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Mexico Business Symposium

February 10, 2014



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Why Mexico?



ALTA

VENTURES MEXICO®

Twitter: @PaulAhlstrom

Paul Ahlstrom



- Paul Ahlstrom
 - Married, six kids, a golden retriever
 - Live in Utah & Mexico
 - Author “Nail It Then Scale It”
 - Innovator, Entrepreneur, Investor- Raised \$900+ million dollars
 - Co-Founder Alta Ventures Mexico, Monterrey Mexico
 - Co-Funder Alta Growth Capital, Mexico City
 - Co-Founder vSpring Capital & Kickstart Seed Fund
 - Co-Founder Northgate Mexico Fund of Funds
 - 100+ investments over the last 12 years.
 - Ancestry.com, Rhomobile.com, Senforce, Aeroprise, Altiris, Juxta Labs, CrimeReports.com, Mural.ly, VidAngel
 - BYU - BYU Grad, BYU Rollins Entrepreneur Center
 - University of Board and executive committee of the Technology Commercialization Office
 - Endeavor Mentor & ENLACE E+E Mentor - Mexico

Since 2000 - Participated in 100+ Investments

\$500,000,000+ - Direct Investment 7 Funds

\$900,000,000+ - Co-investors

\$1,400,000,000+ - Total



Alta's Presence



Alta Group Americas

- Headquartered in Utah



Alta Growth Capital

- Headquartered in Mexico City



Alta Ventures Mexico Fund I

- Headquartered in Monterrey
- Regional Office Bogota
- Colombia & Lehi Utah



Kickstart Seed Program

- Headquartered in Monterrey
- Guadalajara program Q3 '12



Capital Emprendedor born May 2010



How a Mormon VC ended up betting everything on Mexico

by [Katie Fehrenbacher](#) MAY. 15, 2012 - 5:38 AM PDT

 12 Comments    +1 

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SUMMARY: *What's a Mormon white guy from Southern California doing running a tech fund in Mexico? Paul Ahlstrom, the founding partner of one of Mexico's rare venture capital firms, Alta Ventures, says he gets that question all the time.*



In Search of the Next Emerging Market... The Alta Selection Process

Alta Market Research Timeline 2005-2008

2005

Emerging
Market
Research
Started



2006

Select
Mexico as
Top
Choice,
Research
PE Market



2007

Identify
Partners
and
Launch
Alta
Growth
Capital



2008

Industry
Advocacy-
Capital
Formation and
Innovation
Report;
International
Investor
Summit;
Key
Relationships



Alta Market Development & Research Timeline 2009-2010

2009

U.S. Ecosystem Tours and Best Practice Transfers

- Rogelio and Paul Partnership
- What about VC? VC Market Drill Down and Strategy Formulation
- Key Partner Identification
- Open Office in Monterrey, U.S. Team Moves to Mexico



2010

Build sustainable deal flow systems, distribution and exit paths.

- E | 100, MVCC, iTuesday, WIN Kickstart, etc.
- Build the team

Launch Alta Ventures Mexico

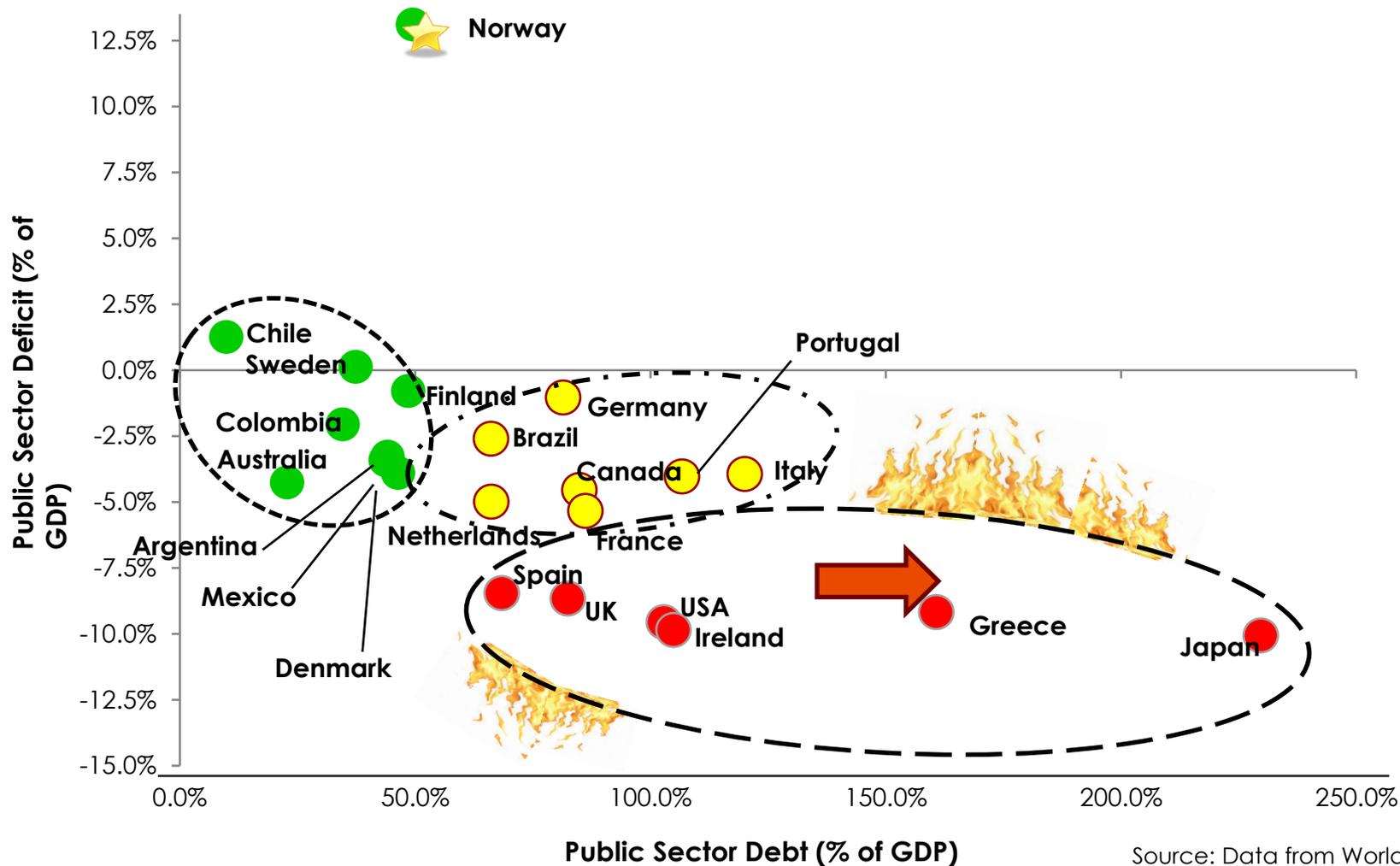


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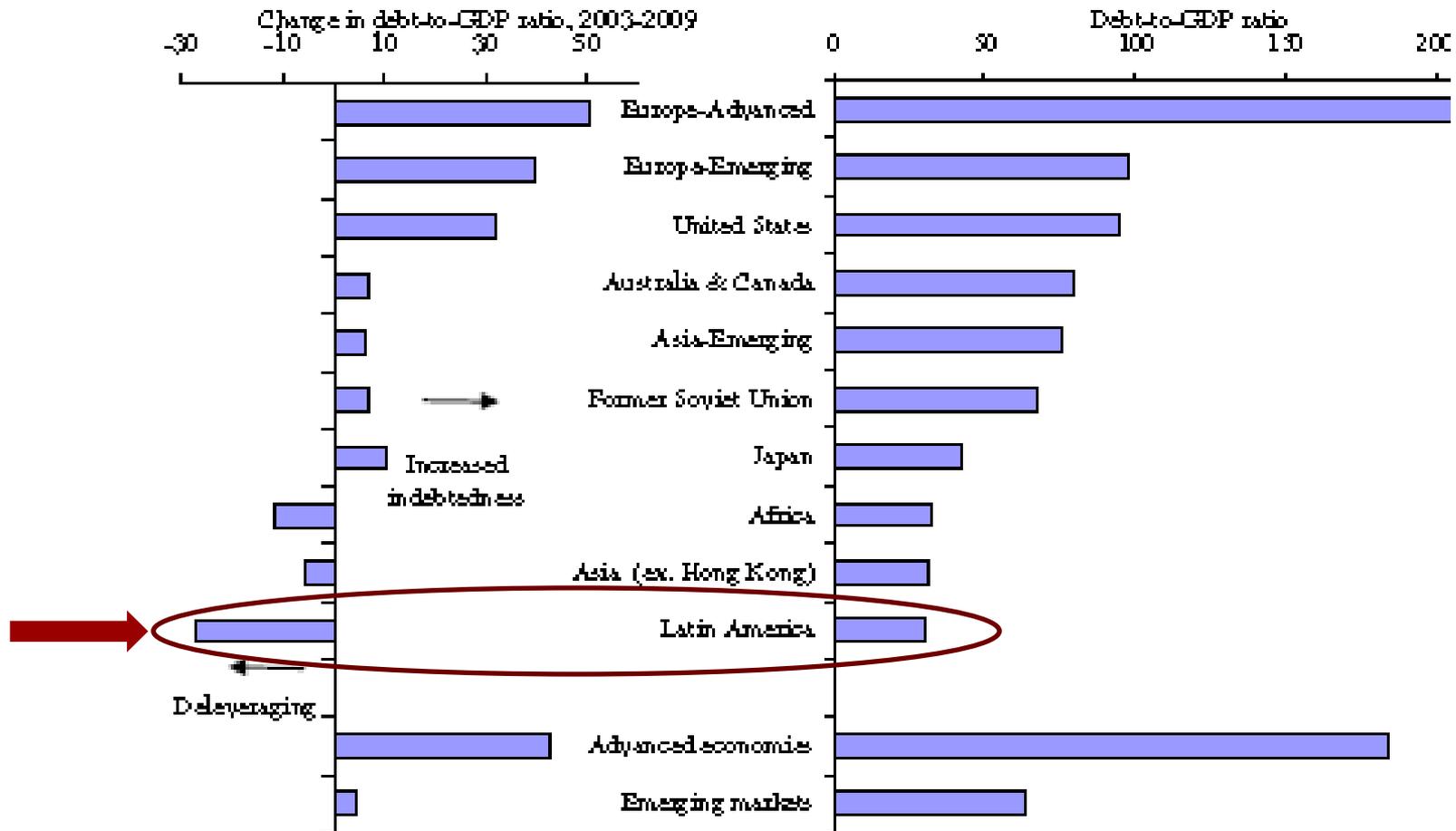
In Search of Stability & Growth

The Ring of Fire

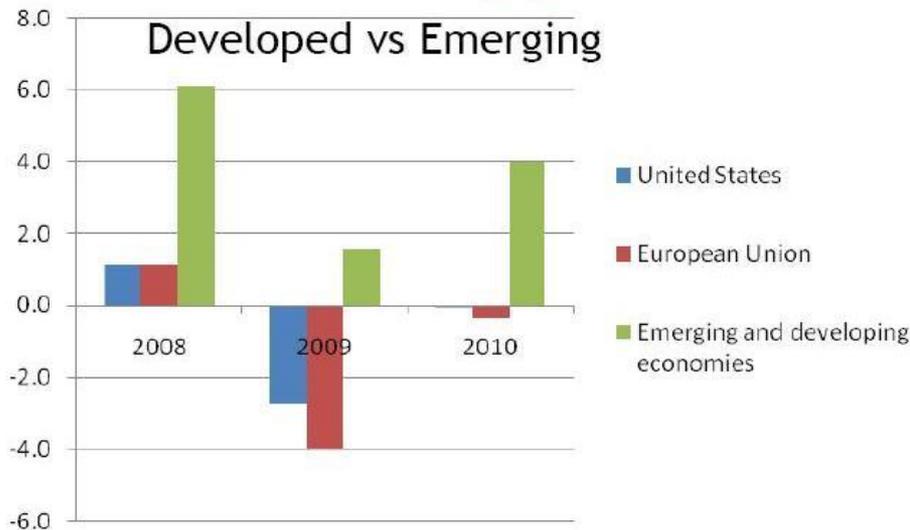
Macroeconomic Fundamentals (2011)



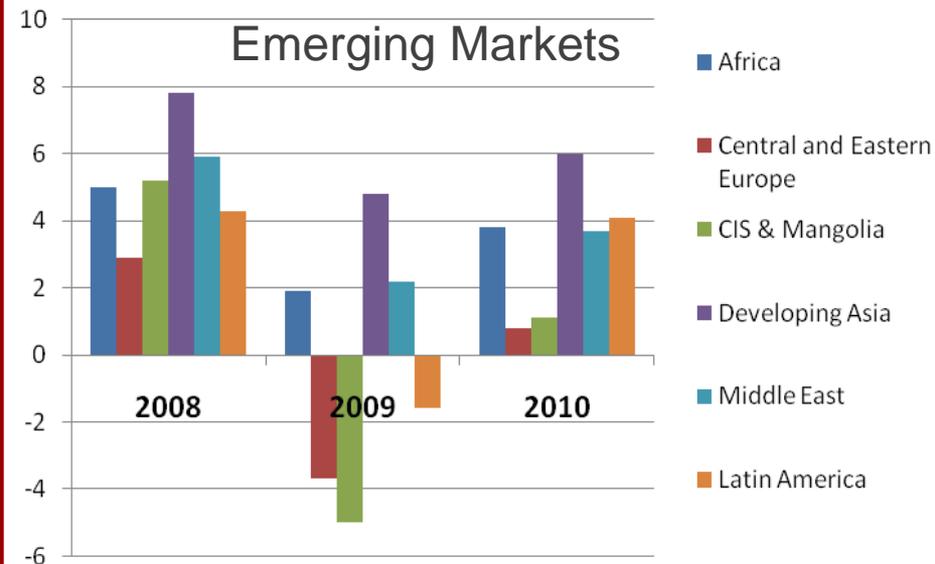
Latin America Deleveraging 2003-2009 (in percent)



Continued Growth in Emerging Markets – Rising Tide



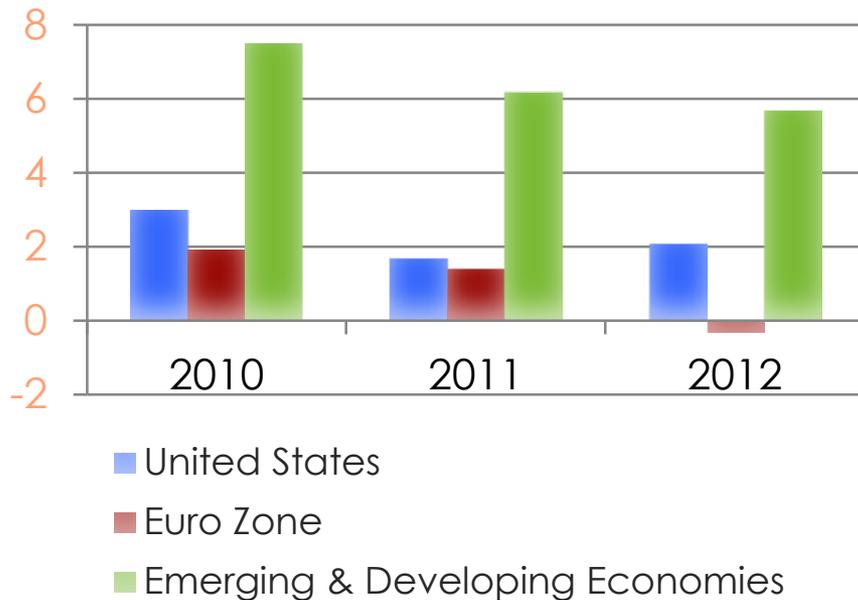
GDP Growth In Emerging Markets Predicted to Outperform Developed Countries



GDP Growth Predicted to Remain Positive in Most Emerging Markets

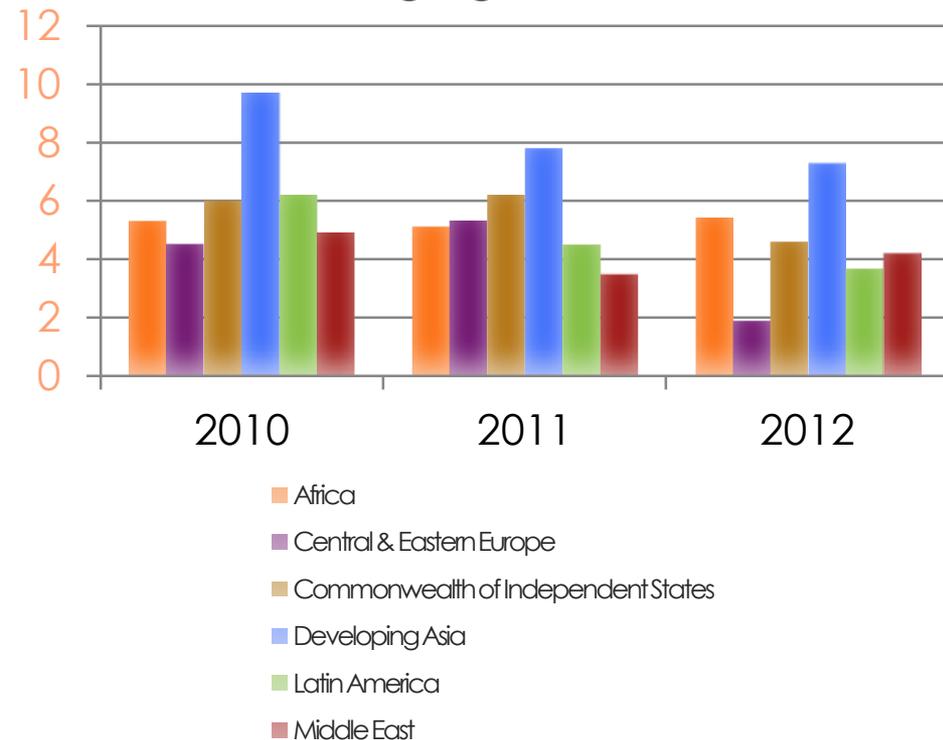
Most of the Growth is coming from Emerging Markets

Developed vs Emerging Markets



GDP Growth Predicted to Remain Positive in Emerging Markets

Emerging Markets



GDP Growth In Emerging Markets Predicted to Outperform Developed Countries

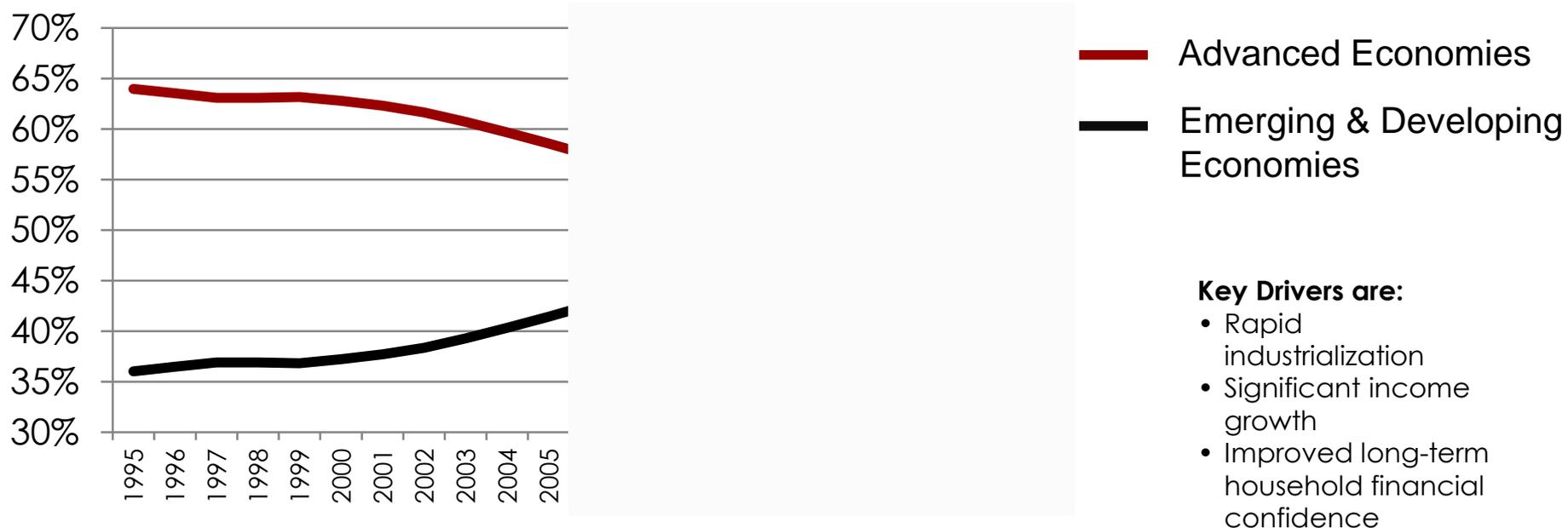
Emerging Markets GDP Growth

1995 to 2005 Snapshot

The centers of rapid wealth creation are shifting from Developed to Emerging Markets

Contribution to Global GDP Growth

(Share of World Total)



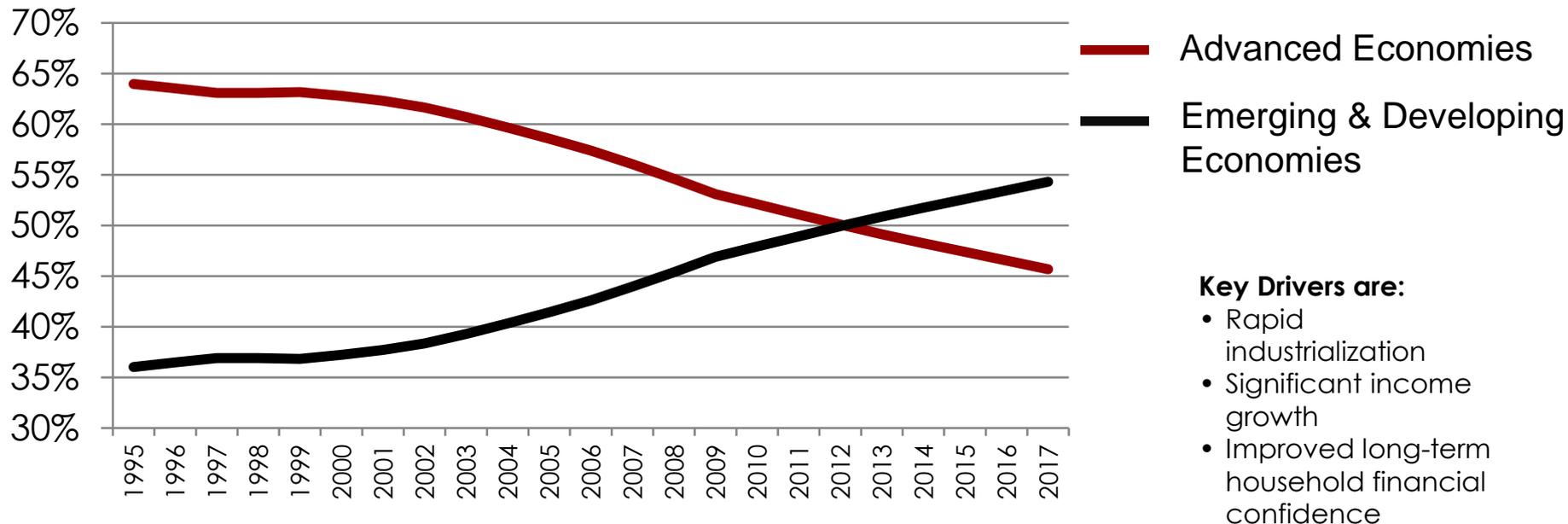
Emerging Markets Pace Global Economic Growth (2012 Crossover)



The centers of rapid wealth creation are shifting from Developed to Emerging Markets

Contribution to Global GDP Growth

(Share of World Total)



