



Vistra Latin American Roundtable Series, Q1

15th March 2019

Latin America regional outlook

Main economies struggling amid structural and external headwinds



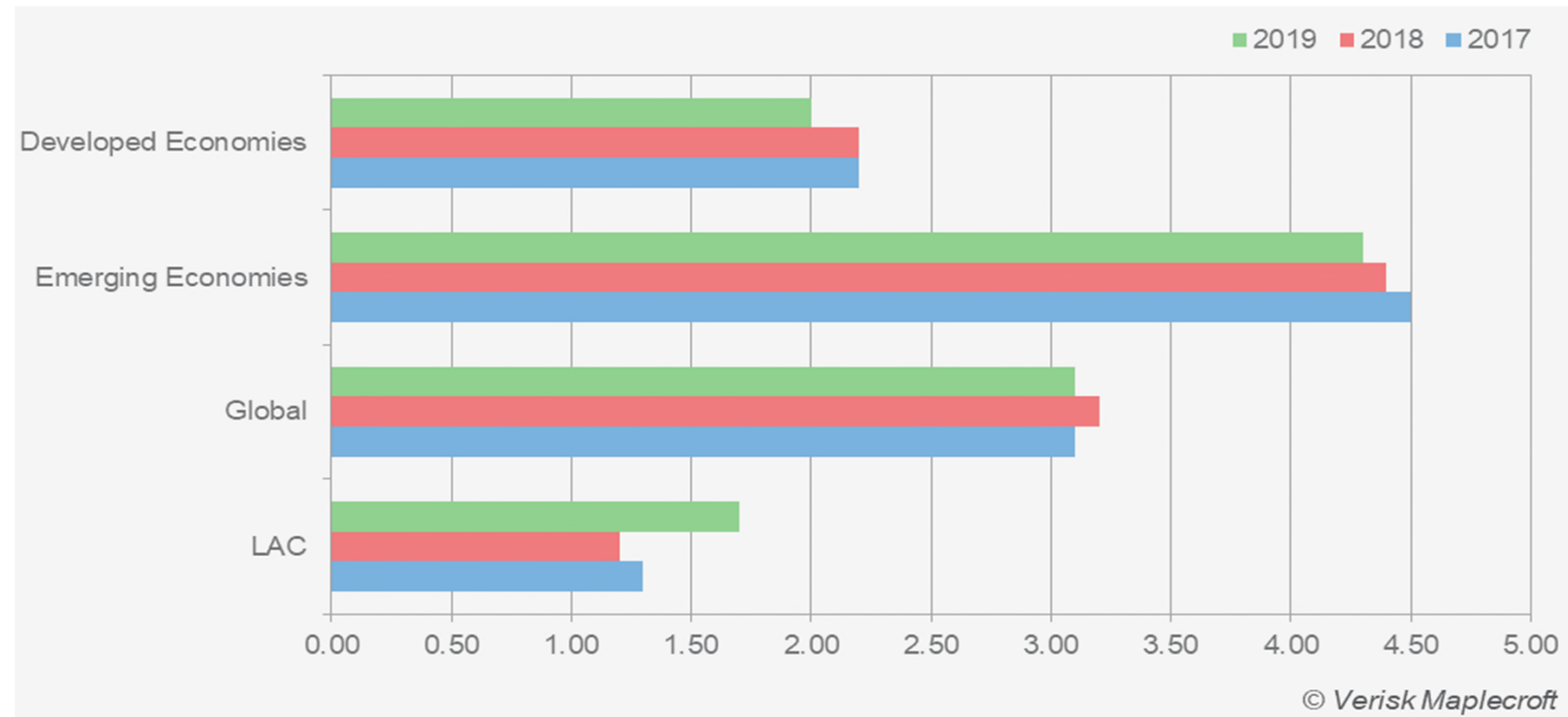
Contents

1. Regional outlook
2. Main economies
 - a) Brazil
 - b) Mexico
 - c) Argentina

Latin America in the global scenario

Fall in commodity prices, trade war, and deteriorating financial conditions

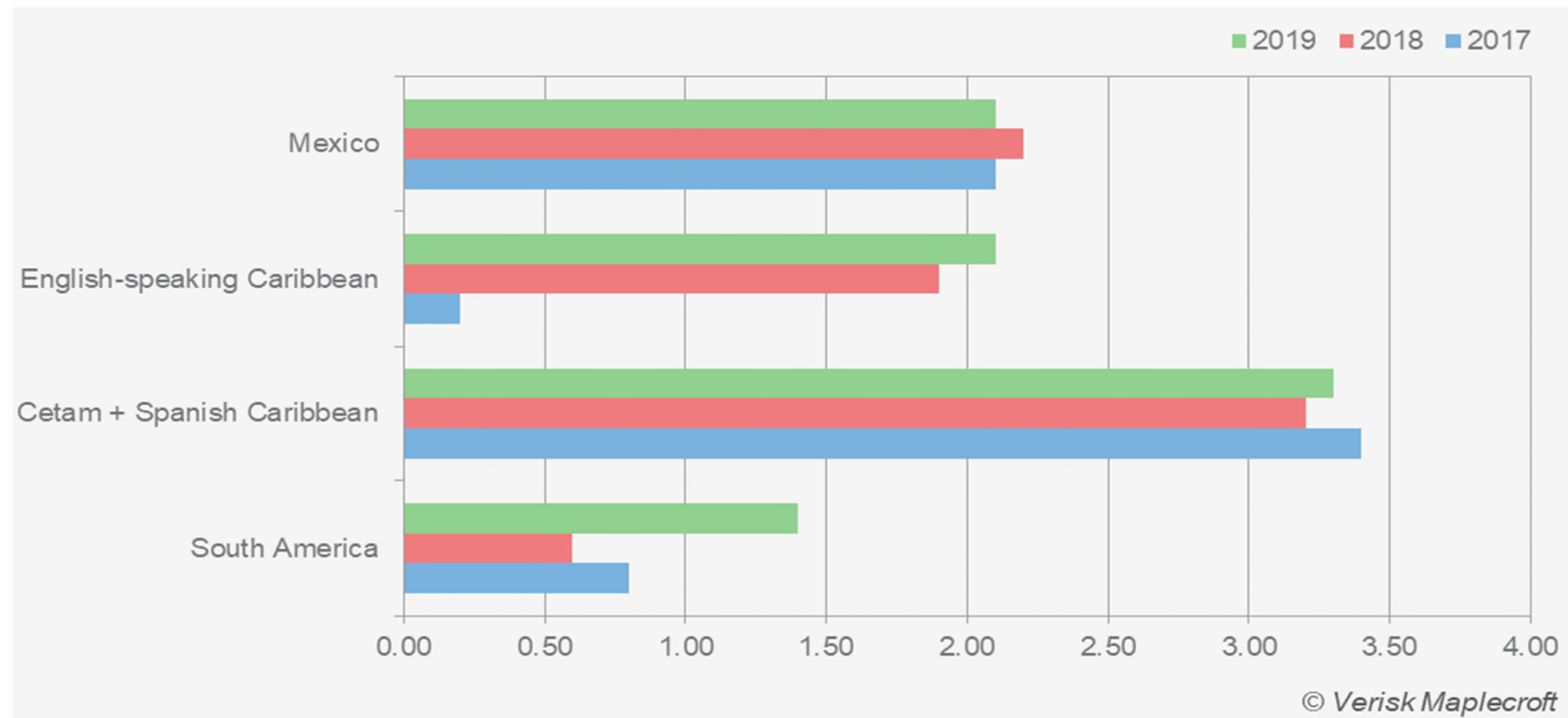
Economic growth by region (%)



The regional breakdown

Argentina and Venezuela drag South America's outlook

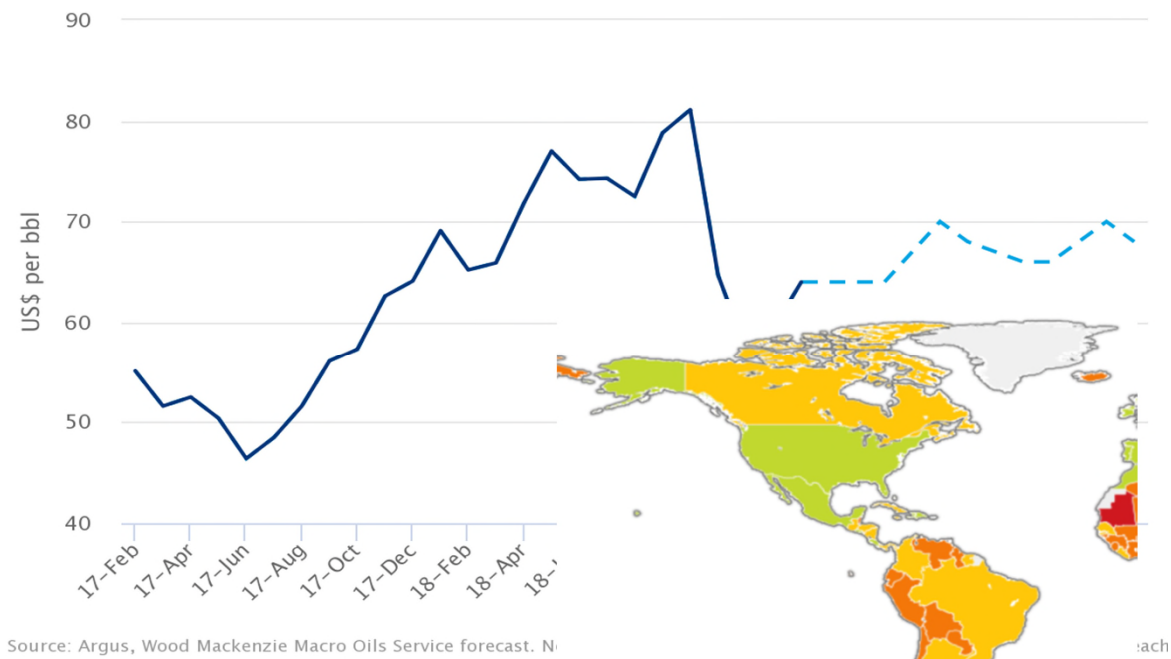
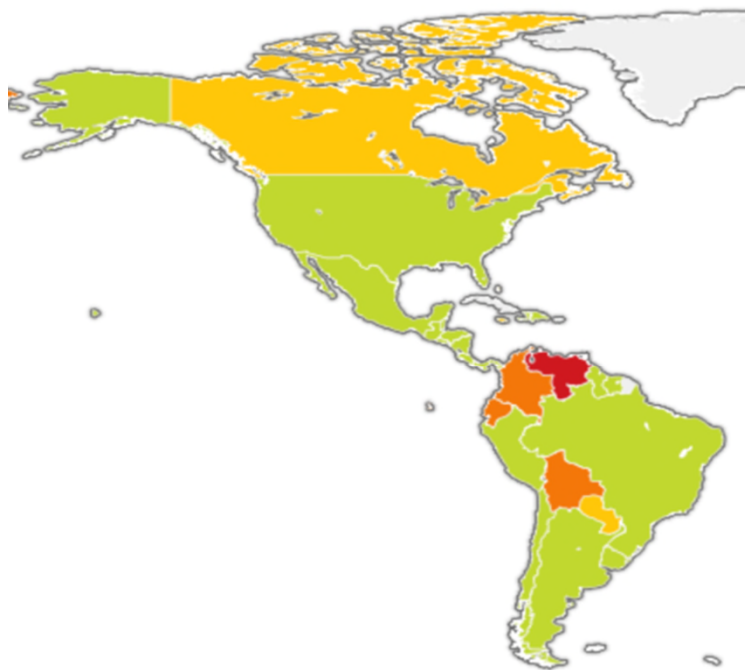
Economic growth by sub-region %



