The Americas – Miami
Inextricably linked

presented by John Price, AMI
Thanks you!

- 3,300 kids live in NPH campuses across nine Latin American countries
- Another 1,400 local kids are educated in our schools
- Over 17,000 have grown up at NPH since the 1960s
- No child is given up for adoption
- No siblings are ever divided
- >60% of Pequeños study post-secondary education

Get involved....  www.nphusa.org
AMI is the leading independent Market Intelligence provider in Latin America

AMI is Latin America's leading Market Intelligence and Advisory group.

AMI’s founding partners are pioneers in the field of Market Intelligence in Latin America, with over 20 years experience in the region.

AMI has experience in every market in Latin America and the Caribbean.

AMI is a member of SCIP – Strategic and Competitive Intelligence Professionals.
We deliver the intelligence
You need to make smart business decisions

Growth
- Opportunity Benchmarking
- Market Assessment
- Customer Research
- Investment Viability
- Partnering
- Strategic Planning

Risk
- Competition
- Unethical competitors
- Political
- Reputational
- Economic

Performance
- Market Share
- Best Practices
- Brand Awareness
- Customer Satisfaction
Siempre que sea posible, AMI ha verificado la exactitud de la información proporcionada por terceros, pero en ningún caso acepta la responsabilidad por tales inexactitudes en caso de que permanezcan sin verificar.

Se espera que el cliente utilizará la información proporcionada en este informe en conjunto con otra información y con buenas prácticas de gestión. AMI, por tanto, no asume responsabilidad alguna por pérdidas comerciales debido a las decisiones empresariales tomadas basadas en el uso o no uso de la información.
Understanding Miami’s role in LAC
(Latin America & the Caribbean)
Miami, the corporate hub - versus other regional hubs

Miami is the preferred location for a regional HQ

### Presence of multinationals

<table>
<thead>
<tr>
<th></th>
<th>Multi-nationals</th>
<th>LatAm regional headquarters</th>
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</thead>
<tbody>
<tr>
<td>Miami</td>
<td>1,114</td>
<td>644</td>
</tr>
<tr>
<td>Panama</td>
<td>241</td>
<td>60</td>
</tr>
<tr>
<td>Houston</td>
<td>78</td>
<td>320</td>
</tr>
<tr>
<td>Santiago*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Montevideo*</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Main activities of multi-nationals

**Miami**
- IT goods and services, logistics, banking
- Diverse industries

**Panama**
- Logistics and freight forwarding
- Distribution of apparel, consumer goods, electronics, etc.

**Houston**
- Oil and gas
- Manufacturing

**Santiago**
- Mining
- Media and Internet-based commerce

**Montevideo**
- Business process outsourcing
- Logistics and distribution

### America Economia’s Best Place to do Business in Latin America Index (scores out of 100)†

<table>
<thead>
<tr>
<th></th>
<th>Physical infrastructure</th>
<th>Human capital</th>
<th>Social/political framework</th>
<th>Economic dynamism</th>
<th>Services for businesses</th>
<th>Quality of life</th>
<th>Overall score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Miami</td>
<td>100.0</td>
<td>73.7</td>
<td>100.0</td>
<td>100.0</td>
<td>96.9</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Panama</td>
<td>72.2</td>
<td>45.0</td>
<td>87.0</td>
<td>86.8</td>
<td>78.7</td>
<td>78.1</td>
<td>80.7</td>
</tr>
<tr>
<td>Santiago</td>
<td>56.7</td>
<td>79.9</td>
<td>98.1</td>
<td>86.0</td>
<td>78.8</td>
<td>96.1</td>
<td>87.5</td>
</tr>
<tr>
<td>Montevideo</td>
<td>37.2</td>
<td>54.7</td>
<td>99.8</td>
<td>64.3</td>
<td>74.3</td>
<td>73.4</td>
<td>72.5</td>
</tr>
</tbody>
</table>

*The number multi-nationals refers to US companies only.

LatAm regional headquarters in these cities is not available.

† Houston was not included in this study.

‡For overall score, the city with the highest average of all categories was awarded a score of 100 and the remaining city scores scaled accordingly.

Source: World City, Greater Houston Partnership, PROINVEX Panamá, Panama Pacifico, Uruguay XXI
Miami, the corporate hub – what investors think
Cultural neutrality and quality of life are additional strength that puts Miami above competing cities

**Human Capital**
- Quality of labor force
- Representation of LatAm
- Ability to transfer employees from abroad
- Quality of universities

**Observations**
- 1.3 million Latin-born residents means Miami has the greatest representation of LatAm among its labor force.
- Virtually 100% of Miami professionals are bilingual and experienced in LatAm business
- Quality of universities is low on US standards but high on LatAm standards.

