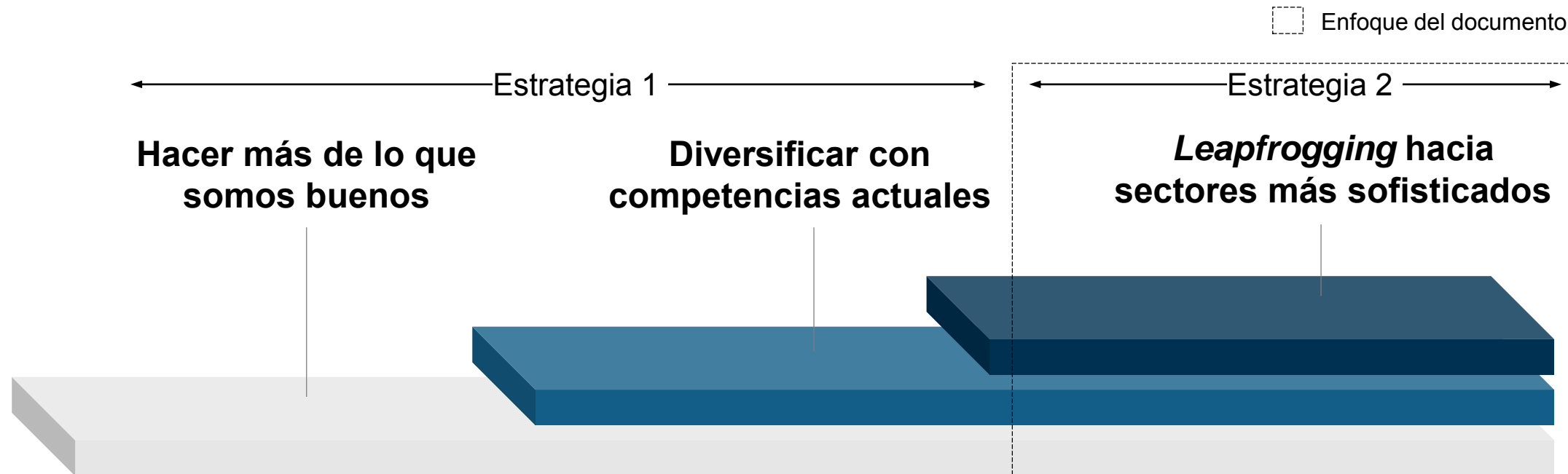


Pitch decks de sectores priorizados bajo *Leapfrogging*

Octubre 2020



Los Pitch Decks para los sectores priorizados bajo *Leapfrogging* sirven como un *teaser* para inversionistas—resaltando las razones por las cuales invertir en el sector en Guatemala



Descripción

Convertir el país en un **jugador de talla mundial en sectores actuales**

Realizar **grandes apuestas** para desarrollar sectores de vanguardia

Balance retorno-riesgo

Medio - Bajo

Alto - Alto

Horizonte de tiempo

Corto - Mediano plazo

Largo plazo

Involucramiento del Gobierno

Bajo - Medio

Alto

Contenido

Manufactura de farmacéuticos y dispositivos médicos

BPO y ITO

Manufactura de dispositivos electrónicos (EMS)

Pitch Deck

Guatemala | Pharmaceuticals
and Medical Devices

October 2020



Agenda



**Why invest in pharmaceuticals
and medical devices?**



Why invest in Guatemala?

Pharmaceuticals and medical devices are two booming global industries whose value chains are likely to undergo significant changes in the short term



Pharmaceuticals

\$1,275B

global market size of **pharmaceuticals** in 2020

4.6%

annual growth rate of sector until 2025, with **generics** expect to **lead growth**



Medical devices

\$462B

global market size of **medical devices** in 2018

4.8%

average annual growth rate for Top 5 largest segments within sector for the 2018-2022 period

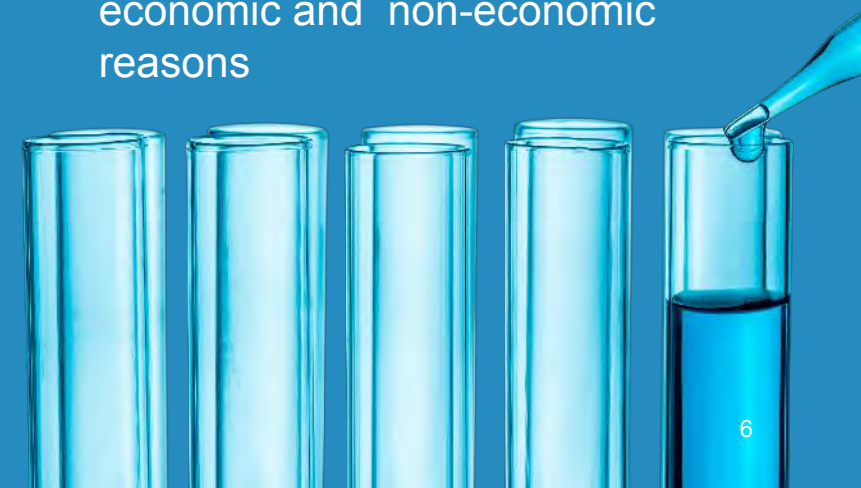
\$236-377B

of **pharmaceuticals**



\$100-120B

of **medical devices exports** with **high probability** of **shift feasibility** of value chain geographic pattern for both economic and non-economic reasons