Fall in commodity prices troubles export dependent countries

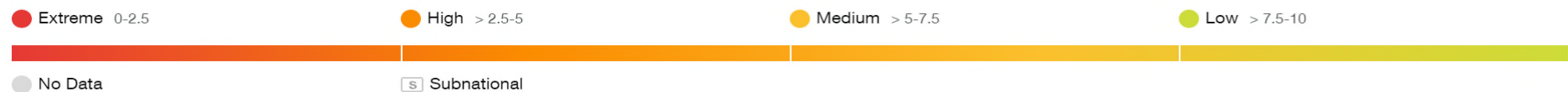
Dependence on fossil fuel exports

Oil price forecast



Source: Argus, Wood Mackenzie Macro Oils Service forecast. N

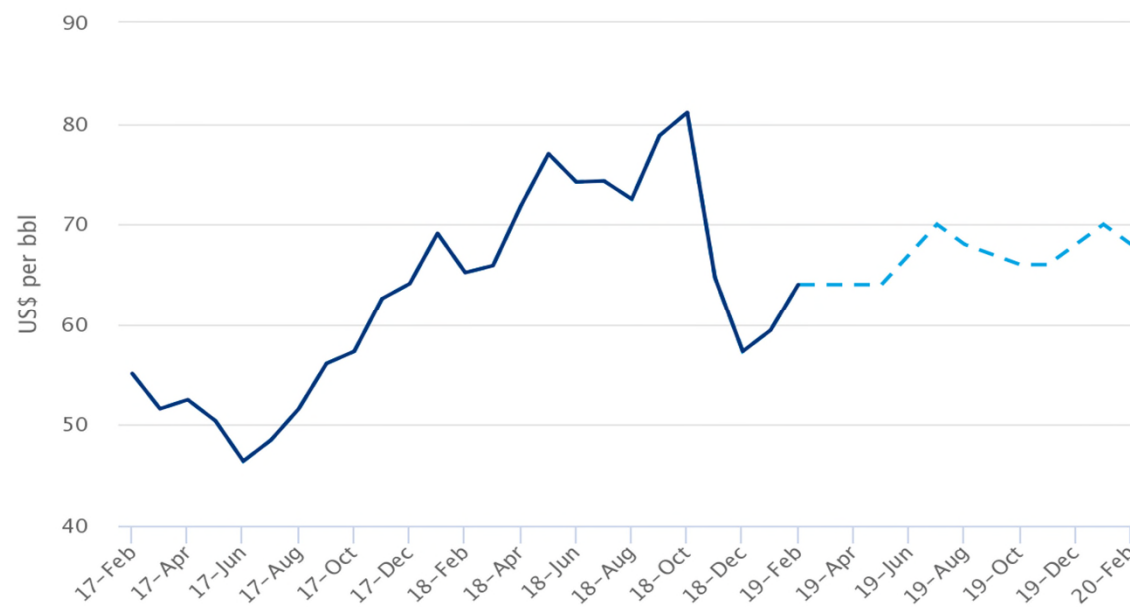
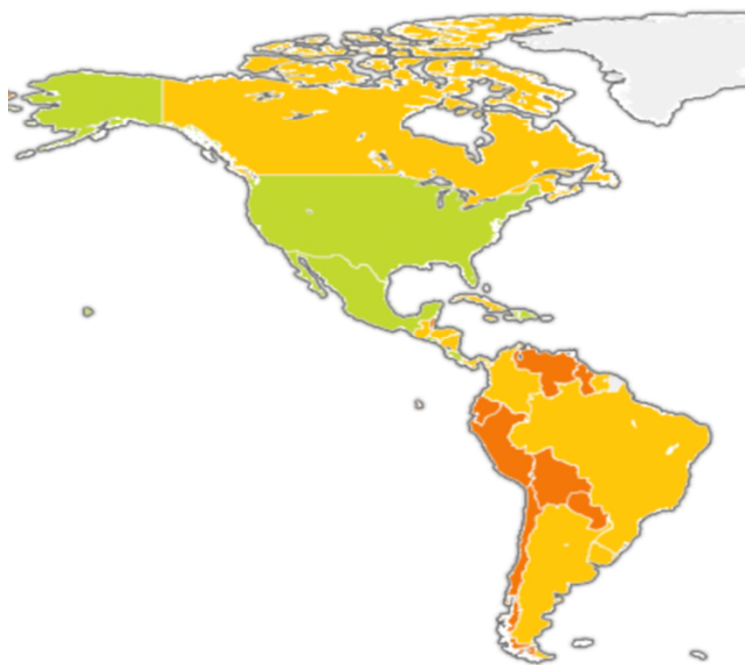
The index score is presented on a scale of 0-10, where 0 represents highest risk and 10 represents lowest risk. The risk category is based on the index score as follows:



Fall in commodity prices troubles export dependent countries

Dependence on commodity exports

Oil price forecast



Source: Argus, Wood Mackenzie Macro Oils Service forecast. Note: The Macro Oils price outlook is updated at the beginning of each

The index score is presented on a scale of 0-10, where 0 represents highest risk and 10 represents lowest risk. The risk category is based on the index score as follows:

● Extreme 0-2.5

● High > 2.5-5

● Medium > 5-7.5

● Low > 7.5-10

● No Data

Subnational

Slide 7

GE1

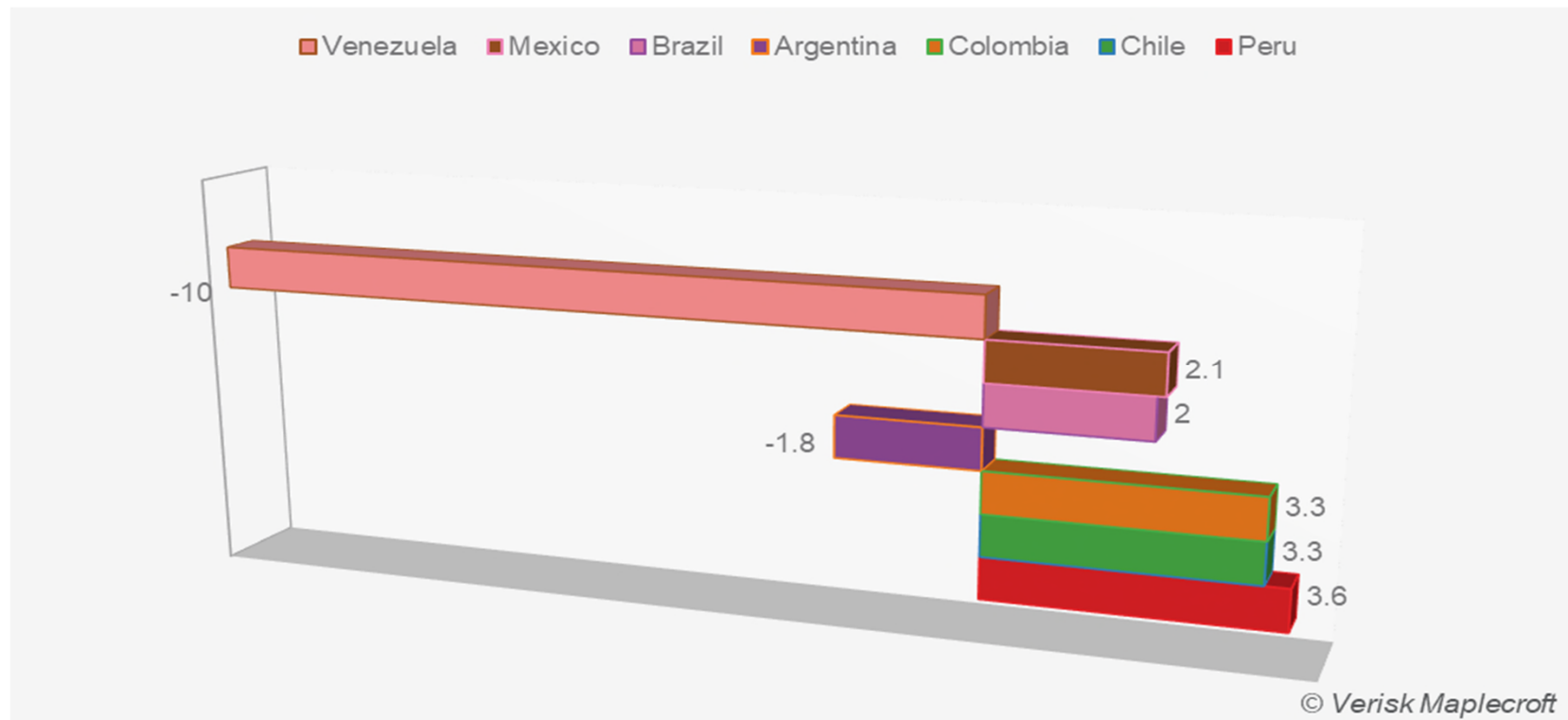
same title for this slide and the previous - is that OK?

