

MESOAMERICA



Opportunities for Private Equity in Central America

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- The **challenges** in our region since 1990
- Our **experiences** in private equity
- **Opportunities** we see in Central America

Mesoamerica's Experience Base (1993-2006) in Central America

Consulting (1993-...)

- Bain & Co. + Mesoamerica
- > **200 projects** with >40 Clients in >30 Industries

M&A Advisory (1998-...)

- > **25 Transactions** totaling over \$5 Billion in companies with presence in >13 countries

Private Equity (1996-...)

- ~**\$250 million invested** in companies with total EV >\$1 Billion
- >300 deals reviewed in >15 countries in multiple industries

Our team

25 professionals

... from over 9 nationalities

... with 150 accumulated years of experience ... from top MBA programs

... committed to our region.

+ 15 limited partner business groups

... from each country of Central America

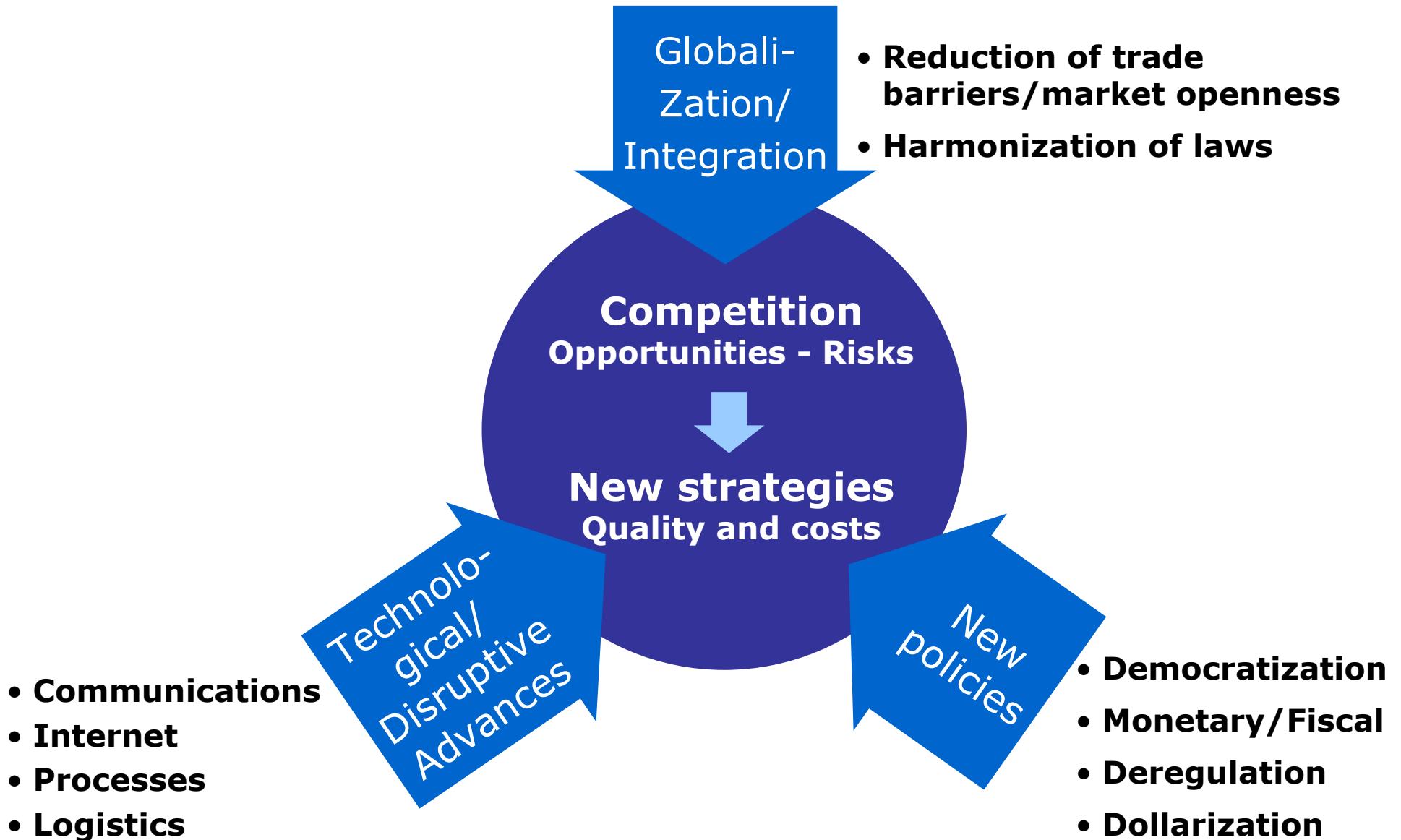
... successful

... socially responsible

... also committed to the region

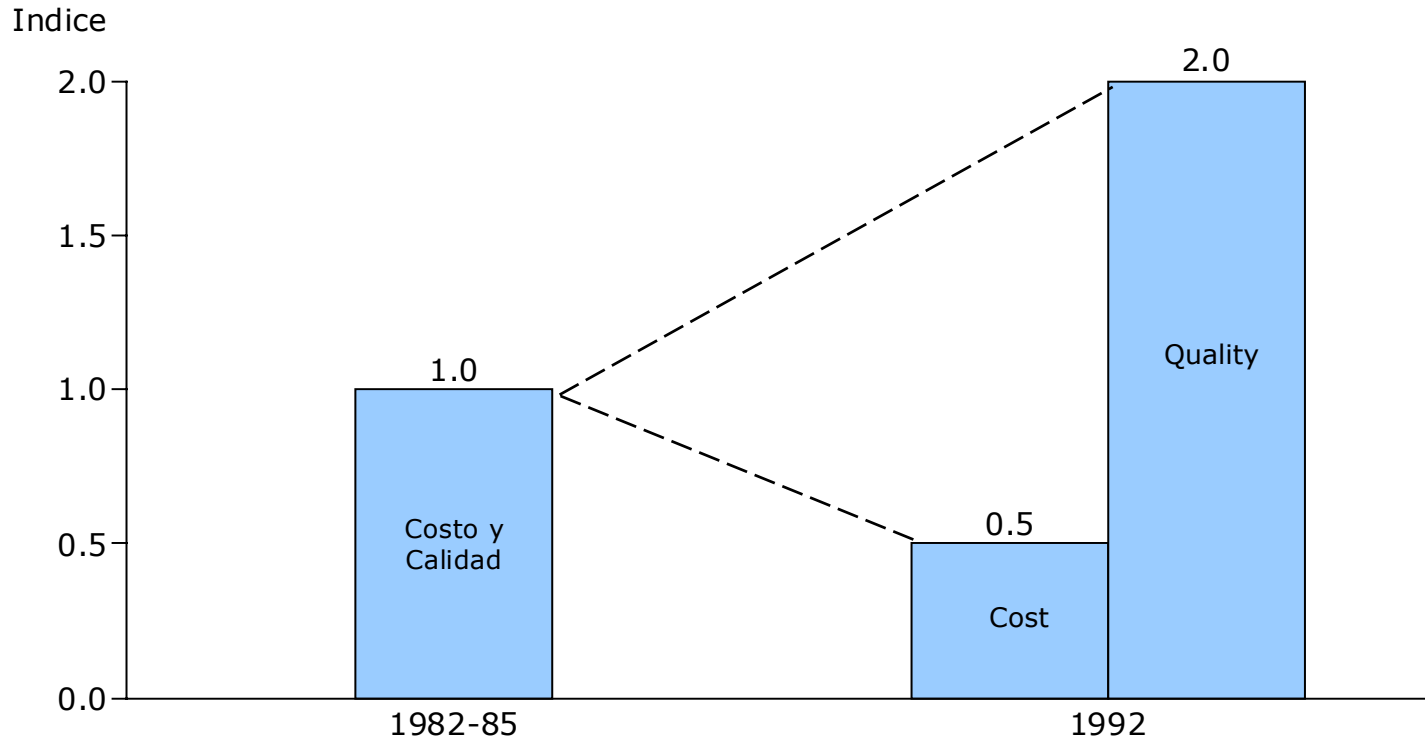
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Entering the 1990's, business in Central America faced competitive challenges that required major transformations