Covid-19 pandemic is already triggering a strategy shift towards near-shoring at country level



Supply chain shifts after U.S.-China tensions, pandemic offer chance for Colombia - ambassador

White House to lure US firms to Latam from Asia in nearshoring drive, senior adviser says

Could Mexico be the winner in the US – China trade war?

Latin America To Capitalise On Supply Chain Diversification But Risks Remain

Will COVID-19 Change Global Supply Chains Forever?

Report: New U.S. reshoring agency may loan billions for manufacturing

Coronavirus Spurs U.S. Efforts to End China's Chokehold on Drugs

The Trump administration says the U.S. is too dependent on China for vital drugs. But it's unclear how much Washington can do to alter global supply chains

US lawmakers push to reclaim medical supply chains from China

Fears of shortages amid coronavirus amplify pressure on companies to reshore operations

Puerto Rico Makes Its Case as the Next Pharma Supply Chain Hub

New manufacturing opportunities expected in the coming months

Momentum grows to change medical supply chain from China

Covid-19 created **momentum** for **diversifying** pharma & medical devices **supply chain's** geographic reliance on Asia as a **risk mitigation** measure

Movement is happening at a **country level** with the **US government** pushing for **nearshoring initiative** by preparing a 'Back to the Americas' initiative, while **Puerto Rico and Mexico** are already making **bids** as **regional supply chain hubs** to multinational companies

Agenda



Why invest in pharmaceuticals
and medical devices?



Why invest in Guatemala?

Guatemala already has a solid pharma business cluster mainly serving the Central American region



+40

pharmaceutical laboratories in Guatemala and a plastic industry with

\$341B

exports in 2019, signaling strong adjacent sectors



\$900M

of pharmaceutical sales make of Guatemala the largest pharmaceutical market in the region with a

3.0%

growth rate for the next four years



\$245M

of pharmaceutical exports in 2019 with

95%

coming from therapeutic drugs, positioning Guatemala as the largest pharma exporter in Central America



8,000

direct and

60,000

indirect jobs created by the sector



Vision 2025

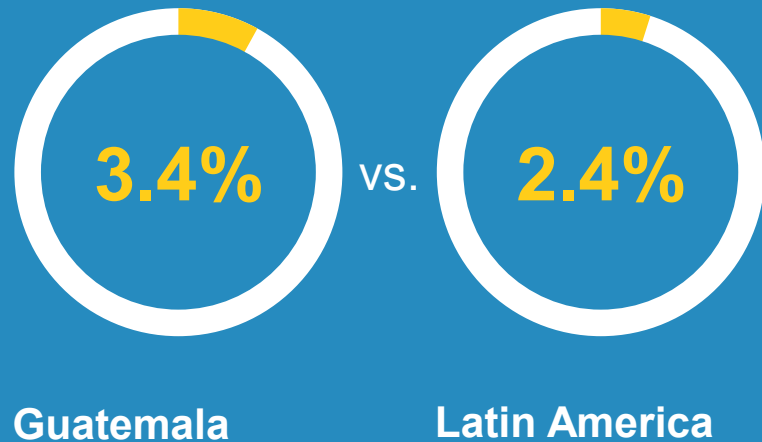


Position Guatemala as the **pharmaceutical hub for Central America** by 2025—becoming one of the major exporting countries to the US and Latin America end-consumer markets with world class talent and a consolidated ecosystem

Guatemala has a record of strong economic performance and macro stability in the past 10 years

In the last 10 years **Guatemala has grown faster** than the average rate of Latin America & Caribbean

Real GDP growth
CAGR 2010-2019



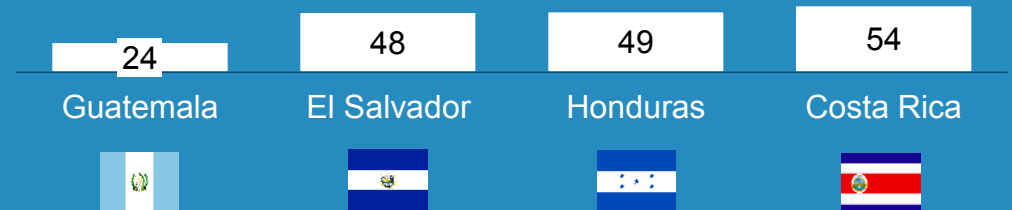
Guatemala's currency grew stronger against the US dollar vis-a-vis neighboring countries with weaker currencies