Gavin, Eileen, 13/03/2019

Positive outlooks point only to modest growth

Fall in commodity prices & Chinese slowdown threaten best performers

Growth forecast by country, 2019



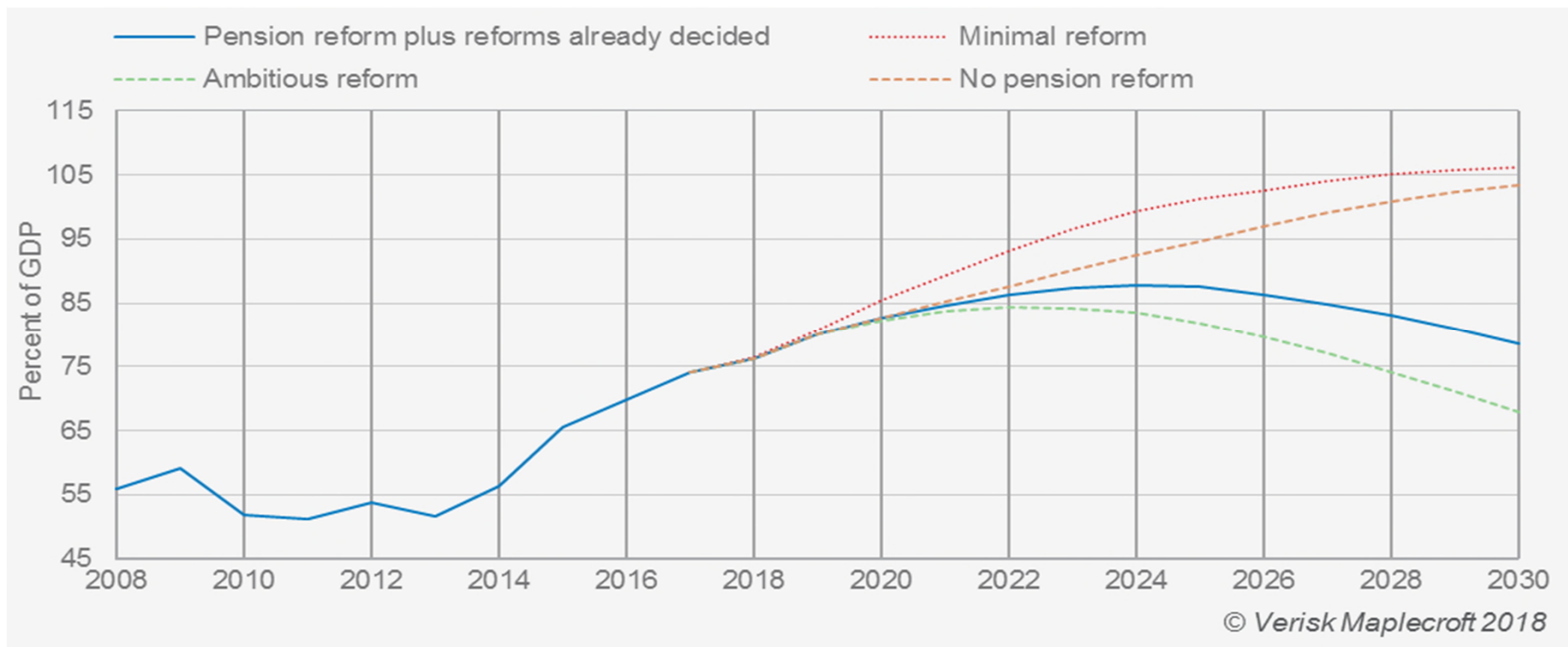


Brazil

Congress will leave Bolsonaro in post-honeymoon hangover

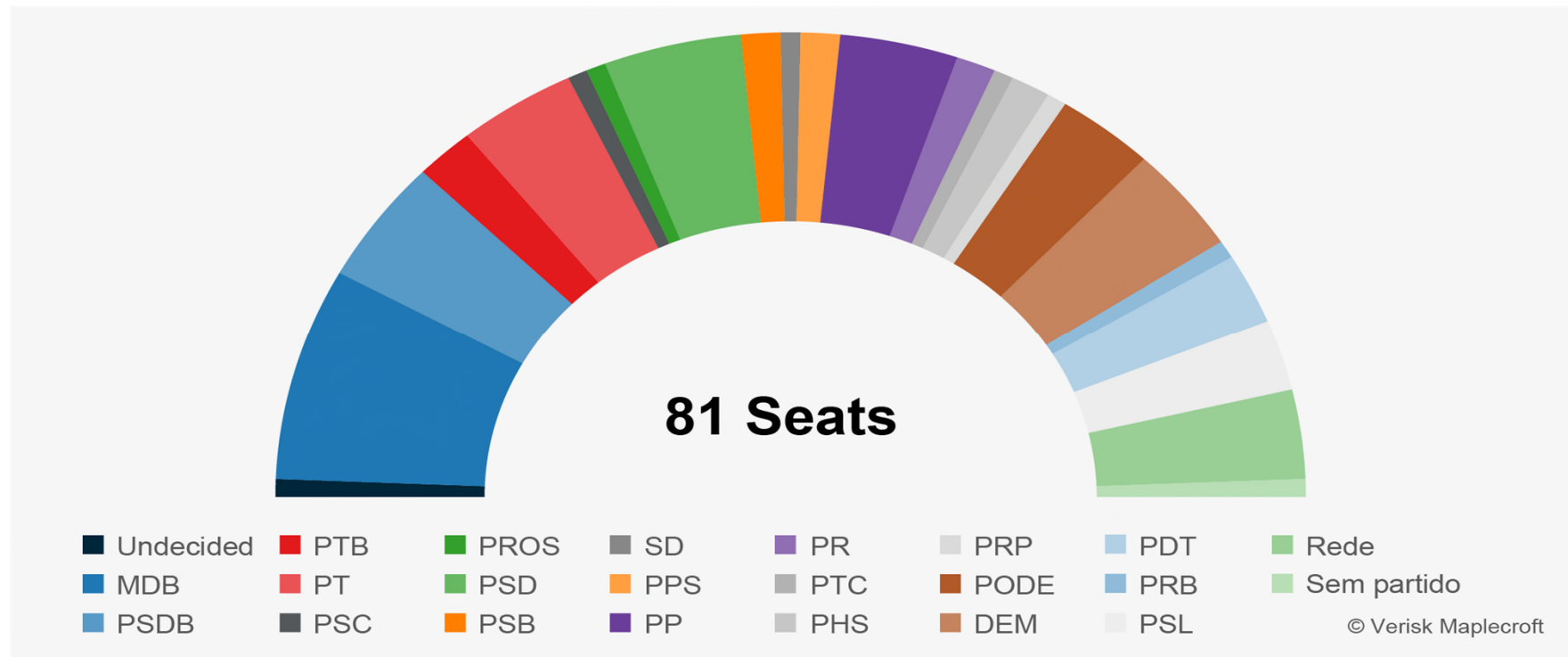
Gross government debt levels already a drag on economy

Local currency nature of debt facilitates restructure & monetisation



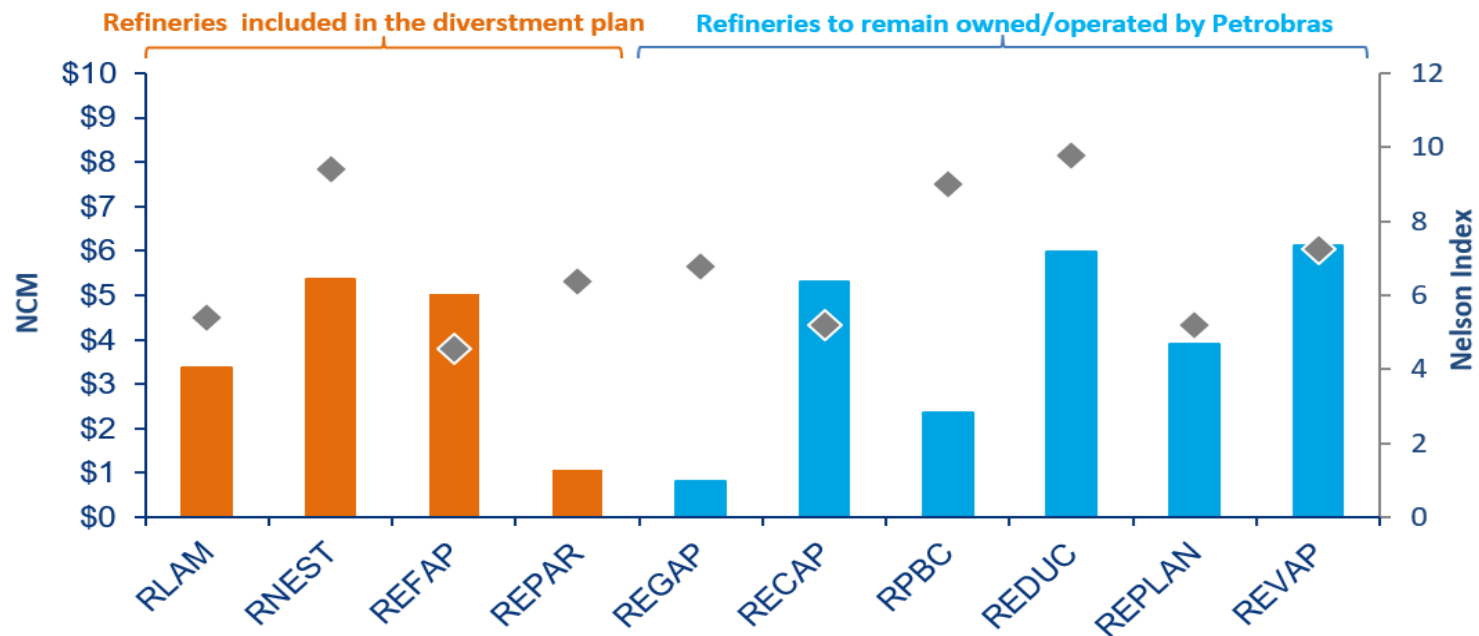
Planalto only as good as the sum of its congressional parts