**Infrastructure and Connectivity**
- Geographic location
- # of weekly flights to LatAm
- Air cargo tonnage
- Port size and capacity

**Observations**
- Best air connectivity, with unsurpassed air service to LatAm and air cargo tonnage – Companies can get goods to all markets in one day.
- Cost effective sea shipping to Caribbean basin
- Moderate port capacity

**Ease of Doing Business**
- Starting a business
- Hiring and firing
- Investor protections
- Enforcing contracts

**Observations**
- US ranks #4 in the world for most competitive place to do business.
- Is especially strong in flexibility of wage determination, ease and cost of hiring and firing and protections for investors.
- Florida is a right-to-work, at-will employment state with a pro-business governor
Miami, the corporate hub - Case Study: Harley Davidson
Gradual expansion from distributor model to in-country subsidiaries and direct sales

** LatAm HQ – Miami
- Mexico sales office – Monterey
- Mexico distribution – Laredo, TX
- Brazil sales office – Sao Paulo
- Brazil manufacturing and distribution – Manaus

** Rest of Latin America managed by Miami HQ

- After considering Miami, Monterrey, Panama City, Sao Paulo, and Buenos Aires, Miami is selected as the location for new HD LatAm HQ. Office opens in 2011.

- HD's contract with Mexican distributor finalizes in 2007.
- HD opens subsidiary sales office in Mexico.
- 10 additional independent HD dealerships open in Mexico

- HD pushes sales in LatAm. Sales are executed by exclusive distributors in Mexico and Brazil

- Latin America, historically grouped with Asia, becomes its own department, managed from global HQ in Milwaukee
- Sells 5,000 units in Latin America

- HD builds first overseas manufacturing facility in Manaus, Brazil

- HD breaks contract with Brazilian distributor and public legal battle ensues.
- Upon settlement, HD opens sales office in Sao Paulo in 2009.

- HD sells 10,000 units in Latin America, doubling sales since 2007.
Miami, the trade hub - physical trade infrastructure
The US’ largest int’l cargo airport and a combined 3,000+ annual ship calls

**Port Miami**
- LatAm and the Caribbean make up 54% of port’s trade.
- Handles 8+ million tons of cargo annually.
- Total ship calls: 1,284 (2011).
- Port will be dredged to reach a depth of 50 feet to meet post-Panamx vessel specs – one of only three ports in US to accommodate post-Panamx ships.

**Miami International Airport**
- #1 U.S airport in international freight with 1.8 million tons annually.
- Freight to/from LatAm accounted for 72%.
- Received 18.4 million international passengers in 2012 with 74,000+ annual flights to LatAm (2.5 times next highest – Houston).
- 7.6 million passengers flew to LatAm in 2012.

**Port Everglades**
- LatAm and the Caribbean make up 80%+ of port’s trade.
- Handles 6 million tons of cargo annually.
- Total ship calls: 1,743 (2011).

**Truck and Rail**
- Total intermodal rail cargo amounted to 10.5 million tons in 2012.
- 65 million tons of goods entered the state of Florida by truck in 2011.

*Includes Port Miami, Port Everglades, Miami International Airport, and all rail cargo.*

Business Facilities ranks Florida as #2 in the country for transportation infrastructure.

Sources: Port of Miami, Port of Everglades, U.S department of transportation, Miami International Airport, Association of American Railroads, Florida Tax Watch Center for Competitive Florida, American Association of Port Authorities.
Miami, the tourism hub
Latin Americans dominate international tourism to Miami

International Overnight visitors to Greater Miami by world region in 2011, ’000

Top ten Latin American markets for overnight visitors to Greater Miami by country in 2011, ’000

<table>
<thead>
<tr>
<th>Country</th>
<th>Visitors ’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>1,324</td>
</tr>
<tr>
<td>Argentina</td>
<td>627</td>
</tr>
<tr>
<td>Colombia</td>
<td>1,200</td>
</tr>
<tr>
<td>Venezuela</td>
<td>417</td>
</tr>
<tr>
<td>Ecuador</td>
<td>394</td>
</tr>
<tr>
<td>Peru</td>
<td>354</td>
</tr>
<tr>
<td>Chile</td>
<td>178</td>
</tr>
<tr>
<td>Mexico</td>
<td>181</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>147</td>
</tr>
<tr>
<td>Bolivia</td>
<td>120</td>
</tr>
</tbody>
</table>

Visitor Growth Rates by Country, 2010-2011

<table>
<thead>
<tr>
<th>Country</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>14%</td>
</tr>
<tr>
<td>Chile</td>
<td>11%</td>
</tr>
<tr>
<td>Argentina</td>
<td>10%</td>
</tr>
<tr>
<td>Colombia</td>
<td>9%</td>
</tr>
<tr>
<td>Venezuela</td>
<td>8%</td>
</tr>
<tr>
<td>Ecuador</td>
<td>5%</td>
</tr>
<tr>
<td>Peru</td>
<td>4%</td>
</tr>
<tr>
<td>Mexico</td>
<td>4%</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>3%</td>
</tr>
<tr>
<td>Bolivia</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Great Miami Convention and Visitors’ Bureau Annual Report, 2011
Miami, the private banking hub