Exchange rate absolute variation¹
%, 2010-2019



Guatemala has one of the lowest public debts in Central America

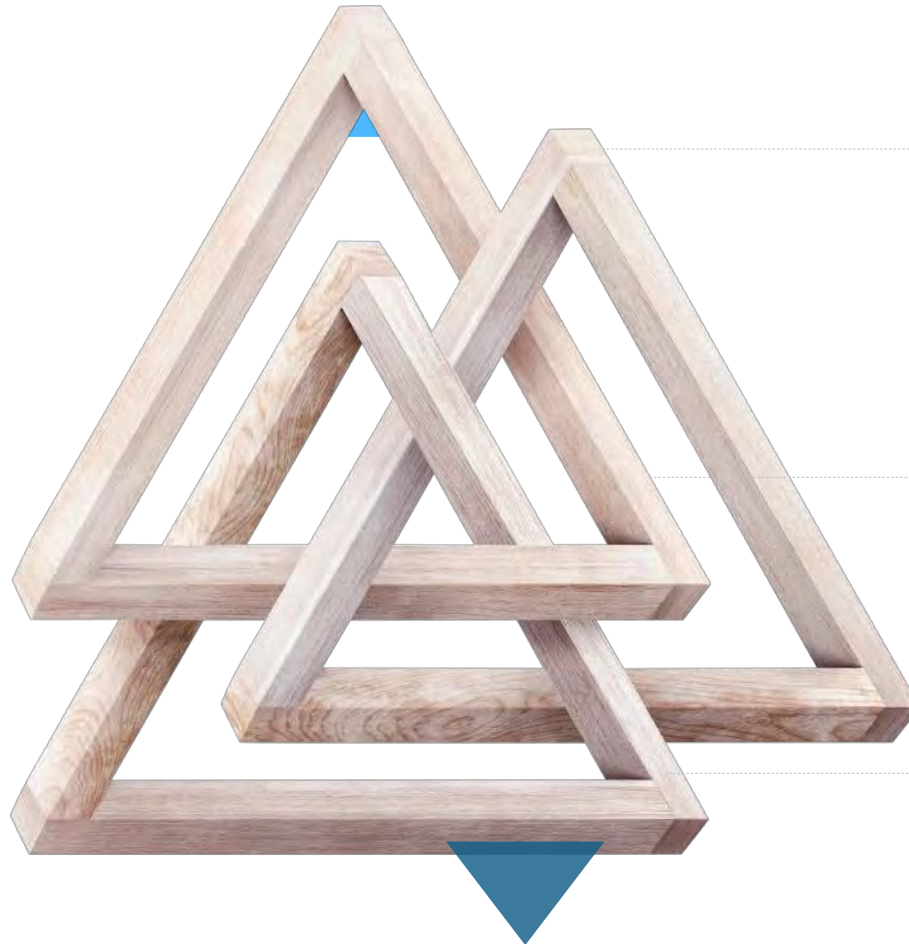
Central government debt²
% of GDP, 2019



1. Change in local currency value against the US dollar, a positive value indicates a local currency growing stronger while a negative value indicates a local currency weakening

2. Total stock of debt liabilities issued by the central government as a share of GDP

Guatemala has three core strengths that make it uniquely suited for the Pharmaceutical and Medical Devices sectors



- 01** Strategic geographic location with access to major markets
- 02** A large young and skilled talent pool
- 03** Cost competitiveness across key areas

1. Guatemala has access to key markets through a strategic location close to the US and other major end-markets, more than 10 FTAs and access to the Atlantic and Pacific oceans

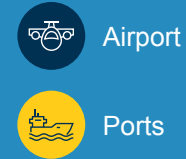
Access to +40 countries and +1,500 M people



■ Countries with FTAs with Guatemala

Source: Xeneta, Ministerio de Economía de Guatemala

Guatemala



Shipping costs and time

XX Cost US\$ XX Shipping days

	Miami		Amsterdam	
Guatemala	1,400	9	1,300	24
China	3,300	41	2,000	44
Vietnam	2,600	46	2,000	37

2. Guatemala's skilled labor force is the largest of Central America and has a specific program to train people in technical careers for the pharmaceutical and manufacturing sectors



