

SMARTER PERSPECTIVE: INDUSTRIAL

The Intricacies of Effective Asset Management in Mexico

By Jan René Aguirre

In this, our third in a series of articles focused on the distinct considerations associated with conducting business in Mexico, we discuss recommended steps for companies to take in order to ensure effective management of their assets based in the country.

Asset management is a commonly practiced process of determining the value of a company's assets and understanding the optimal strategies for monetizing them. In the context of nearshoring in Mexico, managing assets takes on a uniquely distinctive flavor as compared with the practice as it is conducted in the U.S. and many other parts of the world.

Businesses conducting business in Mexico face a highly dynamic, often unpredictable, and frequently ethically questionable landscape. This reality necessitates that businesses navigate their asset management efforts with great caution, basing their efforts in a nuanced understanding of the distinct and challenging local business environment. Beyond ensuring the regular and qualified valuation of a company's diverse equipment, intellectual property, and other tangible and intangible resources, understanding their worth within the



context of this market is critical. And when it comes to monetization, the strategies employed must be tailored to the specific conditions prevailing in Mexico which are often quite foreign to those nearshoring here. This is where the rubber meets the road – knowing when and how to leverage your assets under a variety of circumstances unique to Mexico.

ECONOMICS AND EXPANSION

The current economic and business environment in Mexico is dynamic, to say the least. Frequent and precise valuations can help businesses stay agile and

respond effectively to the ever-changing market conditions that are present. A number of key industries are continuing to attract foreign investment. With Mexico's diverse economic landscape now encompassing industries like automotive manufacturing, electronics, and aerospace, specific valuations enable businesses to align strategies with sector-specific demands and opportunities. And with a number of multinational companies establishing their presence, asset management efforts tailored to these industries can help ensure that businesses are strategically leveraging their resources for maximum impact, be

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it in manufacturing, technology, or the energy sector.

LEGAL AND REGULATORY

Imagine a foreign business with a presence in Mexico looking to expand its operations here, or a lender in this country considering whether to provide financing to a potential industrial customer headquartered outside of the country. Without a clear understanding of the appraised value of assets, these opportunities and decisions become akin to navigating in the dark. Businesses need accurate valuations to determine their financial health, plan for expansion, and make strategic investments. Lenders, meanwhile, rely on appraised values to assess the worth of collateral and make informed lending decisions.

Navigating foreign business regulations can be tricky, and Mexico is no exception. Asset management here requires a thorough understanding of the legal landscape to ensure compliance and minimize risks, especially given the

impact of recent regulatory changes on sectors including energy and telecommunications in this market.

THE FUNDAMENTALS

Various approaches, including cost, market, and income-based methods, are employed in asset valuation. Each holds significance based on the nature of the asset. For instance, in the real estate sector, the market approach might be crucial, while the income approach could be more relevant in assessing the value of intellectual property. Understanding and applying these methodologies correctly is paramount for deriving accurate and meaningful valuations.

Regulatory changes, cultural considerations and industry-specific requirements and practices can all impact the accuracy of valuations. The real estate market, which is greatly impacted by factors including Mexico's distinct urbanization dynamics and infrastructure development process/pace, often poses unique challenges that

demand deep, local understanding and guidance. Aligning business strategies and lending decisions with the intricacies of the local landscape helps ensure that the appraised asset values form a solid foundation for informed and successful business decisions.

UNLOCKING VALUE

When it comes to monetizing the value of their equipment and other assets, many companies nearshoring in Mexico simply do not realize that monetization needs to be part of their strategy from day one because any strategy for unlocking asset value must be built to accommodate the unusual nature of the Mexican business landscape. Partnerships and collaborations, for example, are extraordinarily pivotal in Mexico. Understanding the local network, building longstanding and reliable relationships with potential buyers or partners, and tapping into/safeguarding against the pitfalls of the precarious supply chain ecosystem can greatly enhance the effectiveness of any



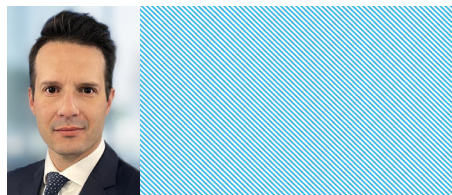


business's asset monetization strategy. Flexibility is also critical and tailoring monetization approaches to specific industry needs is crucial for success.

CONCLUDING THOUGHTS

To help ensure successful business endeavors, companies nearshoring in Mexico would be well advised to seek out a partner or partners with both local expertise and global knowledge/reach. While the local connection provides invaluable insights into critical areas such as the regulatory landscape, market trends, and hidden challenges, global experience and associated best practices can enhance strategic decision making, executional excellence and lead to expanded monetization opportunities. The road ahead may have its challenges, but with the right asset management strategies in place, companies can navigate effectively and thrive in the dynamic and promising Mexico market.

At Hilco Global Mexico, we often refer to our work in serving as such a resource to help businesses address the factors above as engaging in the "tropicalization" of their business operations for the purposes of guiding a path toward the most optimal outcomes. We will discuss more aspects of this process in our next article which focuses on turnaround strategies for companies conducting business in the Mexico market. In the meantime, if our Mexico-based team can assist you with any current efforts or help answer questions on any of the topics raised in this article, we encourage you to reach out to us today. We are here to help. *Estamos aquí para ayudar.*



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As a seasoned executive, he excels in driving business growth and developing innovative solutions for clients and their distressed investments. In doing so, he leverages extensive experience in strategic marketing, deal execution and cross-border negotiations to enhance global business relationships and outcomes.

Jan René's dynamic 15+ year trajectory in Investment Banking, Strategic Management, and Entrepreneurship, is marked by significant roles at Citi, VACE Partners, and Hilco Global Mexico. Starting his career at Citi as a Financial Analyst, Jan René played a crucial role

in landmark transactions, including the OMA IPO, mastering financial valuation and deal structuring. As Vice President at VACE Partners, he led high-stakes M&A deals, notably the Grupo Financiero Interacciones/Banorte Merger, showcasing his strategic acumen and contributing to the firm's recognition with the 2017 "Global M&A Network Deal of the Year award."

Jan René's entrepreneurial spirit is evidenced by his founding of Aceros Impulso, where he spearheaded sales strategies to achieve impressive growth despite market challenges. He also founded Proambi, a pioneer in e-waste recycling in Mexico, where he showcased his ability to lead, innovate, and expand business horizons. With an MBA from Instituto de Empresa, where he graduated with Honors, and a Bachelor's from Universidad Iberoamericana, Jan René combines strategic vision, financial expertise, and leadership to impact the financial sector and beyond, continually striving for excellence in every endeavor.