MEXICO PACKAGING MACHINERY MARKET WEBINAR

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Events and Services at EXPO PACK Guadalajara

• Mexico Market Analysis Presentation and Panel of End Users
  Date/ Time: Wednesday, June 14 from 8:30 – 10:30AM
  Location: Hilton Hotel Mexico III-C

• EXPO PACK Guadalajara Agent Directory

• Complimentary Services available at PMMI’s Pavilion (Booth #2000):
  • PMMI Member Happy Hour (daily from 5-7pm)
  • Export counseling and market information
  • Interpreters (on-site only)
  • Private meeting rooms
  • Internet
  • Business Lounge Area
OPPORTUNITIES FOR PACKAGING MACHINERY IN WESTERN MEXICO 2017-2018

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Managing Director
Market Intelligence Latin America, S.C.
www.mila.mx

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Introduction

• MILA has worked with PMMI covering Mexico’s packaging machinery market for over 15 years.
• Expo Pack Mexico will be held in Guadalajara, Jalisco from June 13th to June 15th. – Focus in Western Mexico.

• Key goals:
  • Identify key trends in Mexico’s packaging machinery market.
  • Identify 50 packaging machinery buyers in Western Mexico with short-term purchasing plans.
  • Assist PMMI members increase their exports to Mexico.
Agenda

Macro Environment

Mexico’s Packaging Machinery Market

Opportunities for PM in Western Mexico

Recommendations / Strategies for Success
Brief Snapshot of Mexico

- Population: 121.05 million (2016 est) - 11th
- Pop. Growth rate: 1.3%
- GDP Growth: 2.3%
- GDP (current prices): 1,143 billion USD - 15th
- GDP (PPP): 2,143.49 billion USD - 11th
- GDP per Capita (ppp): 16,490 USD – 66th
- GDP per Capita (nominal): 9,510 USD – 64th
- Inflation: 3.4% (2016) forecast 5.0% =2017
- Exports: 373.93 billion USD
- Imports: 387.06 billion USD
- Trade deficit: 13.13 billion USD
- Foreign Direct Investment: 26.7 billion USD
- Currency Mexican Peso: USD = 18.67

Sources: Mexican Central Bank, IMF, INEGI, 2017
Brief Snapshot of Mexico

• Open Economy - free trade with:
  • 46 countries – Recently signed Trans-Pacific Partnership (TPP).
  • One billion customers and 60% of global GDP.
  • 92%+ imports from free-trade countries, thus do not pay import duties.

• Structural Reforms
  • Key reforms: energy, telecommunications, fiscal, financial, education and political.
  • Faster growing and more competitive country.
  • Wider foreign direct investment attraction
  • Jobs creation.

• Favorable Demographics (Demographic Bonus)
  • Working age population outpaces the number of dependents.
  • 37% of the population younger than 20 y.o. = 45 million people
  • 56% of the population younger than 30 y.o. = 69 million people.
  • Migration from rural to urban areas. 2016 estimates = 20% rural vs 80% urban.
Key Economic Challenges

- Slow Economic Growth.
- Oil prices and lower oil production
  - 2015 Fiscal deficit of US$35.14 billion = 3.2% of GDP.
  - 2016 = 2.8% of GDP
- 25% increase in gasoline prices effective Jan 1st, 2017.
- Uncertainty on the commercial relations with the U.S. (NAFTA).
- Twitter Account @realdonaldtrump
  - Currency fluctuations.
  - Lower flows of FDI expected in 2017 and 2018.
Slow Economic Growth

Mexico's GDP Growth 2008-2018

Source: MILA with information from Banco de México, 2017.
The Petroleum Sector

- Oil Production (Thousand BPD)
- Oil Exports (Thousand BPD)
- Oil Prices (US$ per barrel)
- Wells Drilled
Unstable Currency

Source: Yahoo Finance, 2017
NAFTA

• 23 year old agreement.

• From roughly $290 billion in 1993 to more than $1.1 trillion in 2016.

• Multi-layered integration of the U.S., Mexican and Canadian supply chains.

• US Jobs lost to NAFTA?
Or U.S. manufacturing Jobs lost to automation?

