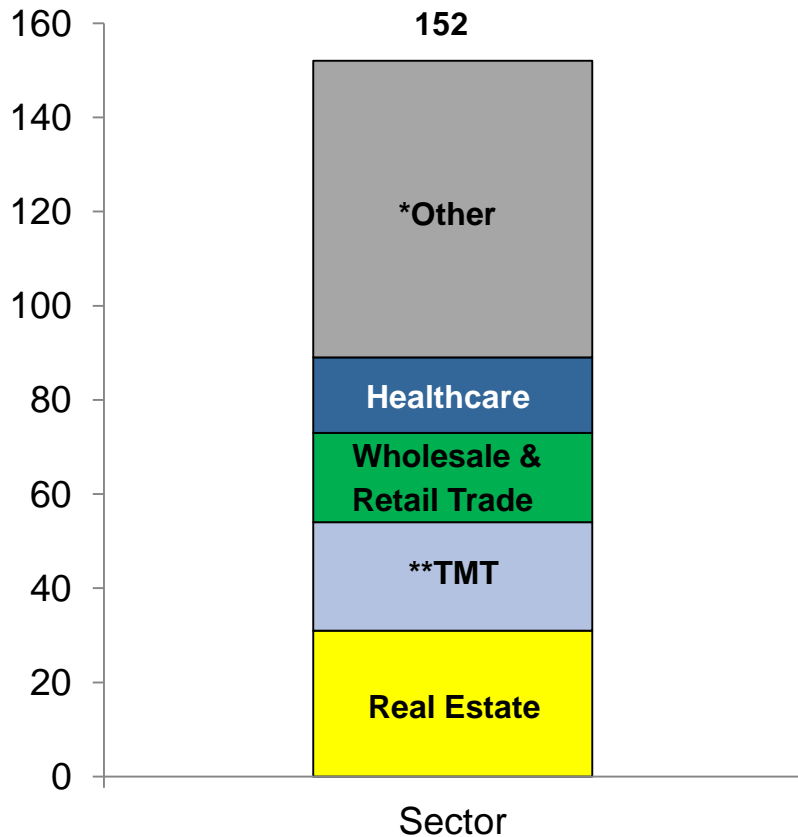


* GPs that have raised capital from local pension funds (CKDs)



Investments in Mexico are concentrated in four main sectors... ... while the main exit strategy is a strategic sale

Number of Transactions
(2001- 2012)



100% = 50 exits from Jan 2001 to Dec 2012

Source: AMEXCAP

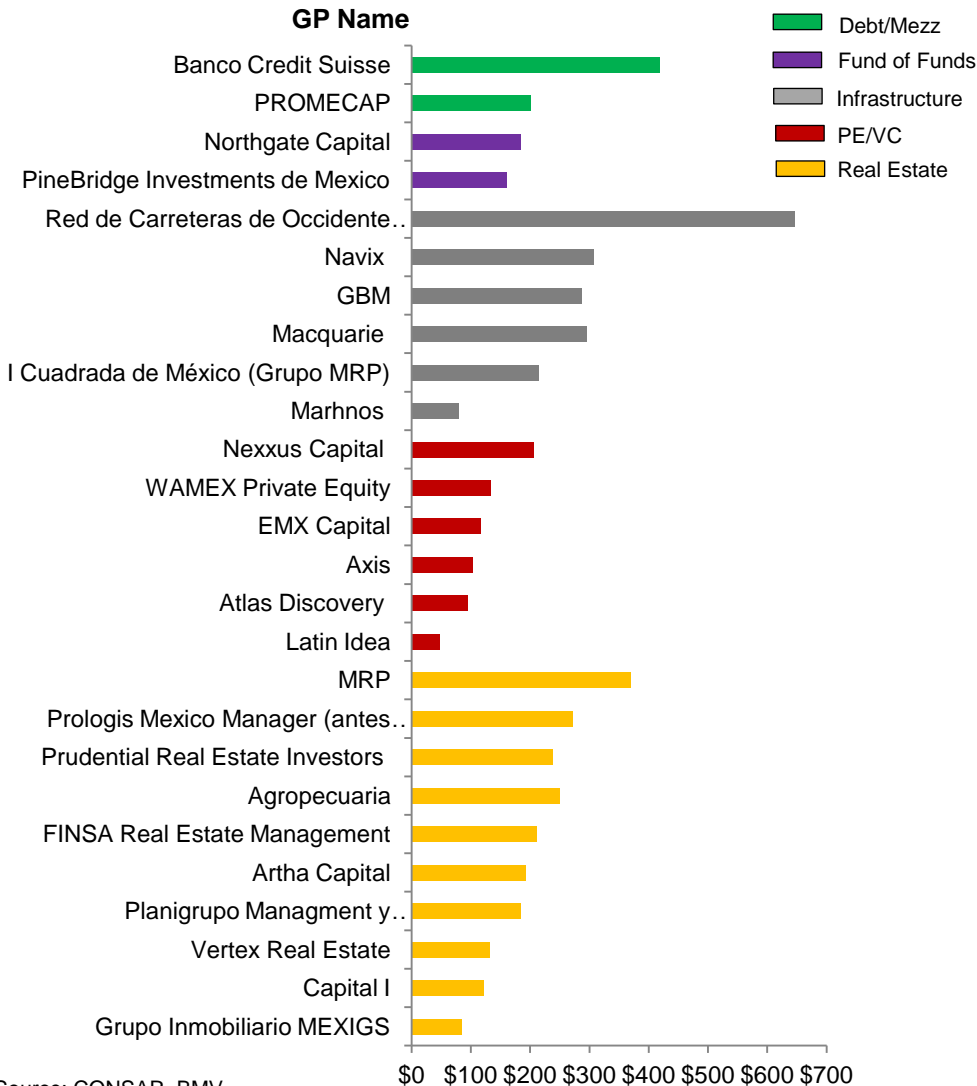
*Other Sectors: Financial Services, Transportation & Logistics, Business Services, Infrastructure, Manufacturing, Services

