



Become More Competitive
by Manufacturing in Mexico

American Industries®

Partner for Success®

Become More Competitive by Manufacturing in Mexico

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1. 10 Reasons to Manufacture in Mexico





1. Immediate access to the U.S. market
2. Skilled, available and affordable labor
3. Technical training support: schools, R&D and training centers
4. Quality culture: ISO, NADCAP, Six Sigma, 5S etc.
5. Solid manufacturing clusters and supply chains
6. Immediate re-manufacturing turnaround
7. Tariffs savings: free trade agreements with over 40 countries
8. Legal certainty for intellectual property
9. Government incentives: federal, state and municipality programs specially designed for shelter and manufacturing companies
10. Developed soft-landing culture to help manufacturers start operations in Mexico in a fast-track, risk-free shelter programs

2. Myths and Facts of Manufacturing in Mexico





Myth No. 1: “Everything in Mexico is Low-Cost”

- **Fact:** We have an experienced (+40 years), high quality and cost competitive labor, robust supply chains and world class R&D centers. Most industrial cities in Mexico have top of the world.

Myth No. 2: “Mexico has a Low-Quality Labor Force”

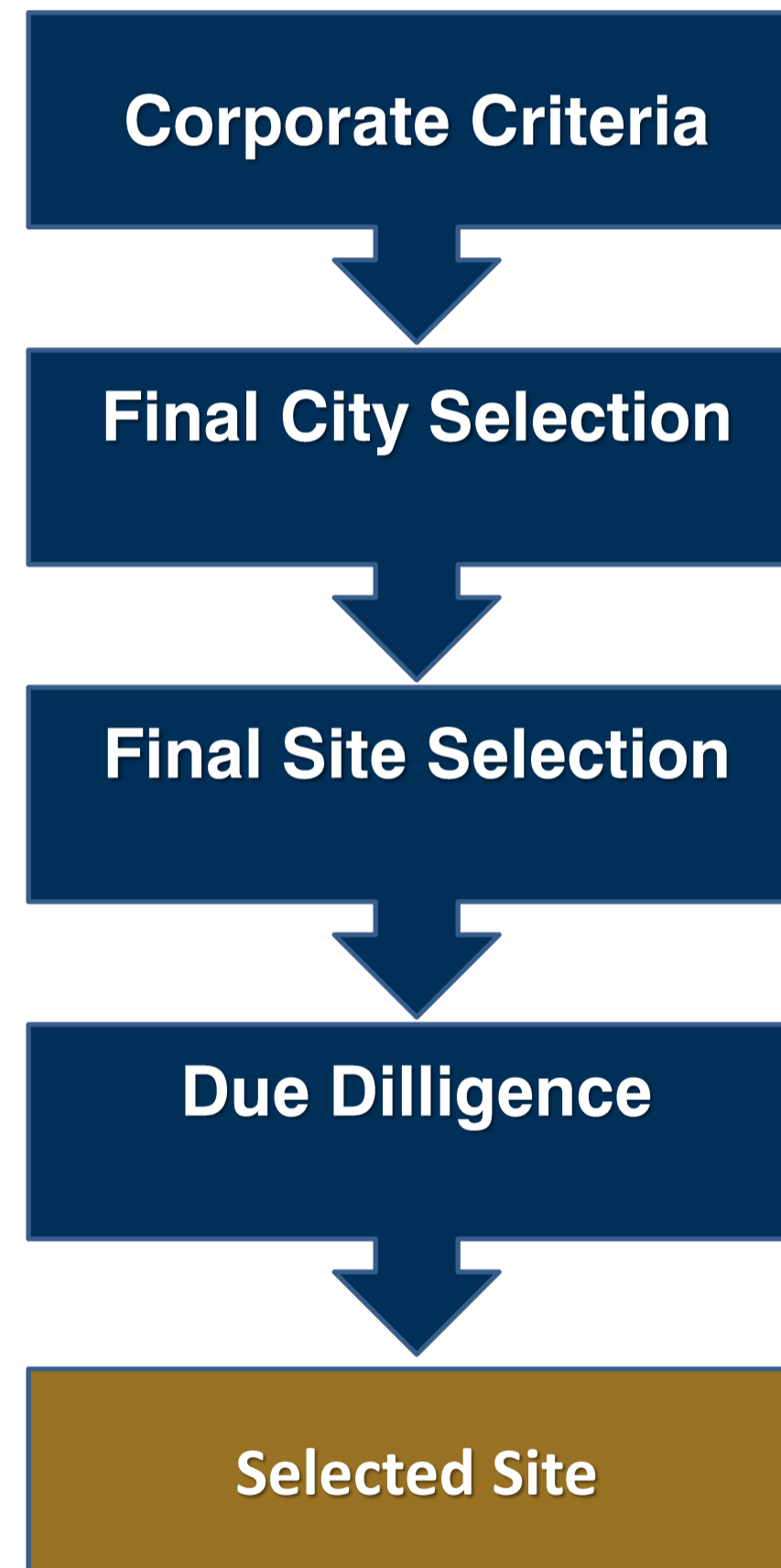
- **Fact:** Mexican labor force is highly skilled and trained to meet international quality standards. Manufacturing plants have gained international certifications, on their first attempt, such as ISO 9000, NADCAP, and AS.