Robotics Sales Volume Has Accelerated Since the Financial Crisis.


Global industrial robot sales
Number of units (thousands)

- 8.9% CAGR
- 17.3% CAGR

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales Volume</th>
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<tbody>
<tr>
<td>2003</td>
<td>81</td>
</tr>
<tr>
<td>2004</td>
<td>97</td>
</tr>
<tr>
<td>2005</td>
<td>120</td>
</tr>
<tr>
<td>2006</td>
<td>112</td>
</tr>
<tr>
<td>2007</td>
<td>114</td>
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<td>2008</td>
<td>113</td>
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<td>2009</td>
<td>60</td>
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<tr>
<td>2010</td>
<td>121</td>
</tr>
<tr>
<td>2011</td>
<td>166</td>
</tr>
<tr>
<td>2012</td>
<td>150</td>
</tr>
<tr>
<td>2013</td>
<td>178</td>
</tr>
<tr>
<td>2014</td>
<td>229</td>
</tr>
</tbody>
</table>
While NAFTA is Reviewed.....

• Slower FDI inflows expected, especially from European companies targeting the NAFTA market.

• Mexican exporting companies concentrating in diversifying their exports.

• Nationalistic sentiment increased....several “buy Mexican” and “Don’t buy American” initiatives in social media.

• Few Mexican companies are placing investments on hold due to NAFTA revision.
There are also positive indicators....

- Strong internal consumption growth.
- Mature retail sector – increasing diversification.
- Until now - Strong FDI attraction.
- Formal jobs at historical high levels.
- The Energy Reform – translating in new players, new wells, and in coming years a rebound in oil production.
- PEMEX restructure and increasing oil prices are making the National Oil Company a financially stable company once again.
- The Mexican Government strengthening fiscal discipline.
- Budget is every time less dependent on oil revenue.
Retail Stores Sales With Strong Growth…

ANTAD, Monthly Total General Sales 2013 – 1Q2017

<table>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Same Stores</td>
<td>0.1</td>
<td>0.9</td>
<td>6.7</td>
<td>5.3</td>
<td></td>
</tr>
<tr>
<td>Total Stores</td>
<td>5.1</td>
<td>5.2</td>
<td>10.3</td>
<td>8.5</td>
<td></td>
</tr>
</tbody>
</table>

Source: ANTAD, Press Release, April 2017
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Recommendations / Strategies for Success
Market Size

• Approximately 80%-85% of the packaging machinery installed in Mexico is imported.
• Mexico imported US$696 million in packaging machinery during 2016, 2.7% more than 2015 imports and for second consecutive year a historical high record.
• Total market worth approximately US$831 million in 2016.
• Main growth drivers: Multinational companies, beverage sector (especially beer), large Mexican groups and strong investments in automation to increase efficiency.
Market Segmentation (2016)

Packaging Machinery Import Value by Segment, 2016

- Beverage: 29%
- Food: 26%
- Personal Care: 19%
- Pharmaceutical: 8%
- Packaging: 8%
- Others: 10%
Market Shares

Packaging Machinery Imports by Origin Country 2007-2016

Source: MILA with data from Mexican Customs, 2017
Primary Packaging Machinery

Primary Packaging Machinery Import Shares, 2016

- Germany: 29%
- USA: 28%
- Italy: 17%
- Spain: 6%
- Rest of World: 20%

Source: MILA with data from Mexican Customs, 2017
Secondary Packaging Machinery

Secondary Packaging Machinery Import Shares, 2016

- Italy: 29%
- USA: 28%
- Germany: 17%
- Spain: 6%
- Rest of World: 21%

Secondary Packaging Machinery Import Shares 2010-2016

- 2010: 29% Italy, 28% USA, 17% Germany, 6% Spain, 21% Rest of World
- 2011: 29% Italy, 28% USA, 17% Germany, 6% Spain, 21% Rest of World
- 2012: 29% Italy, 28% USA, 17% Germany, 6% Spain, 21% Rest of World
- 2013: 29% Italy, 28% USA, 17% Germany, 6% Spain, 21% Rest of World
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- 2016: 29% Italy, 28% USA, 17% Germany, 6% Spain, 21% Rest of World