Emerging markets are responsible for over half of the world's GDP

Countries of the World

Albania	Chad	Grenada	Lesotho	Papua New Guinea	Swaziland
Algeria	Chile	Guatemala	Liberia	Paraguay	Sweden
Angola	China	Guinea	Libya	Peru	Switzerland
Antigua and Barbuda	Colombia	Guinea-Bissau	Lithuania	Philippines	Syrian Arab Republic
Argentina	Comoros	Guyana	Luxembourg	Poland	Taiwan Prov of China
Armenia	Costa Rica	Haiti	Madagascar	Portugal	Tajikistan
Australia	Croatia	Honduras	Malawi	Qatar	Tanzania
Austria	Cyprus	Hong Kong SAR	Malaysia	Republic of Congo	Thailand
Azerbaijan	Czech Republic	Hungary	Maldives	Republic of Yemen	The Bahamas
Bahrain	Dem. Rep. of Congo	Iceland	Mali	Romania	The Gambia
	Dem. Rep. of Timor-Leste	India	Malta	Russia	Togo
Bangladesh	Denmark	Indonesia	Mauritania	Rwanda	Tonga
Barbados	Djibouti	Iraq	Mauritius	Samoa	Trinidad and Tobago
Belarus	Dominica	Ireland	Mexico	Saudi Arabia	Tunisia
Belgium	Dominican Republic	I. Rep. of Afghanistan	Moldova	Senegal	Turkey
Belize	Ecuador	I. Rep. of Iran	Mongolia	Serbia	Turkmenistan
Benin	Egypt	Israel	Montenegro	Seychelles	Uganda
Bhutan	El Salvador	Italy	Morocco	Sierra Leone	Ukraine
Bolivia		Jamaica	Mozambique	Singapore	United Arab Emirates
Bosnia and Herzegovina	Equatorial Guinea	Japan	Myanmar	Slovak Republic	United Kingdom
Botswana	Eritrea	Jordan	Namibia	Slovenia	United States
Brazil	Estonia	Kazakhstan	Nepal	Solomon Islands	Uruguay
Brunei Darussalam	Ethiopia			SÔo TomÚ and PrÝncipe	Uzbekistan
		Kenya	Netherlands	South Africa	Vanuatu
Bulgaria	Fiji	Kiribati	New Zealand		
Burkina Faso	Finland				
	F. Y. Rep. of Macedonia	Korea	Nicaragua	Spain	Venezuela
Burundi	France	Kosovo	Niger	Sri Lanka	Vietnam
Cote d'Ivoire	Gabon	Kuwait	Nigeria	St. Kitts and Nevis	Zambia
Cambodia	Georgia	Kyrgyz Republic	Norway	St. Lucia	Zimbabwe
Cameroon				St. Vincent & Grenadines	
		Lao People's D.R.	Oman	Sudan	
Canada	Germany	Latvia	Pakistan		
Cape Verde	Ghana		Panama	Suriname	
Central African Republic	Greece	Lebanon			

Narrow the Field: Emerging Markets

Per capita GDP below \$14k in 2005

Albania	Chad	Grenada	Lesotho	Papua New Guinea	Swaziland
Algeria	Chile	Guatemala	Liberia	Paraguay	
Angola	China	Guinea	Libya	Peru	
Antigua and Barbuda	Colombia	Guinea-Bissau	Lithuania	Philippines	SyrianArabRepublic
Argentina	Comoros	Guyana		Poland	
Armenia	Costa Rica	Haiti	Madagascar		Tajikistan
		Honduras	Malawi		Tanzania
			Malaysia	Republic of Congo	Thailand
Azerbaijan		Hungary	Maldives	Republic of Yemen	
	Dem. Rep. of Congo		Mali	Romania	The Gambia
	Dem. Rep. of Timor- Leste	India		Russia	Togo
Bangladesh		Indonesia	Mauritania	Rwanda	Tonga
Barbados		Iraq	Mauritius	Samoa	
Belarus	Djibouti		Mexico		Tunisia
	Dominica	I. Rep. of Afghanistan	Moldova	Senegal	Turkey
Belize	DominicanRepublic	I. Rep. of Iran	Mongolia	Serbia	Turkmenistan
Benin	Ecuador			Seychelles	Uganda
Bhutan	Egypt		Morocco	Sierra Leone	Ukraine
Bolivia	El Salvador				
Bosnia and Herzegovina		Jamaica	Mozambique		
Botswana	Equatorial Guinea		Myanmar		
Brazil	Eritrea	Jordan	Namibia		
	Ethiopia	Kazakhstan	Nepal	SolomonIslands	Uruguay
				SÔoTomÚ and PrÝncipe	Uzbekistan
Bulgaria	Fiji	Kenya		South Africa	Vanuatu
Burkina Faso		Kiribati			
	F. Y. Rep. of Macedonia		Nicaragua		Venezuela
Burundi			Niger	Sri Lanka	Vietnam
Cote d'Ivoire			Nigeria	St. Kitts and Nevis	Zambia
Cambodia	Gabon			St. Lucia	Zimbabwe
Cameroon	Georgia	KyrgyzRepublic		St. Vincent &Grenadines	
				Sudan	
Cape Verde	Ghana	Lao People's D.R.			
Central African Republic		Latvia	Pakistan		
		Lebanon	Panama		
				Suriname	

Narrow the Field: Larger Economies

GDP over \$75 billion in 2005

Algeria
Argentina
Bangladesh
Brazil

Chile
China
Colombia

Egypt

Kazakhstan

Hungary
India
Indonesia
I. Rep. of Iran

Kazakhstan

Malaysia

Mexico

Morocco

Nigeria

Pakistan

Peru
Philippines
Poland

Romania
Russia

South Africa

Thailand

Turkey

Ukraine

Venezuela
Vietnam

Narrow the Field: Larger Populations

Population over 50 million in 2005



Narrowed Field: Largest 15 Emerging Markets



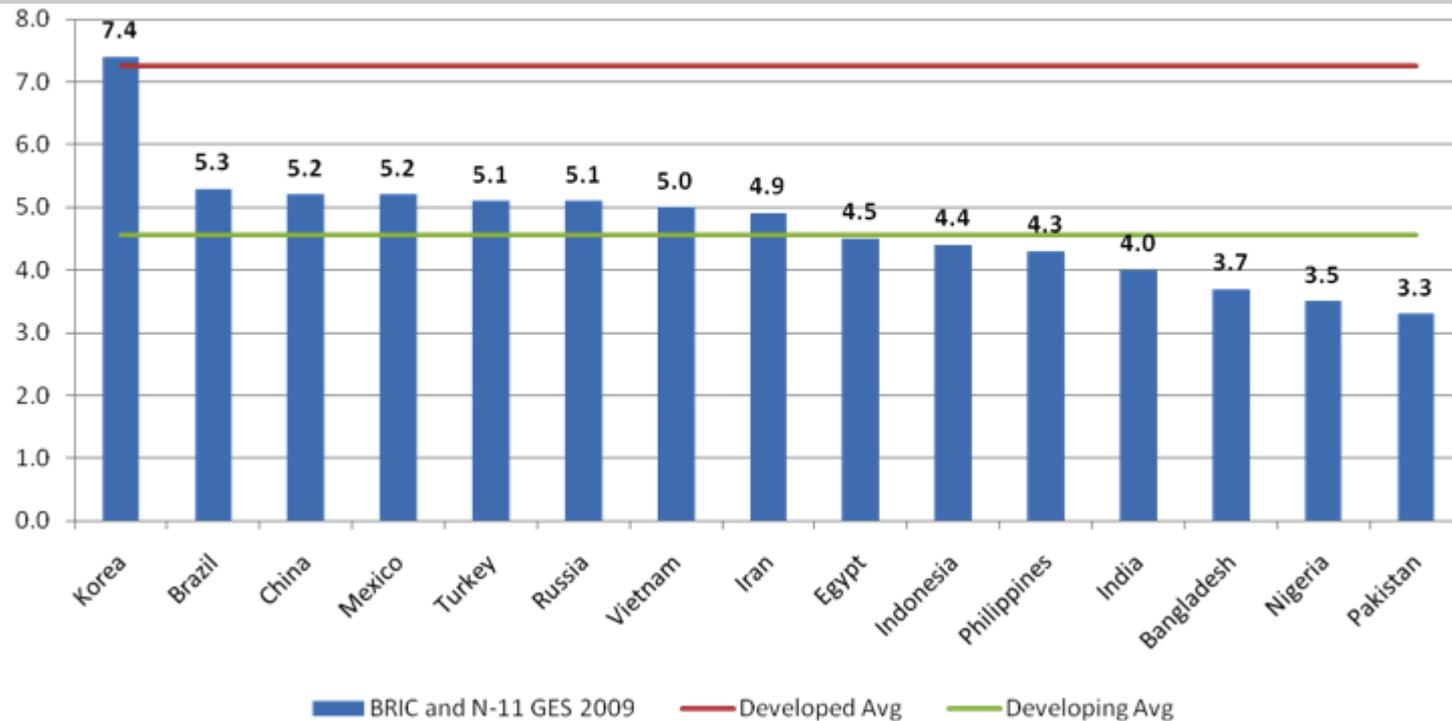
Country	Population	GDP 2009 (billion)	GDP per capita
China	1,334.74	\$ 4,909 *	\$ 3,678
India	1,199.06	\$ 1,236 *	\$ 1,031
Indonesia	231.55	\$ 539	\$ 2,329
Brazil	191.48	\$ 1,574	\$ 8,220
Bangladesh	165.71	\$ 95 *	\$ 574
Pakistan	163.77	\$ 167 *	\$ 1,017
Nigeria	151.87	\$ 173 *	\$ 1,142
Russia	141.39	\$ 1,229 *	\$ 8,694
Mexico	107.55	\$ 875	\$ 8,135
Philippines	92.23	\$ 161	\$ 1,746
Vietnam	87.21	\$ 92 *	\$ 1,060
Egypt	76.70	\$ 188 *	\$ 2,450
Iran	74.10	\$ 330 *	\$ 4,460
Turkey	70.54	\$ 615	\$ 8,723
Thailand	66.98	\$ 264	\$ 3,940

*Estimated

Narrowed the Field: BRICS + N11

Goldman Sachs Growth Environment Score

BRICS and N-11 Goldman Sachs Growth Environment Score (GES) 2009



- Launched in 2005, GES was developed to capture the factors that crucially affect the ability of an economy to grow.
- This tool helps Goldman to predict if their BRIC theory will become a reality in the next 20-40 years.

MIST vs. BRIC

- Jim O'Neill, who originally coined and promoted the BRIC countries is **now fully endorsing the MIST countries** (Mexico, Indonesia, South Korea, and Turkey).
- Goldman Sach's N-11 fund (including MIST countries) **climbed 12% this year compared to 1.5% increase** by BRIC countries
- The MIST economies have **more than doubled in size** in the past decade

Investment Attractiveness In Terms of Business Environments			
Global Competitiveness Index ¹ , Ranking/142, 2011-2012 ²		Ease of Doing Business ³ , Ranking/185, 2012 ⁴	
S. Korea	24	S. Korea	8
China	26	Mexico	53
Indonesia	46	Turkey	71
Brazil	53	China	91
India	56	Russia	120
Mexico	58	Brazil	126
Turkey	59	Indonesia	129
Russia	66	India	132

Note: ¹Global Competitive Index is published by the World Economic Forum each year, which measures the business operating environment and competitiveness of more than 140 countries worldwide; ³Ease of doing business, an index created by World Bank, is used to measure the easiness to open and run a business in a specific country based on 10 parameters including investor protection and tax.

Source: ²Global Competitive Index; ⁴Ease of Doing Business Index, 2012

Alta Analysis of Key Indicators (as of 2005)

Criteria	Emerging Markets				
	Brazil	Mexico	India	China	Russia
Market Size					
Population (millions)	178.70	103.80	1,079.70	1,296.50	142.80
Surface Area (sq Km million)	8.5	2.0	3.3	9.6	17.1
Technology					
High-Tech Exports (% of manufactured exports)	11.60	21.20	4.90	29.80	9.10
Fixed line & Cell phone subs (per 1,000 people)	587.20	544.60	84.50	499.40	508.3*
Internet Users (per 1000 people)	119.60	135.20	32.40	72.50	111.20
Economic Indicators					
GDP (US\$ billion)	604.00	676.50	688.70	1,653.80	581.40
GNI (US\$ billion)	551.60	704.90	672.80	1,672.50	488.50
Inflation (annual %)	8.20	6.10	5.30	6.90	18.10
Export (fob US\$ million)	81,466	189,159	76,345	593,369	183,452
Import (cif US\$million)	62,809	197,247	99,836	561,423	100,193
Unemployment Rate (%)	8.3	2.8	8.8	N/A	7.9
International Reserves -2005 E (US\$ billion)	27.80	68.70	N/A	N/A	N/A
Enterprenurialship					
Time required to start a business (days)	152	58	89	48	36
Trade Barriers	High	Low	Med-Low	High	Med-High
Difficulty to transfer cash to the US	High	Low	Medium	High	Med-High
Degree of Gov intervention in economy	High	Medium	Medium	High	Med-High
Political Stability Index (US=100)	60	80	70	N/A	50
Foreign Policy/Relations w/ US	60	80	80	60	50
Political Regime	Democratic	Democratic	Democratic	Socialist/Comm	Democratic
Human Rights & Social Factors					
Poverty (% of Pop below poverty line)	22.0	18.0	29.0	5.0	21.0
Literacy Rate (% of pop age 15+)	88.6	91.0	61.0	90.9	99.4
Infant Mortality (per 1,000 live births)	33.0	23.0	65.0	30.0	16.0
Trade Agreement	Conesur	NAFTA	N/A	N/A	N/A
Nuclear Threat	Low	Low	Low	High	Low

Sources: World Trade Bank, Amnesty International, Latin Trade Magazine, IDC, and Core Strategies

*= as of 2003. 2004 figures not available;

Ease of Doing Business

(updated 2011 Analysis)

Ease of Doing Business Rank 2011 (Higher = worse)

Brazil	126
Russia	120
India	132
China	91
Mexico	53

Country	Starting a Business-Rank	Dealing with Construction Permits - Rank	Getting Electricity-Rank	Registering Property-Rank	Getting Credit-Rank	Protecting Investors-Rank	Paying Taxes-Rank	Trading Across Borders - Rank	Enforcing Contracts - Rank	Resolving Insolvency - Rank
Brazil	120	127	51	114	98	79	150	121	118	136
China	151	179	115	40	67	97	122	60	16	75
India	166	181	98	97	40	46	147	109	182	128
Russia	111	178	183	45	98	111	105	160	13	60
Mexico	75	43	142	140	40	46	109	59	81	24

Summary Analysis: India*



■ **Strengths/Opportunities**

- Economic stability
- Political stability
- Market opportunity
 - Demand for Telecom products and services
 - Cost reduction
 - Many US businesses use India as tech support/call center
- Skilled labor
 - SW development Center
 - Managerial and manufacturing expertise
- Ease to transfer profits back to US headquarters

■ **Weaknesses/Risks**

- Social issues
 - Poverty level
 - Infra-structure
 - Corruption
- Competitive Market

Summary Analysis: China



- Strengths/Opportunities
 - Market Size
 - Fast paced economy
 - Low cost of labor
 - Time required to start a business (48 days)

- Weaknesses/Risks
 - Political regime
 - Hostility against US
 - Social issues
 - Severe human rights issues including child exploitation
 - Corruption
 - Trade barriers
 - Severe Intellectual Property/Copyright issues
 - Competition – local and foreign

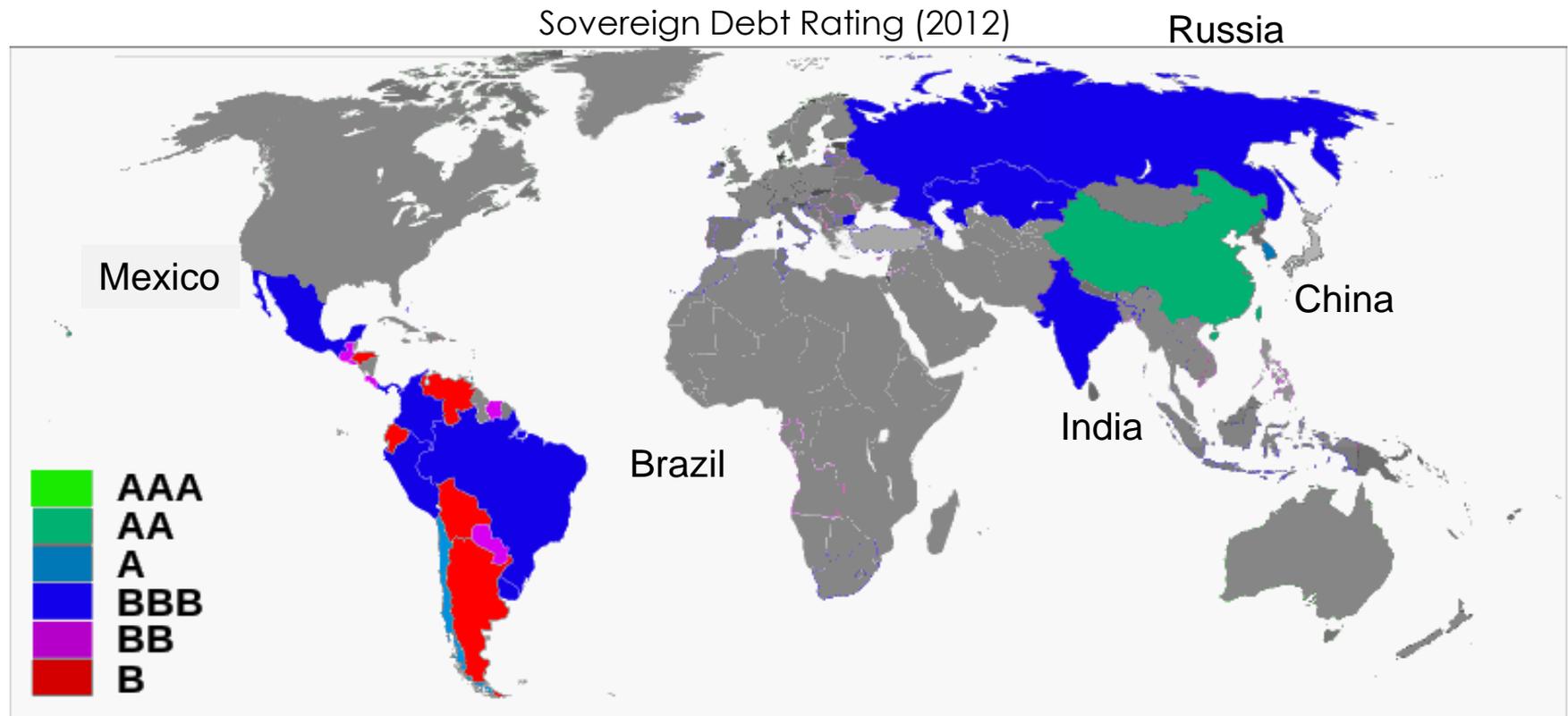
Summary Analysis: Russia



- Strengths/Opportunities
 - Improving economy
 - Political stability
 - Infra-structure
 - High literacy rate (99.4%)
 - Time required to start a business (36 days!)

- Weaknesses/Risks
 - Payment terms and collection risks
 - Work ethics
 - High taxes
 - Large corporations not affected as much
 - Social Issues
 - Corruption still a serious problem
 - 10% of population suffers from alcoholism
 - Violence directly related to alcoholism (33% of violent crime)
 - Slow decision making process
 - Deadline is a foreign concept

Regional Sovereign Risk Environment



Mexico is tied for the second best Sovereign Debt Rating in Latin America and is also tied for second best among the BRICs

Sovereign Risk Environment

S&P Sovereign Debt Rating as of 2014

Investment Grade

Country	Debt Rating
Chile	A+
Mexico	BBB+
Brazil	BBB
Peru	BBB
Columbia	BBB-
Uruguay	BBB-

Non-Investment Grade

Country	Debt Rating
Paraguay	BB-
Venezuela	B+
Bolivia	B+
Argentina	B
Ecuador	B-

Non-Latin America Countries

Country	Debt Rating
China	AA-
Russia	BBB
India	BBB-

Sovereign Risk Environment

Moody's Sovereign Debt Rating as of 2014

Investment Grade

Country	Debt Rating
Chile	Aa3
Mexico	A3
Brazil	Baa2
Peru	Baa2
Columbia	Baa3
Uruguay	Baa3

Non-Latin America Countries

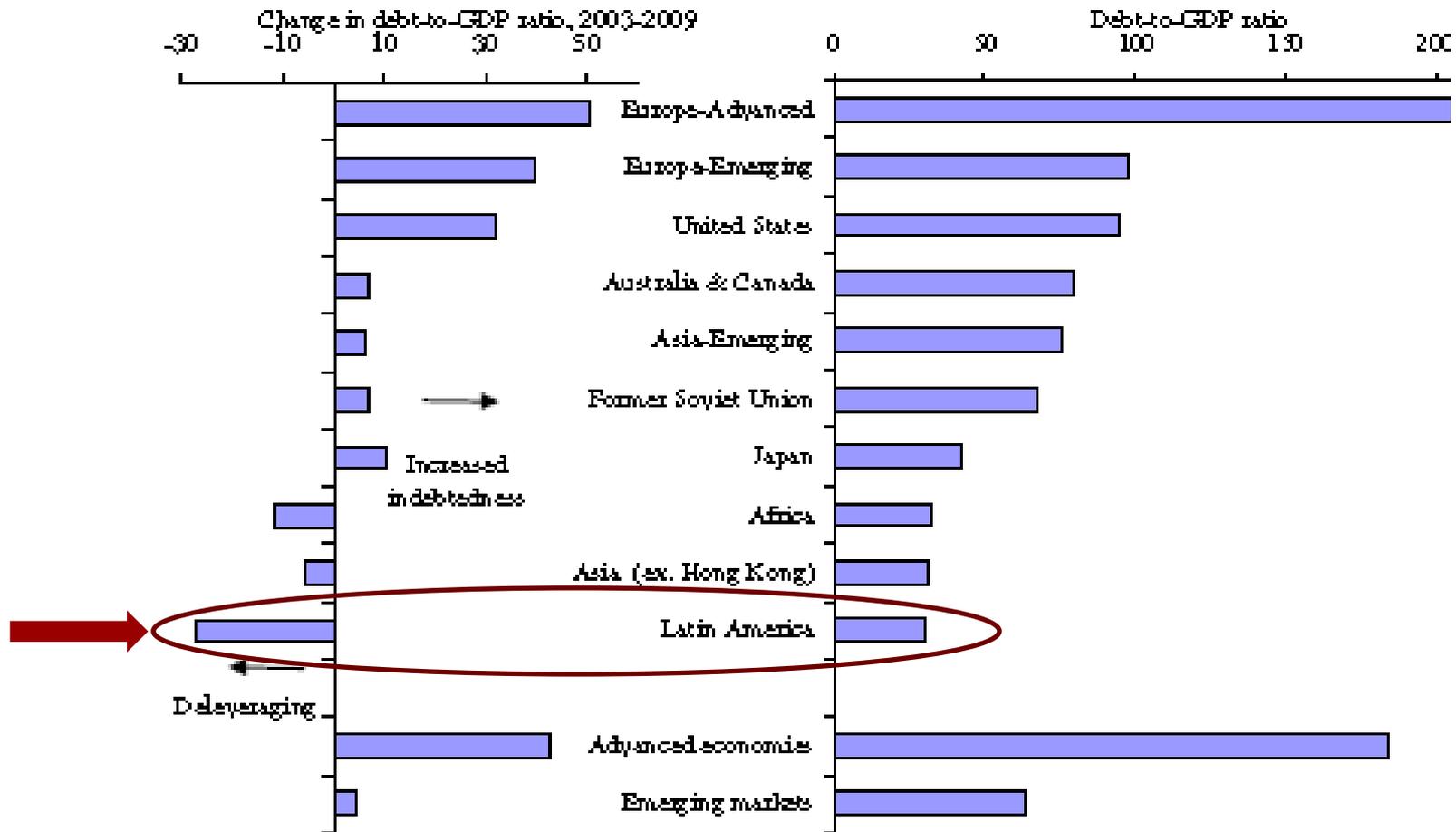
Country	Debt Rating
China	Aa3
Russia	Baa1
India	Baa3

First "A" Rating in Mexico's History!