**TMT: Technology, Media & Telecoms

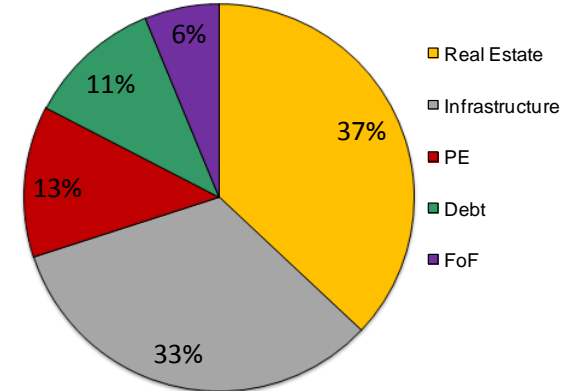
Mexican Pension Funds have been active players in the local PE Market

Local Pension Funds as Major LPs

Amount Raised by GPs through local Pension Funds (US\$ million)



Share of Pension Funds' Commitments by GP Strategy



- ▶ The Mexican Bolsa and regulators developed a new vehicle for private equity, infrastructure and real estate (CKDs).
- ▶ Starting in 2009, local pension funds, which are the most important institutional investors in the industry worldwide, have committed over US\$5.5 billion to twenty six funds.
- ▶ Pension funds increased participation in public equity markets contributing to an increase on the number of IPOs and the liquidity of the markets.

Source: CONSAR, BMV

Note: Graph shows all CKDs issued including a 2008 CKD (Agropecuaria) and two debt CKDs.

PE firms in Mexico have backed nine IPOs on the Stock Exchange (BMV) from 2004-2012



- Improving market conditions have translated into eleven IPOs, overall, in Mexico from 2010-2012 vs. six from 2007-2009.
- Nine IPOs in Mexico (from 2004 – 2012) were backed by private equity players.
- Recent IPOs backed by PE (2007-2012) include Sports World, Genomma Lab, Financiera Independencia and Crédito Real

*IPOs in Mexico defined as first time public offerings by firms that have not issued equity in the public markets worldwide.

Source: CONSAR, BMV

Based on a recent assessment of Bain & Company of four factors that drive PE growth, there are reasons for optimism in Mexico

FACTORS

ASSESSMENT

1 *Economic foundations*

- *Stable macro-economic environment...*
- *...and positive growth expected*

2 *Deal Flow*

- *A large number of potential targets and a growing ecosystem to incubate new companies....*
- *...but companies average size is small and some sectors are still concentrated*

3 *Policies and Regulations*

- *Effective regulatory framework favoring investments (e.g., SAPI *, CKDs, bankruptcy law)...*
- *...but law enforcement is not consistent*

4 *Commercial maturity (degree to which local companies are ready to accept PE investment)*

- *Entrepreneurs benefit in multiple forms from partnerships with investors...*
- *...but entrepreneurs are still concerned about partnering with investors (e.g., fear of losing control)*

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