Myth No. 3: “Security in Mexico is a Threat to Manufacturers”

- **Fact:** Manufacturing companies have not been hit by the organized crime. Companies have increased security in its plants by incorporating the CTPAT/OEA certification, updating employee security manuals, and establishing emergency contingency plans; that have impacted their Mexican branches to be safer than others in the world.

3. Site Selection





The following factors must be considered when choosing the best location in Mexico for your project:

- Time frame
- Buy or lease
- Existing or BTS facility
- Project confidentiality / company exposure
- City profile: border, interior, big, small
- Expat quality of life
- Outside or inside industrial park
- Curb appeal





When aiming for the perfect city for your project, these factors should be considered based on the state and city conditions:

- Turnover rate
- Absenteeism
- Labor environment
- Unemployment rate
- Labor availability
- Labor culture / vocation
- Union presence
- Established companies and competitors

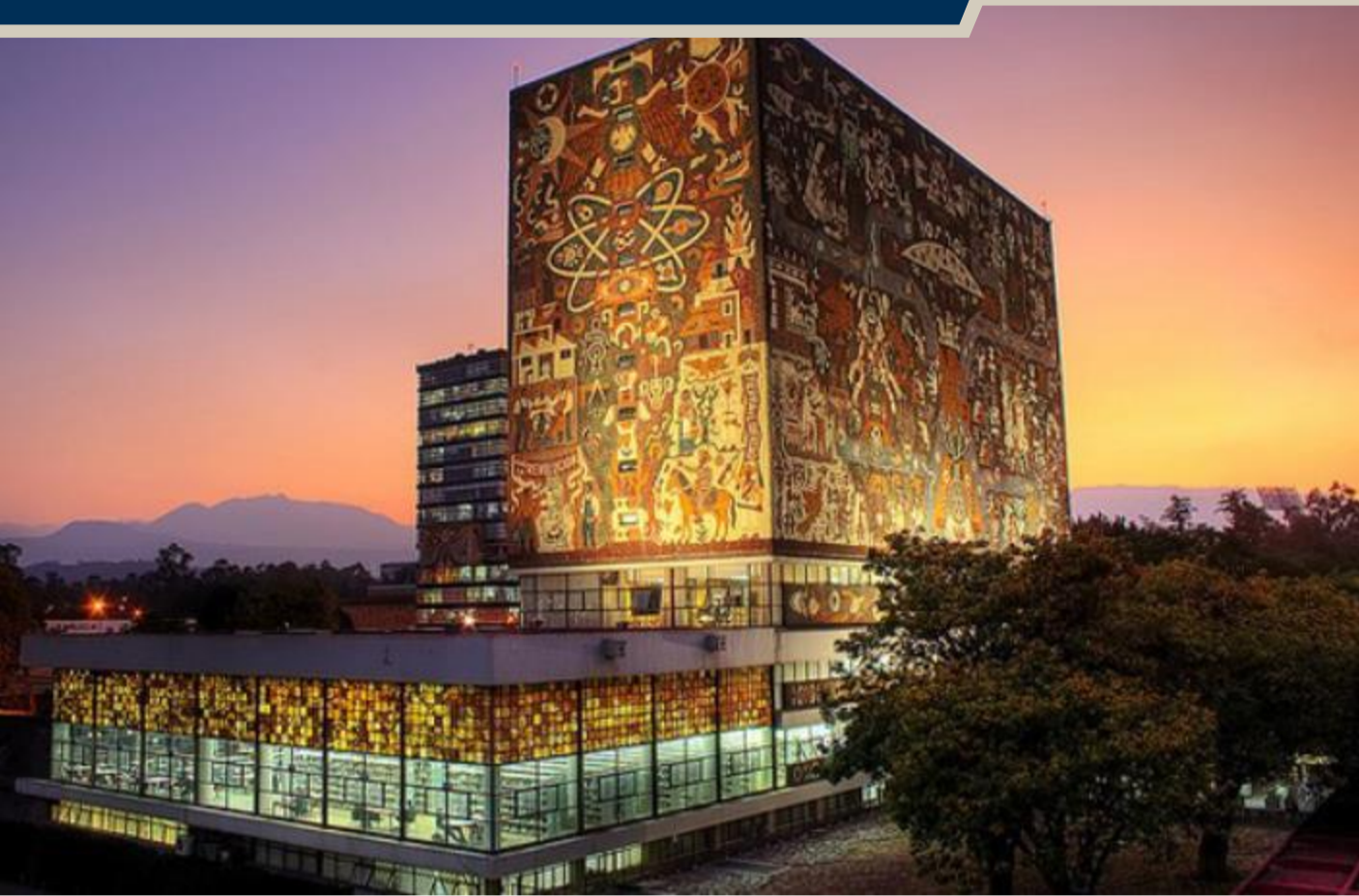


- Availability
- Skills
- Fully loaded cost



- Population
 - Total
 - Economically active
- Average age
- People entering the workforce per year