$3 trillion in LatAm savings

$1 trillion in liquid assets managed outside LatAm

$200 billion managed in Miami

117 firms in Miami serving HNWs

c. 80,000 HNW Latin customers

Merrill Edge

Financial Northeastern Companies

Goldman Sachs

Gibraltar Private

Bank & Trust

JPMorgan

HSBC

Credit Suisse
The perfect marriage
In good times and in bad, Miami benefits from Latin America

|------------|-----------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|

Correlation values:
- Strong
- Medium
- Weak
- Strong negative
- Medium negative

Notes:
- Core supervisory role intact.
- The perfect marriage. Some offices in the region may be closed and brought “back” to Miami.
How is Latin America & the Americas doing?
Key external trends
LAC’s most important commodities are trending low

Low oil prices hurt the currencies and fiscal balances of Venezuela, Ecuador, México y Colombia
Countries that reformed themselves in the past will now reap the relative benefits.

Fuentes – EIU, IMF, World Bank
Scarcity breeds pragmatism
Most governments are shifting policies towards a pro-Business stance

Examples of LAC’s political shift to the right

• Argentines elected a pro-business President who has moved quickly to unwind over a decade of destructive populist policies.

• Federal prosecutors in Brazil have brought to their knees some of the nation’s most powerful politicians and industrialists. Leftist President Dilma is likely to be impeached.

• The 2nd round of elections in Peru will elect a right of center candidate for the first time in 20 years.

• Venezuelans elected an opposition party dominated congress in their December 2015 elections.

• Bolivians denied Evo Morales the opportunity to run for a fourth consecutive term in office.
Latin America is reaping demographic dividends

Exhibit 2
Population by age groups in Latin America for 2010 and 2020.

- **2010**
  - 60+
    - 57 mi
  - 25-59
    - 255 mi
  - 15-24
    - 104 mi
  - 0-14
    - 160 mi

- **2020**
  - 60+
    - 83 mi
  - 25-59
    - 296 mi
  - 15-24
    - 105 mi
  - 0-14
    - 149 mi

SOURCE: AMI based on information of the ECLAC (Economic Commission for Latin America and the Caribbean).
Key market analysis
USA – ignore the politics, for now
The US private sector has never been healthier. Only Washington can mess things up.

**Strengths**

- **Legal protections**: as a result, IP driven industries thrive in the US – software, pharma, medical equipment, technology
- **Size**: industries that require scale to compete do well in the US: banking, ecommerce, consumer goods.
- **Military/security**: the US is home to the largest arms, safety and security industry.
- **Light regulations**: allow US business to continue to exploit dirty industries – oil and gas, chemicals, automotive
- **Urban design**: our cities are designed to support the auto and energy sectors
- **Post-graduate studies**: we attract the best minds in the world to study at masters and doctorate levels – luckily, many stay.

**Weaknesses**

- **Demographics**: working age Americans are in decline. We need immigrants.
- **Inequality**: Only the top 3% are realizing income and wealth gains, the rest are stagnating for falling. Get ready for populist politics and a rejection of immigrants.
- **Poor basic education**: The US lags behind. It will hurt productivity.
- **Fat, stressed and miserable**: 2nd highest obesity, fewest holidays, highest divorce. We will live shorter lives than our parents.
- **Dysfunctional tax system**: we tax the wrong things.
Brazil – impeachment will not save Brazil
Consumers are swimming in debt (remember the US in 2009-11?)

Trends

- Dilma is likely to be impeached by the senate
- Michel Temer – leader of the PMDB – will have 180 days to prove himself by reforming the economy. The currency will continue to strengthen moderately.
- The federal judge Sergio Morro continues to lead the “Car Wash” anti-corruption case into the echelons of power. Temer and Cunha are both vulnerable. The political crisis will continue post impeachment.
- Brazilian government, corporates and consumers are all swimming in debt, some of it dollarized. Spending growth and investment will not resume until 2018.

Brazilians now must pay their bills

Fuentes – BMI, AMI analysis, EIU
Mexico – economically a country divided in two

Trends

- Robust US manufacturing and a strong dollar is driving demand to Mexico’s maquiladora sector.
- Electricity reforms will lower power bills by 40% over five years, attracting new waves of manufacturers to Mexico.
- Telecom reforms will add bandwidth and boost consumption.
- The internal economy, however is challenged:
  - Low oil prices castigated the Peso
  - Government fiscal cuts will hurt the working classes.
  - Lack of confidence in Pena Nieto curbs some investment plans for fear of corruption.