Dynamic working population

~7 M

Is the total labor force, strengthened by a demographic bonus until 2050



Trained labor force

~440 K

People trained in 2019 by a public professional training program



Technical industry-specific skills

~10 K

People will be trained in pharmaceutical and manufacturing skills in 2021¹

1. This training will be provided as part of a public-private effort to develop the sector

3. Guatemala's comparative advantage lies in lower costs across 4 key areas: financing, energy, telecom and logistics

XX Guatemala

XX Peer¹ countries

Area	Financing	Energy	Telecom & IT	Logistics
Guatemala advantage	Lower credit risk	Lower production losses and costs	Lower broadband costs	Lower export costs and time, and adjacent industries such as plastic
Guatemala position vs. peer countries	<p>2.8% 5.1%</p> <p>% of spread over AAA country rating</p>	<p>2.8% 4.9%</p> <p>Losses in transmission and distribution as % of production</p> <p>\$0.12 \$0.16</p> <p>Electricity cost as USD per KWh</p>	<p>\$39.1 \$54.5</p> <p>Average broadband cost in PPP\$</p>	<p>\$310 \$390</p> <p>Cost of exporting in USD per container</p> <p>36h 60h</p> <p>Export time in hours</p> <p>\$341B</p> <p>Exports in plastic in 2019</p>

1. Mexico, Costa Rica, Honduras, El Salvador, Nicaragua y República Dominicana

Contenido

Manufactura de farmacéuticos y dispositivos médicos

BPO y ITO

Manufactura de dispositivos electrónicos (EMS)

Pitch deck sector

BPO y ITO

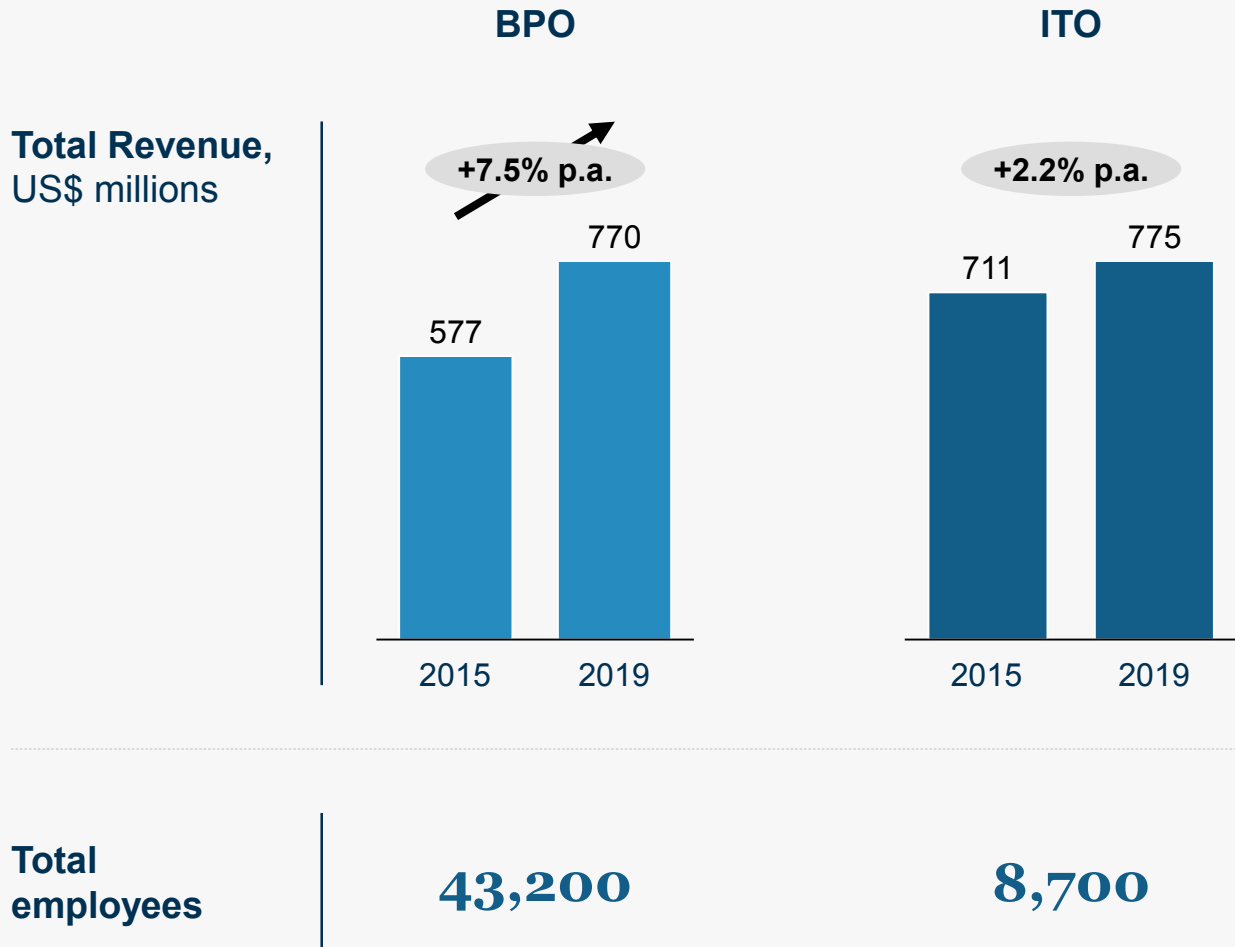
Octubre 2020 >



Guatemala's vision for 2025 is to become the **regional hub BPO and ITO services**—driven by its **high-quality talent, proximity to key markets and cost competitiveness**