Magnitude of the challenge

To succeed firms in Central America had to double quality and productivity



This required major transformations and more than organic growth

Our mission: help Central American Business Groups

Strategy Consulting

“Realize the cost reductions, quality improvements, scale, effective organization and strategic position needed to be competitive”

Mergers & Acquisitions

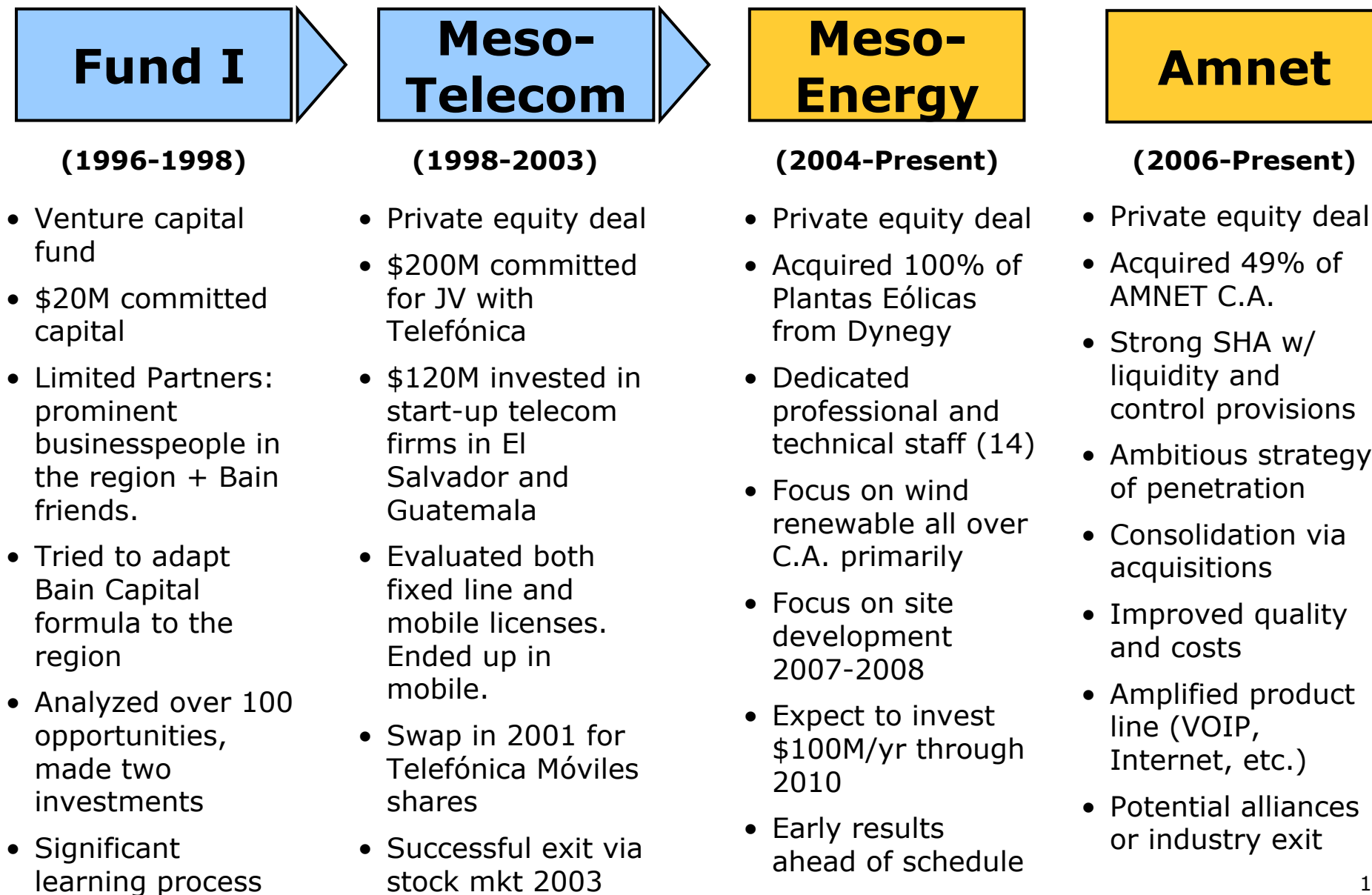
“Help groups find partners to provide technology, access to larger markets and expertise in their respective businesses and expand into new markets”