Challenging the Centrão & reliance on sons weakens Bolsonaro



Tenders, divestment and privatisation will bring investment flows

Fuel pricing convergence required to secure refinery divestment



Source: Wood Mackenzie



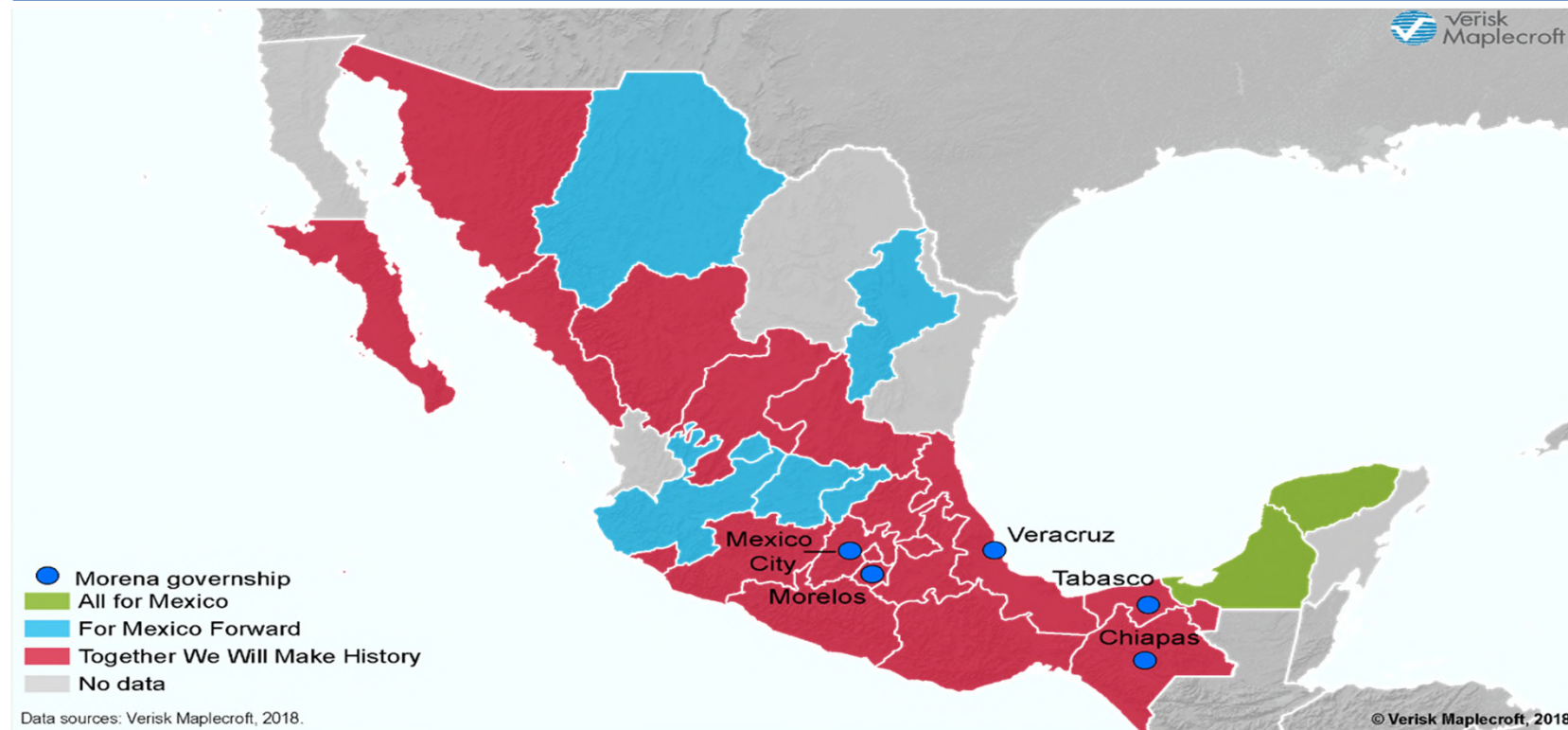
Mexico

Resurgence of resource nationalism threatens comparative advantage

The 2018 election

Strong mandate facilitates implementation of legislative proposals

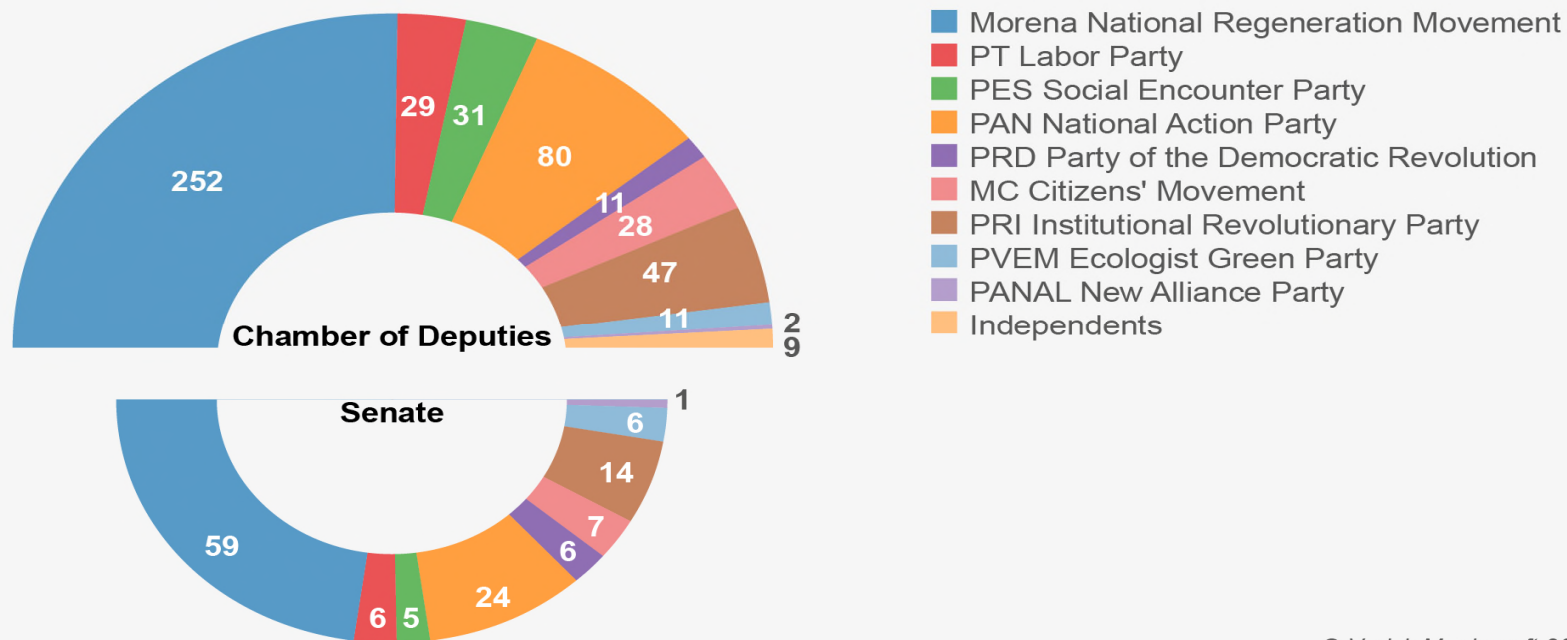
AMLO's electoral alliance has majority in state legislatures



The 2018 election

AMLO and Morena can undertake legislative and constitutional reform

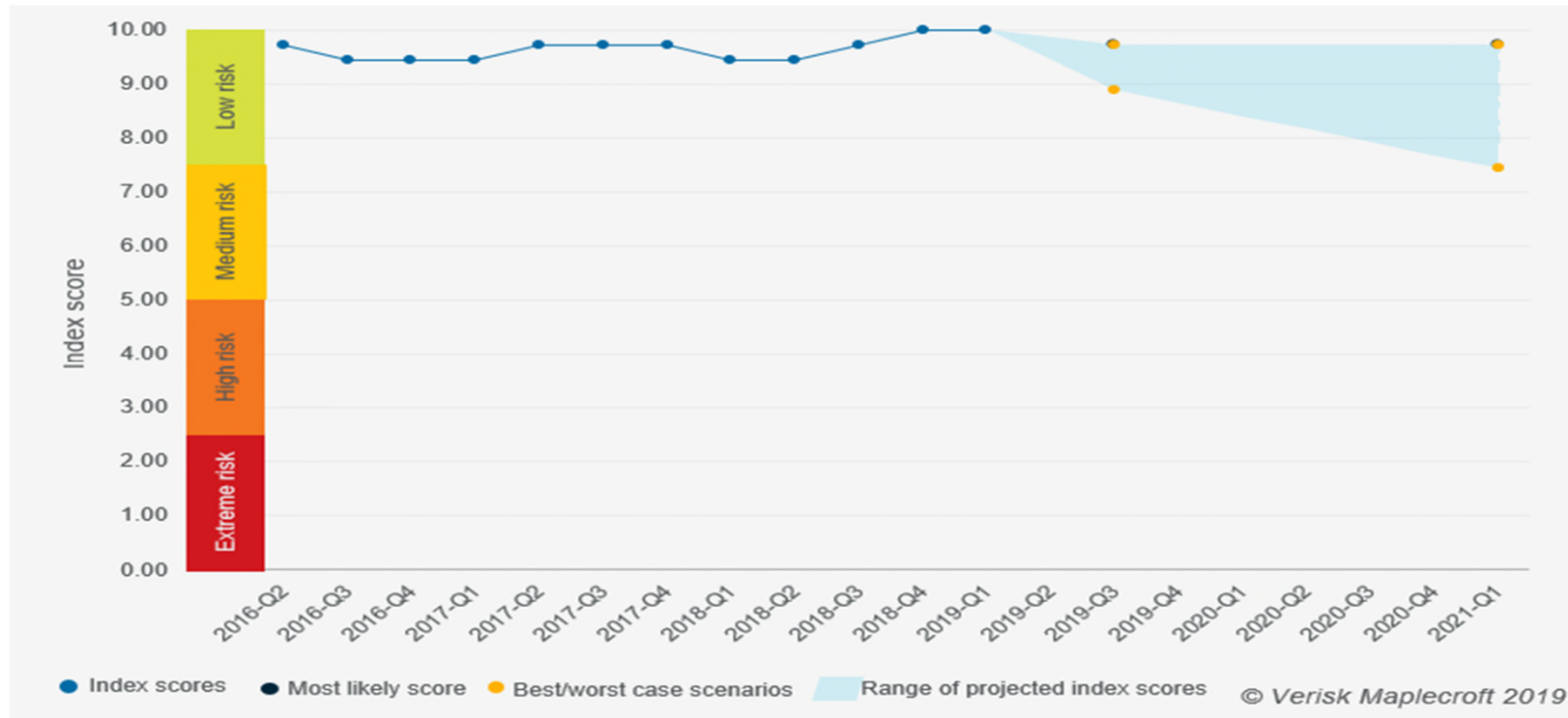
Composition of Congress



Government stability

Unfulfilled campaign promises will drive discontent & threaten policy implementation