Non-Investment Grade

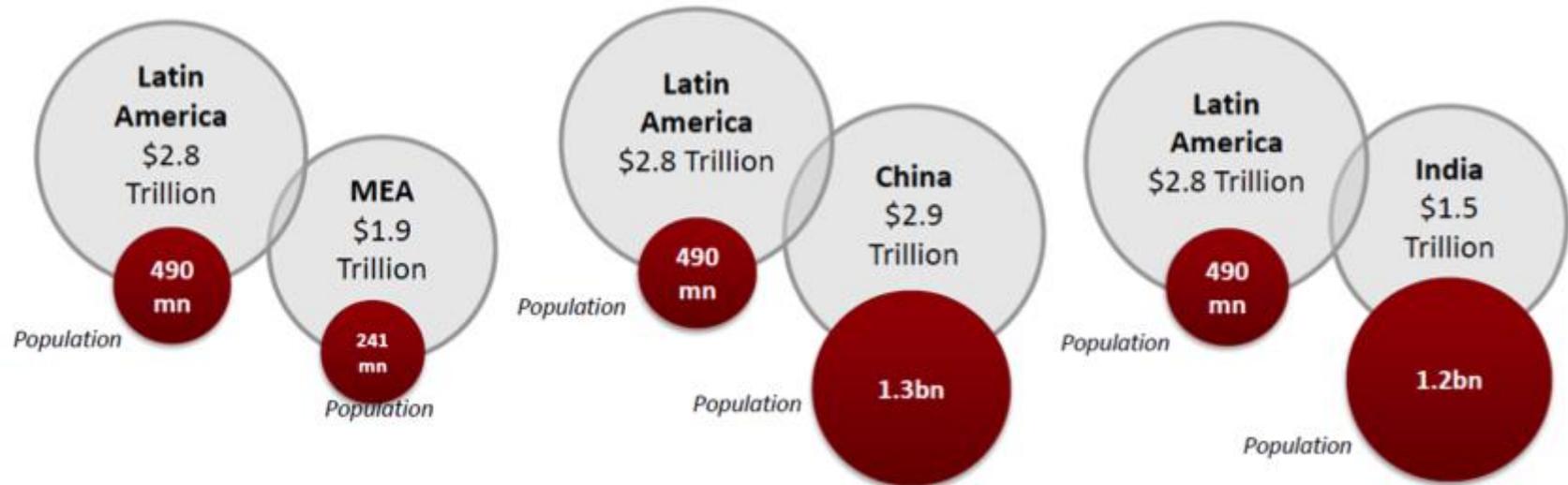
Country	Debt Rating
Paraguay	B1
Venezuela	B2
Bolivia	Ba3
Argentina	B3
Ecuador	Caa1

Latin America is Deleveraging - Gross External Debt as a Percent of GDP: Averages for Selected 59 Countries, 2003-2009 (in percent)



Latin American Consumer Purchasing Power

CONSUMER Personal Disposable Income 2005



Disposable Income Per Capita (US\$)

Latin America	MEA	China	India
\$5,714	\$7,884	\$2,231	\$1,250

Disposable Income: The amount of money that households have available for spending and saving after income taxes have been accounted for

Source: Frontier Strategy Group, 2005figures

Latin America Region

- Overview: Rising Tide
 - Vast territory
 - Each country has a unique set of values
 - Two predominant languages
 - Two large markets
 - Several smaller markets with high opportunities
 - Fertile Soil
 - Rapid Infrastructure build up
 - Flourishing IT and Telecom sectors
 - Solid US business presence
 - Overall economic growth
 - Gradual political stabilization
 - Commodity markets play well into trends

Country Rank within Latin America



- The Two Giants
 - Brazil
 - Mexico
- Small Market ROI Opportunities
 - Chile
- Up and Coming
 - Argentina
 - Colombia
 - Peru
- Other Options to Be Evaluated
 - Ecuador, Venezuela
 - Central America & Caribbean*
 - Panama, Dominican Republic, Guatemala, El Salvador, Costa Rica
 - *= Puerto Rico not included (US Hispanic market)

Summary Analysis: Chile



■ Strengths/Opportunities

- Population: 17,067,369
- GDP: 5.9%
- Ease to do business
- Very low trade barriers
- Economic stability
- Political stability
- Highly trained IT/Telecom labor
- Strong US business presence
- US dollar largely accepted
- Channel of distribution follows US models
- Port of entry for Asian parts, components, products
- Great base of operations for South America

□ Weaknesses/Risks

- Small Internal Market
- High shutdown costs
- Business permitting process

Summary Analysis: Argentina



■ Strengths/Opportunities

- Population: 42,192,494
- GDP: 8.9%
- Market opportunity
 - Demand for technology/telecom products & services
- Undergoing positive economic changes
- US business presence (although growing leftist leaning sentiments)
- World class software and design talent
- High level of sophistication and quality of life

□ Weaknesses/Risks

- Relatively small corporate market in spite of US presence
- Current economic situation
 - Currency fluctuation
 - Government debt & perceived government corruption
- Bureaucratic environment
- Social Issues
 - Social discrepancies
 - High crime rates

Summary Analysis: Brazil



- Strengths/Opportunities
 - Population: 199,321,413
 - GDP: 2.7%
 - Market Size (largest in LAR)
 - Economic stability
 - Economic indicators improving considerably
 - Political stability
 - Trained IT labor
 - Strong US business presence
 - Strong exit markets/liquidity
- Weaknesses/Risks
 - Regulated economy
 - Bureaucratic government and legal system
 - Time required to start a business (58 days)
 - Difficulty to transfer profits back to US headquarters
 - Trade barriers (high import taxes, etc.)
 - Cost of capital
 - Government is the largest IT/Telecom customer – via bids
 - Social discrepancies and high crime rate

Summary Analysis: Mexico



■ Pros

- Population: 114,975,406
- GDP growth: 4%
- Best ROI, Relatively low competition
- Fast-growing IT/Telecom market, Skilled labor
- Open to foreign investment, Friendly nation
- On par with regional leaders in its tax treatment, corporate governance requirements, protection of minority shareholder rights and restrictions on local institutional investors
- Strong public and private universities
- Huge capital gap for small to medium size companies

■ Cons

- Weak framework for fund activity, with larger funds setting up offshore
- Bankruptcy procedures & judicial system remains inefficient
- Perceptions of corruption and concerns about ongoing drug trade which affect FDI confidence

Summary Analysis: Columbia



- Strengths/Opportunities
 - Population: 45,239,079
 - GDP Growth: 5.9%
 - Market opportunity
 - Demand for technology/telecom products & services
 - Government sector offers good opportunities
 - Channel of distribution
 - Some US business presence
 - Dramatically improved public safety (addressed drug cartels)

- Weaknesses/Risks
 - Social issues
 - Social discrepancies
 - Colombian peso fluctuations
 - Relatively high cost of labor
 - Perception of safety (although it is not the reality)

Summary Analysis: Venezuela



- Strengths/Opportunities
 - Population: 28,047,938
 - GDP: 4.2%
 - Market opportunity
 - Demand for technology/telecom products & services
 - Government opportunities – large deals
 - Skilled labor
 - Bright engineering talent
 - Some US business presence
 - Proximity to US (Miami)
- Weaknesses/Risks
 - Small market
 - Foreign exchange controls (Impossible to transfer money in and out of the country)
 - Social issues
 - Social discrepancies
 - Violence, poverty, crime rate
 - Political instability
 - Leftist/dictator president`

Summary Analysis: Peru, Ecuador, &

- Strengths/Opportunities
 - Low competition
 - Some US business presence
 - Governments open to foreign investments

- Weaknesses/Risks
 - Small markets
 - Social issues
 - Social classes discrepancies
 - Weak economies
 - Infrastructure

Note: some LAR prospective customers have subsidiaries or sales offices in CA and other smaller markets. In some cases, contracts include support to those offices.

Summary of '05 LatAm Analysis



	Mexico	Brazil	Chile	Argentina	Columbia
Population	114,975,406	199,321,413	17,067,369	42,192,494	45,239,079
GDP	GDP Growth: 3.2% Per Capita: \$10,514	GDP Growth: 3.2% Per Capita: \$12,465	GDP Growth: 5.5% Per Capita:	GDP Growth: 9.2% Per Capita: \$11,453	GDP Growth: 5.0% Per Capita: \$8,127
Strength/Opportunities	<ul style="list-style-type: none"> - Relatively low competition - Fast-growing IT market - Skilled labor - Open to foreign investment - Standard corporate regulations - Strong public and private universities - Huge capital gap 	<ul style="list-style-type: none"> - Market Size - Economic stability - Political stability - Trained IT labor - Strong US business presence - Strong exit markets/liquidity 	<ul style="list-style-type: none"> - Ease to do business - Very low trade barriers - Economic stability - Political stability - Highly trained IT labor - Strong US business presence - Channel of distribution follows US models - Port of entry for Asian products - Great base for South American operations 	<ul style="list-style-type: none"> - Demand for technology products - Undergoing positive economic changes - US business presence - World class software and design talent - High level of sophistication and quality of life 	<ul style="list-style-type: none"> - Demand for technology products - Government sector offers good opportunities - Channel of distribution - Some US business presence - Dramatically improved public safety
Weaknesses/Risks	<ul style="list-style-type: none"> - Weak framework for fund activity - Bankruptcy & judicial system remains inefficient - Perceptions of corruption - Concerns about ongoing drug trade 	<ul style="list-style-type: none"> - Regulated economy - Bureaucratic government & legal system - Time required to start a business (58 days) - Difficult to transfer profits back to US - Trade barriers - Cost of capital - Government is the largest IT customer - Social discrepancies - High crime rates 	<ul style="list-style-type: none"> - Small internal market - High shutdown costs - Business permitting process 	<ul style="list-style-type: none"> - Relatively small corporate market in spite of US presence - Currency fluctuation - Government debt - Perceived government perception - Bureaucratic environment - Social discrepancies - High crime rates 	<ul style="list-style-type: none"> - Social discrepancies - Columbian peso fluctuations - Relatively high cost of labor - Perception of safety

Top Choices: Mexico + the BRICS

- Trending First choice*: Mexico
- Second place: Brazil
- Solid option: India
- Largest market: China
- Trending: Russia



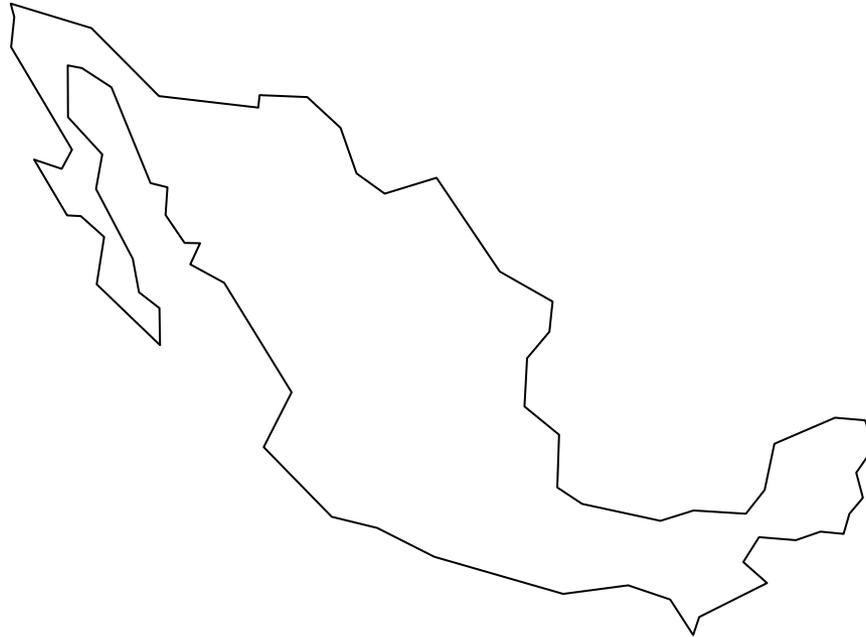
* based on market PE/VC attractiveness and underserved capital

2012 Snapshot: Brazil vs Mexico?

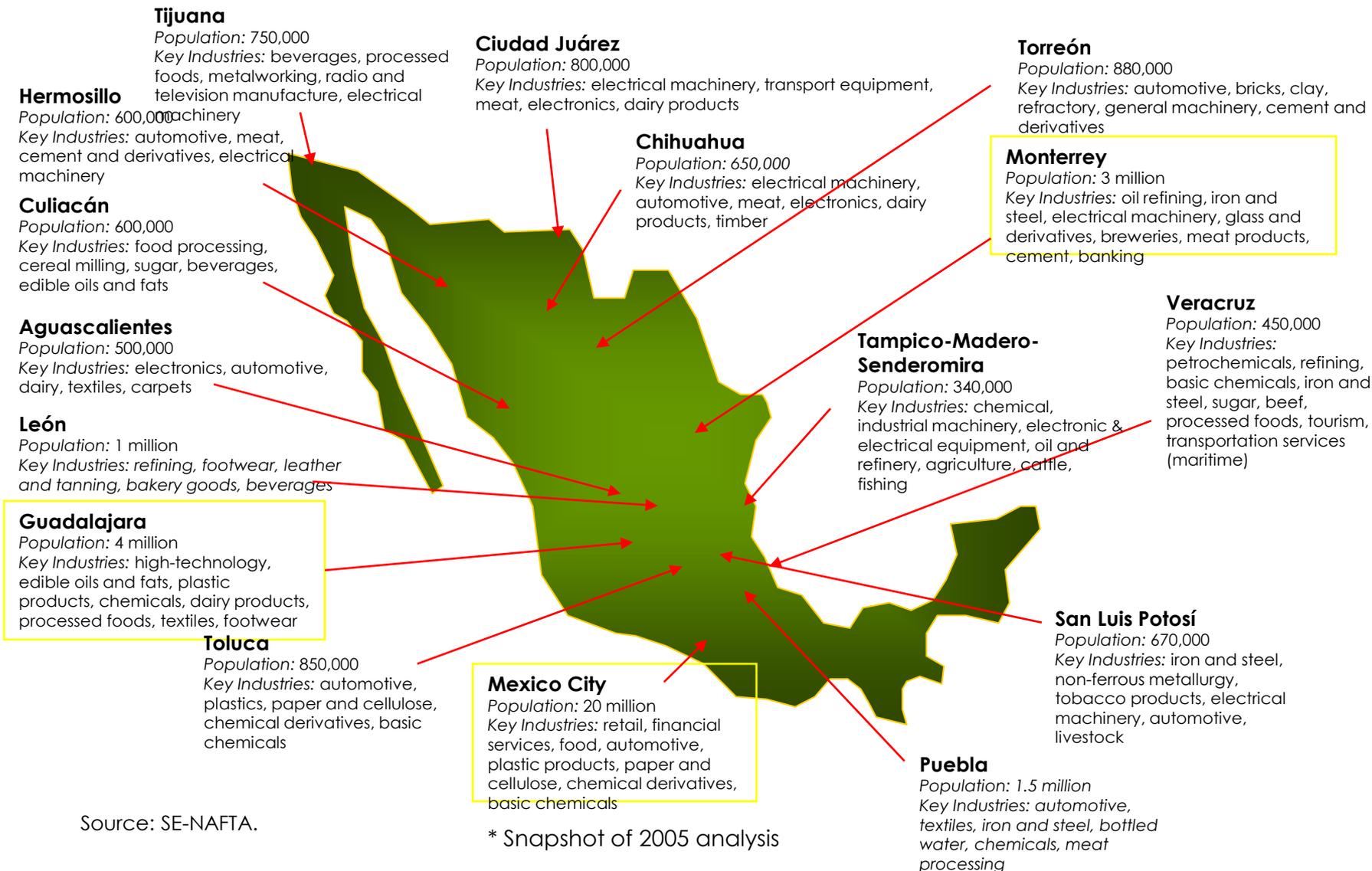
Indicator	Brazil	Mexico
Population (Millions)	194.0	113.7
GDP PPP Per capita	12,789	14,708
Exports	\$250B	\$336B
Unemployment	5.97%	5.23%
Days Required to Start a Business	119	9
Inflation	6.5%	3.5%
Homicide Rates (per 100,000 People)	21.97	11.59
GDP Real Growth Rate	2.7%*	3.8%*

* 2012

Investment Hypothesis: Mexico (Secondary Research)



Widespread Development



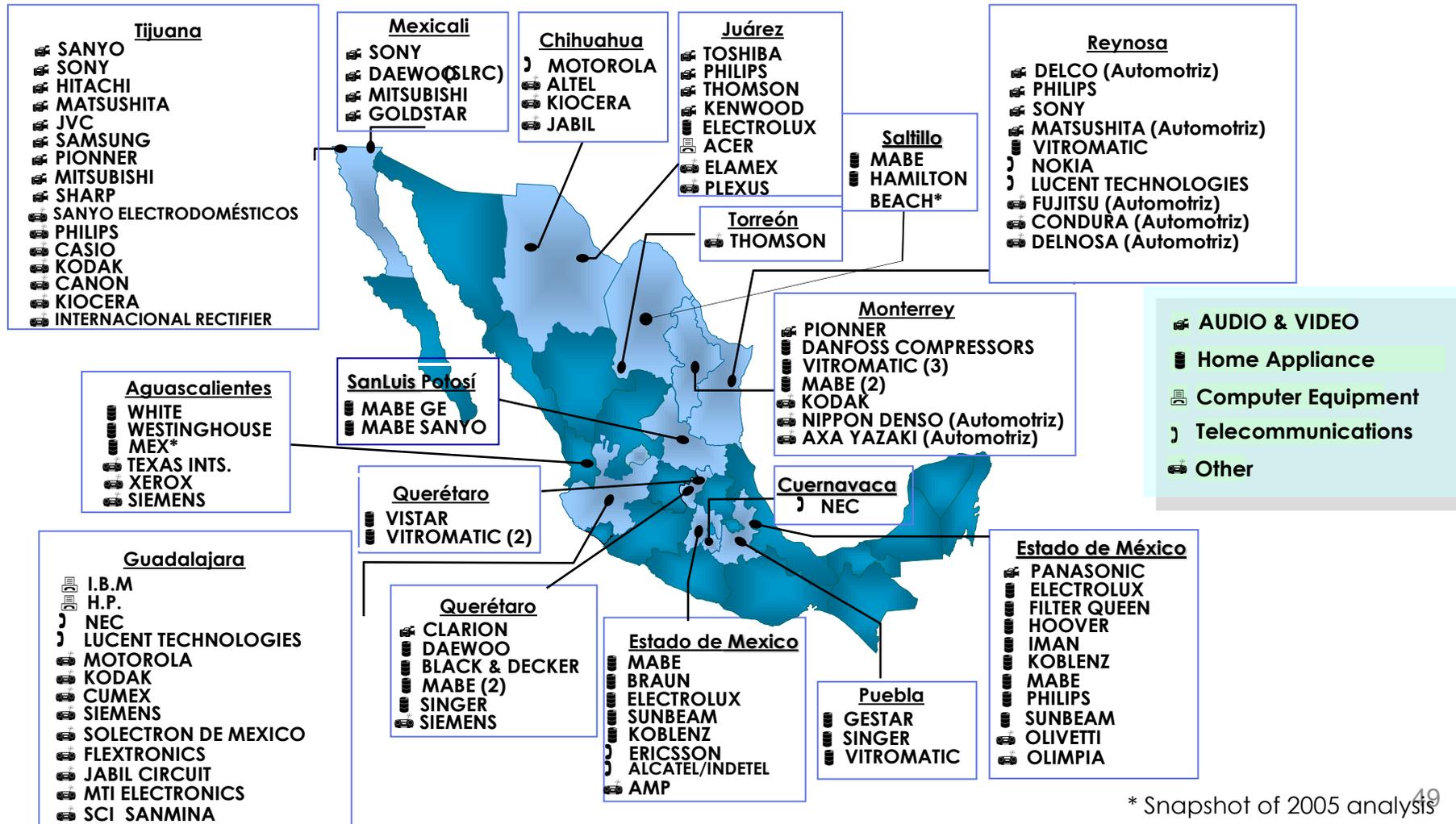
Source: SE-NAFTA.

* Snapshot of 2005 analysis

This is how I remember Mexico

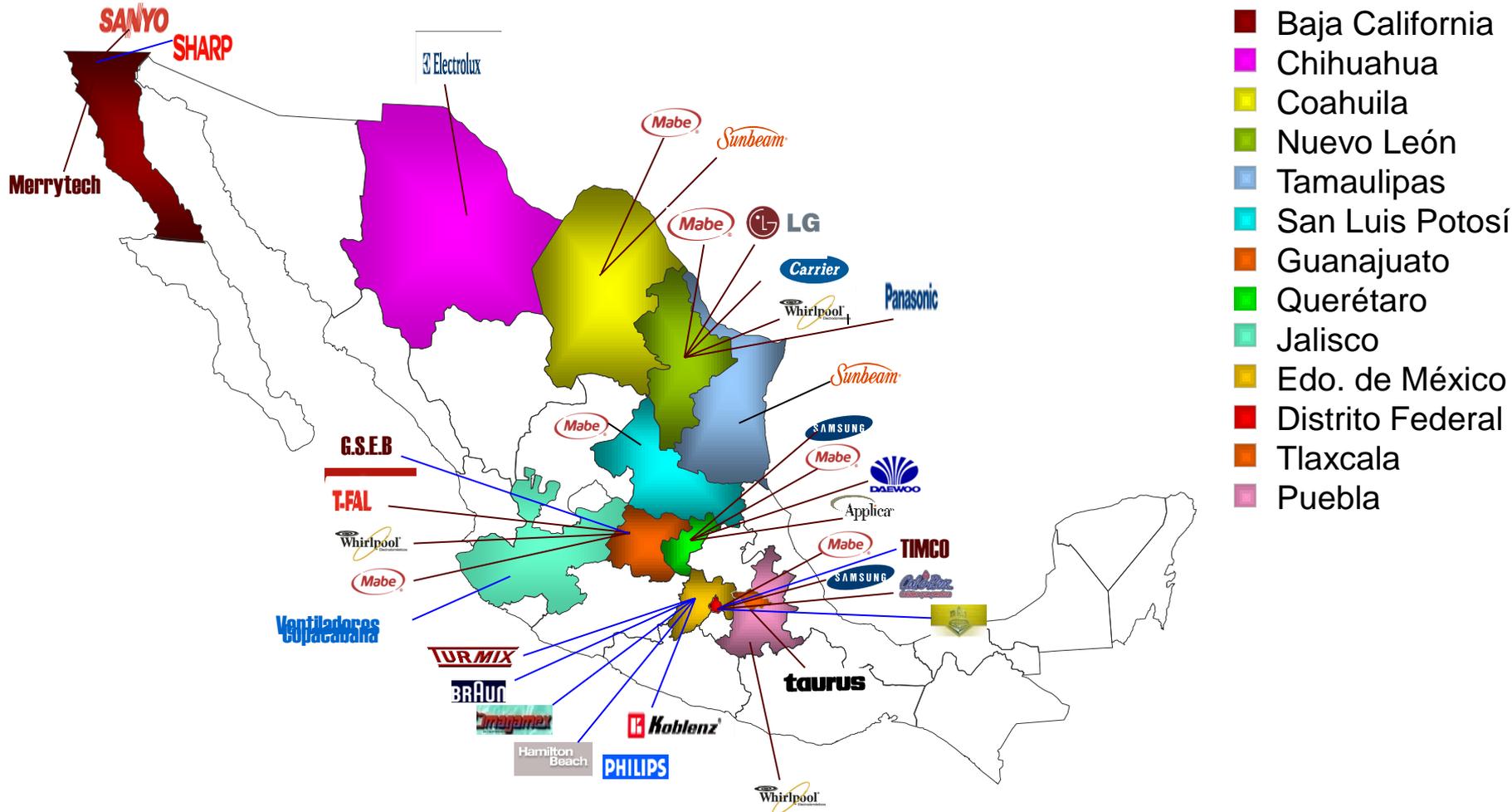


Electronics Industry in Mexico



Home Appliances Industry

More than 32 firms in 2005



MX #2 Petroleum Supplier to United States



- 1. Canada – 2.53 million barrels per day (bpd)
- 2. Mexico – 1.26
- 3. Saudi Arabia – 1.08
- 4. Venezuela – 1.07
- 5. Nigeria – 1.05
- 6. Algeria – .512
- 7. Iraq – .464
- 8. Angola – .422
- 9. Colombia – .360
- 10. Brazil – .289