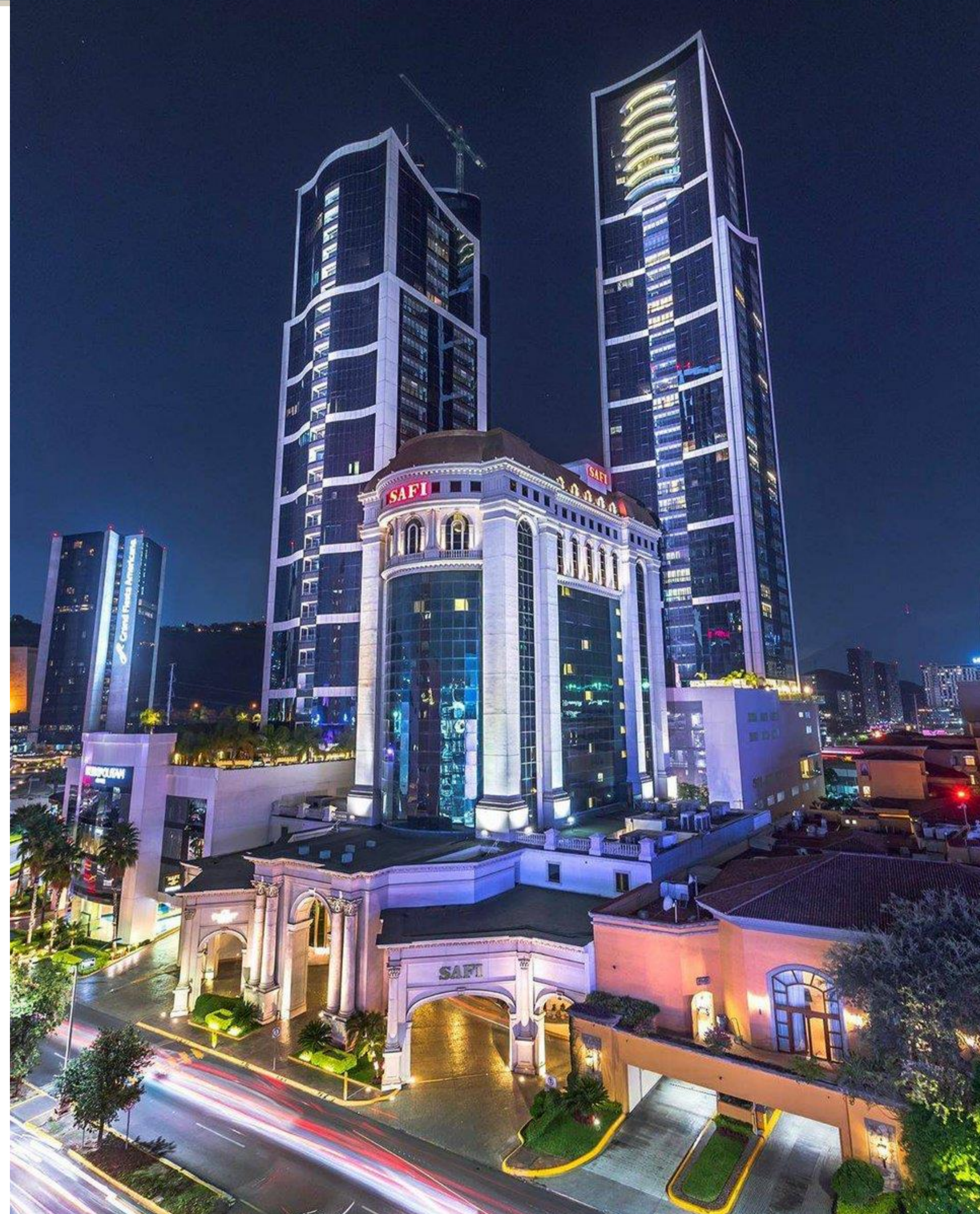
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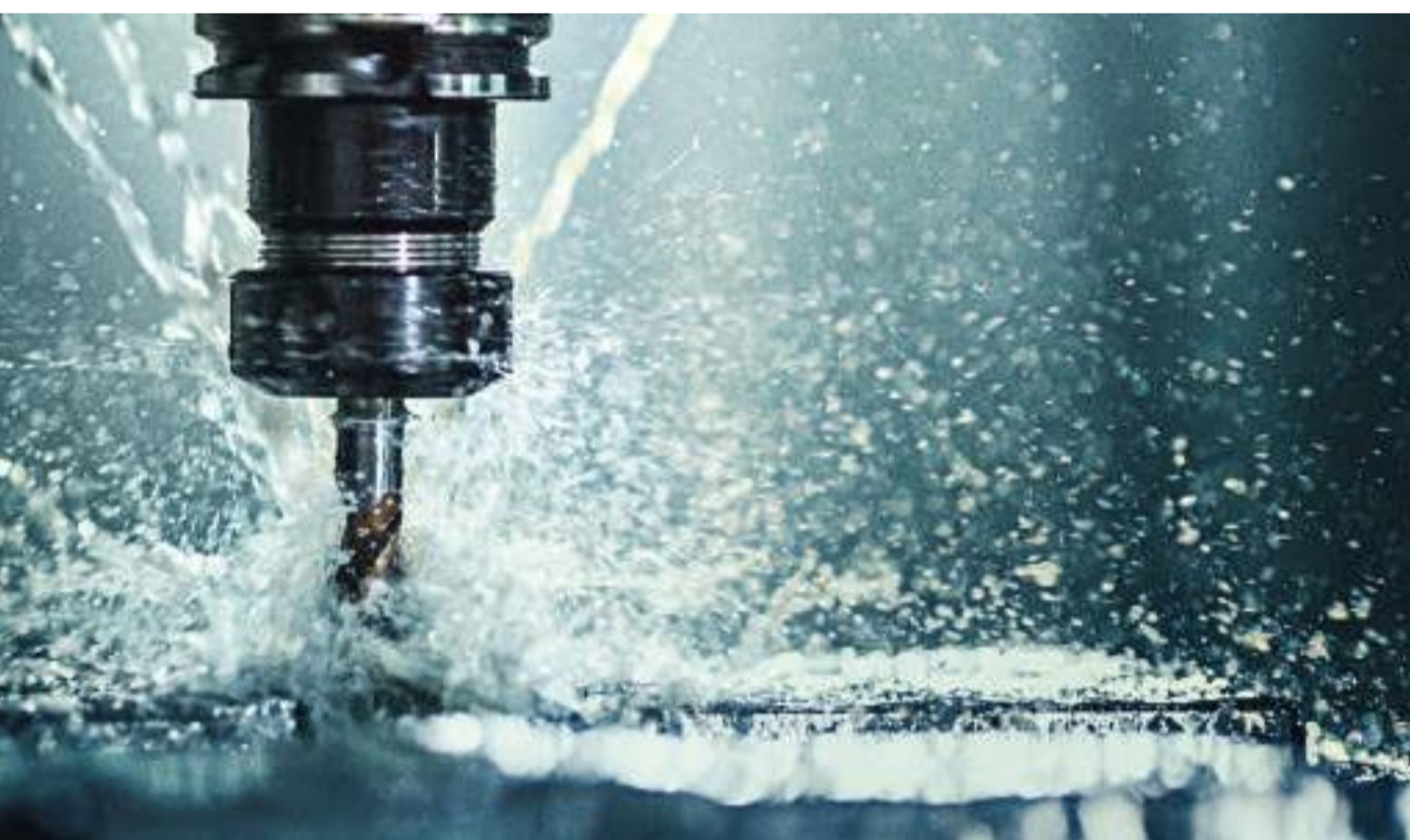
- Universities
- Community colleges
- Technical schools
- Training centers
- Research centers
- Academic programs aligned with industry needs
- Relationship between academy and industry (triple or quadruple helix model)