Government Stability Index projections, 2019-Q1



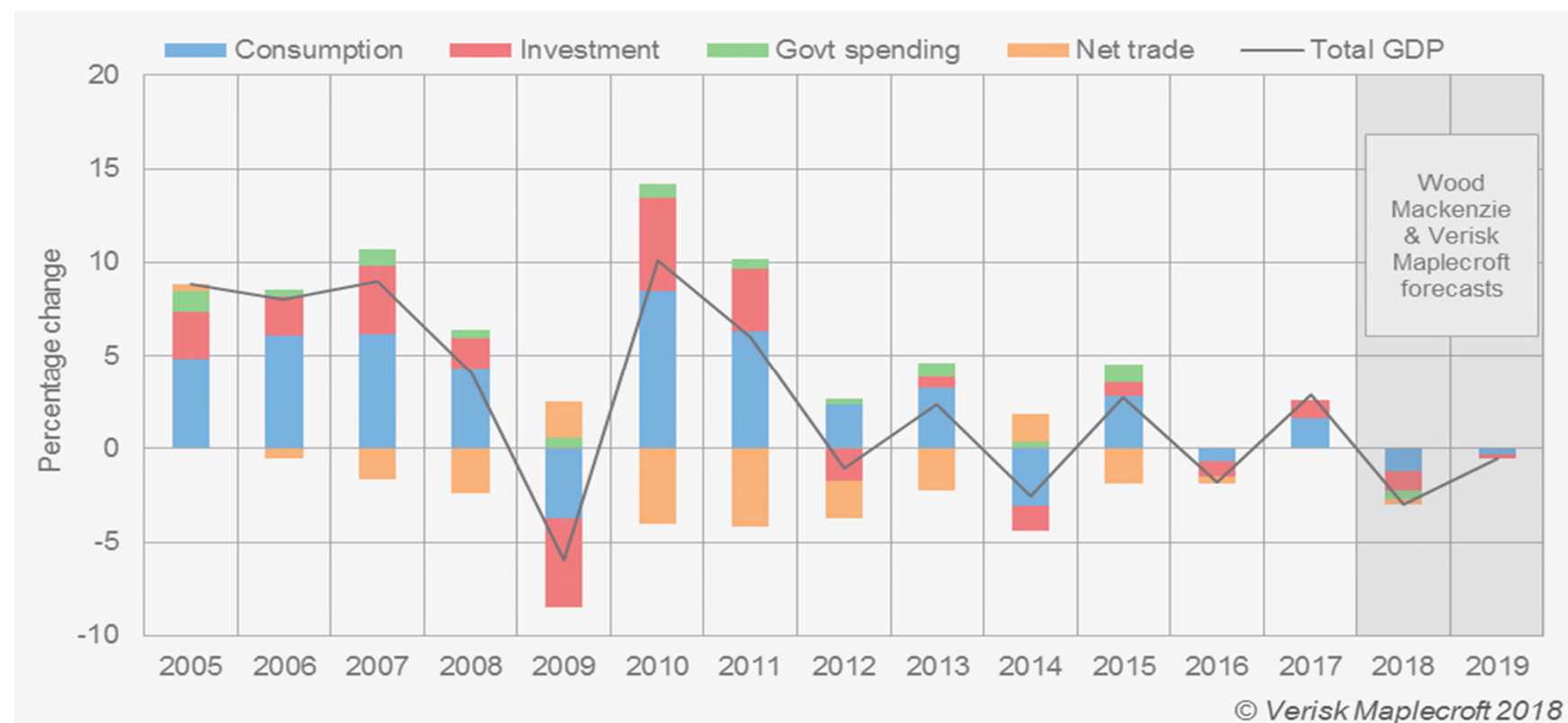


Argentina

Coming full circle or end of the experiment?

Sharp recession to ease by late Q2/early Q3

But recovery too tepid to revert negative annual GDP performance



Intense electoral calendar, from March to November

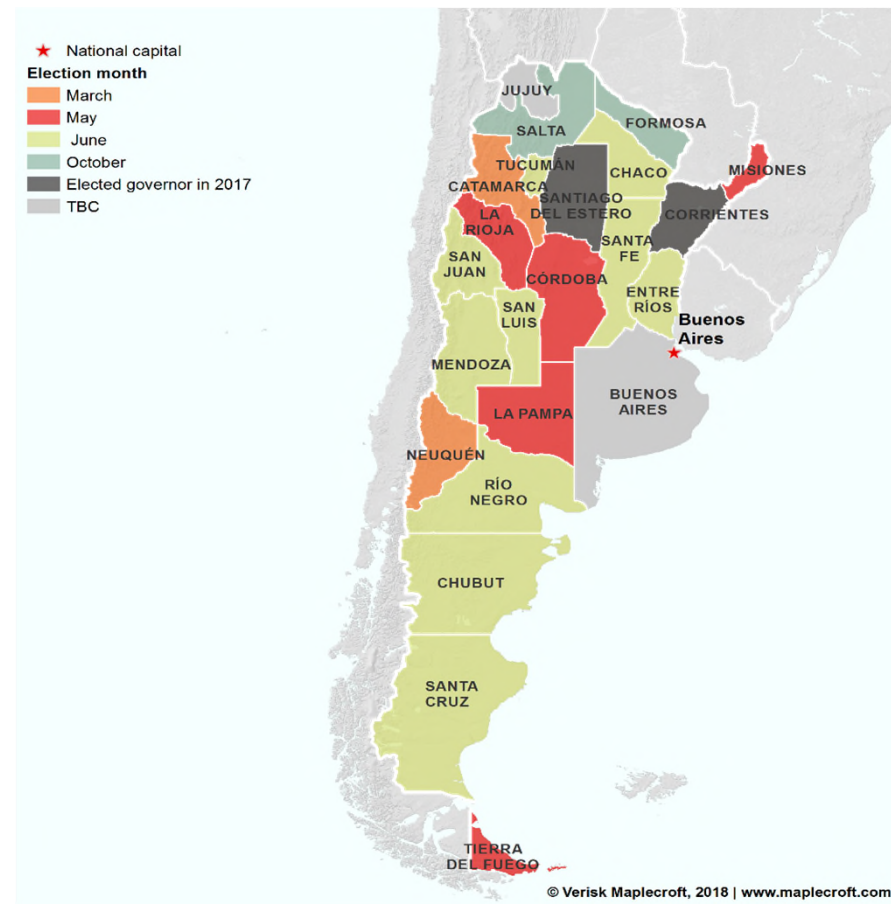
Voters to participate in as many as six elections

What are they voting for?

- President and Vice-President (2019-2023)
- 130 National Deputies (2019-2023)
- 24 Senators (for CABA, Chaco, Entre Rios, Neuquén, Salta, Santiago del Estero & Tierra del Fuego; 2019-2025)
- 43 Mercosur parliamentarians

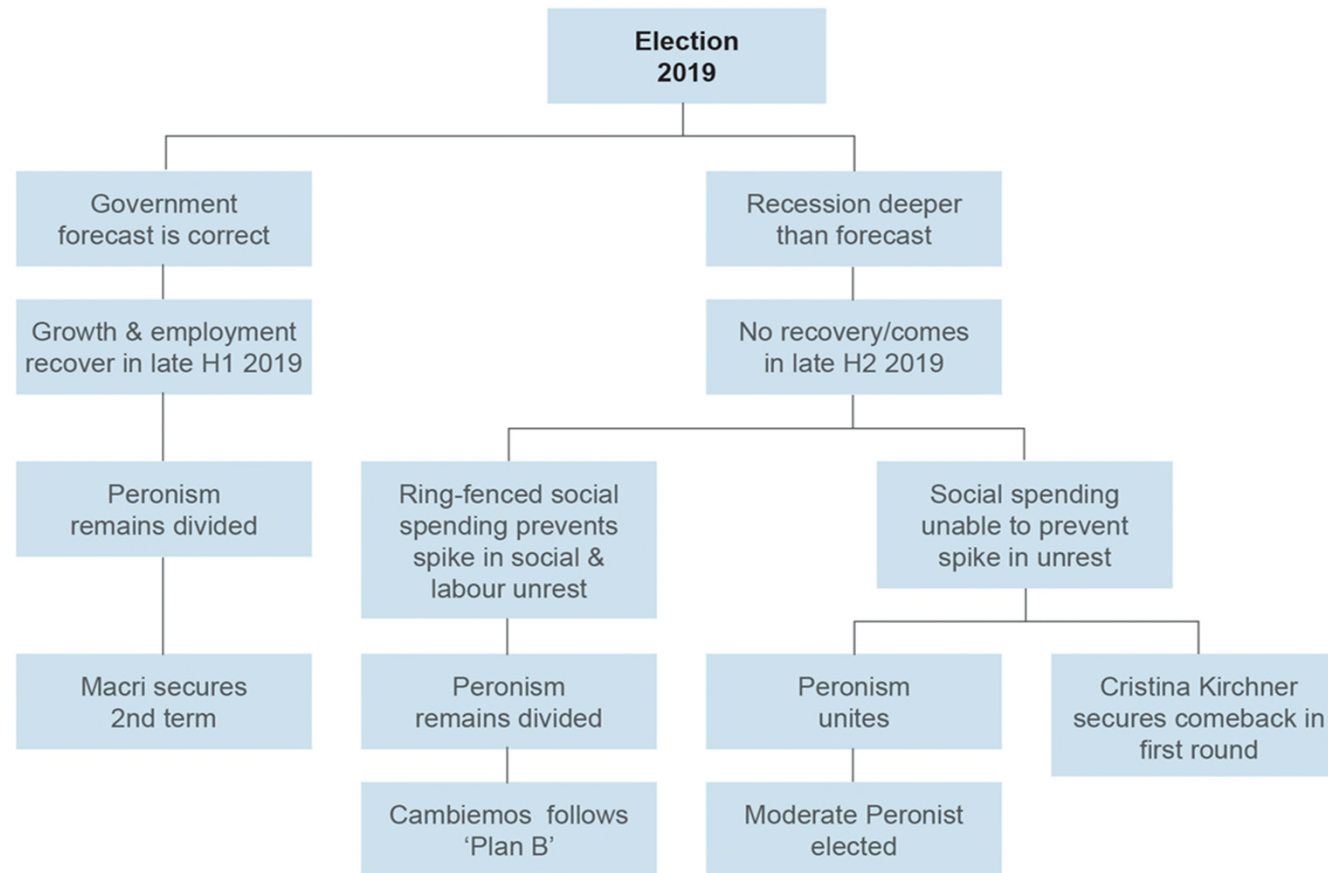
Key electoral dates

- 22 June – deadline to register for the PASO
- 11 August – PASO
- 13 September – Mandatory presidential debate
- 27 October – Presidential election
- 24 November – Presidential election run-off



Pace of economic recovery will determine who makes run-off

Macri-Kirchner polarisation could open path for alternative candidate





© Verisk Maplecroft 2019



Verisk Maplecroft is a Verisk business.