Mexico's Dynamic & Growing Industrial Base

- 40+ Home appliance manufacturers



- Dozens of automobile manufacturers and parts suppliers

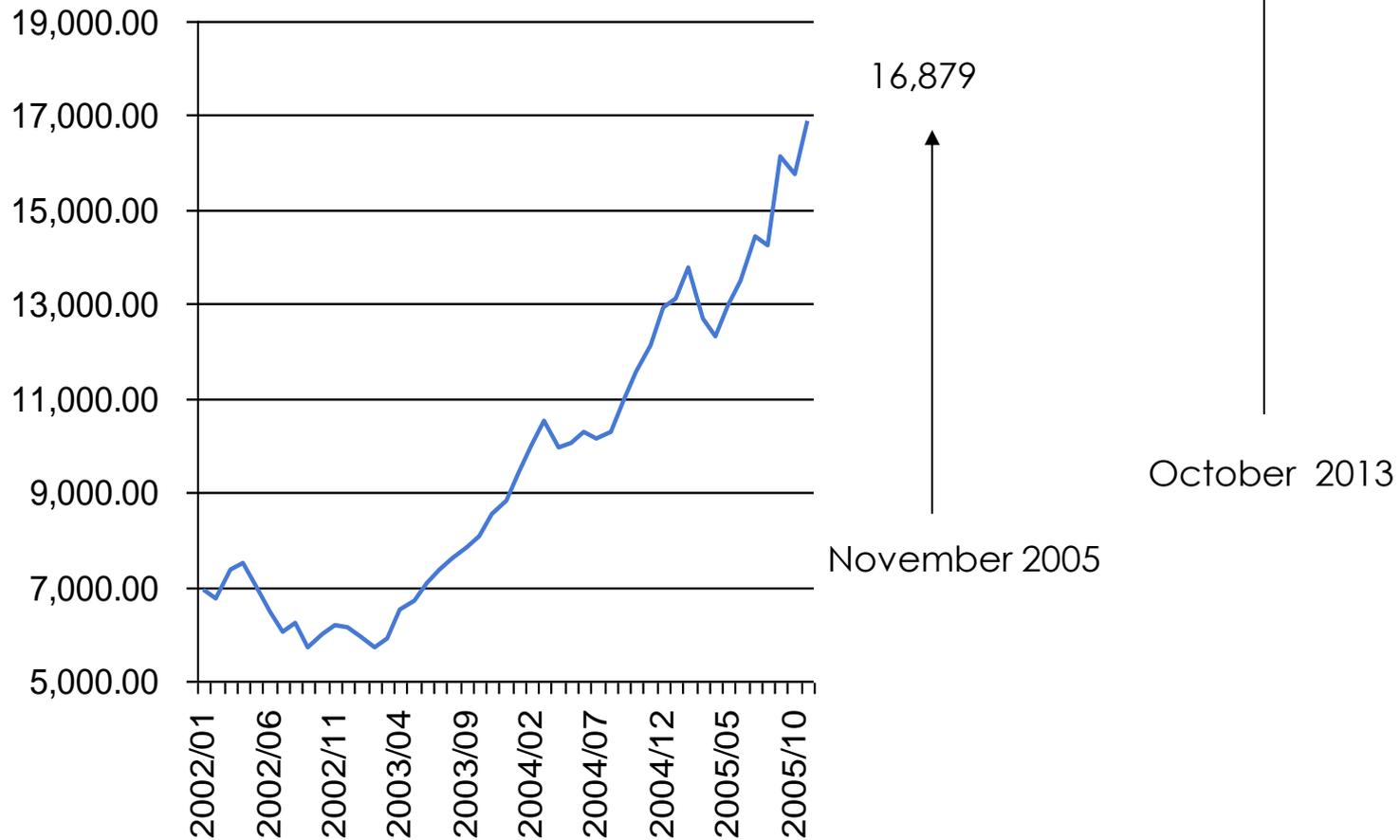


- World Class Mexican Companies



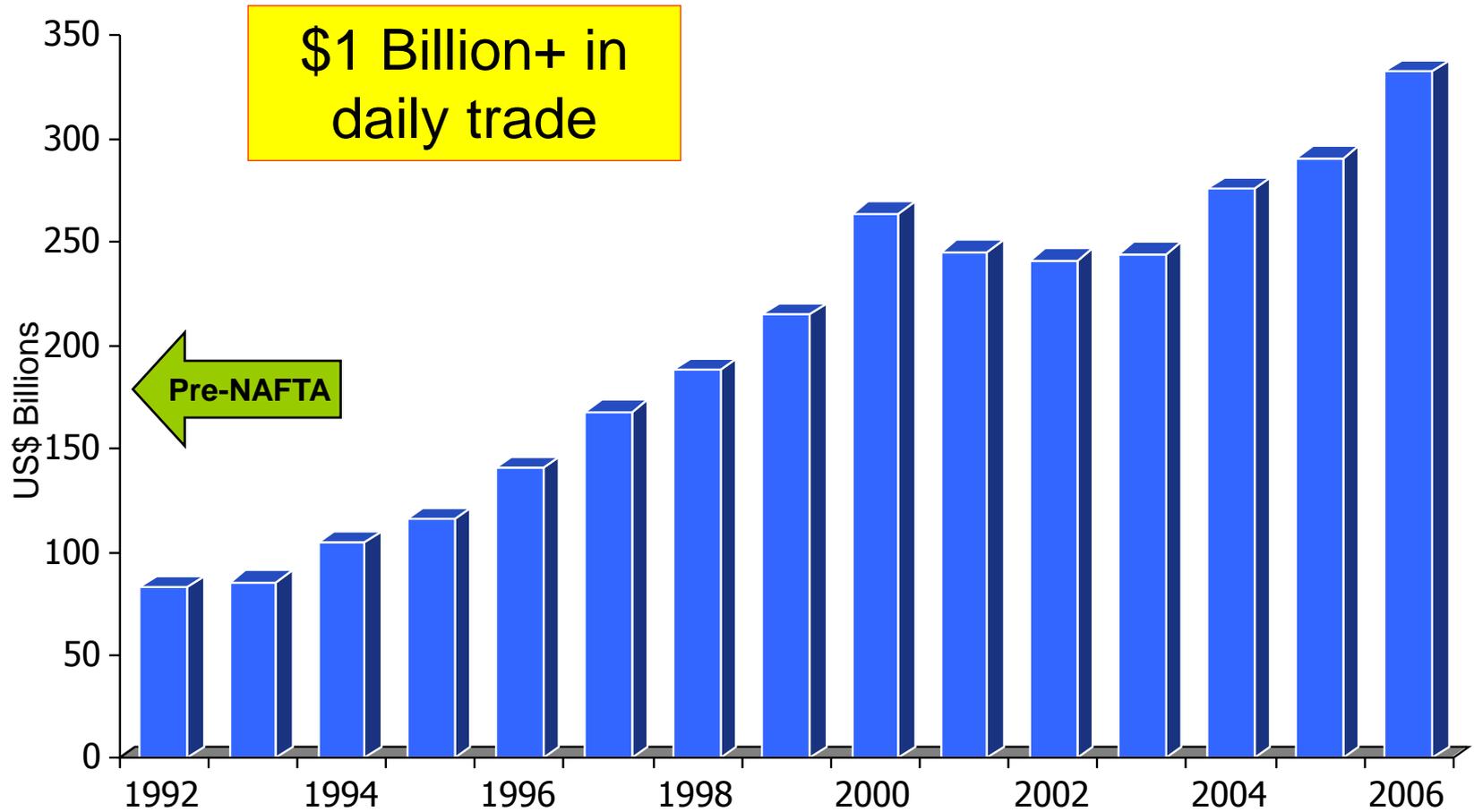
Mexico's IPC stock market index

2005: 17,000 - 2013: 40,000



Source: Banco de Mexico

US-Mexico Trade 1992 to 2006



Source: US Census Bureau

The U.S. exports more to Mexico than to any other country besides Canada

U.S Exports in 2007

1. Canada \$248.9B	2. Mexico \$136.5B	3. China \$65.2B	4. Japan \$62.7B	5. U.K. \$50.3B
-----------------------	-----------------------	---------------------	---------------------	--------------------

Not in the Top 10

Brazil \$24.6B	India \$17.6B	Russia \$7.4B
-------------------	------------------	------------------

Mexico, China & Brazil increase purchase of US goods and all others flat

U.S Exports in 2010

1. Canada \$248B	2. Mexico \$163B	3. China \$91.9B	4. Japan \$60.5B	5. U.K. \$51B
---------------------	---------------------	---------------------	---------------------	------------------

BRICS 2010

Brazil \$35B	India \$19.2B	Russia \$6B
-----------------	------------------	----------------

Mexico is the Number One Foreign Market for California Goods

California Exports in 2007

1. Mexico
\$18.3B

2. Canada
\$16.1B

3. Japan
\$13.5B

4. China
\$10.6B

5. South
Korea
\$7.4B

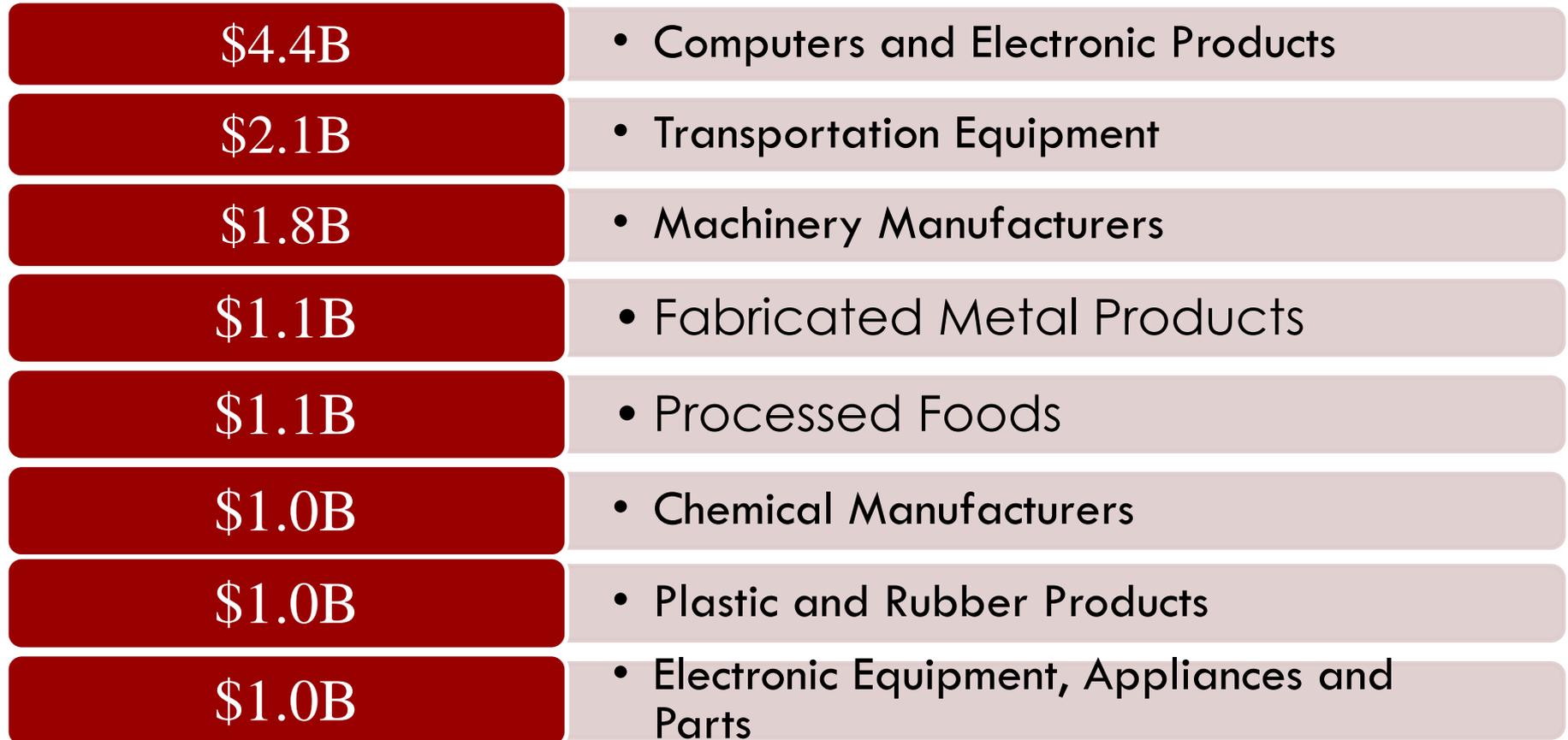
Not in the Top 5

Brazil
\$2B

India
\$1.9B

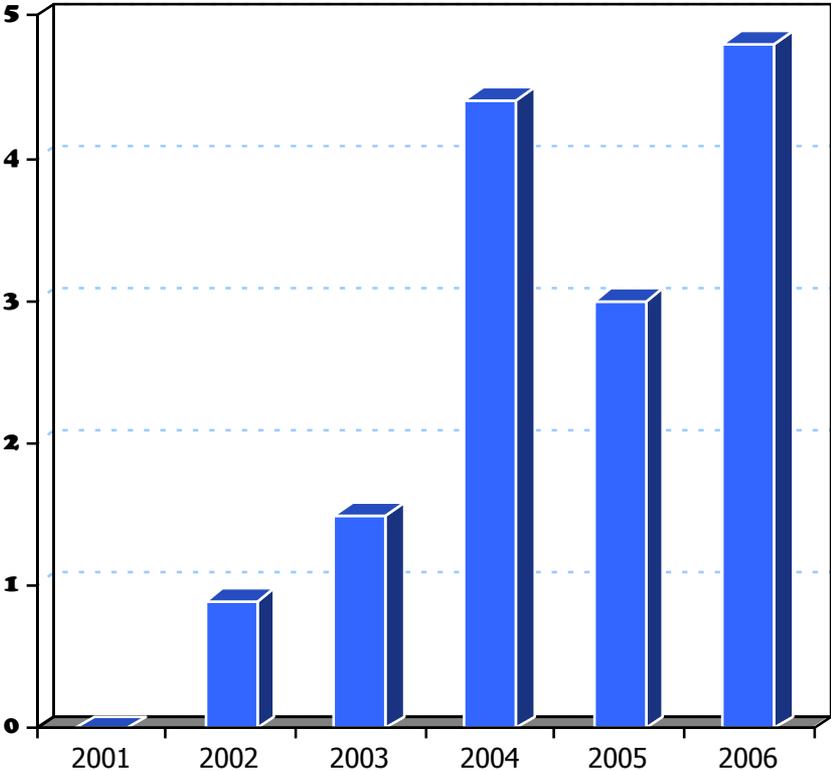
Russia
\$.5B

8 Californian Industries Sold Over \$1B in Goods to Mexico in 2007

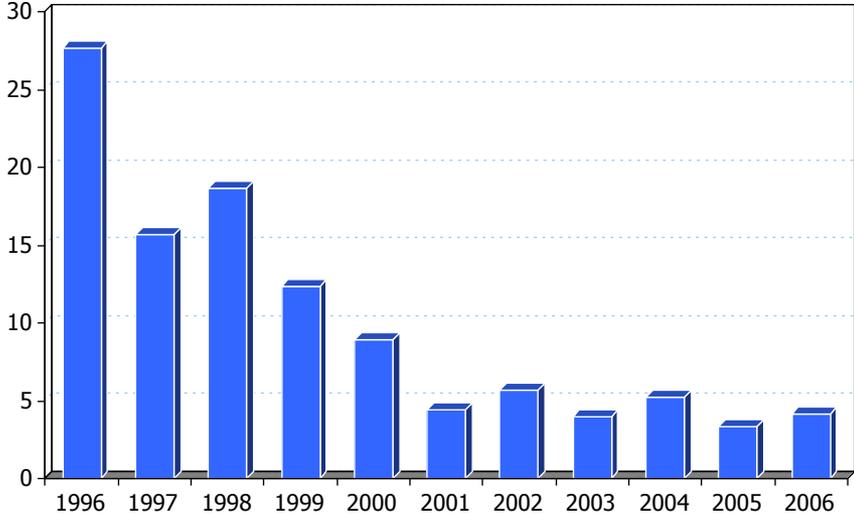


Mexico, Growing Macroeconomic Stability

GDP Growth



Annual Inflation 1996 to 2006

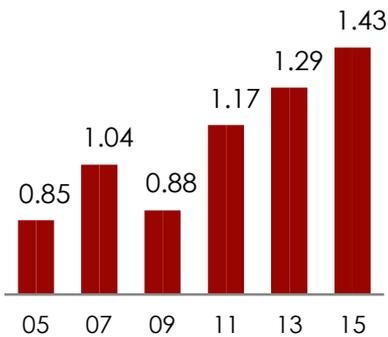


Mexico's Solid Demographic Foundation

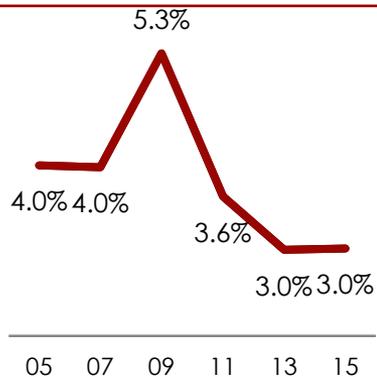
Mexico's growth expected to continue

Fast and sustainable growth

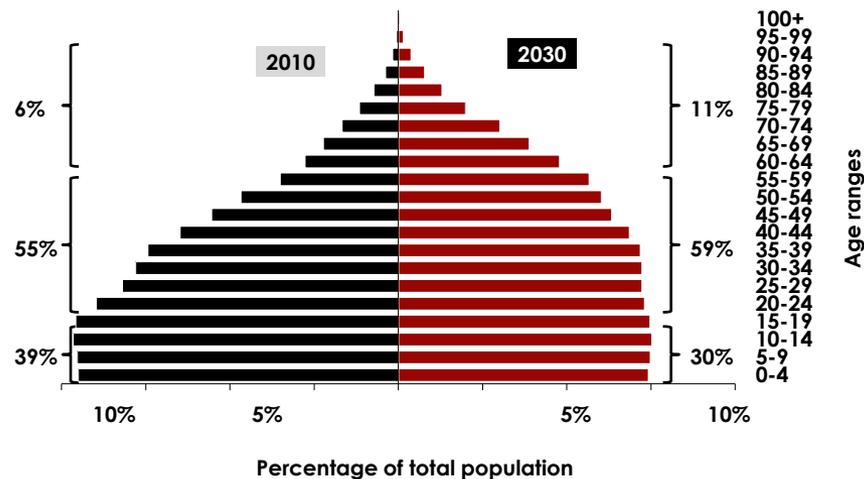
GDP (USD tr)



Inflation (Avg CPI)

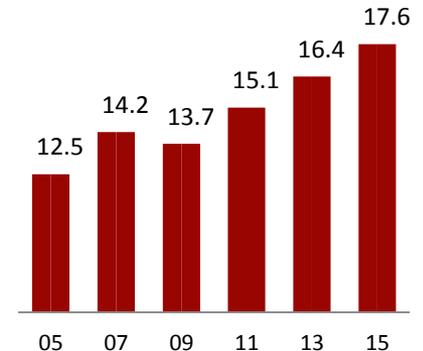


Healthy population pyramid with increased aging



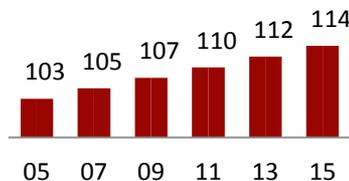
Increasing Spending Power

GDP /capita (USD thds)

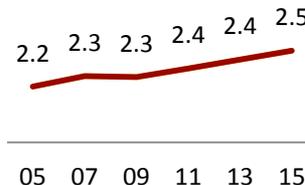


Growing Population and Urbanization

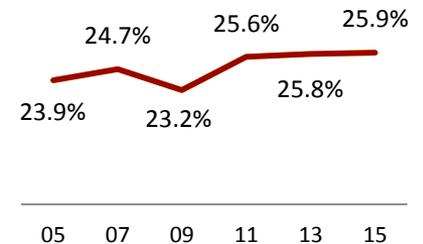
Total population (million)



Urban population growth (million)



Savings rate

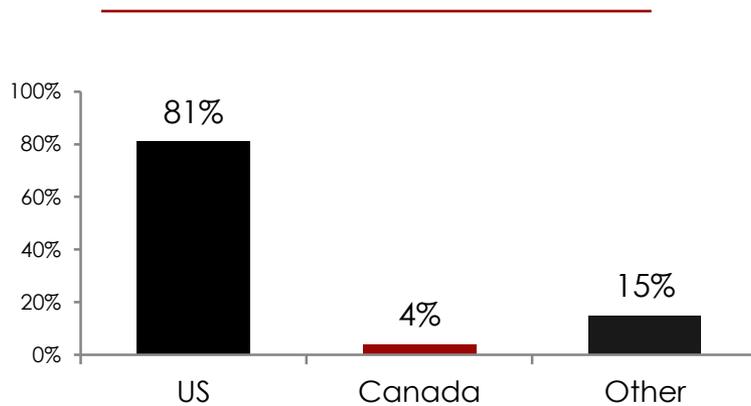


Mexico's Manufacturing Advantage (cost-time-quality)

Mexico's export oriented manufacturing industry will continue to fuel growth

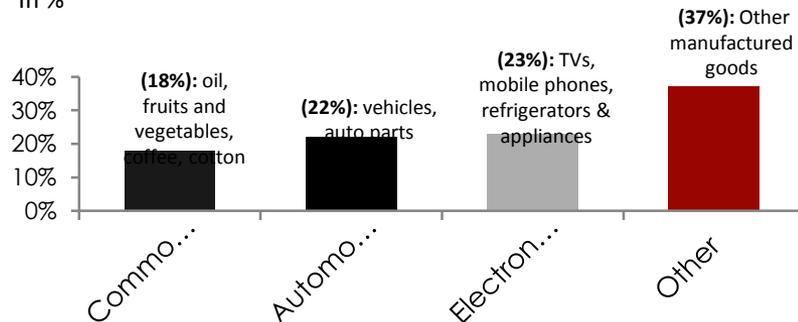
Mexico's Export Products and Partners

Mexico's export partners (2011 in %)



Mexico's export products

In %



With Significant Export Upside

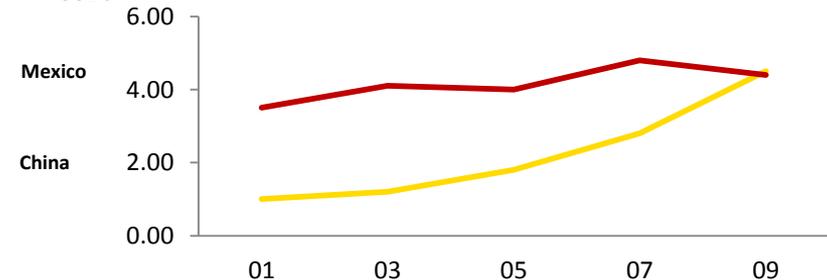
Mexico's Export Advantages

	Mexico	China
Transportation cost* USDs	\$3058	\$5239
Lead time* Days	5	22
Labor Unit Cost USDs	\$4.40	\$4.50

* 2010. 53 foot container from Mexico to Chicago and 40 foot container from China to Chicago

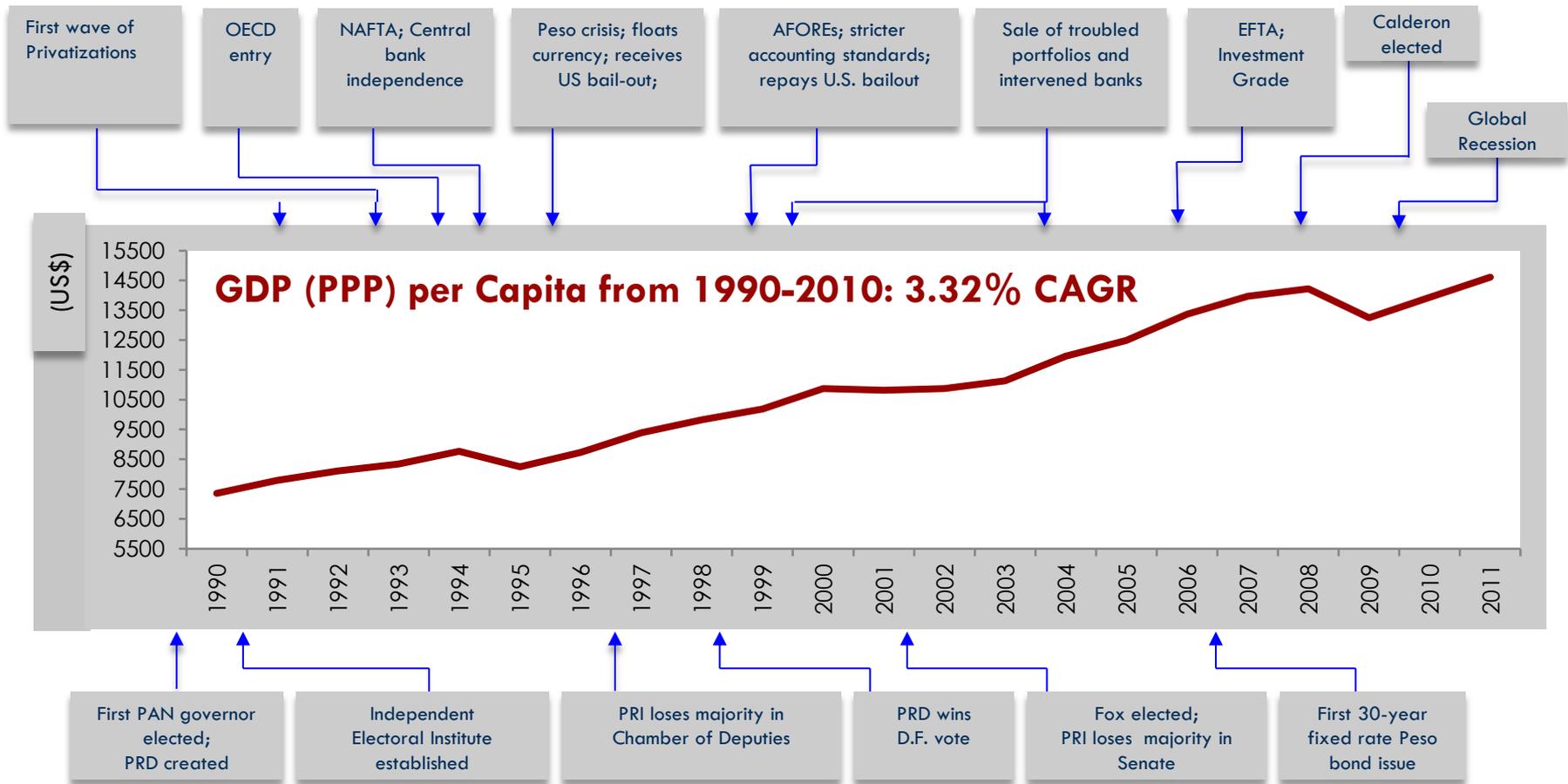
Labor unit cost

USDs



MX Stability and Increased Purchasing Power

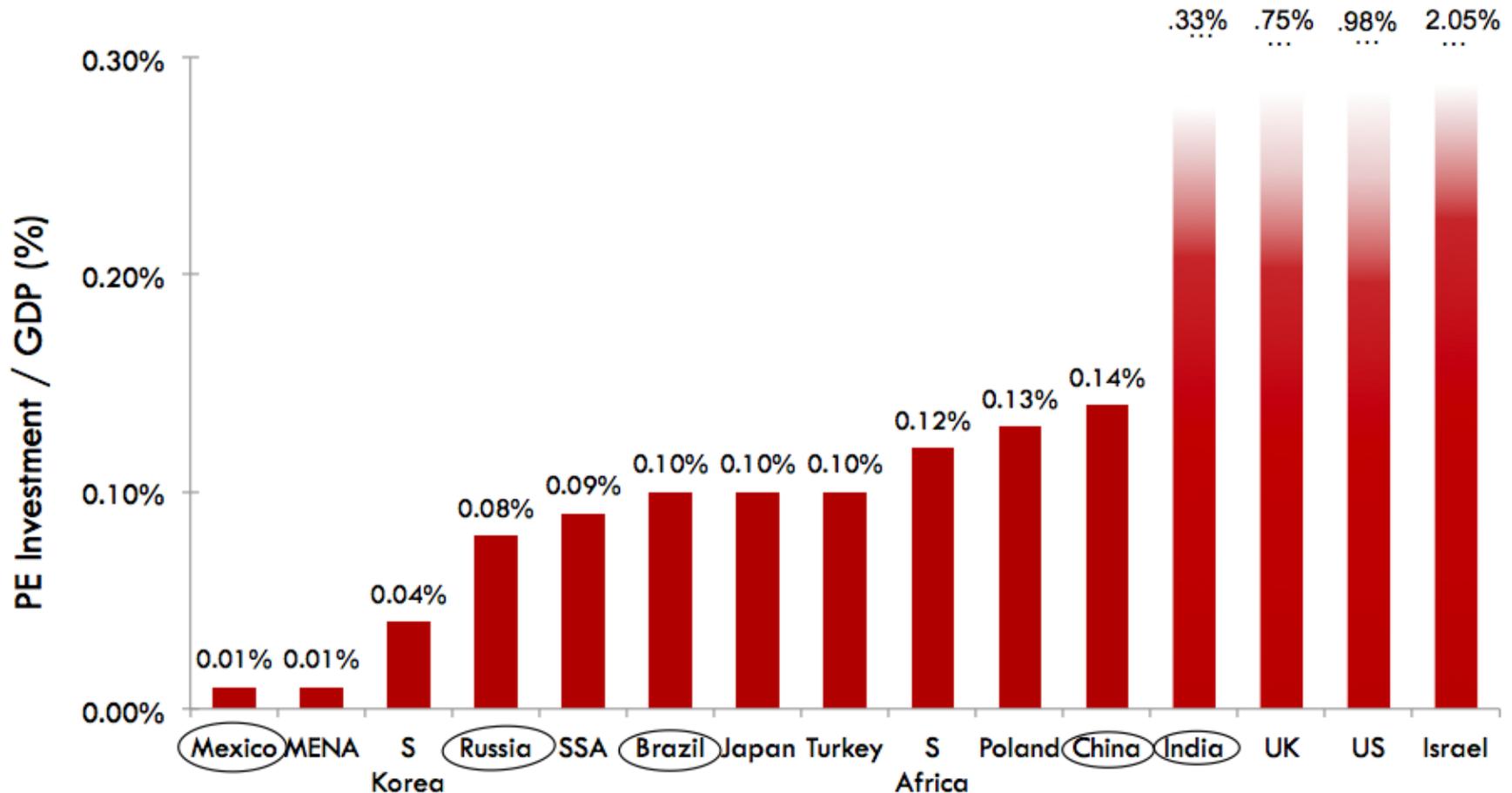
Mexico's rising GDP is paralleled by an improving political and regulatory environment



Mexico has very little PE capital

Mexico has low private equity participation compared to the BRIC's.