- Residential areas
- Country clubs
- Lodging
- Restaurants
- Hospitals
- Shopping malls
- Convention centers
- Cultural / sport activities
- Financial services
- Bilingual schools and universities
- Expat community
- Security and safety

<http://www.oecdbetterlifeindex.org/countries/mexico/>



- Pro-Business
- Government incentives
- Government relationship with private sector



1. Services:

- Maintenance
- Special processes
 - Heat treatment
 - CNC machining
 - Chemical
 - Tool and die casting
 - Injection molding
 - NDT
- Metrology
- Laboratory

2. Raw materials

3. Supplier base availability, knowledge and ease of contact.



1. Industrial parks

- Location
- Available buildings
- Available land
- Building lease rate
- Land prices
- Rail spur

2. Utilities

- Water
 - Potable
 - Treated
- Sewage
- Electricity
 - Tension (low, high, mid)
- Natural gas
- Telecommunications
 - Copper, fiber, wireless

For both, the regional and specific site analysis, operating cost scenarios must be determined by considering the following:

labor
+ process utilities
+ freight, customs and logistics
+ building (lease rate, triple net, utilities, CAM fees)
+ administrative
=
monthly operating cost and fully burdened cost/hour



After selecting a site, a due diligence process is required:

- Zoning
- Ownership
- Utilities feasibility
 - Water
 - Sewage
 - Electricity
 - Natural gas
- Permits and registration
- Easements
- Site studies
 - Soil mechanics
 - Topographic
- Environmental studies
 - Phase one
 - Phase two

Note: you can by-pass this long and costly process by leasing your industrial facility in Mexico with a credited real estate company.

Local knowledge is key to:

- Obtain up-to-date, relevant and detailed information
- Clearly differentiate pros and cons of the available options
- Avoid unnecessary problems and costly mistakes before and during the operation

4. 5 Business Models to Start Manufacturing Operations in Mexico



1. Finding a joint venture partner
2. Acquiring an existing operation
3. Starting with a stand-alone operation
4. Contract manufacturing
5. Starting with a Shelter Partner

- They might be experts in doing business in Mexico
- They might speed up the start up process due to local networking
- They might be well connected to help you import and export
- You do not have full control of your operation
- You have the risk of losing your intellectual property
- You will face liabilities in Mexico in case of any mistakes or problems with the operations

- Employees will already have the needed training for your process
- Legal and operational permits might already be compliant
- High entrance cost and risk
- You will be responsible for all the previous and ongoing legal and operational liabilities

- You will have full control of your operation
- High entrance cost
- Slow and costly learning curve
- Lack of local networking
- High risk and liabilities for all legal, labor, fiscal and customs start-up and operational permits
(functions that are not your core business)

- You will never have control of your production
- You risk your intellectual property
- No control on efficiencies and costs of production

- You will have immediate access to the local networking and know-how to do business in Mexico
- You have full control of your operation
- You can start up in less than 9 weeks
- You can choose to not have a legal entity in Mexico
- No liabilities in Mexico: labor, fiscal, legal and other operational permits
- No VAT effect on your cash flow

A man in a dark suit stands on a high-rise building, looking out over a city at night. The city lights are visible in the background, and the man's silhouette is prominent against the sky. The overall tone is professional and forward-looking.