CINCOTTA

INTERNATIONAL ADVISORY FIRM

FAMILY BUSINESS ARGENTINA



CINCOTTA
INTERNATIONAL ADVISORY FIRM



PART ONE



CINCOTTA
INTERNATIONAL ADVISORY FIRM

REGION'S OUTLOOK & INTRODUCTION

REGION'S OUTLOOK



CINCOTTA
INTERNATIONAL ADVISORY FIRM

**Family-controlled
conglomerates
continue to dominate
Latin America's
private sector**



INTRODUCTION



CINCOTTA
INTERNATIONAL ADVISORY FIRM

- **Argentina** – third largest economy in Latin America
- **Family businesses** play an important role
 - at least 80% of the country's 1.2 million businesses are privately owned

INTRODUCTION



CINCOTTA
INTERNATIONAL ADVISORY FIRM

- Generate 80% of work in the private sector
- Contributes to more than 50% of Argentina's GDP
- 13 - out of the 17 Argentine multinational companies - are or have been until recently Family Business

PART TWO



CINCOTTA
INTERNATIONAL ADVISORY FIRM

WHO ARE THEY? & CASE STUDIES

TOP 50 RICH ARGENTINE FAMILIES



CINCOTTA
INTERNATIONAL ADVISORY FIRM

- **70 billion US\$ altogether**
- Only 22 made their fortune from 0
- **Only 7 women in the ranking**, and 3 of them share their position with husband or brother



PAOLO ROCCA and FAMILY



CINCOTTA
INTERNATIONAL ADVISORY FIRM

US\$ 9.7 Billion

**ROCCA Family -
founder of
TECHINT GROUP**





CINCOTTA
INTERNATIONAL ADVISORY FIRM

TECHINT GROUP CONSOLIDATED COMPANIES' HIGHLIGHTS USD Million

	2013	2014	2015	2016	2017
Revenues ¹	25,378	23,826	19,108	15,238	18,495
Capital Expenditures ²	2,085	2,455	2,405	1,708	1,771
Total Assets	33,226	34,026	29,928	29,166	34,971
Permanent Employees	59,429	58,257	51,191	48,530	55,383

1. Includes Republic Conduit, sold in January 2017.

2. Increase before depreciation of tangible and intangible assets gross of divestitures.

Founded: 1945

Headquarters: Milan
& Argentina

TECHINT GROUP



CINCOTTA
INTERNATIONAL ADVISORY FIRM



Leading global
supplier of steel
tubes for the
energy sector



Largest steel
company in Latin
America



Worldwide
engineering,
procurement,
construction,
operation and
management for
high complexity,
large-scale
projects

TECHINT GROUP



CINCOTTA
INTERNATIONAL ADVISORY FIRM



Worldwide partner for innovative, reliable and sustainable solutions in metals and mining



Oil and gas exploration and production company



A network of hospitals in Italy, focused on

- 1) Research
- 2) Promoting patient-oriented management
- 3) use state-of-the-art technology systems

ALEJANDRO BULGHERONI AND FAMILY

US\$ 7.3 BILLION

**Master and Lord of the
hydrocarbons in
Argentina**



CINCOTTA
INTERNATIONAL ADVISORY FIRM



CINCOTTA
INTERNATIONAL ADVISORY FIRM

ALEJANDRO BULGHERONI AND FAMILY

- Created in 1948 to provide parts for the national oil company's pipeline network
- Alejandro and brother took over from their father in 1985



Bridas



CINCOTTA
INTERNATIONAL ADVISORY FIRM

ALEJANDRO BULGHERONI AND FAMILY

- 50% stake sold to China's state oil company, CNOOC, for \$3.1 billion in 2011
- In 2017 cash-free agreement with BP to form the **largest privately-owned integrated energy company**, Pan American Energy



Gregorio Pérez Companc and family

US\$ 3.9 Billion



CINCOTTA
INTERNATIONAL ADVISORY FIRM

Gregorio Pérez Compañc



CINCOTTA
INTERNATIONAL ADVISORY FIRM

- ▶ Now retired
- ▶ Was at the helm of Molinos Rios de la Plata, Argentina's largest food producer
- ▶ In 2009, he stepped down and gave his 75% to his children



Gregorio Pérez Companc



CINCOTTA
INTERNATIONAL ADVISORY FIRM

Built second largest
oil company Perez
Companc SA

Sold Petrobras for \$1
billion



Jorge Pérez

US\$ 3 BILLION



CINCOTTA
INTERNATIONAL ADVISORY FIRM

Jorge Pérez

Known as "the king of
condominiums in Miami"

friend of Donald Trump

Jorge Pérez manages
Related Group since
1979



Icon Brickell, St. Regis
Resort and Residences,
Hallandale Beach Club
and Trump Hollywood
are emblems of its
developments



CINCOTTA
INTERNATIONAL ADVISORY FIRM

Eduardo Eurnekian

US\$ 2.7 BILLION



CINCOTTA
INTERNATIONAL ADVISORY FIRM

Eduardo Eurnekian

Holds a conglomerate of companies under Corporación América

Corporación América
Airports (52 terminals around the world)

Debuted on Wall Street in 2018 and reached US\$ 2,8 billion valuation on its first day



CINCOTTA
INTERNATIONAL ADVISORY FIRM

Werthein family

US\$ 2.3 BILLION

Avid investors, they know when to enter and when to leave, increasing their assets in each movement

They did it with CEI
Citicorp Holdings, La Caja
de Ahorro y Seguro y
Telecom



CINCOTTA
INTERNATIONAL ADVISORY FIRM

Edith Rodríguez

US\$ 2 BILLION

Low profile (nobody
knows her face)



CINCOTTA
INTERNATIONAL ADVISORY FIRM

Edith Rodríguez



CINCOTTA
INTERNATIONAL ADVISORY FIRM

Richest woman in Argentina

Owner – with her 3 children - of 70% of shares of PLUSPETROL

Pluspetrol:

- **fourth largest producer of crude in Argentina**
- **manages the largest gas field in Peru**
- **assets in other countries in South America and Africa**

Alberto Roemmers

US\$ 1.8 BILLION



CINCOTTA
INTERNATIONAL ADVISORY FIRM



Alberto Roemmers

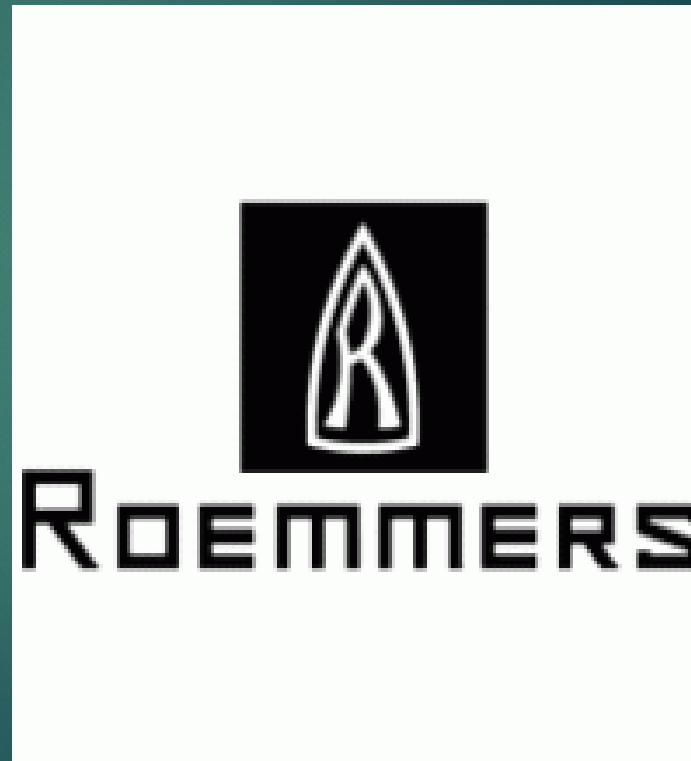


CINCOTTA
INTERNATIONAL ADVISORY FIRM

Owner of:

1) **Roemmers laboratory**

- produces 5 of the 10 most sold drugs in Argentina
- presence in 17 markets
- plant production in Ecuador and Uruguay



Alberto Roemmers



CINCOTTA
INTERNATIONAL ADVISORY FIRM

2) 44% of shares of **Gador laboratory** (1 of the top 5 in billing)

3) **Investi Farma**, pharmaceutical company with revenues of \$ 1,5 billion



Hugo Sigman y Silvia Gold

US\$ 1.6 BILLION



CINCOTTA
INTERNATIONAL ADVISORY FIRM

Hugo Sigman y Silvia Gold



CINCOTTA
INTERNATIONAL ADVISORY FIRM

Owners of Insud Group

Headquarters in Argentina
and Europe

Presence in 40 countries
(4,000 employees)



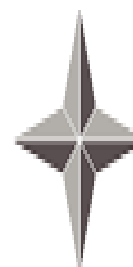
Hugo Sigman y Silvia Gold



CINCOTTA
INTERNATIONAL ADVISORY FIRM

Started in the
pharmaceutical industry
(main activity)

Today strong presence in
other areas: Agribusiness,
cultural industries and
nature and design



grupoINSUD

Marcos Galperín

US\$ 1.6 BILLION



CINCOTTA
INTERNATIONAL ADVISORY FIRM



Marcos Galperín

MercadoLibre, e-commerce platform

- ▶ operates in 18 countries

Since its public offering in 2007 on NASDAQ, its valuation ascended uninterruptedly