Private Equity Penetration, 2011



Mexico Had Limited Exposure to PE and Almost Zero Exposure to Venture Capital

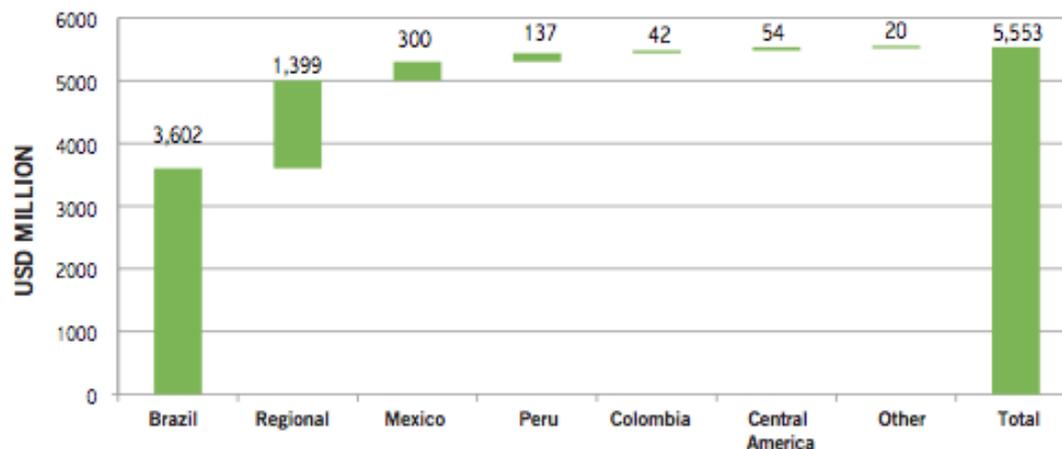


Brazil 10X more capital than Mexico

Fundraising by Country/Region

Country/Region	2012	
	Funds Raised	% of regional total
Regional	\$1,399	25.2%
Brazil	\$3,602	64.9%
Mexico	\$300	5.4%
Peru	\$137	2.5%
Colombia	\$42	0.8%
Chile	-	0.0%
Central America	\$54	1.0%
Other	\$20	0.4%
Total	\$5,553	100%

Geographic Focus* of Funds Raised

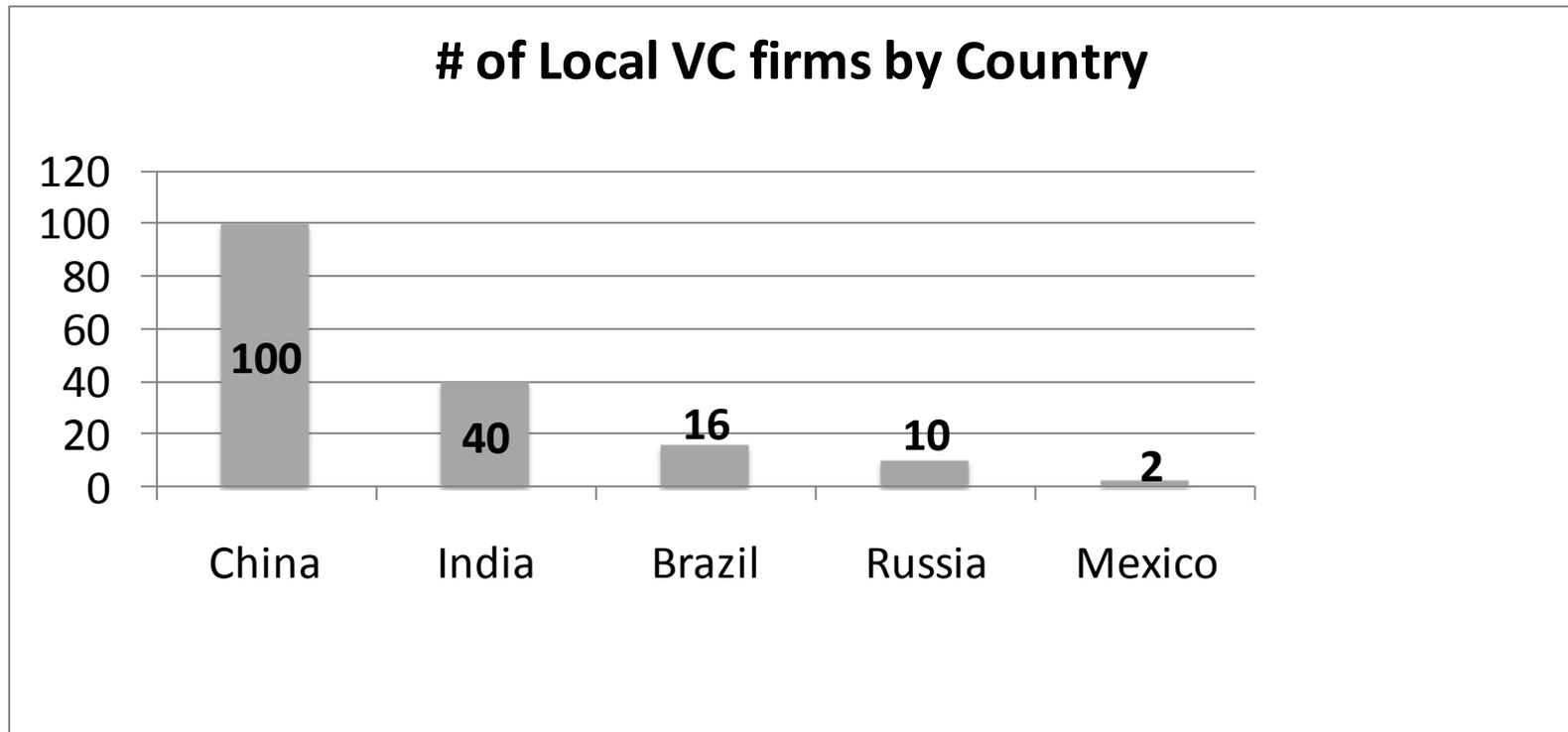


* The geographic focus was estimated based on fund manager's responses to the survey on how they plan to allocate the funds they raised. It is not based on where the fund manager's headquarters are located.

FUNDRAISING CONCENTRATION

	% 2012	% 2011
Top 5 firms	52%	71%
Top 10 firms	71%	89%
Top 15 firms	81%	95%

In 2005 Venture Capital in Mexico was almost Non Existent



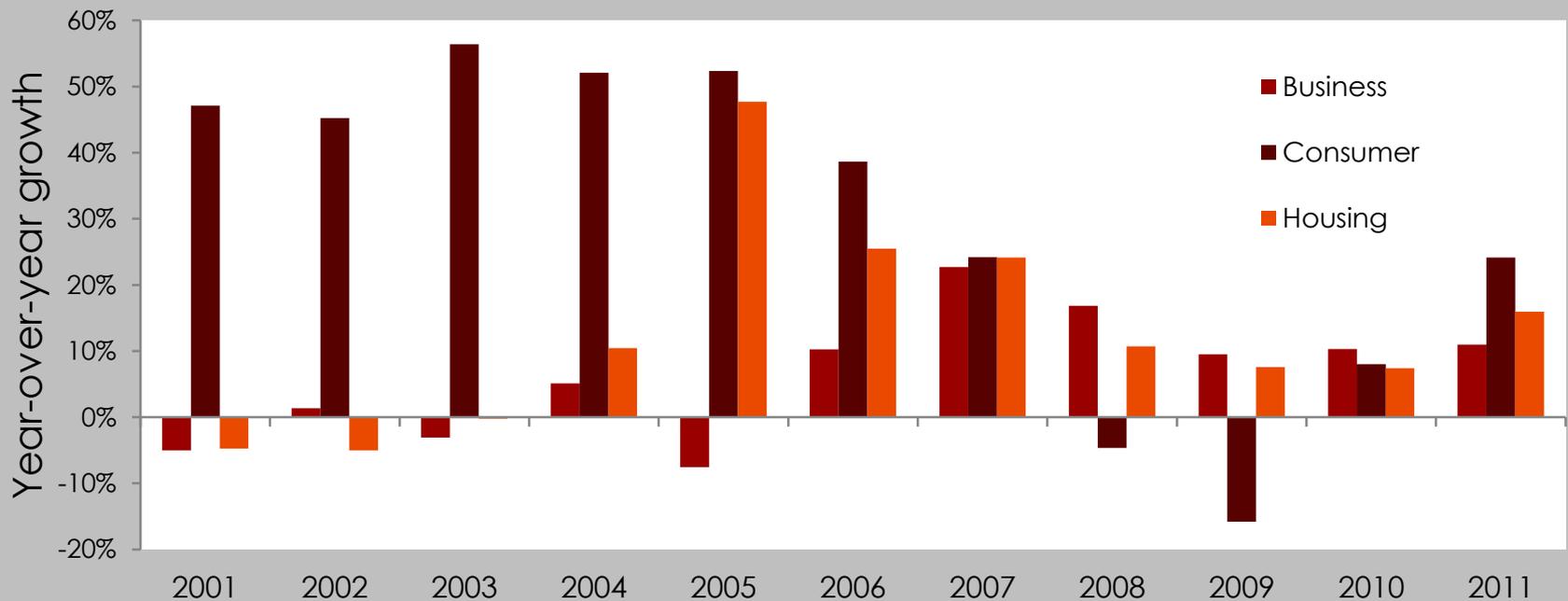
*In 2009 limited early-stage VC or seed capital in Mexico
(5 VC firms as of 2011 and four in fundraising mode)

SOURCE: Capital IQ, country websites

Still significant Lending Gap for SME's

Companies are starved for growth capital to keep up with the market demand. As a rule consumer lending has far outstripped new business lending save for a short period during the financial crisis.

Loan Growth in the Mexican Banking System

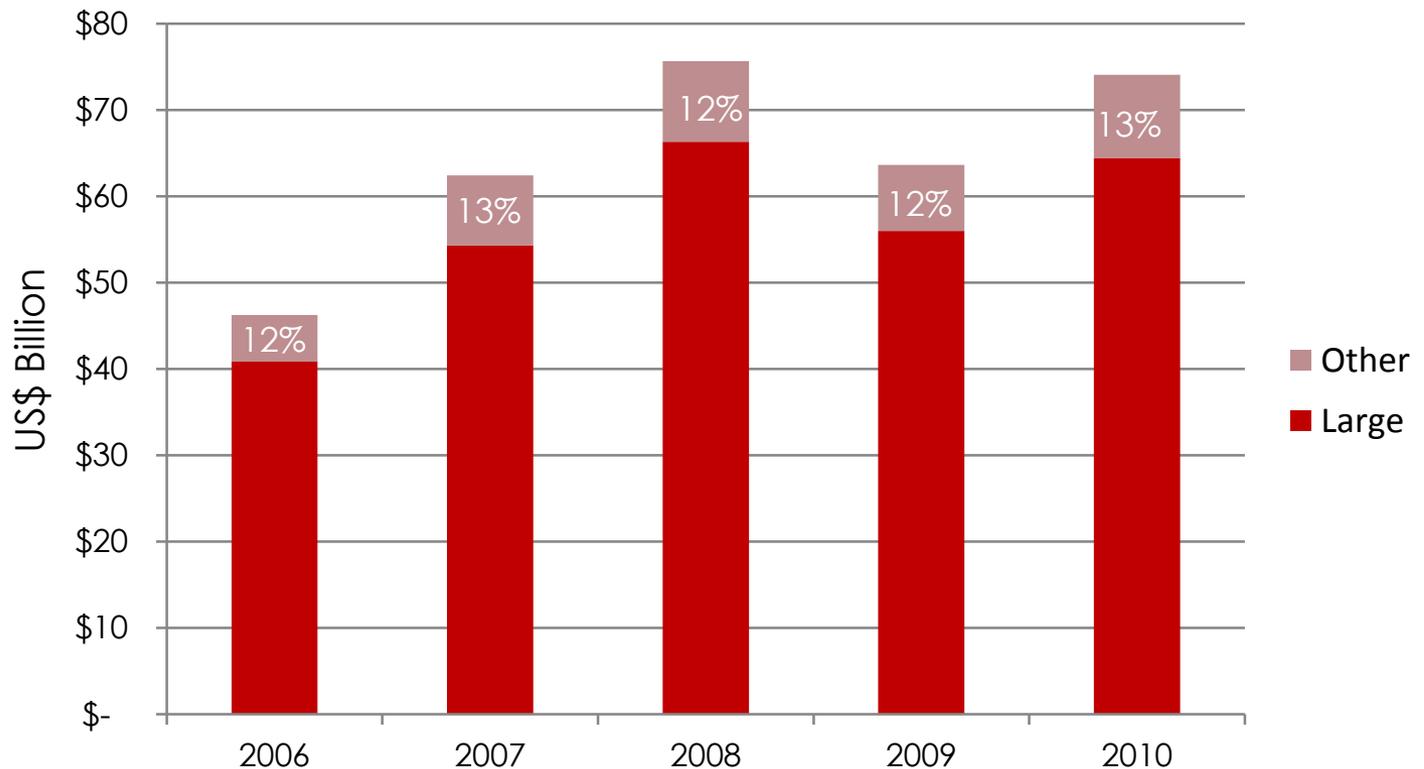


Mexico's Current Situation

Only large Mexican businesses have access to financing



BANK CREDIT TO MEXICAN FIRMS BY SIZE



Mexico's Current Situation

BANK CREDIT TO MEXICAN FIRMS BY SIZE IN 2010

Firm size	Loan per firm ABM	Loan per firm CNBV	Distribution	% of GDP	Employees
S & M	US\$20.5K	US\$27.3k	13%	40%	5-499
Large	US\$18.5Mn	US\$24.6Mn	87%	54%	500+

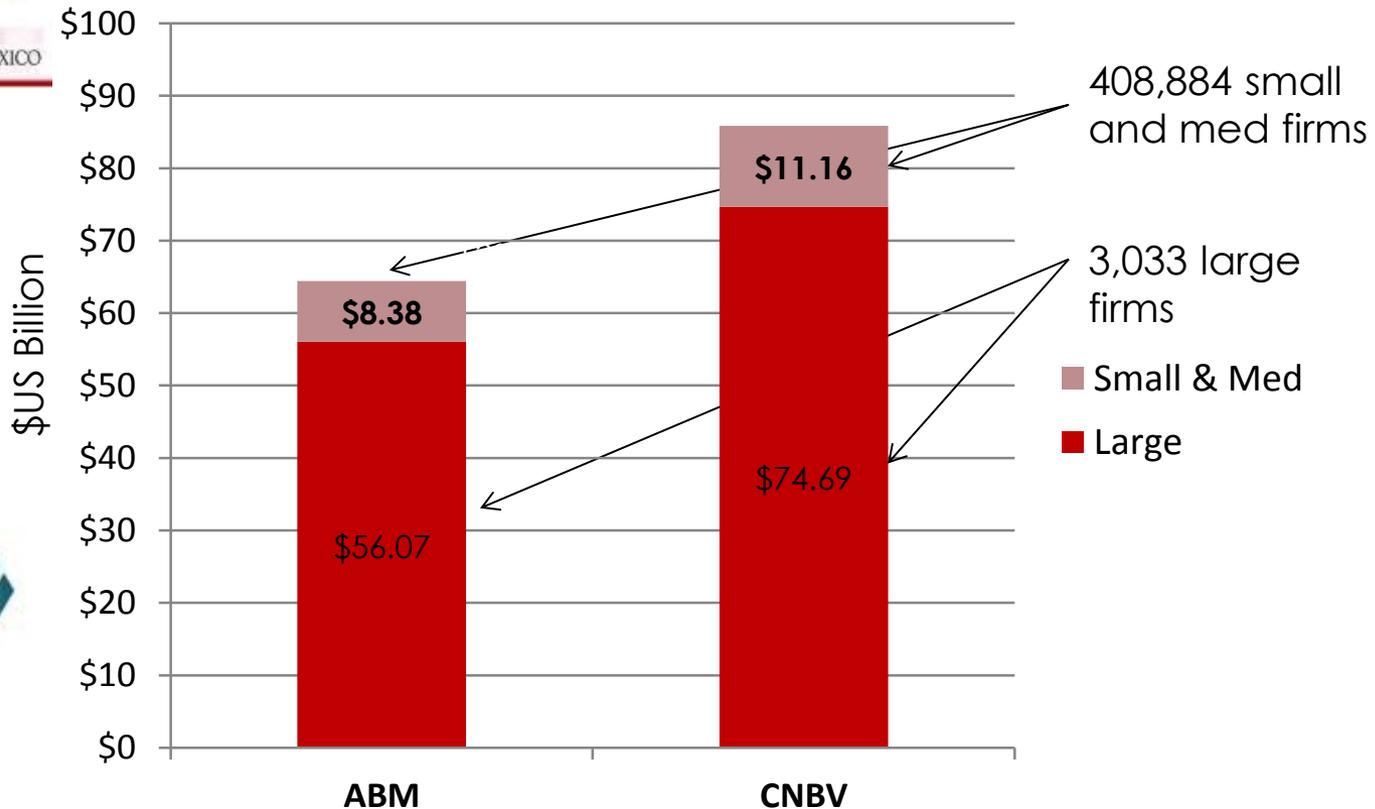


"Of course, you could try another bank, if there were any other banks."

No Financing for Small & Medium Mexican Businesses 1% of firms get 87% of the financing