Mexico's Industrial Shelter Program

*Designed to make it easy for
your company to
start operations in Mexico*

By operating under American Industries® Shelter Program, you obtain the following benefits:

- Trouble-free access to operating in Mexico
- Allows you to focus 100% on your manufacturing operation
- Lower start-up cost than a stand-alone operation
- Quick start-up (in just 9 weeks)
- Minimal liability in fiscal, customs and human resources matters
- Minimum supervision required from headquarters for administrative functions
- Full compliance with Mexican laws and regulations
- Indirect purchasing: Maximize savings by taking advantage of our economies of scale
- On-going consulting services (human resources, fiscal and customs) included
- Robust IT platform
- ISO 9001-2015 certified

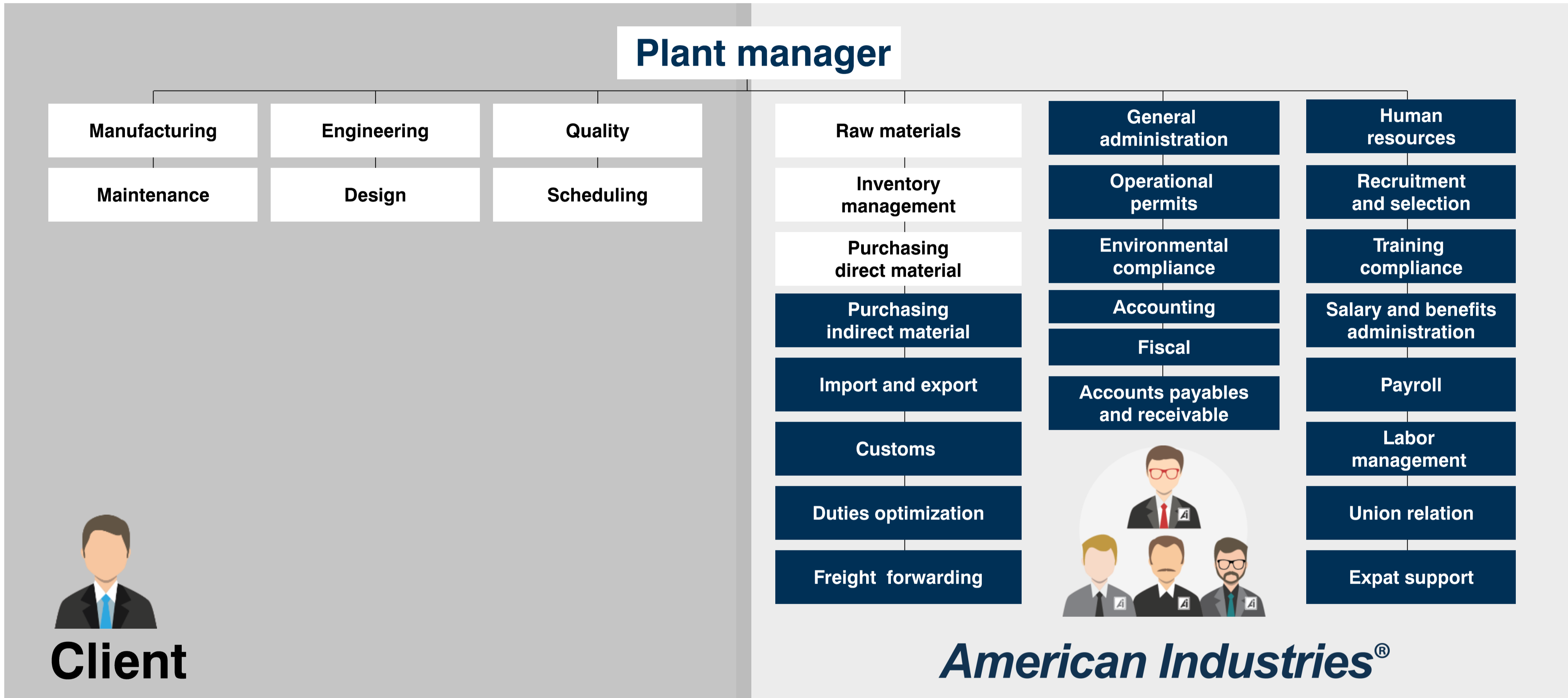
Amongst other benefits, the Shelter Program gives you the alternative to improve the total cost for your customers due to our free-trade agreements.