MARKET VALUE of US\$ 17.13 billion



CINCOTTA
INTERNATIONAL ADVISORY FIRM

WORLD WIDE RANKING

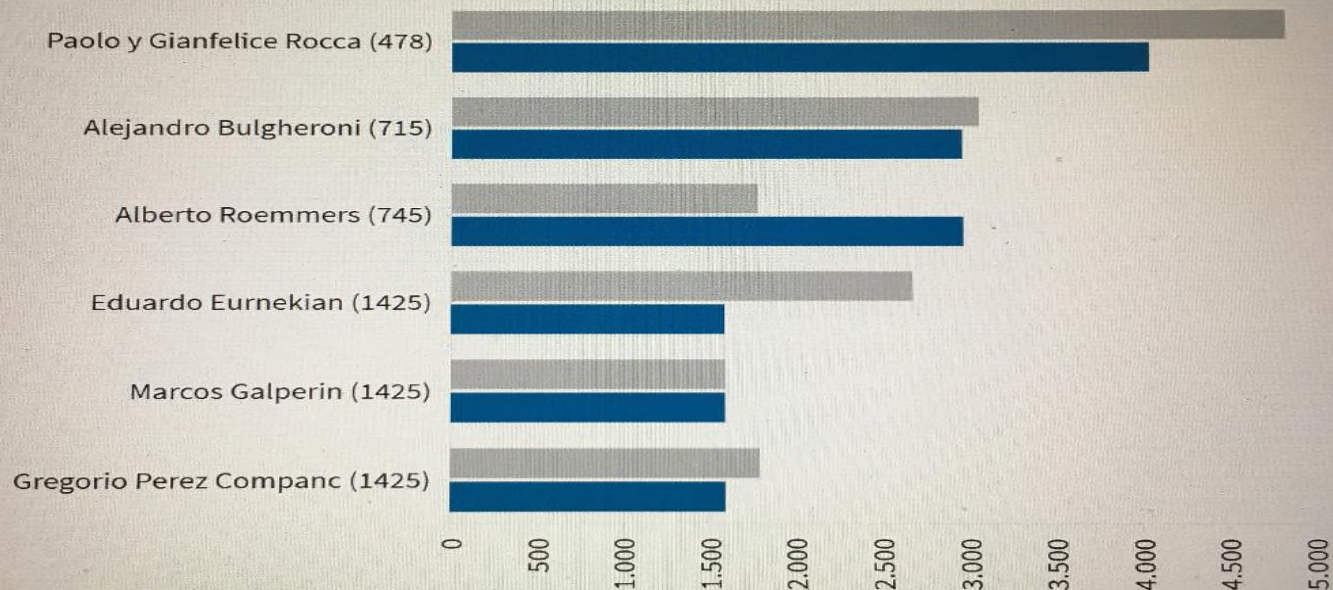


CINCOTTA
INTERNATIONAL ADVISORY FIRM

Las fortunas argentinas

En millones de dólares. Entre paréntesis, el puesto en el ranking mundial

2018 2019



FUENTE: Forbes • INFO: Clarín

CASE STUDY - ARCOR



CINCOTTA
INTERNATIONAL ADVISORY FIRM

Argentina's Biggest Food Company is looking to go global

Arcor will eventually hold share offering

Before listing will target acquisitions in Mexico and Brazil



CASE STUDY - ARCOR



CINCOTTA
INTERNATIONAL ADVISORY FIRM

World's biggest maker of hard candies

Seeking a strategic partner to expand outside Latin America

Willing to do a stock swap with a partner to get access to more overseas markets, especially in Asia



Luis Pagani "Arcor's family ownership might appeal to other global candy makers that value similar structures, such as [Ferrero International SA](#) and [Mars Inc](#)"

CASE STUDY - ARCOR



CINCOTTA
INTERNATIONAL ADVISORY FIRM

Pagani:

“Arcor will likely seek to sell shares at some point, and Argentina has become a favourite of emerging-market investors looking to profit from President Mauricio Macri’s pro-business policies, but Pagani says he feels no pressure to rush an offering right now”

CASE STUDY - ARCOR

Revenue \$3.1 billion –
Argentina's biggest food
producer

Owns 51 percent of Bagley
Latinoamerica SA (remaining
stake held by Danone)

Strategic alliance with Bimbo
SA in Mexico

Branding alliance with Coca-
Cola to sell products in Peru



CINCOTTA
INTERNATIONAL ADVISORY FIRM

CASE STUDY - ARCOR



CINCOTTA
INTERNATIONAL ADVISORY FIRM

Arcor will seek to make acquisitions in Latin America:

- particularly consumer, agribusiness and packaging businesses in Mexico and Brazil,

Pagani said it could pay for by using its cash flow taking on new debt

CASE STUDY - ARCOR



CINCOTTA
INTERNATIONAL ADVISORY FIRM

Lowest borrowing cost among Argentine peers

Moody's Investors service rates Arcor's \$500 million bonds

Since notes were sold -June 2016-, returned 15%, beating the emerging-market corporate average of 9.8%

CASE STUDY - ARCOR



CINCOTTA
INTERNATIONAL ADVISORY FIRM

Brazil: antitrust regulator may force Nestle SA to divest from some of its businesses

Mexico: appealing consumer sector as the **market is heavily segmented** and **Mexicans are high sugar consumers**



CASE STUDY - ARCOR



CINCOTTA
INTERNATIONAL ADVISORY FIRM

Arcor is testing other agribusiness ventures (apart from sugar cane)

2015 Mastellone Partnership - largest dairy producer –

Option to become controlling shareholder by 2021, or earlier paying premium to Mastellone bondholders



Association: opened the door to exporting milk-based products to Africa, the Middle East and Asia

CASE STUDY



CINCOTTA
INTERNATIONAL ADVISORY FIRM



CASE STUDY –



CINCOTTA
INTERNATIONAL ADVISORY FIRM

Martin Eurnekian CEO

39 years old – nephew of
Eduardo Eurnekian

Family's also owns energy
assets, a semiconductor
maker and real estate



CASE STUDY –



CINCOTTA
INTERNATIONAL ADVISORY FIRM

Largest private airport operator in the world by number of airports

Operates 52 airports in 7 countries in 2 continents (eyeing India and Africa)

Difficult introduction to the markets - shares tumbled 50 percent since IPO in 2018



CASE STUDY –



CINCOTTA
INTERNATIONAL ADVISORY FIRM

Why go public?

- ▶ **IPO was not motivated by succession. However it will play a big part in it because it forces us to stop being a private family-owned company that basically runs by our own rules**

- ▶ **Now we have governance policies, investors and compliance**

“Sometimes in family-owned companies that might not be the case”

CASE STUDY –



CINCOTTA
INTERNATIONAL ADVISORY FIRM

How does the family manage its varied interests?

The **founder** -Eduardo- leads:

- **1) strategy &**
- **2) big decisions**

*“We are **fairly diversified**... Therefore family members can run different businesses so we are not bumping into each other every day, which sometimes creates tension in family-owned businesses”*

PART THREE

ANALYSIS



CINCOTTA
INTERNATIONAL ADVISORY FIRM

WHAT DO THESE FAMILIES EXPECT?



CINCOTTA
INTERNATIONAL ADVISORY FIRM

- 1) **PUBLIC RECOGNITION** for role they play in the economy
- 2) **CHANGES** around **TAXATION**
- 3) Easier **ACCESS** to **LOANS**

LATIN AMERICA - STRONG FAMILY LINKS



CINCOTTA
INTERNATIONAL ADVISORY FIRM

Family businesses in Latin America are strong partly because the extended family itself is strong

“no clear-cut separation between family interest and business interest, or between the person of the owner and the legal personality of the firm”



average number of family members on the board

CHALLENGES FOR FAMILY BUSINESS

- Strong family links clash with maximising profits
- Many family businesses lost rankings positions
 - refused to consolidate business in a professionally managed holding company, and failed to seek foreign allies

“Foreign businessmen are rarely flexible on matters such as providing jobs for relatives, handling expense accounts, arranging for convenient work schedules, allowing for cash withdrawals and safeguarding personal prestige”



CINCOTTA
INTERNATIONAL ADVISORY FIRM

LEGAL REGULATION



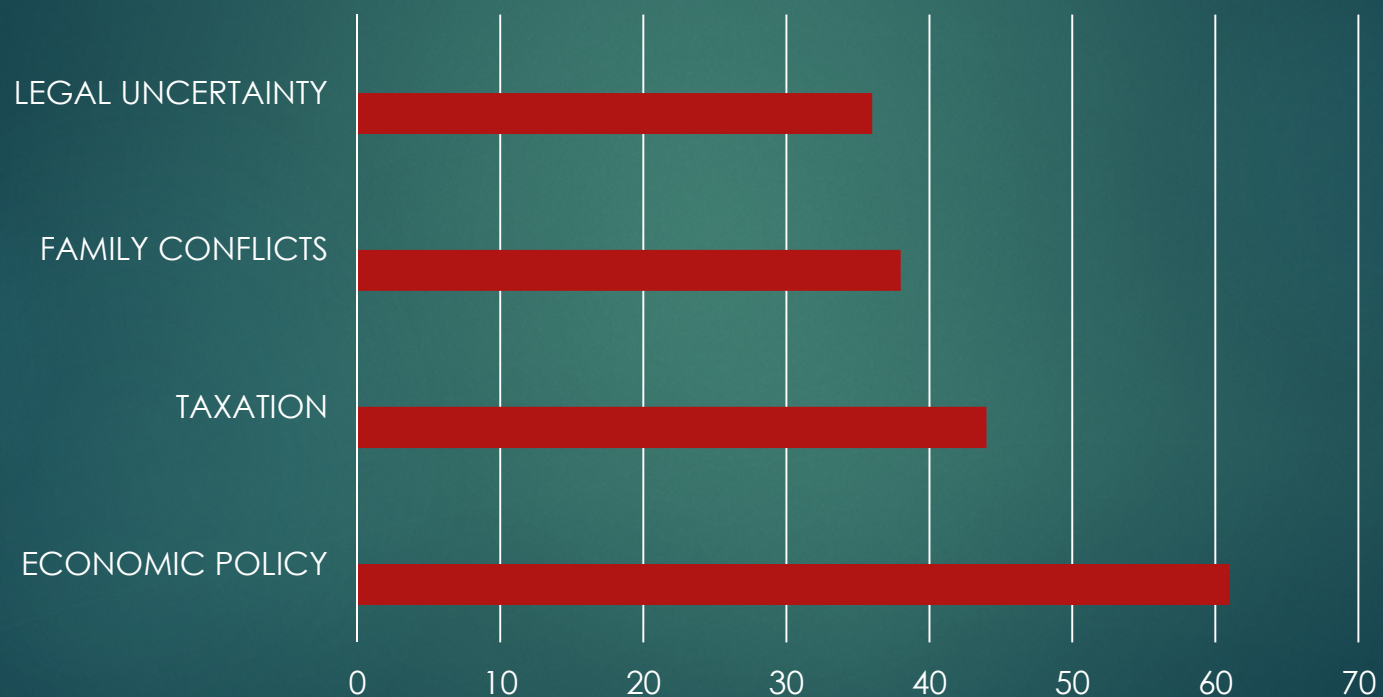
CINCOTTA
INTERNATIONAL ADVISORY FIRM

- No specific legal regulation for family business
- Nor for companies - when the family business is legally structured through a corporate type
- Covered by a series of dispersed norms: Civil and Commercial Code, labour legislation, etc

TOP CONCERNS FOR FAMILY BUSINESS



CINCOTTA
INTERNATIONAL ADVISORY FIRM



HOW CAN WE HELP THEM?