BPO and ITO are growing and dynamic sectors in Guatemala



Leading global players operating in Guatemala

NOT EXHAUSTIVE



Teleperformance

alorica

CONDUENT



Capgemini



genpact

ATENTO:

[24]7

HCL

Guatemala has three core strengths that make it uniquely suited for the BPO and ITO sectors



01 Strategic geographic location and cultural proximity to major markets

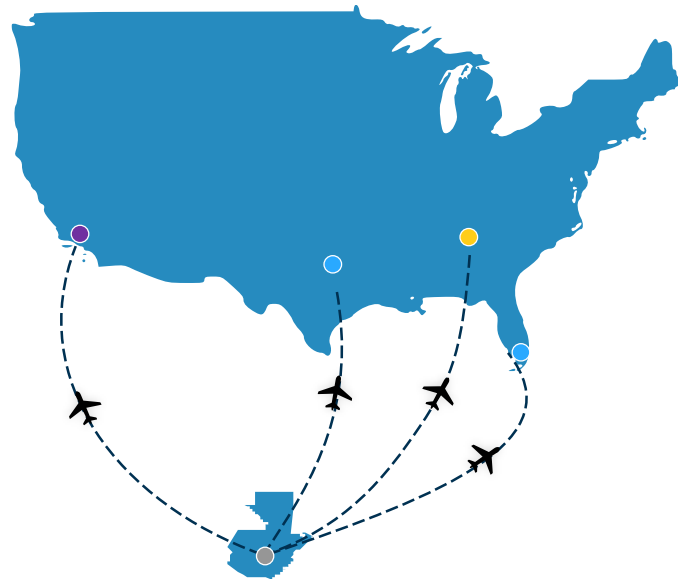
02 Engrained service culture and a skilled labor force

03 Cost competitiveness

1. Guatemala is ideally located for major BPO and ITO companies serving the US end-consumer markets

It offers time zone and geographic convenience...

Guatemala operates on Central Time¹



Direct flights to major US business hubs, including:

- ~3:30 hrs from Atlanta
- ~3 hrs from Dallas, Houston and Miami
- ~5 hrs from LA

+ Major business/BPO centers are located within 30 minutes of Guatemala City's airport

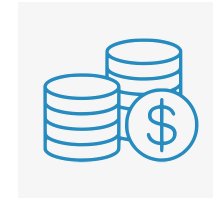
1. When not on Daylight Savings Time
2. Out of a total 3.5 million Central Americans living in the US

Fuente: Web search, Migration Policy Institute, The Inter-American Dialogue, Local BPO executive interviews

...as well as a close cultural affinity to the US



1 million Guatemalans living in the US²



US\$ 10 billion sent in remittances from the US to Guatemala



More neutral spoken English accent than that of other major BPO hubs

2. Guatemala has an engrained service culture which is reflected in its work quality and customer service

Testimonials from BPO and ITO executives in Guatemala

“Guatemalans have a human touch and a customer service capacity making them very successful and competitive in the industry”

Country Manager, Global BPO Company

“The amiability, efficiency and professionalism of our teams is what makes the difference and distinguishes us around the world”

VP Business Development and Marketing, Global BPO Company



2. We have a large, young, well-trained workforce



A dynamic workforce supported by a demographic bonus until 2050

Largest working population in Central America

~7M Total labor force

And the youngest

23.2 Median age

Already well-educated, and becoming more skilled every year

12 universities located in Guatemala City

+360K Students enrolled in university

National Training Institute (INTECAP)

Provides technical degrees and modular training on English language and programming, other skill areas

~\$100M Budget per year

~440K Persons trained per year in technical courses

2. Workforce training for the BPO and ITO sectors through the National Training Institute¹ is a national priority



Guatemala is dramatically increasing the availability of English speakers in the workforce...