These are some of the legalities you will not have to worry about with the Shelter Program:

- Optimization and management of duties and taxes on raw materials, machinery, and equipment
- Customs clearance (northbound, southbound, and in-bond)
- Other Government Agencies permits, audits and certifications (FCC, FDA, USDA, HAZMAT)
- Freight forwarding
(Consolidating and warehousing)
- Mexican and US Customs Broker
- Customs software (required by law)
- Regulation compliance (permits)
- Adequate filling of legal documentation
- Labeling control system for equipment
- Proper reconciliation to save on duties
- Assistance to get certified by C-TPAT



The Shelter Program will help you by-pass all of these legalities so you can import and export your materials from your Mexican manufacturing plant.



In the white boxes of this diagram you can find the description of functions that you will be in charge in your new operation in Mexico, to meet your customers' needs. The blue boxes contain all the duties that a full Shelter Program cover.

One of the many advantages of this program, is that you will start operations in Mexico being entirely focused on sales, customer service, and production. You will not have to worry, nor face, any legal or administrative risks/liabilities on your start-up stage.



- ✓ You will get a tailored evaluation and roadmap to start operations in the regions that there might be potential for your business to grow in Mexico (like Chihuahua or Queretaro).
- ✓ You will get a tailored cost model where you will be able to compare the total cost of **your operation** per hour in each region.

- ✓ At this point we will coordinate business agendas in the selected regions for your operations in Mexico with industrial associations and clusters.
- ✓ As part of the agenda, you will be able to visit the Shelter's real estate facilities where you will be able to operate.
- ✓ Additionally, you will get a presentation of the different enabling services that you will get as part of the Incubator and you will be able to meet with government officials.

- ✓ At this stage you will get all permits for your operations.
- ✓ You will get your human resources hired and organized (including payroll management).
- ✓ You will get your machinery and equipment installed.
- ✓ You will get all your customs & logistics set up.
- ✓ You will get all paperwork and administrative tasks done so that you can start serving your clients from your new location.

You have already seen different types of costs that will have an impact on your distribution or manufacturing total operation cost. However, putting all the pieces together require more than just adding up numbers.

There might be a lot of hidden costs based on “small picture” assumptions, such as going to a certain location with the wrong type of skillset, suppliers, or infrastructure to support your operations or some differences in employees benefits depending on the region.

We suggest you get a **Complimentary Cost Model Simulation** where you can compare the total cost of doing business in key industrial regions in Mexico.

This cost model tailored to your project in Mexico, will include direct costs of:

- Direct and indirect labor
- Real estate and utilities
- Customs and Logistics
- Administrative, legal, and other indirect costs

Request yours at start@americanindustriessgroup.com



About American Industries Group

American Industries Group is a private Mexican company founded in 1976 which, through its Shelter Administrative Services and Industrial Real Estate, has contributed to the successful establishment of the manufacturing operations of more than 200 international companies in Mexico.

Value Proposition *“Why a Shelter?”*



We team up with the arriving company becoming their day-to-day administrative solution provider -human resources, accounting, fiscal, customs, logistics- so that our client can focus on key variables such as quality, productivity and on-time delivery.

We are present at all stages of your industrial business needs in Mexico:

Site Selection



We help you find the right location for your operations in Mexico including the coordination of business agendas in different regions.

Start under a Shelter Program



We take care of all start up, legal, operational and environmental permits, human resources, customs, logistics, fiscal, accounting and all the administrative part of the business.

Expansion in other regions in Mexico



We help you grow your business by working together with industrial clusters and associations to promote your business in different regions in Mexico.

Supply chain divisions relocation



We help you to educate and relocate your foreign suppliers or other divisions near your operations in Mexico.