Private Equity

“Find productive, profitable investments that keep capital in the region and attract foreign direct investors”

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Evolution of Mesoamerica in Private Equity



What we learned ...

- Family businesses, where owners are best managers, often reluctant to cede **control and majority in equity**. Due diligence on management style critical if you accept a minority position.
- “Industry evolution of profit pool is critical. **“Apertura” will significantly change the strategic position and structural profitability** of most businesses – some positively, others negatively.
- **80/20 analysis** critical given lack of good data and scale of businesses. Limited partners experience and judgment invaluable in making good decisions.
- Having a **superior business model** is key to profitable growth. Growing a marginally profitable business model not a formula for success.
- Buying is “selling”. **Win-win style** pays dividends. Get to “yes” as quickly as possible. Expect to pay more than standalone valuation and make your profit on value added to the business.
- **Face tough issues early**, take care in negotiating puts, calls, divorce clauses but don’t abdicate negotiations to lawyers.

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Changes we are seeing ... Private Equity

2007

- Family groups more open to sell and professionalize
- Regionalization of firms and region expanding
- Central America is "hot" > \$10B of FDI in past 3 years
- More financing available but still relatively limited
- Private equity an attractive asset class for investors, although little experience
- Successful IPO of COPA has created much interest in going public, although options still limited

Central America – an attractive region

Integration

- Free trade agreement with USA
- CA4 – Free movement
- Free trade agreement with EU (in progress)
- Customs integration (in progress)
- Harmonization of trade rules
- Regional business groups

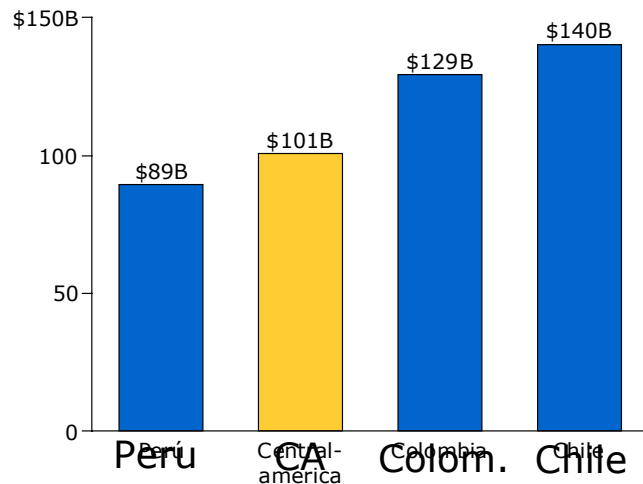
Stability

- Stable democratic governments
- Controlled inflation
- Stable exchange rates or dollarization