Source: MILA with data from Mexican Customs, 2017
### Largest PM Importers 2016

<table>
<thead>
<tr>
<th>Import value range</th>
<th>Number of Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
</tr>
<tr>
<td>121 million</td>
<td>1</td>
</tr>
<tr>
<td>74 million</td>
<td></td>
</tr>
<tr>
<td>31 million</td>
<td></td>
</tr>
<tr>
<td>30-20 million</td>
<td>3</td>
</tr>
<tr>
<td>19-10 million</td>
<td>6</td>
</tr>
<tr>
<td>10-5 million</td>
<td>12</td>
</tr>
<tr>
<td>5-3 million</td>
<td>20</td>
</tr>
<tr>
<td>3-1 million</td>
<td>79</td>
</tr>
<tr>
<td>999-500 thousand</td>
<td>95</td>
</tr>
<tr>
<td>499-300 thousand</td>
<td>106</td>
</tr>
<tr>
<td>299-100 thousand</td>
<td>295</td>
</tr>
<tr>
<td>100-50 thousand</td>
<td>235</td>
</tr>
<tr>
<td>50-20 thousand</td>
<td>409</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,261</td>
</tr>
</tbody>
</table>
What to expect in the near future?

Packaging Machinery Imports Forecast 2017-2018

- Most likely
- Pessimistic
- Optimistic

USD $ Million

Why we forecast a slight decline

• In 1Q 2017 packaging machinery imports are up 6.5% vs the same period of 2016.
• The huge investments from beer manufacturers are nearing completion (Constellation Brands) or just began operations. (Grupo Modelo).
• New breweries just beginning construction phase, equipment will take place in late 2018 or 2019.
• Slower investments from foreign multinational companies expected until NAFTA revision is complete.
• Currency fluctuations are affecting decision making.
• 2018 Presidential elections.
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Why Western Mexico?

- 31.2 million inhabitants.
- 6% population growth 2010-2015.
- Hub of Mexico’s agro-industries.
- Strong attraction of foreign and Mexican investment on key industries. (food, beverage, PC and Pharma)
Western Mexico = Strong PM demand

- In 2015 Jalisco attracted US$2.48 billion in FDI equivalent to 8.7% of the total national; and during the first three quarters of 2016, foreign investments in the State reached US$1.6 billion invested in 36 projects of which 23 were new plants and 13 expansions.
- 50 companies interviewed, totaling investments in packaging machinery worth between US$149.9 and 182.4 million in the 2017-2018 period.
  - 25 food companies.
  - 11 beverage companies.
  - 7 personal care.
  - 7 pharmaceutical.
- Home of the Tequila industry.
- Mexican companies from the food and beverage industry increasing investments in the region.
Key Projects

New prod. lines

Plant expansions

New Plant

New Plant

New Brewery

Plant expansions

Plant expansions

Plant expansions
What is in the report

• Detailed analysis of Mexico’s packaging machinery market.

• 50 company profiles including:
  • Company description.
  • Main products produced and how they are packed.
  • Key product images.
  • Purchasing and investments decision making process.
  • Key contact info.
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BD Recommendations

• Partner a local company.
• Visit your customers – We like doing business with people we’ve met.
• Stay informed about your target markets – Linkedin, Youtube.
• Use resources offered by PMMI, ExIm Bank, SBA, US Embassy, State Trade Offices to speed up your business development efforts.
• Devote time and resources to your web page, it is your image to the world.
• Personal relations are very important for Mexican businesses.
• Visit Mexico as much as you can, we have good food!
Strategies for Success

• No NAFTA advantage.

• Service, flexibility and reliability more important than price.

• Local service is a key competitive advantage.

• Credit options and payment schedules can be strong decision making points. Credits in local currency are preferred.

• Equipment leasing schemes, a very attractive option for customers.

• Save margin for negotiation.

• Equipment service packages and local spare parts are a must.

• Invest in developing relationships.
Strategies for Success

• The number of companies willing to purchase from suppliers without a formal presence in Mexico is fast disappearing.

• Invest in marketing – videos, promotional materials, web page in multiple languages.
QUESTIONS?
Contact us:

Thank You!

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