Aerospace

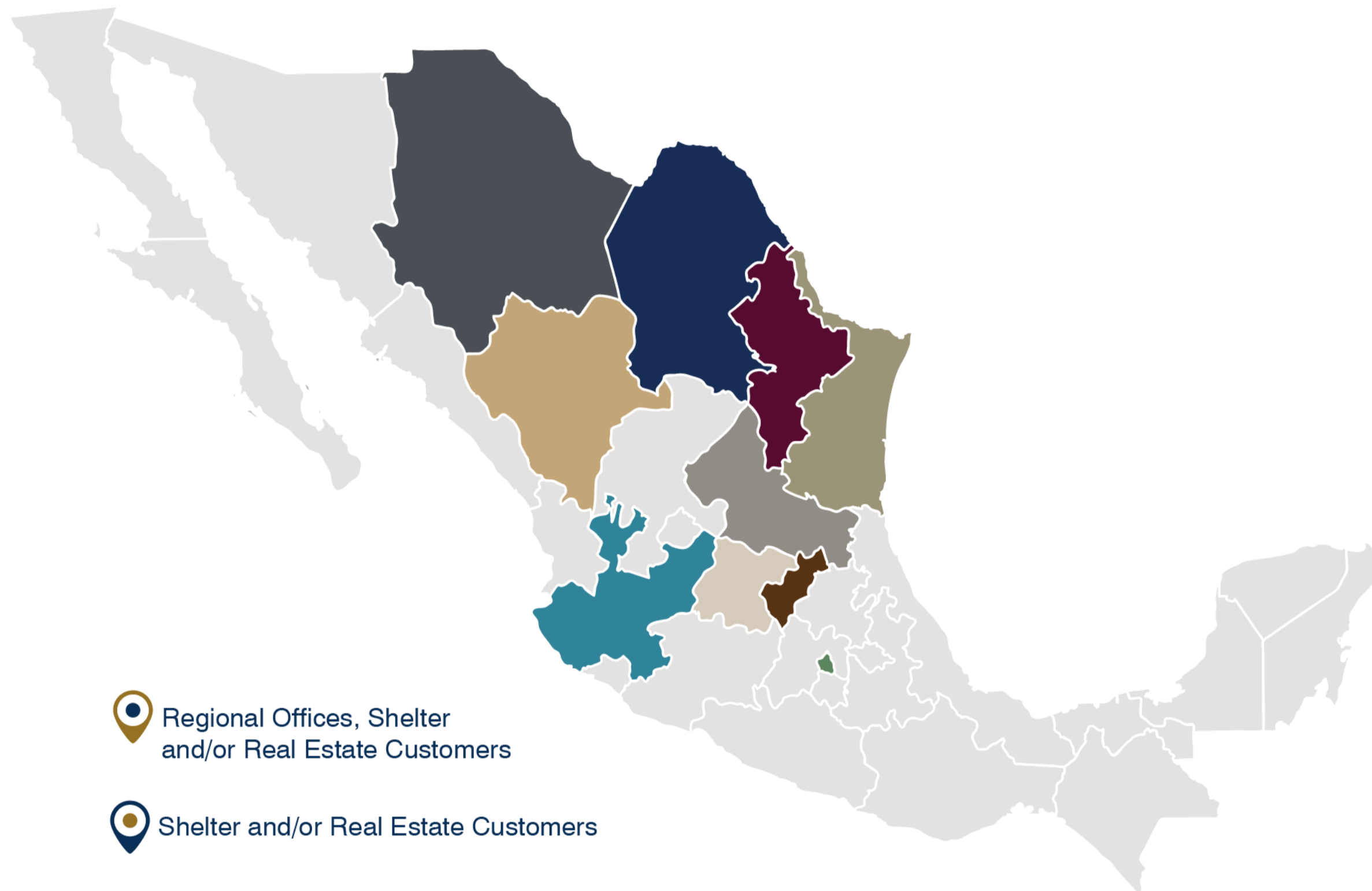


Automotive



Others





United States
 • El Paso
 • Laredo

Tamaulipas
 • Matamoros
 • Reynosa

Jalisco
 • Guadalajara

Chihuahua
 • Juarez
 • Chihuahua
 • Delicias
 • Camargo

Queretaro
 • Queretaro

San Luis Potosi
 • San Luis Potosi

Guanajuato
 • Silao

Mexico City
 • Mexico City

Nuevo Leon
 • Monterrey

Coahuila
 • Saltillo
 • Torreon

Durango
 • Gomez Palacio

Shelter and start-up services

- Over 16,000 headcount
- Over 30,000 trouble-free import and export transactions per year

Real Estate

- Over 13 million sq. ft. of developed and leased industrial space
- All our buildings are classified into Class A category
- 15 industrial parks

You can count on American Industries® expertise to start and maintain a successful operation by avoiding unnecessary problems and costly mistakes, while maximizing savings as much as possible.



American Industries[®]

Site Selection - Shelter Administrative Services - Industrial Real Estate

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