Industrial production (Mexico)

Fuentes – El Economista, AMI
Argentina - Macri had a great start, now the difficult part
Curbing inflation while stimulating growth will require the touch of a political magician

Trends

- Macri has exercised presidential powers in order to:
  - Remove FX controls
  - Remove electricity subsidies for all but the poorest 20%
  - Eliminate gas subsidies
  - Eliminate almost all agrifood export royalties
- On March 31st, Macri won congressional approval of the terms negotiations with hold-out investors.
- In mid-April, Argentina tested the waters of bond issuance, and were over subscribed by 500% - with $65 billion bond orders received (11 times the amount owed to hold-out investors).

2016 will be a painful year of transition
Colombia – peace agreement at hand, will voters support it?

Santos has bet his legacy on negotiating peace with the FARC

Trends

- Declining oil prices have hurt Colombia:
  - Imports are down
  - Outbound Tourism is down
  - Extractive industry investment is down
  - Domestic manufacturers are growing as fast as they can to replace outpriced imports.
  - PE investors are pouring in to exploit low asset prices (in dollars)

- The FARC may negotiate peace but the terms may prove difficult to convince Colombian voters to support.

- FARC negotiations have proved distracting for a government that ought to focus its energy on streamlining bloated regulations

![The devaluation effect chart](chart.png)
### All the numbers on one page...

<table>
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<tbody>
<tr>
<td>USA</td>
<td>2.4%</td>
<td>2.5%</td>
<td>2.7%</td>
<td>2.5%</td>
<td>N/A</td>
<td>+2%</td>
<td>-4%</td>
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<tr>
<td>Brasil</td>
<td>0.1%</td>
<td>-3.1%</td>
<td>-3.4%</td>
<td>1.3%</td>
<td>3.8</td>
<td>-9%</td>
<td>-3%</td>
</tr>
<tr>
<td>México</td>
<td>2.3%</td>
<td>2.5%</td>
<td>2.8%</td>
<td>3.2%</td>
<td>16.5</td>
<td>+3%</td>
<td>+3%</td>
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<tr>
<td>Colombia</td>
<td>4.6%</td>
<td>2.9%</td>
<td>2.9%</td>
<td>3.3%</td>
<td>2,950</td>
<td>-6%</td>
<td>-7%</td>
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<tr>
<td>Argentina</td>
<td>0.5%</td>
<td>-1.4%</td>
<td>0.4%</td>
<td>3.2%</td>
<td>14.2</td>
<td>+7%</td>
<td>-9%</td>
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<tr>
<td>Chile</td>
<td>1.9%</td>
<td>2.4%</td>
<td>2.5%</td>
<td>4.0%</td>
<td>660</td>
<td>+2%</td>
<td>+2%</td>
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<tr>
<td>Perú</td>
<td>2.4%</td>
<td>2.8%</td>
<td>3.8%</td>
<td>4.3%</td>
<td>3.40</td>
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<td>Venezuela</td>
<td>-3.9%</td>
<td>-5.7%</td>
<td>-6.5%</td>
<td>-0.6%</td>
<td>75</td>
<td>-6%</td>
<td>-7%</td>
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<tr>
<td>Uruguay</td>
<td>3.5%</td>
<td>2.5%</td>
<td>1.0%</td>
<td>0.2%</td>
<td>35</td>
<td>-1%</td>
<td>-1%</td>
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</table>

_Fuentes – Business Monitor International, EIU, Merrill Lynch, IMF, Scotiabank, ECLAC, World Bank, Bank of Mexico, AMI, Dominican Republic’s Central Bank, Guatemala’s’ Central Bank, CEPAL_
What does this all mean for South Florida real-estate?

Train your Brazilian born salesman how to speak with a Brooklyn accent

**Hotels**
- Shift from luxury seeking Latin Americans to comfort seeking older NE Americans
- Shift from shopping and dining to excursions and entertainment

**Office**
- Demand for regional headquarters will stagnate
- Growing demand for start-ups, shared space, office-home

**Distribution**
- Miami export volumes (to LAC) will be weak for another 1-2 years
- Caribbean and CAM exports will continue to grow strongly
- Ecommerce supported logistics will grow

**Retail**
- Se habla ingles?
- Luxury may have over-built; discount retailing will continue to thrive
About AMI

AMI is Latin America’s leading independent market intelligence consultancy

Our founding partners helped pioneer the field of market intelligence in Latin America

Our consultants have advised over ½ of the region’s 100 largest strategic investors over a span of two decades

AMI consultants have conducted close to 2,000 client engagements in Latin America since 1993

Our consultants have worked in every market in Latin America

Our holistic approach to market intelligence is unique. We combine market research, competitive intelligence, political analysis and economic forecasting in our studies. Few others do the same in Latin America

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