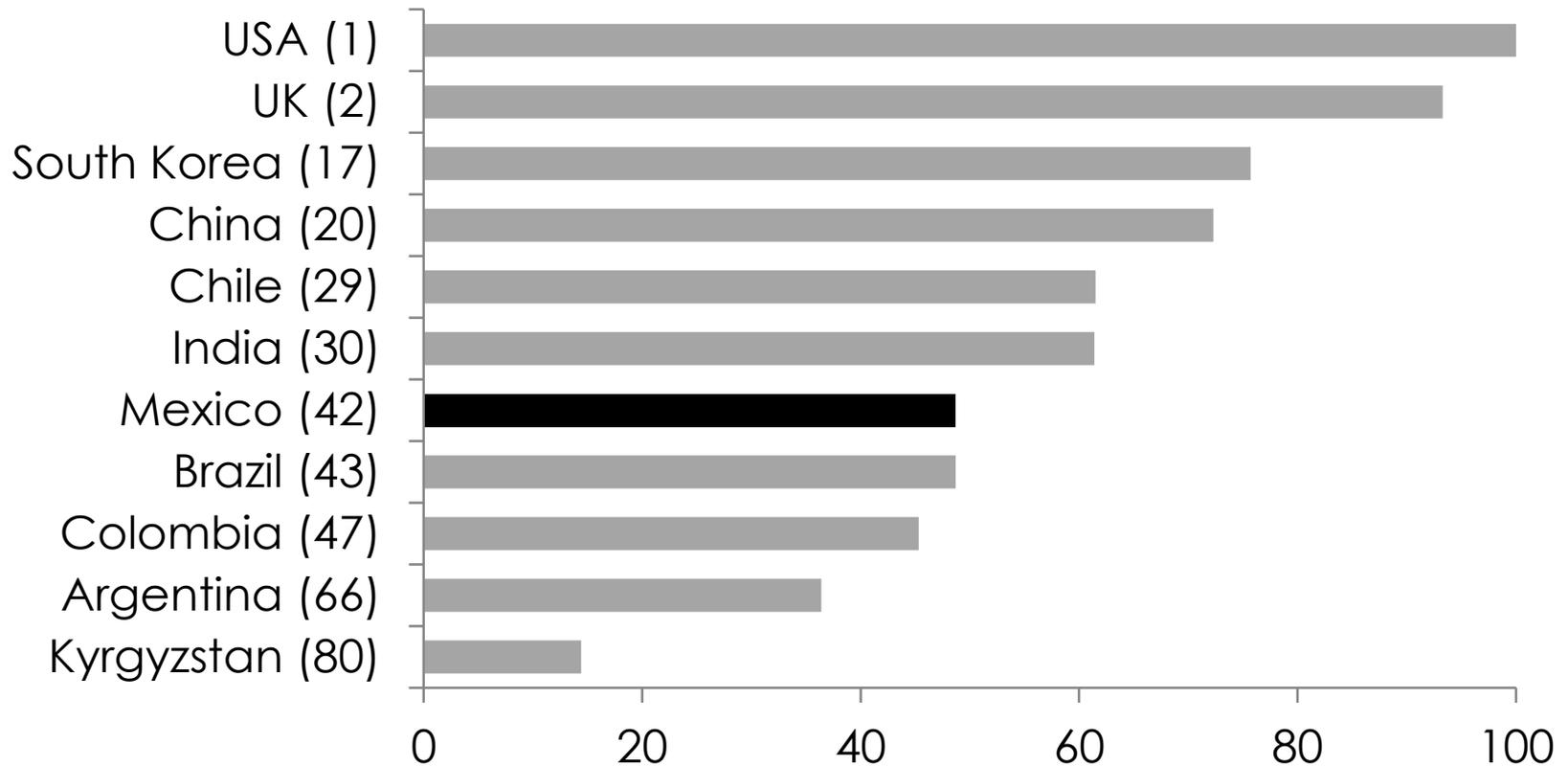
BANK CREDIT TO MEXICAN FIRMS BY SIZE



E&Y VC/PE Country Attractiveness Score 2011



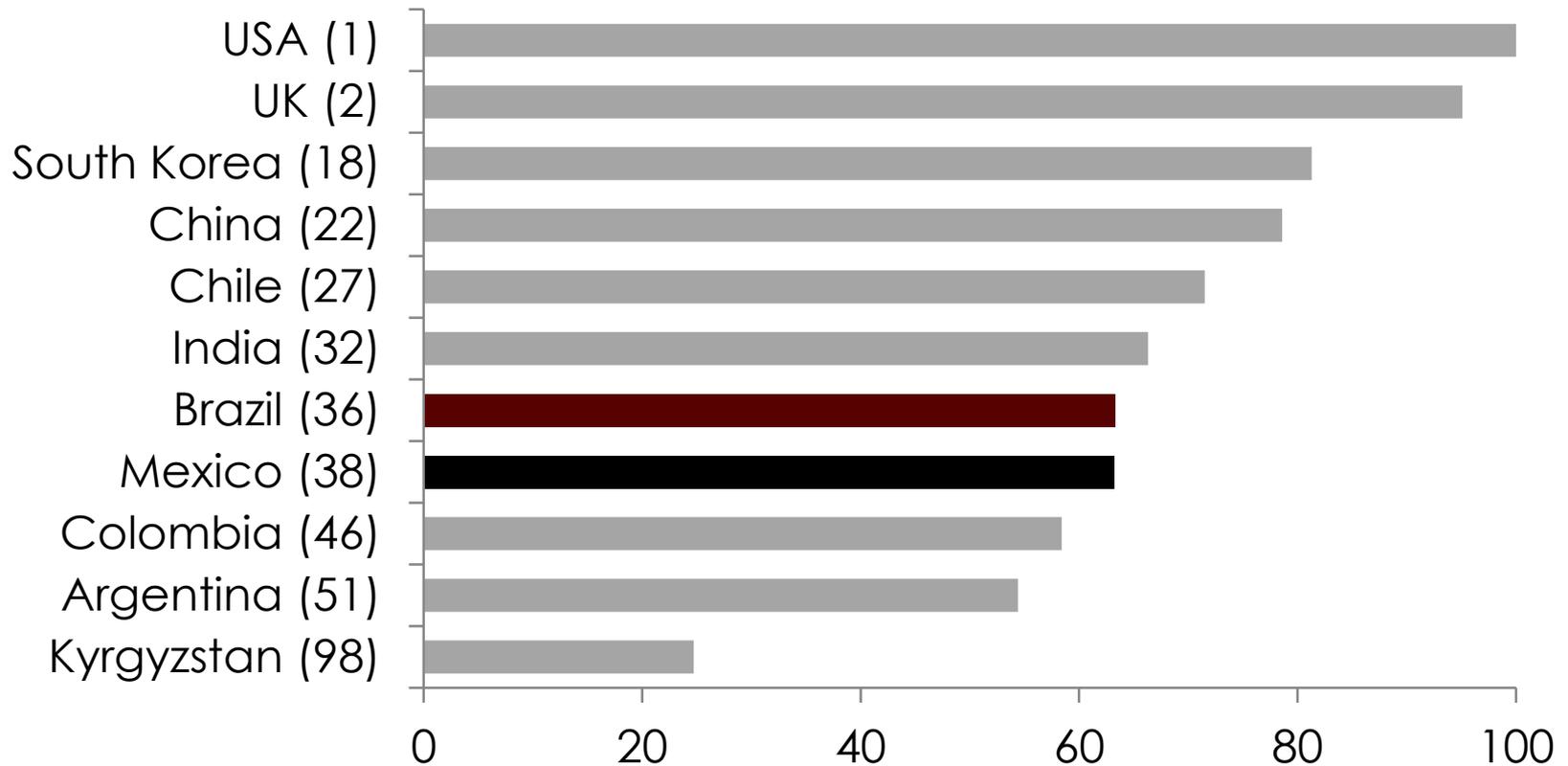
VCPE Country Attractiveness Score 2011



E&Y VC/PE Country Attractiveness Score 2012

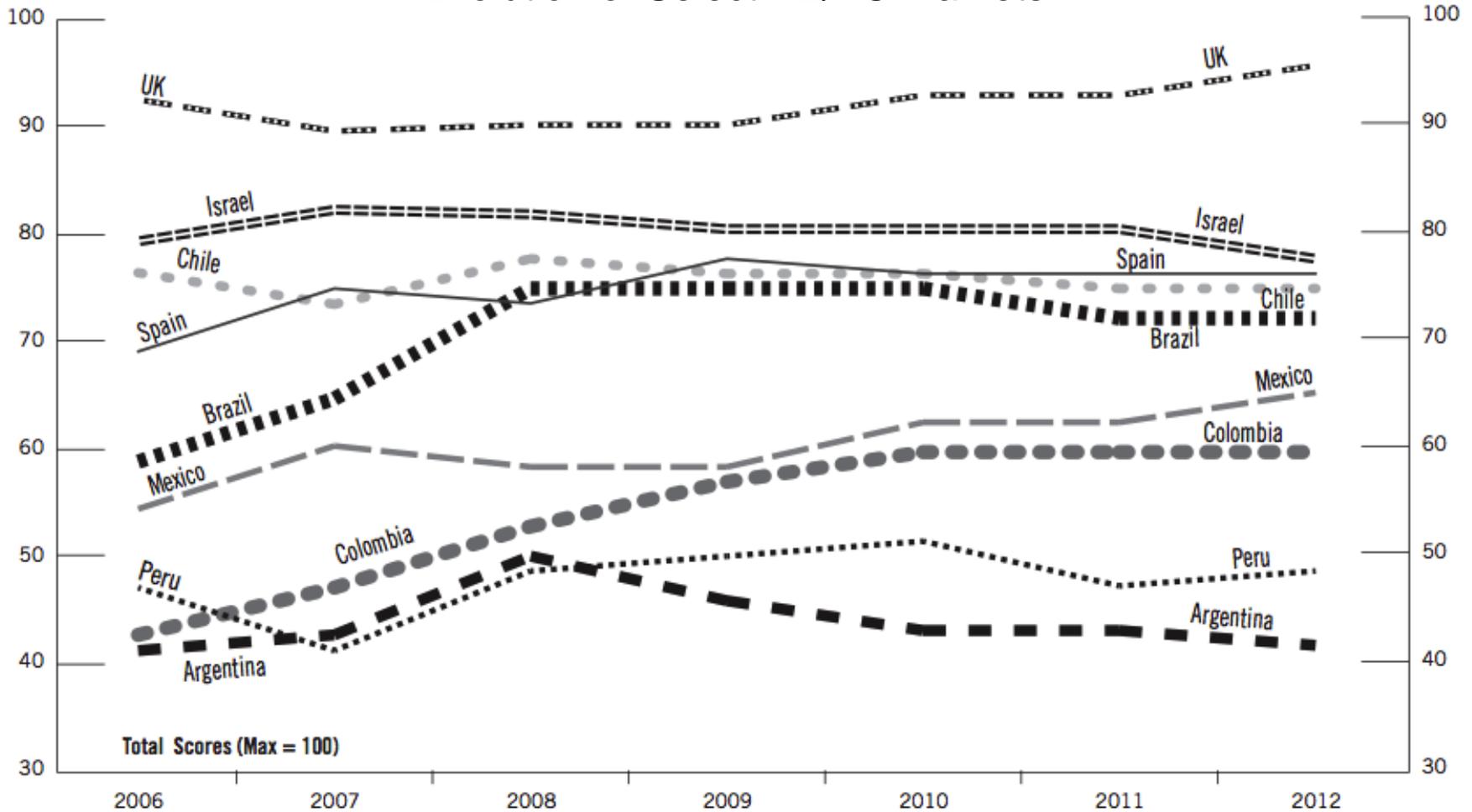


VCPE Country Attractiveness Score 2012



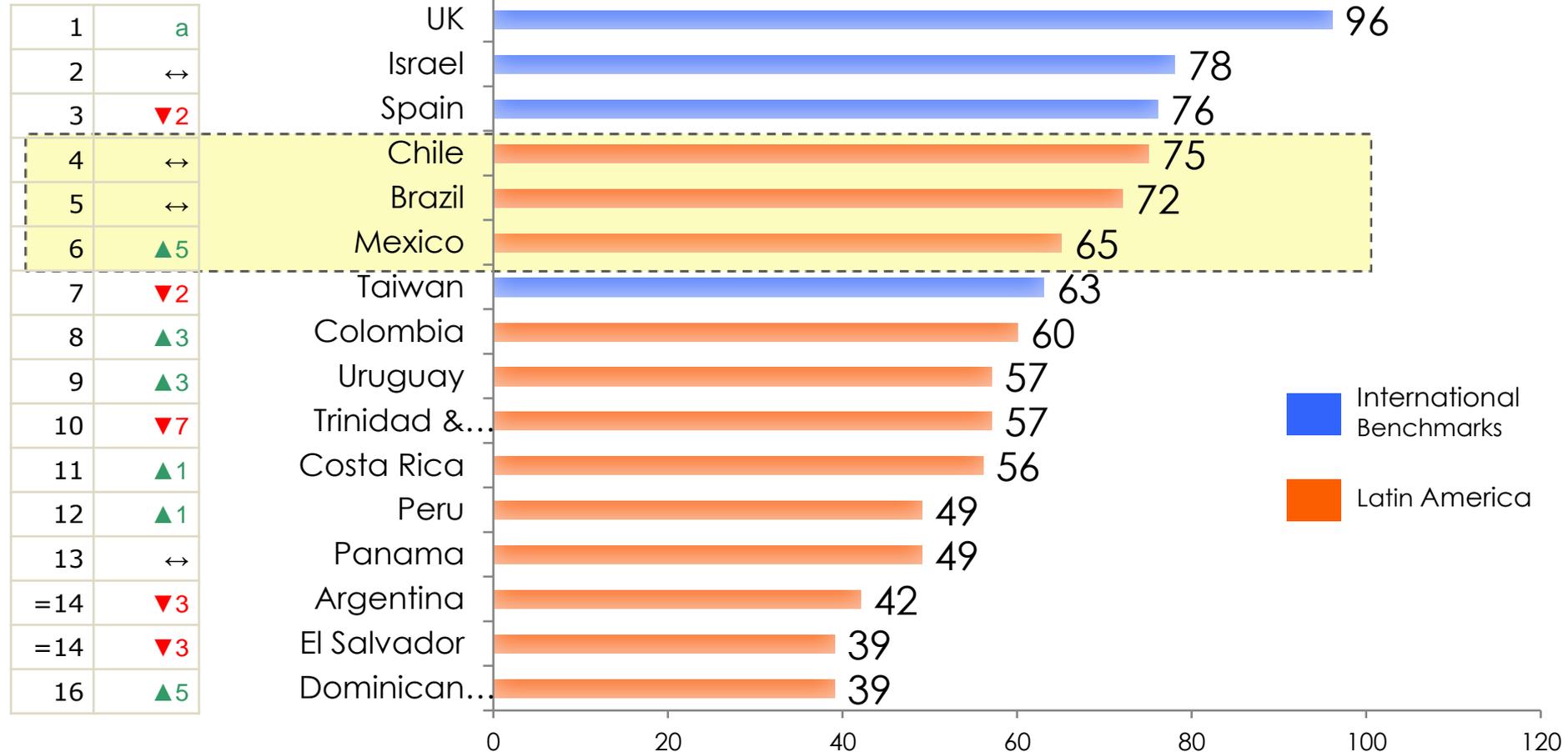
2012 LAVCA Scorecard

Evolution of Select PE/VC Markets



2012 LAVCA Scorecard Results

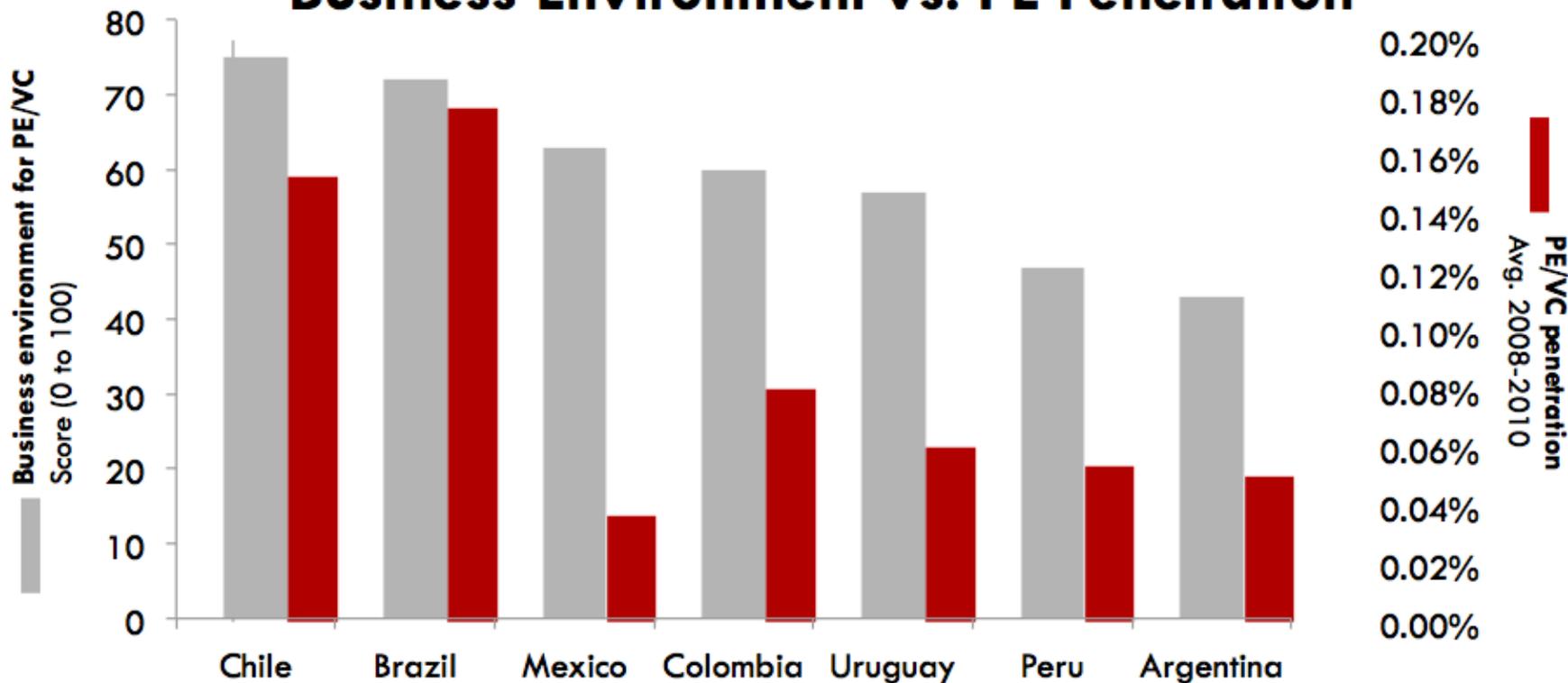
Rank / Y-o-Y (scores)



Chile, Brazil and more recently Mexico have been able to break out of the pack and get closer to the international benchmarks from more developed markets.

PE Penetration vs Attractive Business Environment

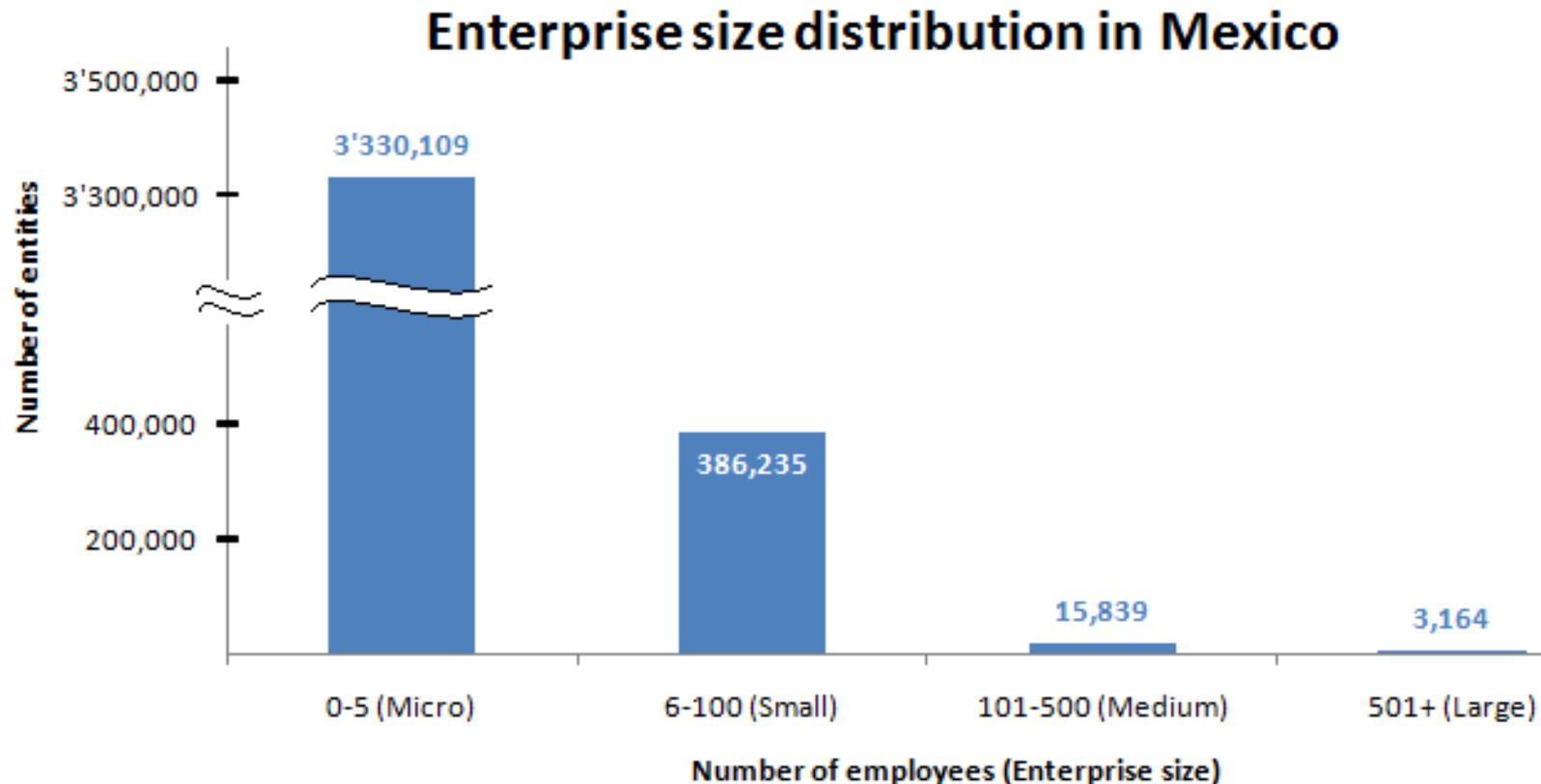
Business Environment vs. PE Penetration



**** In addition, bank credit* in Mexico is much lower than in the region. Bank credit was 12% of GDP in 2010, vs 51% for Brazil and 37% average for Latin America**

* Bank credit in Latin America weighted by GDP share. Includes mortgages, credit to consumers and to firms
 Source: EMPEA, EIU, LAVCA, Banco de México and S&P Ratings Service; Vander Capital Partners analysis;

Enterprises by size and participation (2008)



All US Job Growth is from Startups



[Home](#) > [Entrepreneurship](#)



Job Growth in U.S. Driven Entirely by Startups, According to Kauffman Foundation Study

Contact:

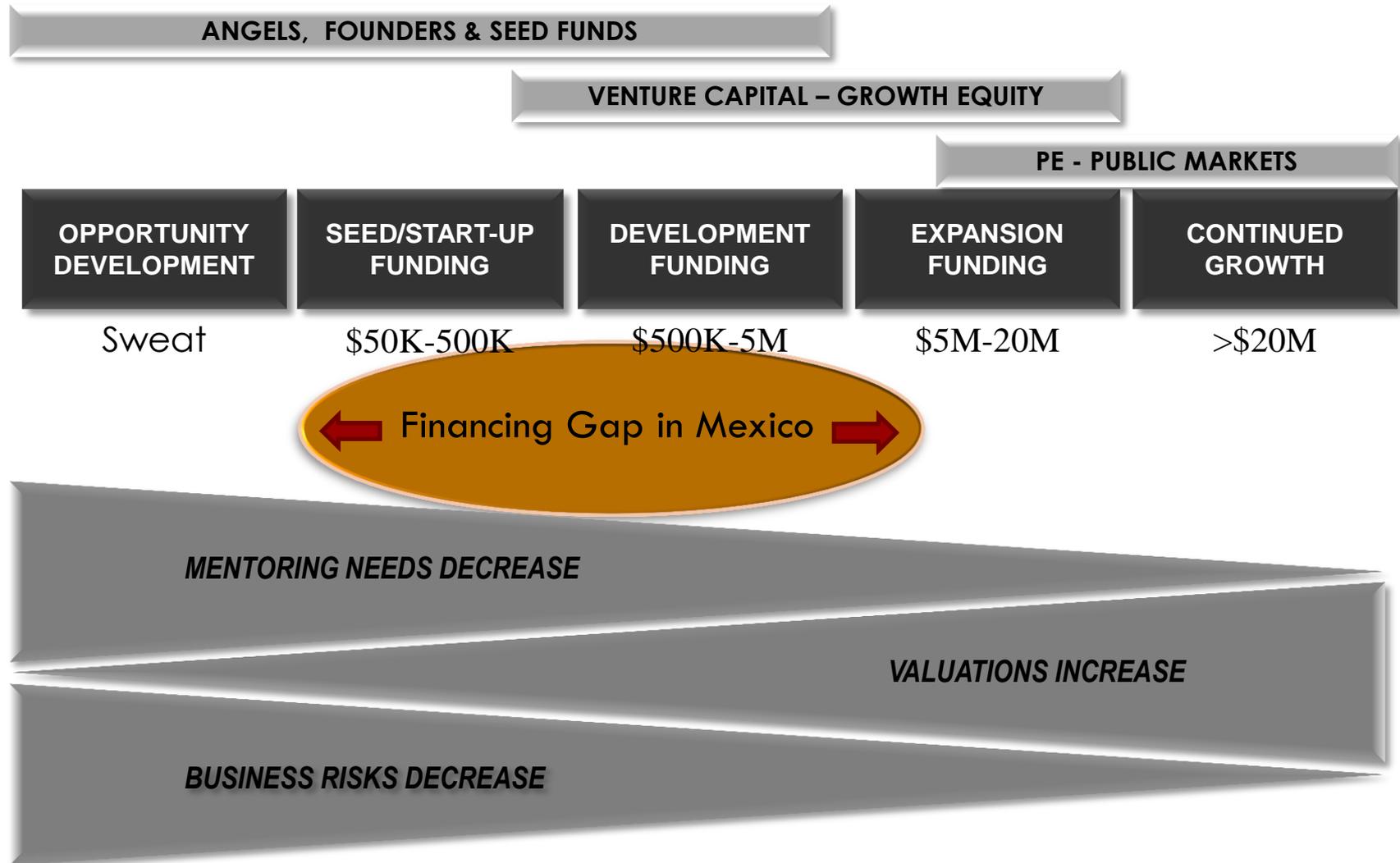
Rossana Weitekamp, 516-792-1462, rossana@weitekamp.com
Barbara Pruitt, 816-932-1288, bp Pruitt@kauffman.org, Kauffman Foundation

New firms add an average of 3 million jobs in their first year, while older companies lose 1 million jobs annually

(KANSAS CITY, Mo.), July 7, 2010 – When it comes to U.S. job growth, startup companies aren't everything. They're the only thing. It's well understood that existing companies of all sizes constantly create – and destroy – jobs. Conventional wisdom, then, might suppose that annual net job gain is positive at these companies. A study released today by the Ewing Marion Kauffman Foundation, however, shows that this rarely is the case. In fact, net job growth occurs in the U.S. economy only through startup firms.