Expansion of **English language education in high school**—greatly increasing the pipeline of employees for BPO



Scaling of a **BPO-specific English language “Finishing School”** program, preparing employees to offer the highest-quality service

...and the availability of software developers and programmers



Expansion of **modular computer science programs** providing a **broad knowledge base** as well as **programs tailored to the specific needs** of existing and incoming IT companies

3. The BPO and ITO sectors benefit from multiple tax incentives and Free Trade Agreements

Benefits provided by Free Zones Law and its Reforms (Order 65-89)

Exempt from paying income tax for first 10 years of operation

Exempt from paying Value Added Tax on local purchase of goods and services

Freedom to locate operations anywhere in the country (not just in Free Trade Zones)

Additional tax incentives



Foreign Investment Law
(Order 9-98)



Law of Free Currency Negotiation
(Order 94-2000)



Public Special Economic
Development Zones

Access to 1.5 billion consumers in 40 countries through Free Trade Agreements (FTA)

US- Central America FTA

European Union Central American Association Agreement

Additional FTAs with Mexico, Colombia, Chile, Panama and the Republic of China (Taiwan)

3. Guatemala is highly competitive on three key cost areas: electricity, office space rental and telecommunications

Guatemala | Peer countries¹



Area	Electricity	Office space	Telecom & IT
Guatemala advantage	Lower production losses and costs	Lower office space costs	Lower broadband costs
Guatemala position vs. peer countries	<ul style="list-style-type: none"> 2.8% Losses in transmission and distribution as % of production 4.9% 	<ul style="list-style-type: none"> \$187 Per square meter of office space \$270 	<ul style="list-style-type: none"> \$39.1 Average broadband cost in PPP\$ \$54.5
	<ul style="list-style-type: none"> \$0.12 Electricity cost as USD \$0.15 per KWh 		

1. Peer countries: Costa Rica, Colombia, Honduras, Malaysia, Mexico, Philliines and India (Telecom comparison excludes India and Phillipines)