Scale

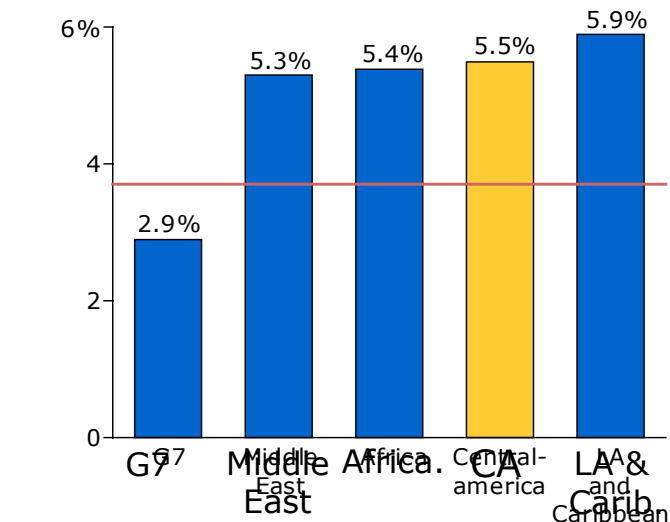
Nominal GDP, 2006

GDP

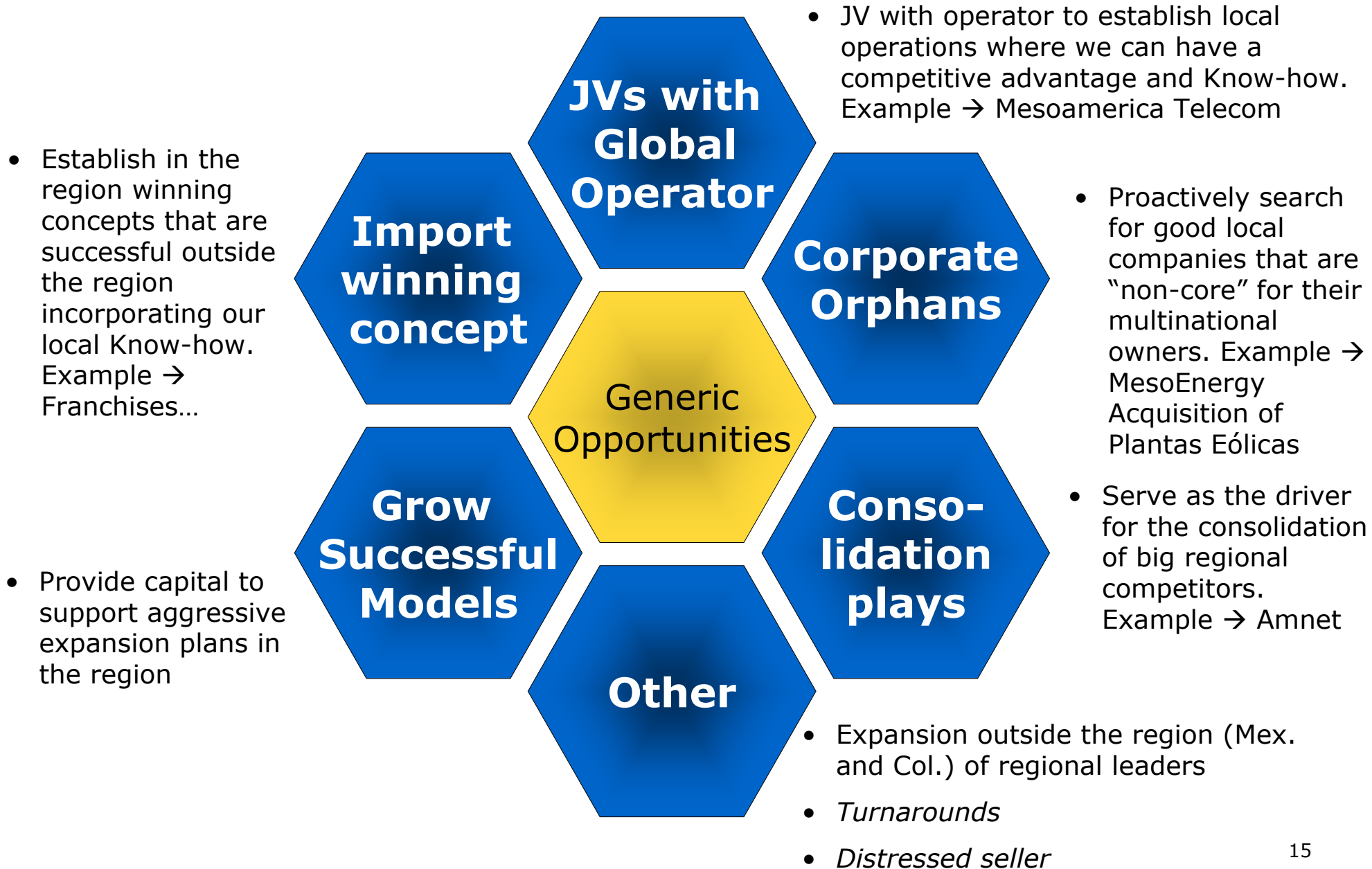


Growth

Real GDP Growth 2006E



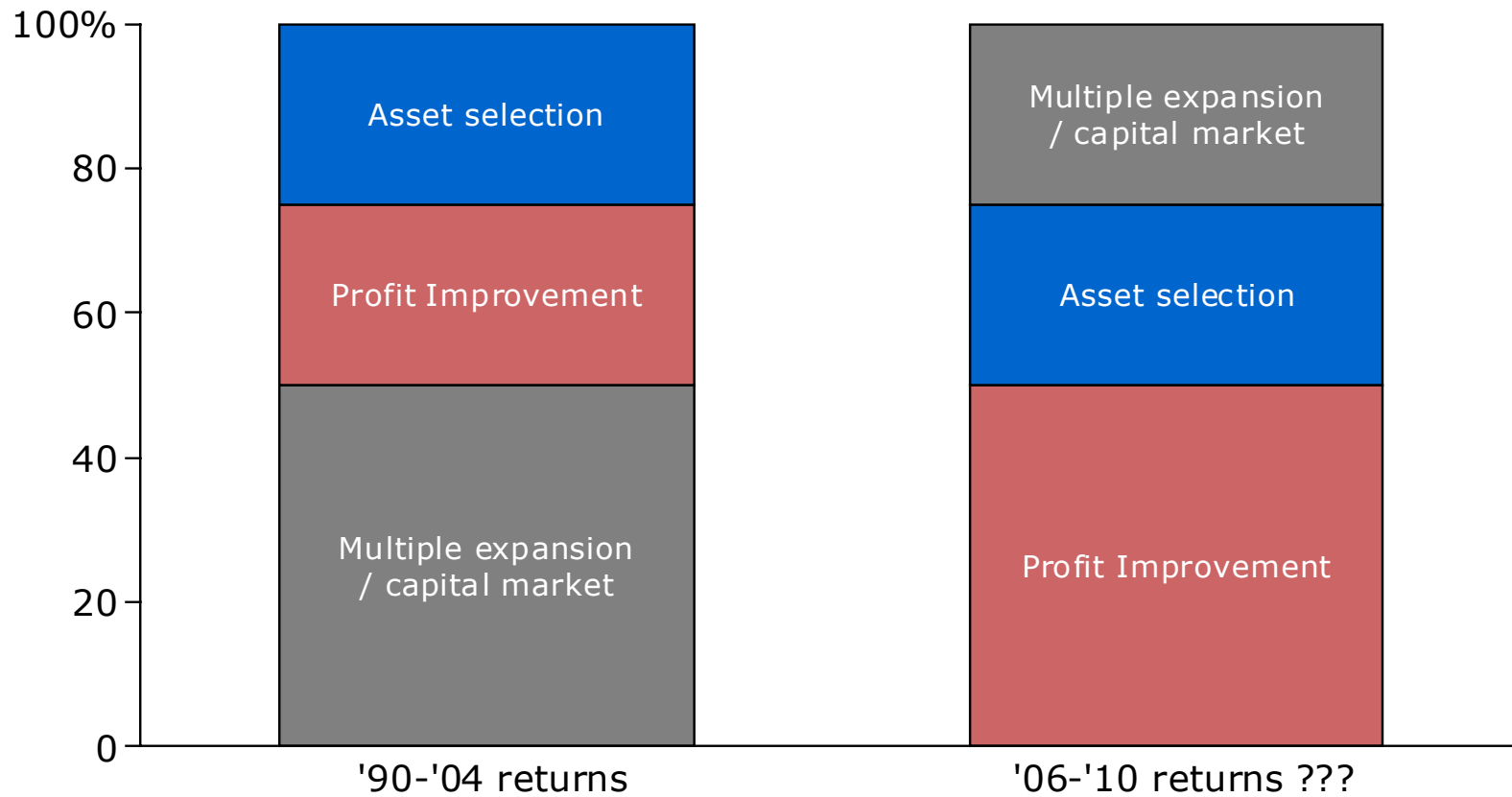
Where we see opportunities



Profit improvements and growth will be the drivers of value

Illustrative

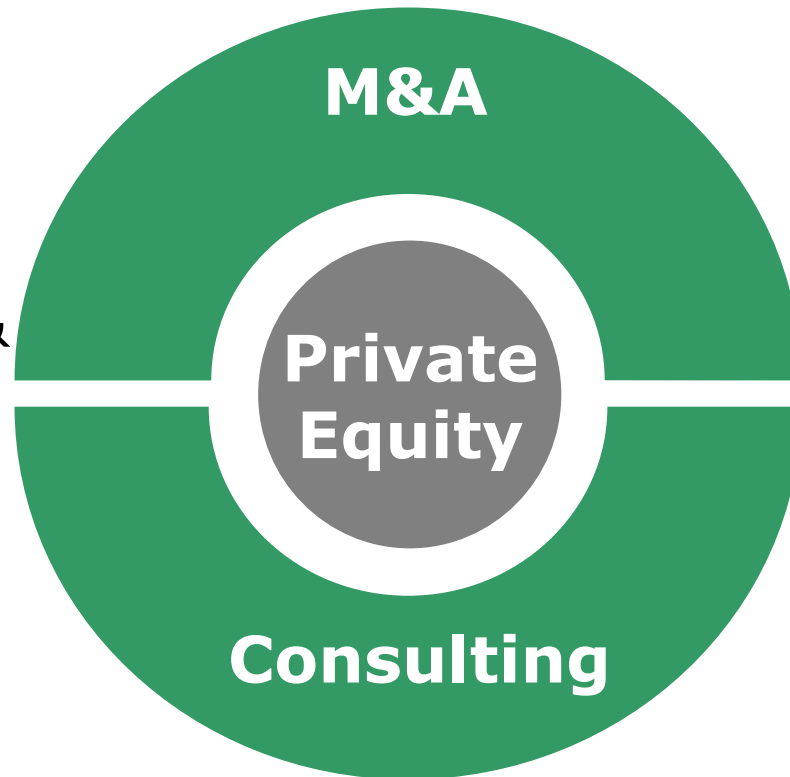
Source of Industry Returns



We believe our business model strengthens our private equity practice

Deal Making Skills

- Valuation
- Negotiation
- Structuring
- Due-diligence & documentation
- Tuck-under acquisitions



Value creation capacity

- Strategy
- Full-potential
- Post Merger Integration
- Growth / adjacencies
- Organizational effectiveness

Our Approach

Analysis

- **Market** size, growth and industry dynamics.
- Competitive and Strategic **Position**
- **Business model** and drivers of value and success
- **Management**
- **Valuation** and **risk**

Criteria

Are there "plays"?

- **Strategic and growth** ●
- **Operating improvements** ●
- **Financial** ●
- **Managerial** ●
- **Exit mechanisms** ●

Conclusions (1)

- To meet the region's needs, Central America **must grow** more than 5% pa, **create jobs** and raise salaries for everyone.
- **Private equity investment** that creates competitive, profitable, high growth companies **is critical**. We need to reinvest our own wealth and attract investors from outside to augment it
- To date private equity funds have had limited exposure and mixed success in the region, but the **conditions for takeoff** are positive.

Conclusions (2)

- **Successful** private equity players will have to:
 - **Buy smart**, not necessarily cheap
 - Have a **superior business model** and strategy
 - Find / develop **good local management**
 - Cultivate **alliances** for technology & best practices
 - Act **regionally**: grow organically and via acquisition
 - **Finance creatively**
 - Strengthen local capital markets but also **tap external capital** markets.
 - **Avoid “bubbles”**: realistic intrinsic disciplined valuations