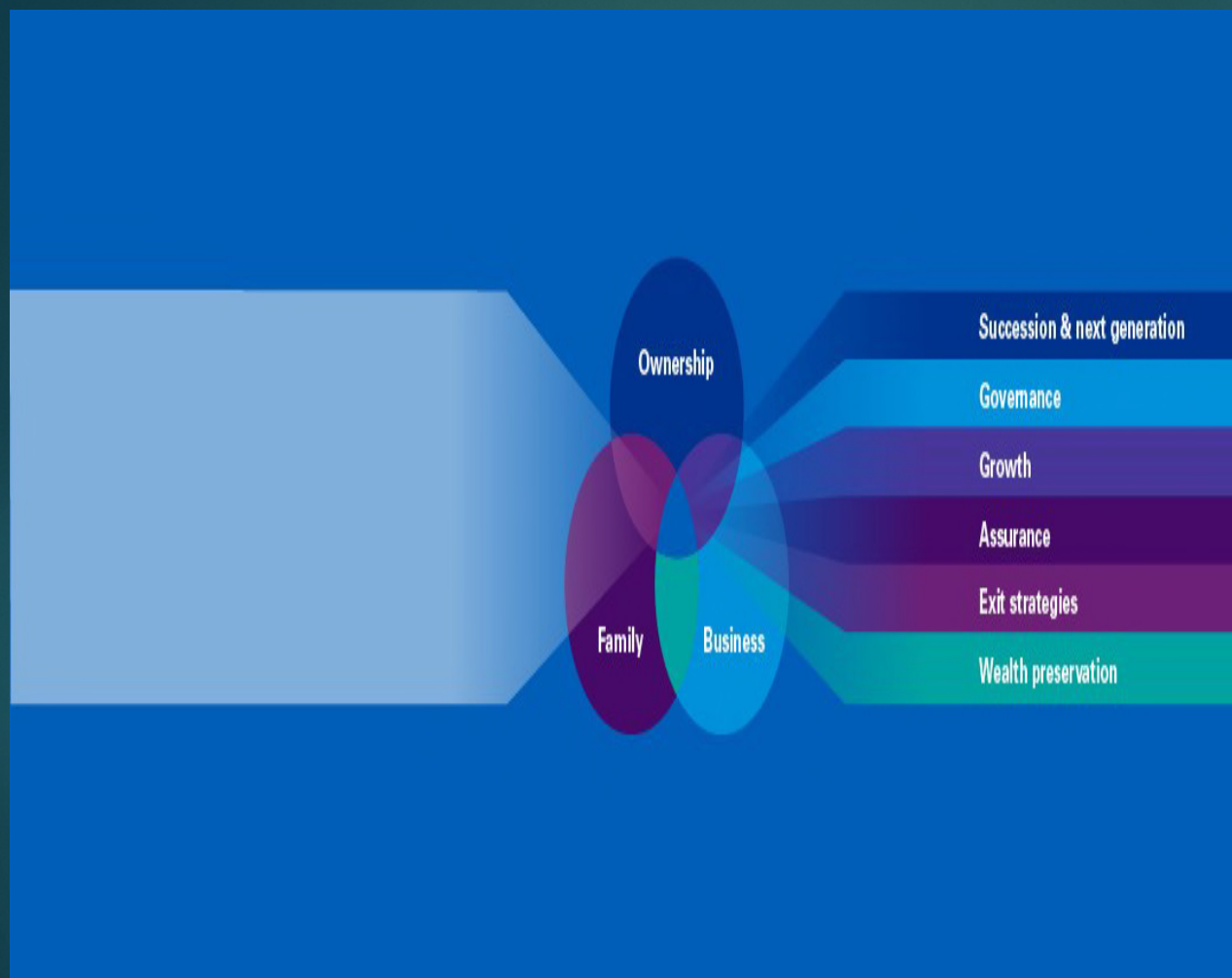
CINCOTTA
INTERNATIONAL ADVISORY FIRM

Family Business need to consolidate their business a professionally managed holding company and will seek foreign allies

Different legal instruments can help towards the organization, preservation and succession of the family business



CINCOTTA
INTERNATIONAL ADVISORY FIRM



20% family
business have a
formal succession
plan

8% have a
working protocol



CINCOTTA
INTERNATIONAL ADVISORY FIRM

Building Family
Governance

Managing
Differences

Fostering
Responsible
Ownership

Managing
Communication
– Owner and the
Board –

Professionalising
the Board

Employing
Advisers

Planning
Succession



CINCOTTA
INTERNATIONAL ADVISORY FIRM

Family protocols and
partner agreements

Best company type

Restrictions on transfer
of shares or other
equities interests to
third parties, including
by death

Inheritance Pack

Donations

Resolving Disputes
(Mediation –
Arbitration)



CINCOTTA

INTERNATIONAL ADVISORY FIRM

THANK YOU!



CINCOTTA
INTERNATIONAL ADVISORY FIRM

PLEASE CONTACT

FEDERICO CINCOTTA

- Solicitor of England & Wales

And

Argentine Lawyer-

FOR MORE INFORMATION

Queries: federico.cincotta@cincottaadvisory.com



CINCOTTA

INTERNATIONAL ADVISORY FIRM

Vistra Latam Roundtable

Family enterprises: Latin America's growth engine

15th March 2019

**Presented by Trevor Turner
Turner Wealth & Consultancy Ltd**

Looking outside Argentina: Diversification of assets

Why do Argentina's families look to diversify their assets offshore?

Argentina's tax amnesty programme

Personal taxes for the Argentine families

Structures geared towards protecting family assets

Why do Argentina's families look to diversify their assets offshore?

It is said that Argentina faces an economic and political crisis every 10 years.

Devaluation, asymmetric pesification and foreign exchange restrictions are a few examples of the challenges that families in Argentina may face.

Tax Amnesty

Did not require mandatory repatriation of funds to Argentina

Allowed individuals or legal entities to disclose previously undeclared assets.

The bill forgave any fines that would have been applicable and the taxpayer was also free from the possibility of any legal action on civil and criminal grounds.

Regularisation tax

0 percent with the subscription to special Public Bonds or local mutual funds with investments in infrastructure, between **0 and 5 percent** for real estate properties and other assets located in Argentina.

10 percent if assets were disclosed before December 31, 2016

15 percent if assets were disclosed before March 31, 2017

Amnesty results

254,000 people and corporations disclosed assets, with more than 96% of declarations coming from individuals.

USD 116.8 Billion in assets were declared, **USD 93 billion** of these assets disclosed were held offshore.

\$56 billion of the amount declared were foreign investments, of which 30% were held in the US, 26% in Switzerland and 15% in the British Virgin Islands.

The government collected an estimated **US\$9.652 billion** in taxes and fees from the amnesty.

Wealth Tax

Fiscal year	Tax rate (%)	Exempt minimum (ARS)
2017	0.50%	950,000
2018	0.25%	1,050,000

As from **fiscal year 2019**, the exempt minimum rose to **ARS 2,000,000**, with the application the following tax rates:

Taxable Assets Over (column 1)	(ARS) Up to	Tax on column 1 (ARS)	Tax on excess (%)
0	3,000,000		0.25%
3,000,000	18,000,000	7,500	0.50%
18,000,000	And over	82,500	0.75%

Structures geared towards protecting family assets

Foreign corporations (or entities that issue shares), if they are incorporated in jurisdictions deemed to be 'cooperative for fiscal transparency purposes' (i.e. non tax havens)

Profits generated by such entities are not subject to taxation in Argentina, until (and if) dividends are effectively paid to the shareholders.

Creation of an **offshore irrevocable trust**

The trustee, becoming the legal owner of the assets, will allow neither personal asset tax nor income tax to be levied on the settlor for such assets and their revenues.



Luiz Costa
Senior Associate Solicitor &
Brazilian qualified lawyer (OAB/SP)

Fletcher Day | 110 Cannon Street | London | EC4N 6EU
DX: 307462 Cheapside
DDI: 0207 870 3898 | Fax: 0207 240 7617
Luiz@fletcherday.co.uk

Carlos Hawker

Business Development
Managing Director

601 Brickell Key Drive | Suite 901 | Miami, FL | USA | 33131

Office: [+1 786.360.4077](tel:+1786.360.4077) | Cell: [+1 347.261.8729](tel:+1347.261.8729)



WESTPORT | MIAMI | SÃO PAULO | CAPE TOWN | DUBAI | MUMBAI

www.lcrcapital.com

<https://www.linkedin.com/company/lcr-capital-partners-llc/>

Learn about LCR's current project here: <https://www.fourseasons.com/surfside/>

Your key Vistra LatAm contacts

Raúl Markos

Senior Manager, Business Development
Corporate and Private Clients
Vistra London

Telephone: +44 20 3872 1369
Mobile: +44 (0)74 645 48821
Email: raul.markos@vistra.com



Julius Bozzino

Director - Vistra Private Office
Corporate and Private Clients
Vistra London

Telephone: +44 20 3872 7384
Mobile: +44 (0)7393 765 695
Email: julius.bozzino@vistra.com



Priscila Santos

Assistant Manager
Corporate and Private Clients
Vistra London

Telephone: +44 20 3872 7422
Email: raul.markos@vistra.com



Eugenia Schroeder

Senior Manager
Corporate and Private Clients
Vistra London

Telephone: +44 20 3872 7339
Email: Eugenia.Schroeder@vistra.com



Thank you