The new study, *The Importance of Startups in Job Creation and Job Destruction*, bases its findings on

Funding Continuum – Mexico's Funding Gap for Startups

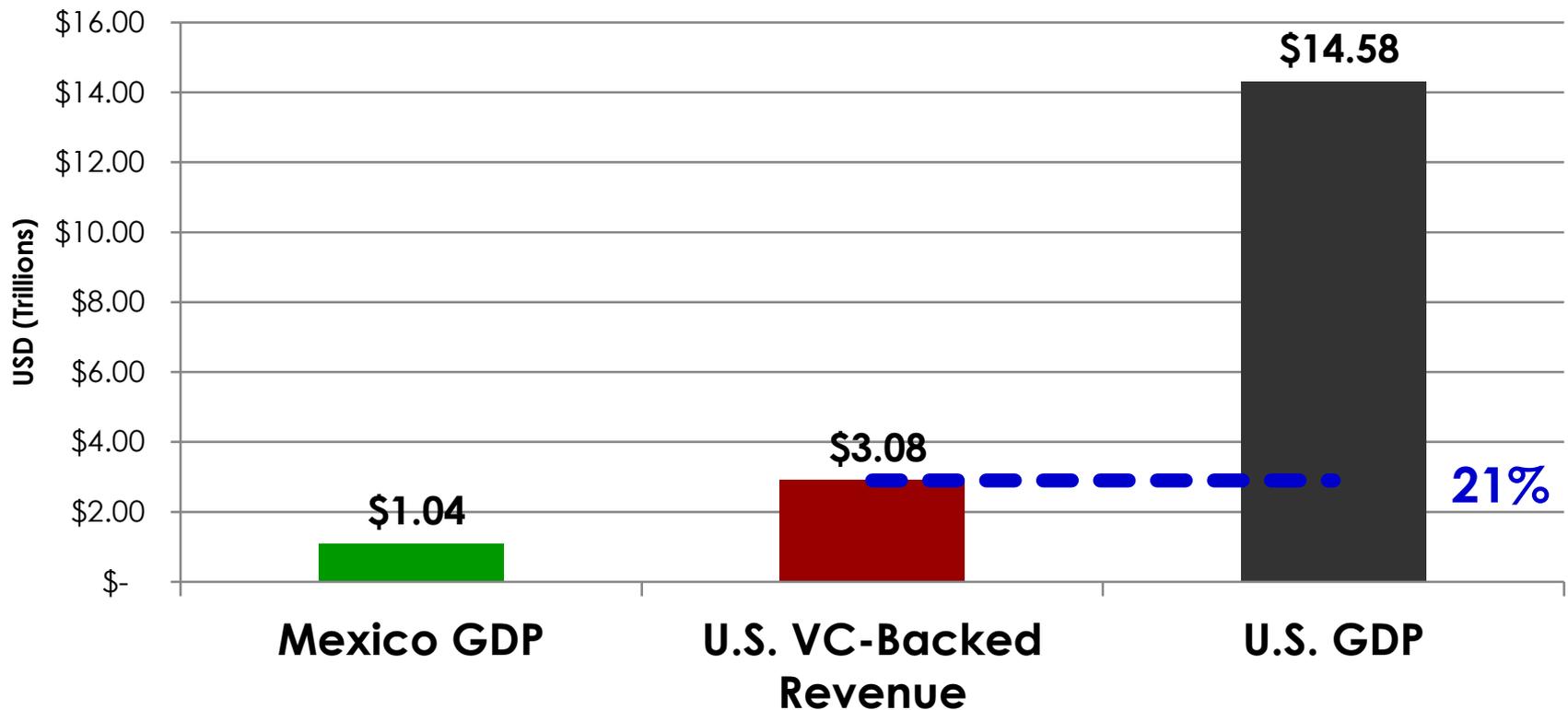


Without Capital...How can Mexican entrepreneurs create Jobs?



Impact: U.S. VC in 2008

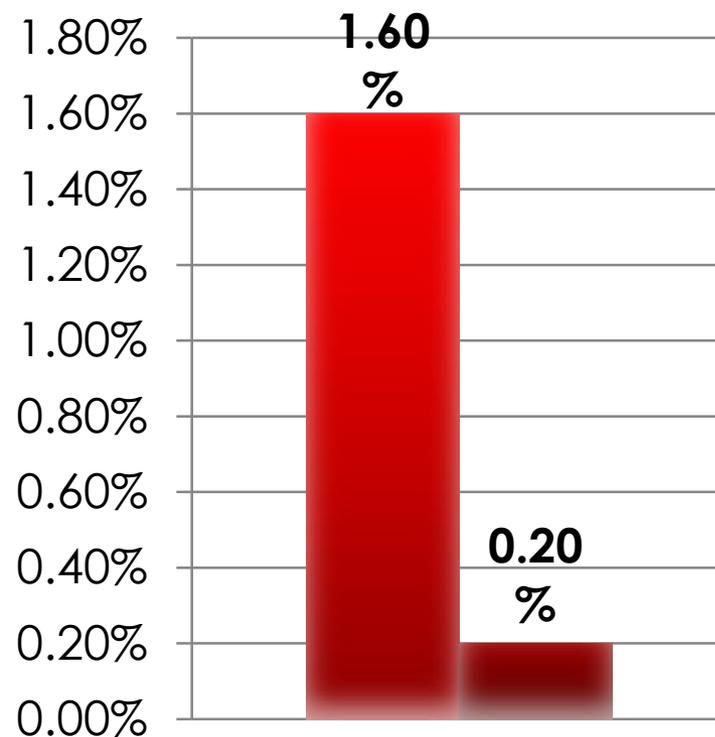
Economic Comparison and VC Impact (2008)



Impact: VC-Backed Job Creation

Sector	Jobs	%
Software	817,166	80.99%
Telecom	736,961	74.08%
Semiconductors	309,437	73.85%
Networking and Equipment	392,505	58.75%
Electronics and Instrumentation	271,224	51.35%

Job Growth '06 - '08



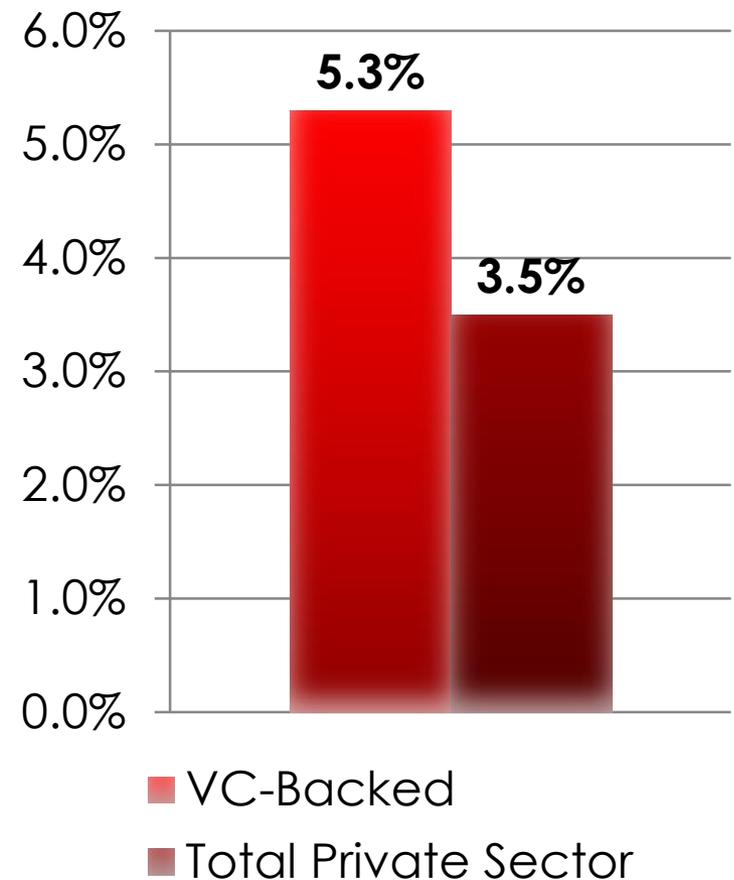
■ VC-Backed
■ Total Private Sector

• 11% of all private sector jobs

Impact: VC-Backed Revenues

Sector	Rev.	%
Electronics/Instrumentation	\$129.6 B	67.00%
Semiconductors	\$86.8 B	55.04%
Telecom	\$256.1 B	51.05%
Biotech	\$209.4 B	47.15%
Computers and Peripherals	\$315 B	44.29%

Revenue Growth '06 - '08



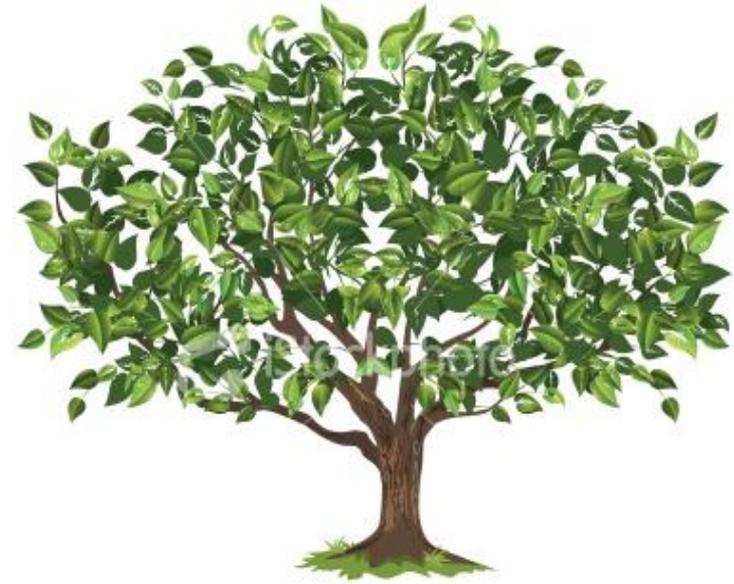
Impact: New Industry Creation

■ Industries Created with VC

- Information Technology
- Biotechnology
- Medical Devices
- Network Security
- Online Retailing

■ Newest Creations

- Social Media
- Clean Technology



Is Mexico Ready for Venture Capital?



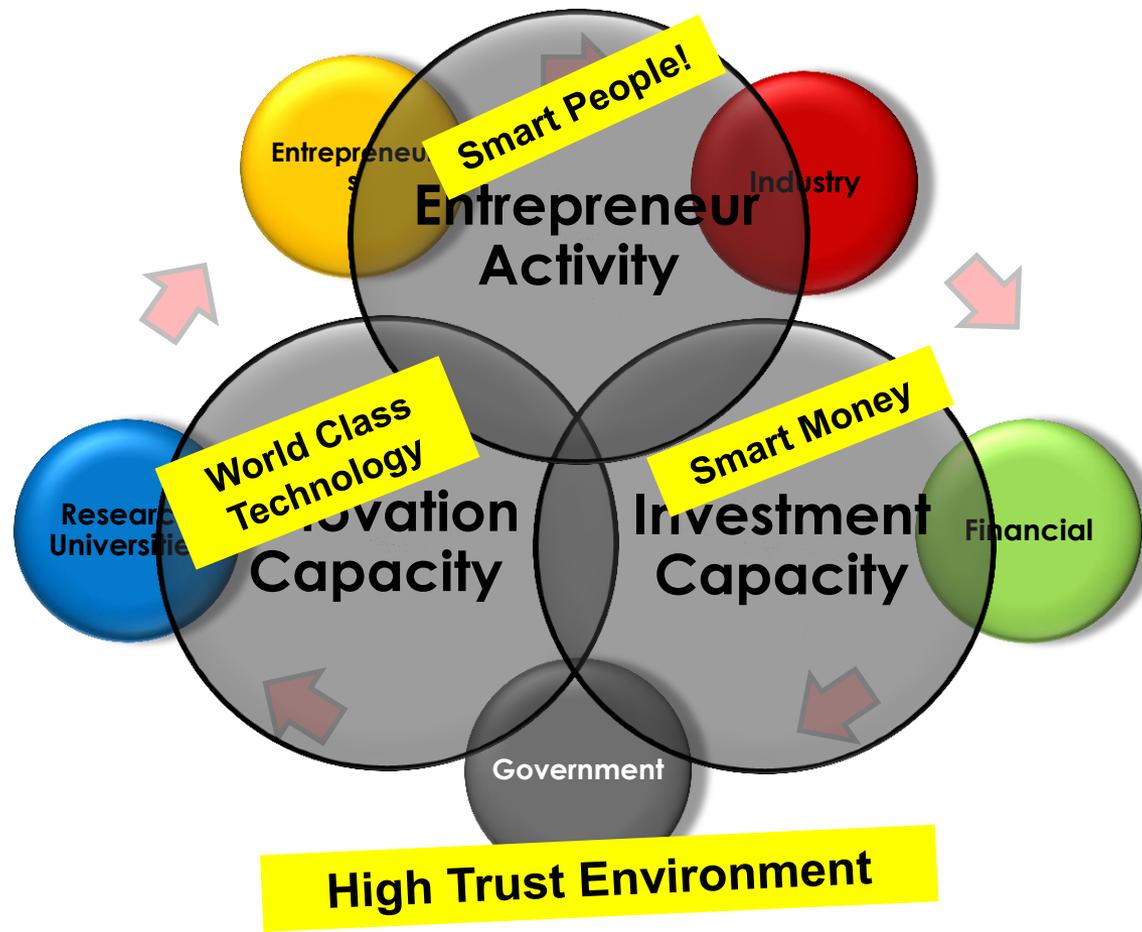
What is Venture Capital?



"I'd like a no-interest loan, since I have no interest in paying it back."

What Are the Key Entrepreneurial Ecosystem Drivers?

Venture Capital is a catalyst for growth if other key factors are present: Supportive Government Environment, Innovation, Entrepreneur Culture



Opportunities & Challenges for PE/VC

Rapid Infra. Development

- Investment expected to remain at 26% of GDP (highest in Latin America after Chile)
- Increased urbanization will drive the need for housing, transportation and infrastructure
- The 2012 5-year plan includes \$88 bn investments in energy

Structural Transformation

- Rapidly growing middle class and upper class
- Maturing population pyramid (pop. above 65 years old will be 11% in 2030)
- Technology orientation
- Growing environmental awareness

Growing Consumption

- Per Capita Income expected to grow at 4% over next 5 years
- Continued willingness to spend reflected in stable savings rate
- 55% of the population is currently in active economic life

Opportunities:

- Non Banking Finance to business
- Services to manufacturing
- Tech manufacturing

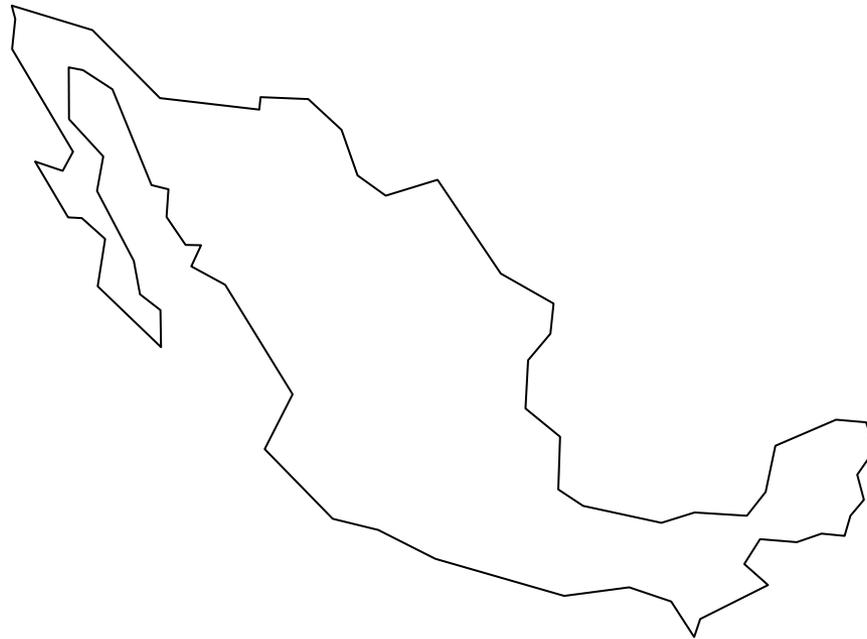
Opportunities:

- Healthcare, Housing
- Education
- Non banking Financial Services to consumers

Opportunities:

- Leisure & Lifestyle
- Advertising
- Consumer goods
- Logistics/transportation

Drill Down: Mexico Primary Market Research



On-The-Ground Research



Reality – There are many Mexicos



Border Issues Obscure America's view of Mexico

- Violence
- Drug Cartels
- Immigration

On-The-Ground Ecosystem Analysis

The Alta team has held 100+ meetings that have enabled us to understand the opportunities and challenges of doing business in Mexico. Below are a few representative meetings...

Government

- Federal Competition Commission; Economic Bureau; Undersecretary of the Treasury; ProMexico; Economic Bureau, Foreign Investment; Telecommunications and Transportation Bureau; Mexican Senators; Governor of State of Mexico; Former Ambassador to US; Mayor of Mexico City; Undersecretary of North America; Mexican Legislature; Executive Director, NAFINSA; ProMexico; FOCIR

Industry

- GE Mexico, Cisco, Corporate and Investment Bank of Banamex (Citigroup), Intel Capital Mexico, IXE Grupo Financiero, American Chamber of Commerce—Mexico, Cavlemas, US Hispanic Chamber of Commerce; Banorte Insurance, Deutsche Bank Mexico

On-The-Ground Ecosystem Analysis

Mexican Families

- Visited with more than 30+ families who are among the most influential in Mexico.

Research/ Universities

- Tecnológico de Monterrey (TEC) , UNAM, CEPII, Conacyt, Pan American Univ (CEPii)

Limited Partners, Financial

- More than 20 limited partners and 3 institutional investors and multilaterals including IFC, NAFIN, CMIC, IADB/MIF

Merging of Consumer Habits



Mexico VC Precedents

2000

Lack of a clear policy

Inadequate legal frame work

Limited industry knowledge within the country and limited number of specialists

Limited impact in the market of the efforts done by development banks

Few institutional investors

Lack of deal flow and venture capital oriented entrepreneurial culture

Discussing the idea of Venture Capital in Mexico with Enrique Peña Nieto - March 22nd 2007





Recent Reforms in Mexico

THE WALL STREET JOURNAL. ≡ WORLD
LATIN AMERICA NEWS

Mexico Congress Passes Historic Energy Bill

Mexico energy: High hopes for 'magnificent reform'

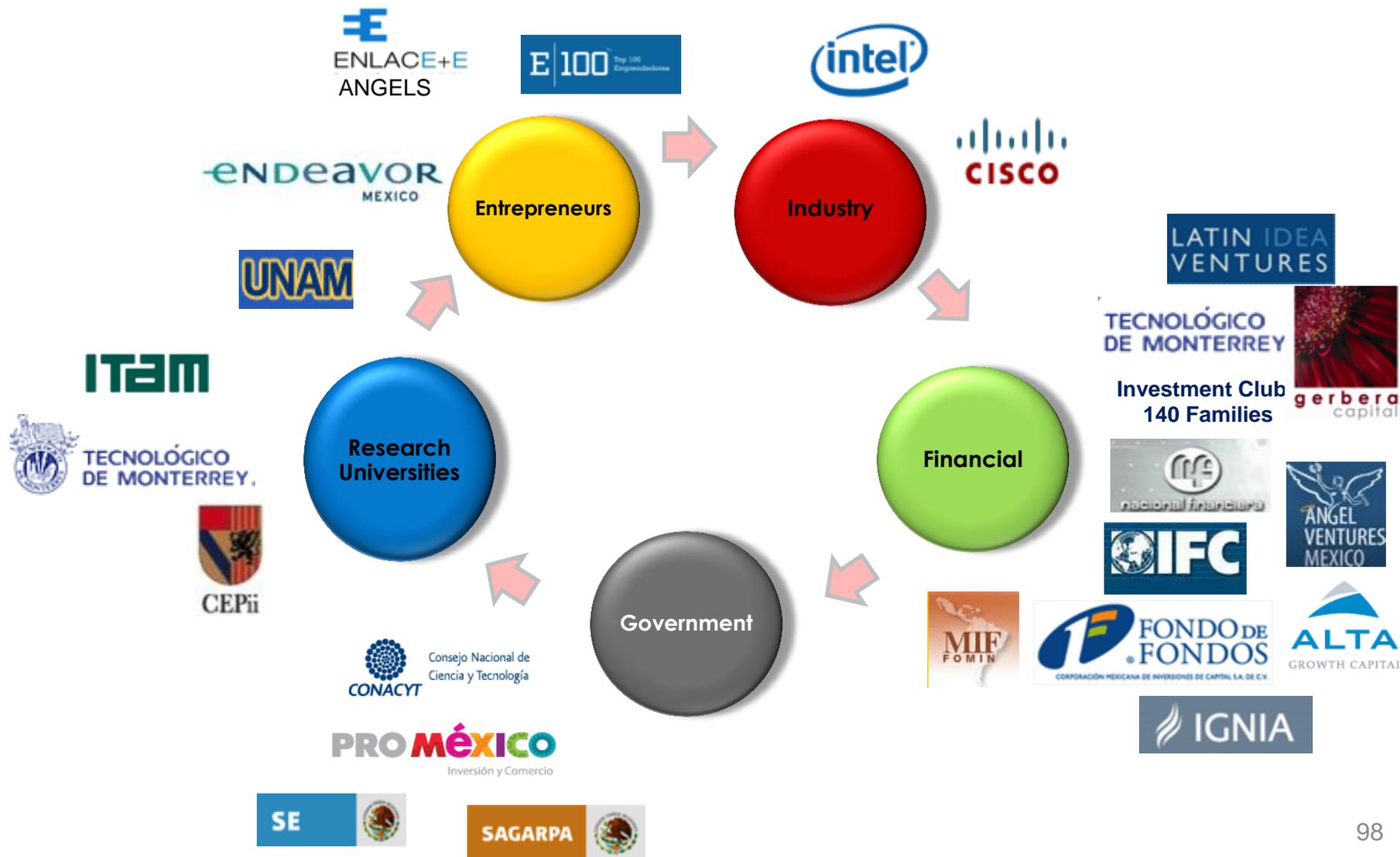


Mexico's Amazing Year

Bloomberg

- President Pena Nieto has pushed through a series of reforms
 - Opened energy sector to private capital and private companies
 - Major reform of the Mexico teacher's union
 - Reformed telecommunications industry to allow more competition in the largely monopolized sector
- Reforms in Process
 - Financial sector reform to allow greater competition
 - Efforts to give employers greater ability to layoff workers

Mexico's Entrepreneur Ecosystem Snapshot - 2008



Launched programs to support MX Entrepreneur Ecosystem



Entrepreneur activity

1. E | 100 www.e100.mx 
2. Endeavor and Enlace mentor networks www.enlacee.org, www.endeavor.org.mx  
3. NISI – MX Entrepreneur education 
4. Business plan competitions: Clean Tech Challenge, Estudiante Emprendedor

Innovation capacity

1. iTUESDAY www.ituesday.mx 
2. Technium www.Technium.com 
3. **Investment capacity**
4. MVCC – Mexico Venture Capital Conference www.mvcc.mx



5. MX Kickstart Seed Program 
6. Mexican Family Offices & Strategic Partnerships
7. Strategic Corporate Partnerships: Spin-Ins/Spin-Outs 

iTuesday – Monthly Innovator Meet Ups

100

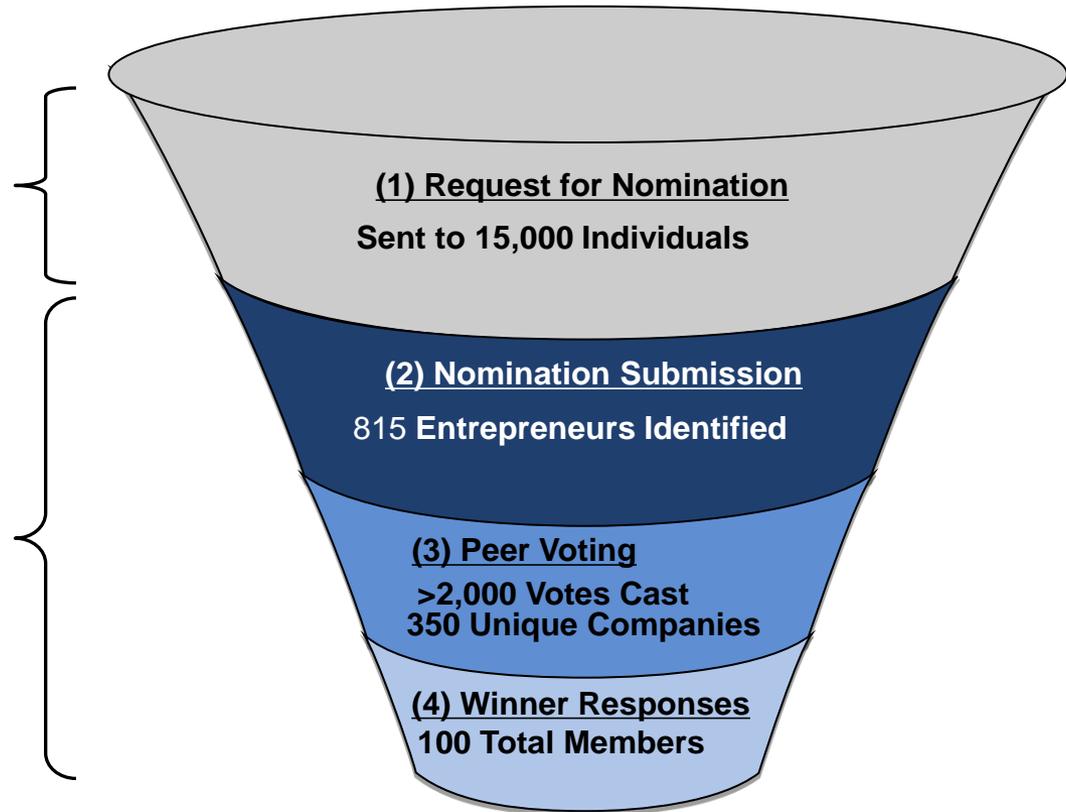


Crowdsourcing Entrepreneurs - E | 100

E|100 Process:

Community-Wide
Nomination

Entrepreneur-Only
Voting



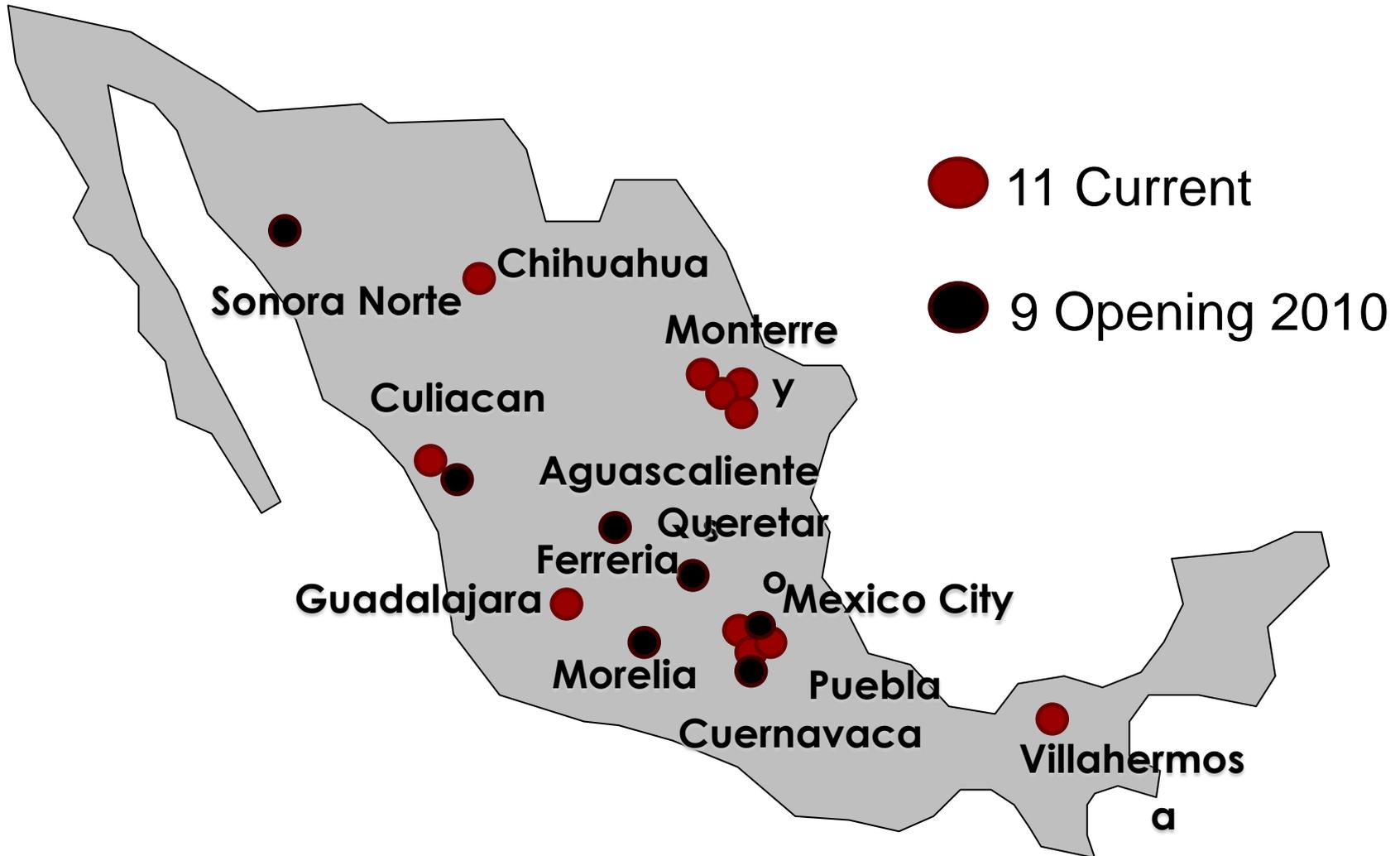
“Alta Top 100 Entrepreneurs”

Crowdsourcing Entrepreneurs - E | 100



April 20th, 2010
Quinta Real Hotel

Partnership with Tec de Monterrey Technology Parks



Supporting Endeavor Mentor Networks

104



- Established to support high-growth companies in Mexico
- Extensive network of mentors and companies
- Supported by major Mexican corporations and influential families
- Significant high-quality deal flow (Gazelles, 20% CAGR)

Endeavor Locations



Launched Mexico's First Venture Capital Conference

The 2010 Monterrey Venture Capital Conference brought together all of the key players in Mexico's venture capital ecosystem for the first time. The MVCC was successful in attracting institutional investors, economists, policymakers, researchers, entrepreneurs and venture capitalists and launching Mexico's Venture Capital industry (Industria del Capital Emprendedor).



Carlos Pascual
United States
Ambassador in México



Josh Lerner
Jacob H. Schiff Professor
of Investment Banking at
Harvard Business School



Carlos Dominguez
Senior Vice President
Cisco

Brought together MX Ecosystem



Capital Emprendedor
Entrepreneur Capital
Born April 21, 2010 in Mexico

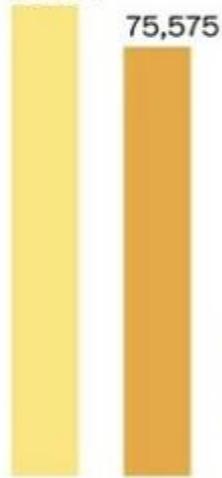
Mexico's Entrepreneurial ecosystem drivers evolving...

In Mexico: Surge of engineers, dearth of jobs

Despite some of the lowest levels of science and engineering jobs in the world, the number of recent engineering graduates in Mexico rivals that of the United States, whose population is far larger.

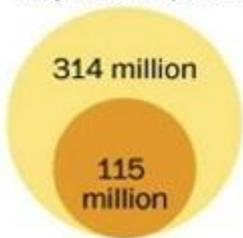
Engineering undergraduate degrees

83,000



U.S. (2011) Mexico (2010)

Population (2012)

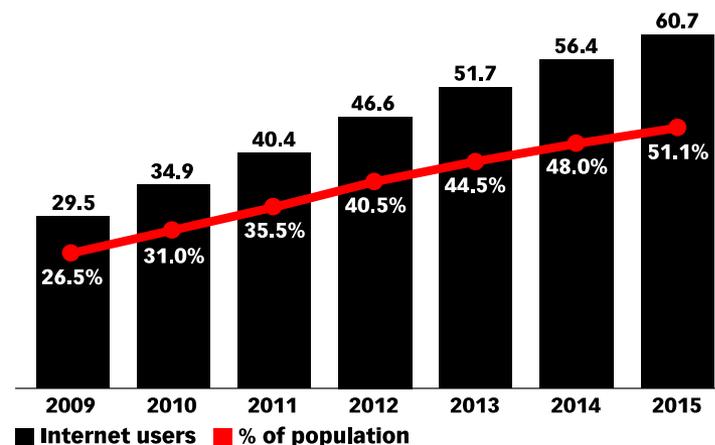


THE WASHINGTON POST

- Fewer days to start a company
- Costs to start a business has dropped
- Cross-pollination from US & LatAm entrepreneurs
- Internet and IT penetration growth
- Few job opportunities for engineering graduates

Internet Users and Penetration in Mexico, 2009-2015

millions and % of population



Note: individuals of any age who use the internet from any location via any device at least once per month
Source: eMarketer, March 2011

MX Regional Entrepreneur activity bubbling up...

- Founded in 2007 in US
- In Mexico, 1 event in 2010
- 28 events in 2012
- Forecasted 50 events in 2013
 - +6,000 participants
- From Tijuana to Cancun, more than 25 cities.
- Although focus is not starting a company...



Mexico VC Precedents

2000	2010
Lack of a clear policy	~ Government innovation committee run by SE
Inadequate legal frame work	✓ Amendment to Mexican Securities Law in 2006, SAPI structure
Limited industry knowledge within the country and limited number of specialists	✓ Growing interest: University VC Classes, MVCC, Capital Emprendador Conf DF, Incubators/accelerators
Limited impact in the market of the efforts done by development banks	✓ MIF Inter American Development Bank, IFC World Bank, CAF
Few institutional investors	✓ Fondo de Fondos, CMIC, NAFIN, AFORES/CKDs, LAFFP, & other Int'l Funds
Lack of deal flow and venture capital oriented entrepreneurial culture	~ Early, but growing interest and

Entrepreneur Ecosystem Systems



Strategy filter

Drive Towards Positive Outcomes



100+ new Applications 1st Qtr



New
52

Show & Tell
19

Gut-check
5

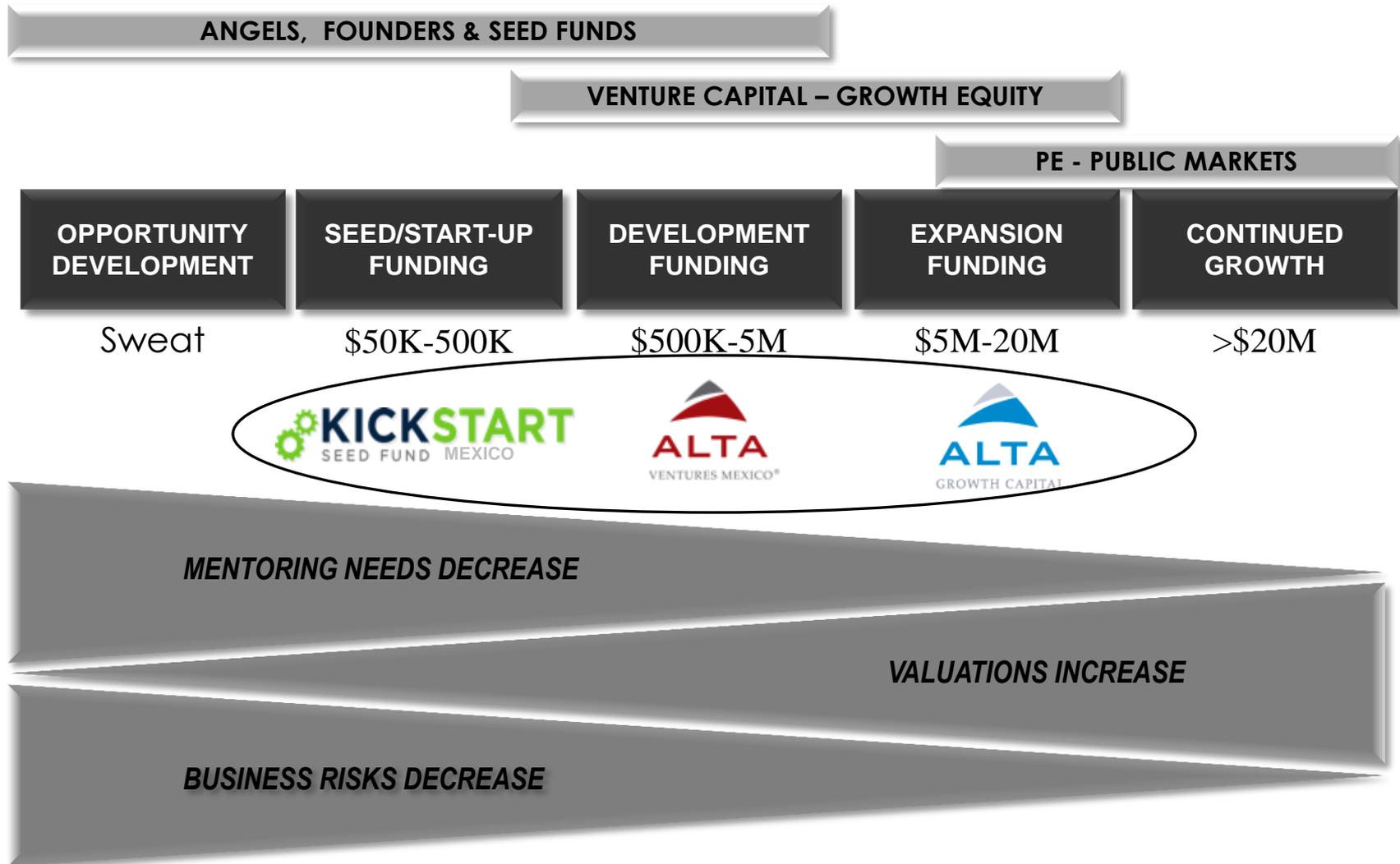
Term Sheet
1

Due Diligence
3

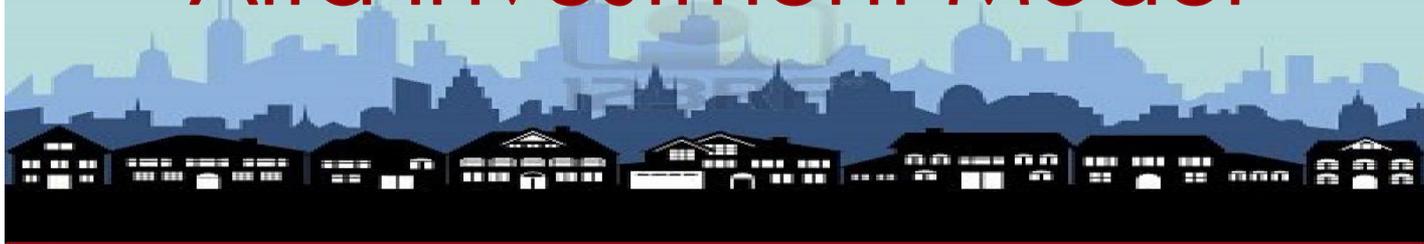
Invested
6

Exited
1

Funding Continuum – Filling the Gap



Alta Investment Model



Collaborative & Transparent Investment Committee

Guidance CrowdSourced Deals

Mentoring

Innovative Practices

NISI Process

Funding

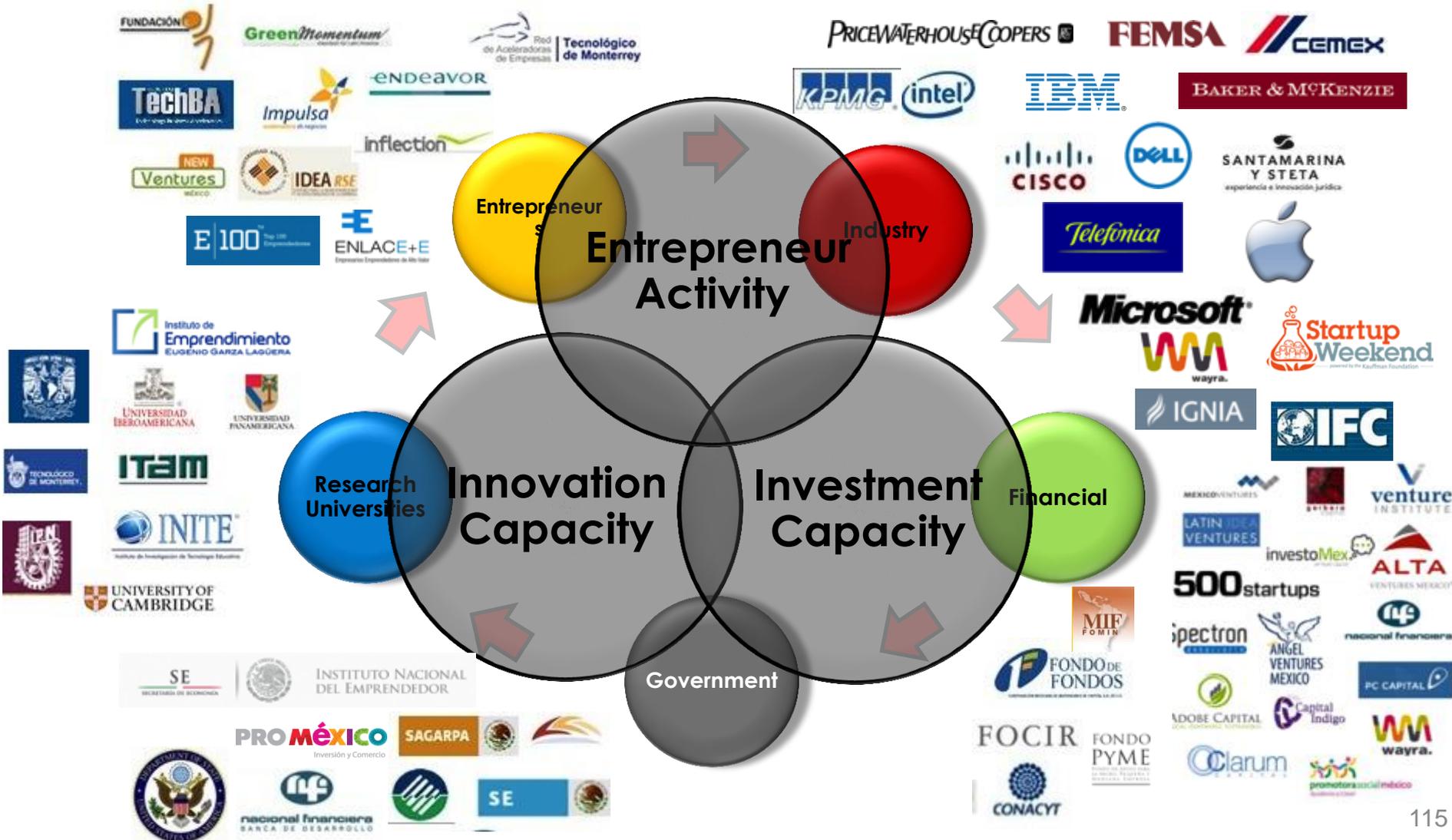
Governance

Background Checks

Deal Structuring



Mexico's Entrepreneur Ecosystem Snapshot - 2013



“I Am the Entrepreneurs Ally” - Peña Nieto – June 25, 2013



LA PRENSA **OEM en Línea** ANÚNCIENOS

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- Galerías

México

Soy aliado de los emprendedores: Peña Nieto

Organización Editorial Mexicana
25 de junio de 2013

Carlos Lara / El Sol de México

Ciudad de México.- Con el objetivo de que las micro, pequeñas y medianas empresas "sobrevivan", el presidente Enrique Peña Nieto, anunció que el Instituto Nacional del Emprendedor invertirá 9 mil millones de pesos para beneficiar a 300 mil emprendedores y 180 mil Mipymes y con ello, encuentren "tierra fértil para prosperar y contribuyan al desarrollo económico y social de nuestro país".

Abundó que en esta línea, existen tres vertientes en donde 600 millones de pesos se destinarán para incentivar la creación de fondos de capital emprendedor; mil millones para impulsar proyectos estratégicos en los estados y 2 mil 000 millones de pesos en garantías, que permitirá inducir 74 mil millones de pesos en crédito para atender a 100 micro, pequeñas y medianas empresas.

Mexico Summary

■ Large and growing market

- 113,000,000 inhabitants, half of the population under the age of 26
- High rate of new family formation and emergent middle class.
- GDP (PPP): \$1.74 trillion; world's 11th largest economy *
- Forecasted to be 6th largest by 2050 (Goldman)

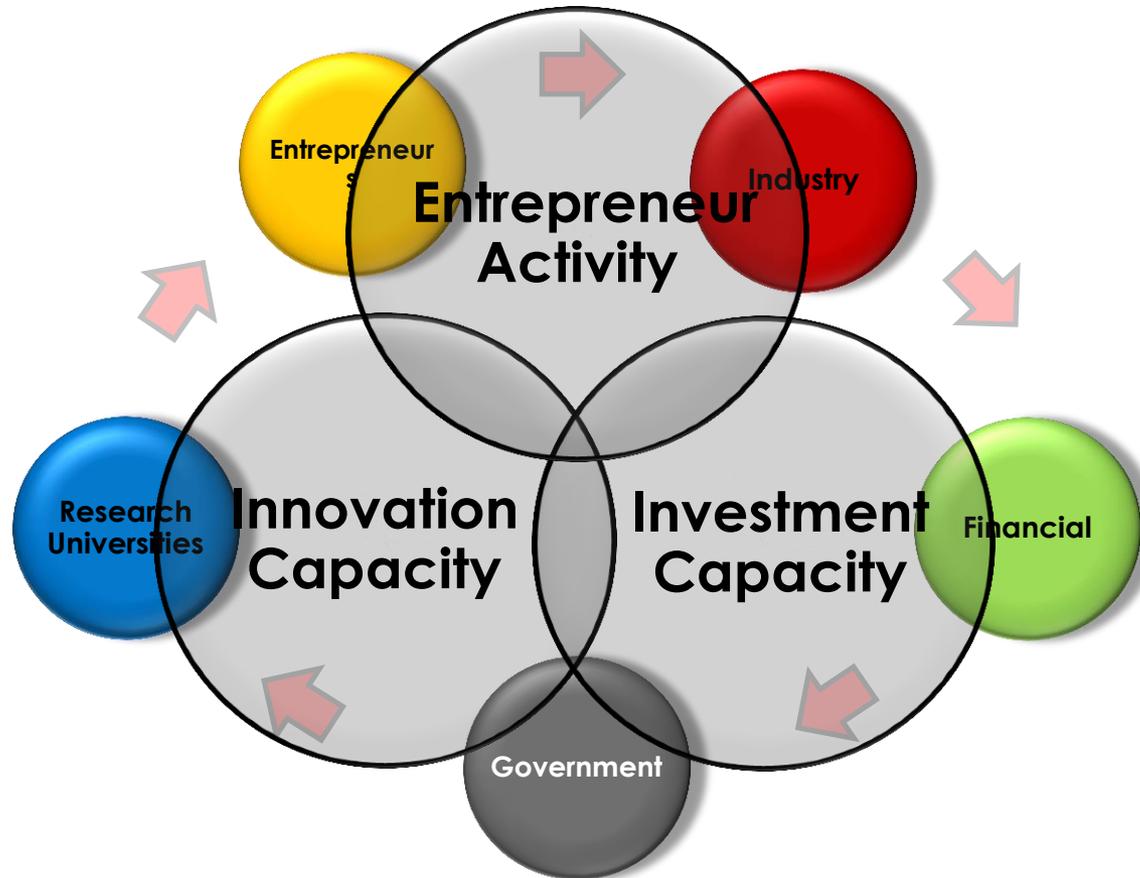
■ Macroeconomic stability

- Stable macroeconomic policies and pro-growth political leadership
- 5%+ GDP Growth, Low public sector deficit, debt and 3-5% inflation rate over the last decade
- Goldman Sachs Growth Environmental Score (3 out of 15, BRICS and N-11) and AT Kearney FDI Confidence Index (jumped from 19 to 8 place)
- Stability and growing middle class has increased consumer-oriented lifestyles



How has this
Momentum
Translated into
Results?

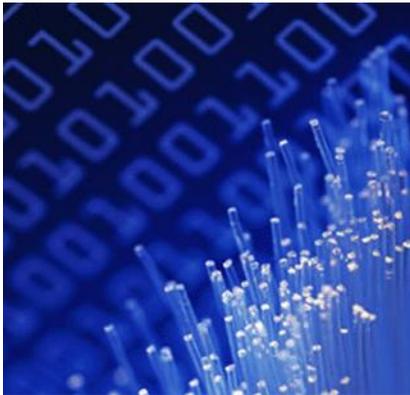
Are key elements of entrepreneurial success present in Mexico? Yes.



Exits? Is there market liquidity?

Top Investment Sectors in Mexico

Technology



Consumer



Education



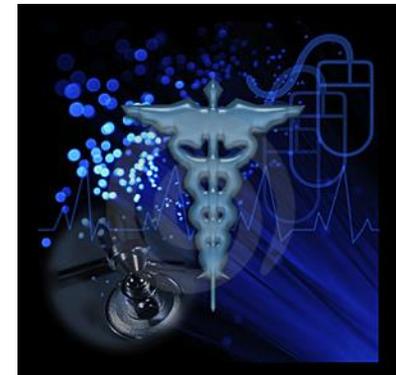
Security



Non-banking



Healthcare

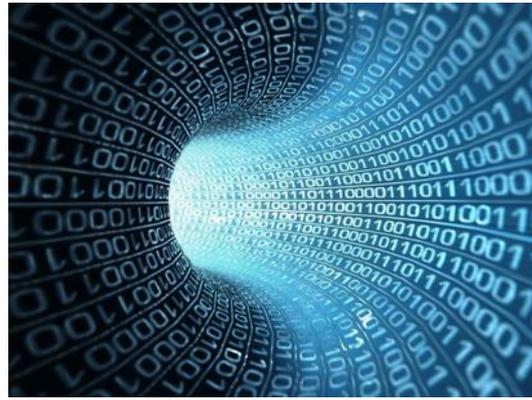


Going forward... New Market Opportunities Opening Up

Telecomm



Big Data



E-Commerce



Clean Tech



Mobile & Entertainment



Alta Ventures Portfolio by Sector

Clean Tech / Energy



Consumer



Big Data



E-Commerce



Education



Healthcare



Mobile & Entertainment



Non-banking



Security



SaaS



* Alta Growth

Thank You