Contenido

Manufactura de farmacéuticos y dispositivos médicos

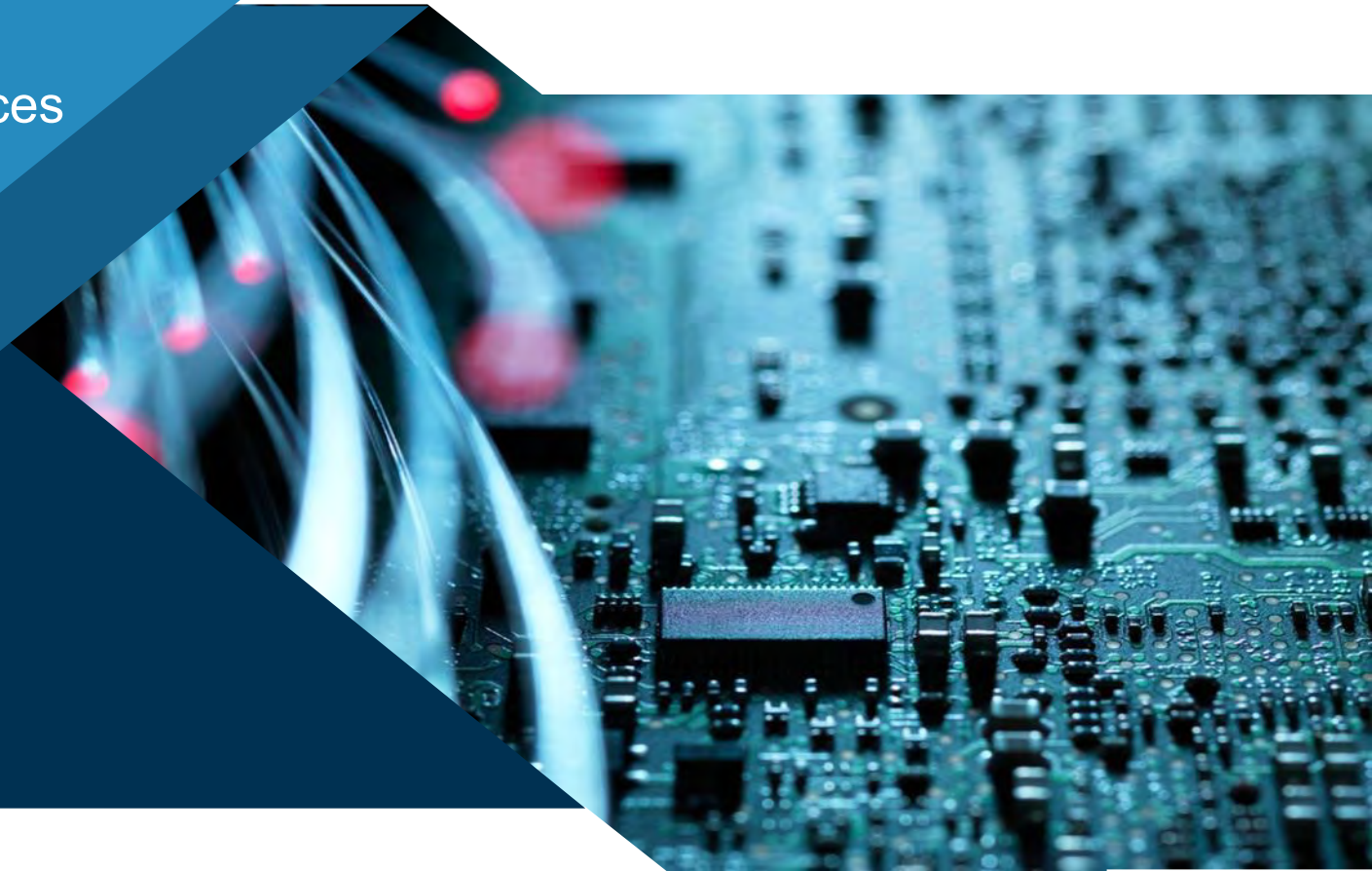
BPO y ITO

Manufactura de dispositivos electrónicos (EMS)

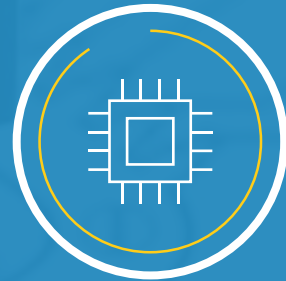
Pitch Deck

Guatemala | Electronic manufacturing services

October 2020



Agenda



**Why invest in electronic
manufacturing services?**

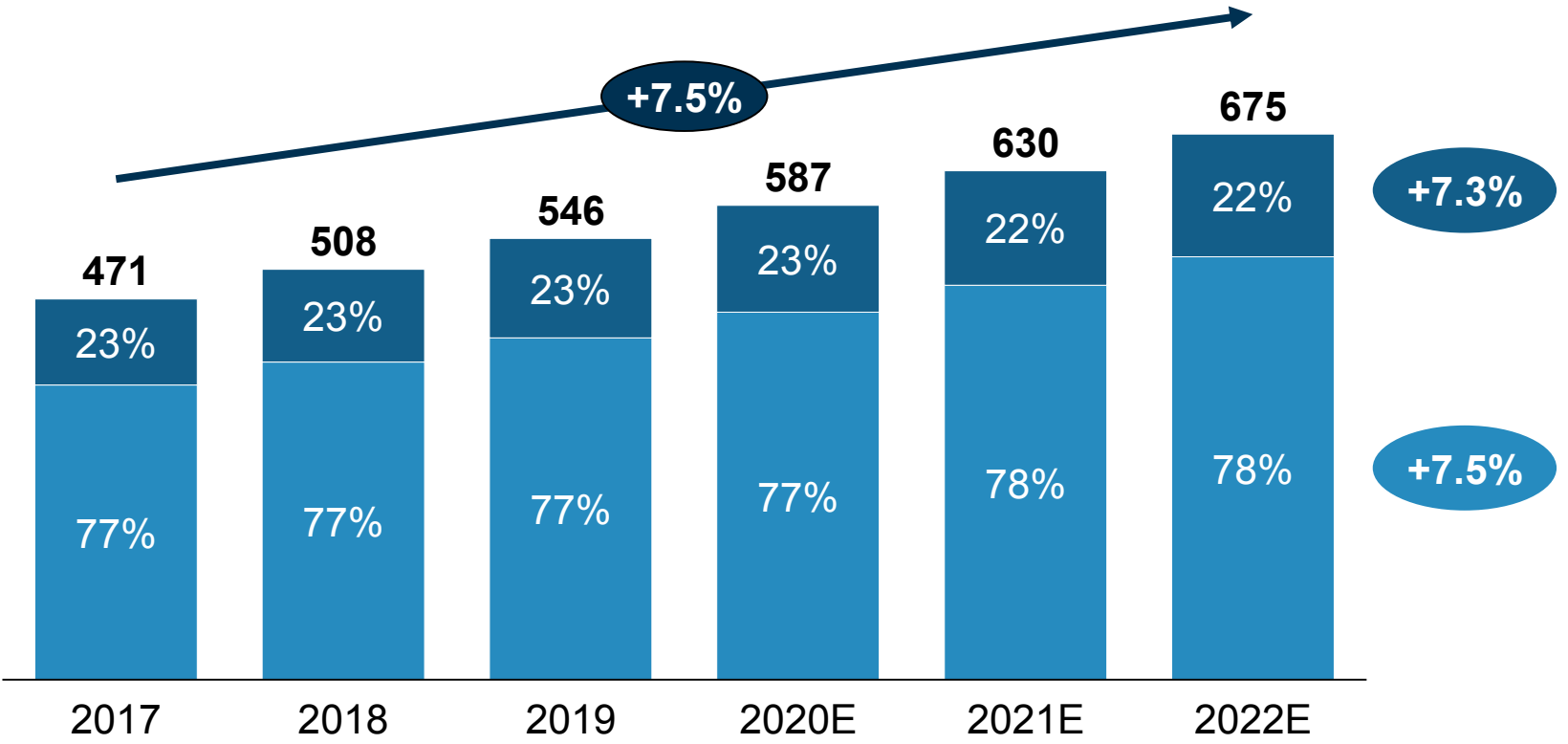


Why invest in Guatemala?

The Electronic Manufacturing Services sector has been consistently growing and has a positive outlook for the upcoming years...

■ ODM/JDM ■ CM % CAGR

Global EMS market in 2018-2019 by EMS type, \$BUSD



SOURCE: New Venture Research Corp. The Worldwide Electronics Manufacturing Services Market 2018, team analysis

And it is looking to relocate production closer to the US end-consumer market

BUSINESS

Manufacturers Move Supply Chains Out of China

Tariff costs prompt executives to shift production to other countries; 'Once you move, you don't go back'

Is Latin America the New Asia of Manufacturing?

Latin America: Kickstarting manufacturing in the time of COVID-19

Could the Coronavirus Epidemic Result in Nearshoring?

EDITORS' PICK | 3,019 views | Feb 3, 2020, 02:23pm EST

Three Trends Driving Electronics Manufacturing Out of China In 2020

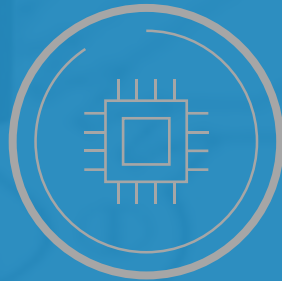
As a result of COVID-19 and other geopolitical pressures companies are seeking to build resilience in their value chains by moving production closer to the US end-consumer market

Guatemala has a strategic location, close to the US end-consumer market and Mexico to leverage on the opportunity

470-750 billion USD

Value of exports with shift feasibility

Agenda



Why invest in electronic manufacturing services?

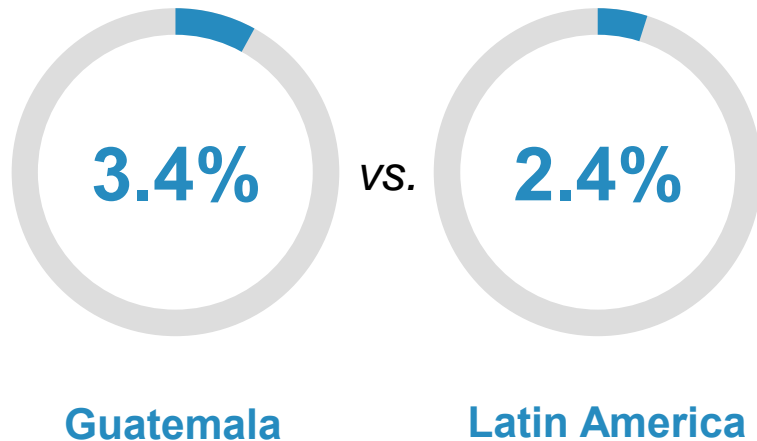


Why invest in Guatemala?

Guatemala has a record of strong economic performance and macro stability in the past 10 years

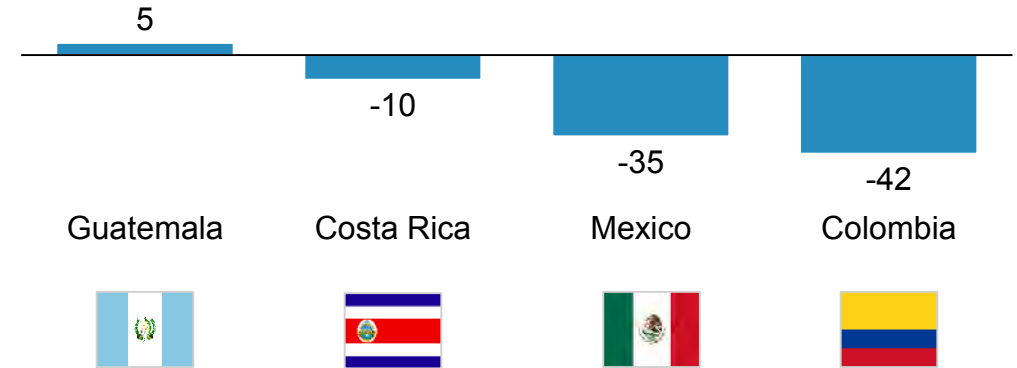
In the last 10 years **Guatemala has grown faster** than the average rate of Latin America & Caribbean

Real GDP growth
CAGR 2010-2019



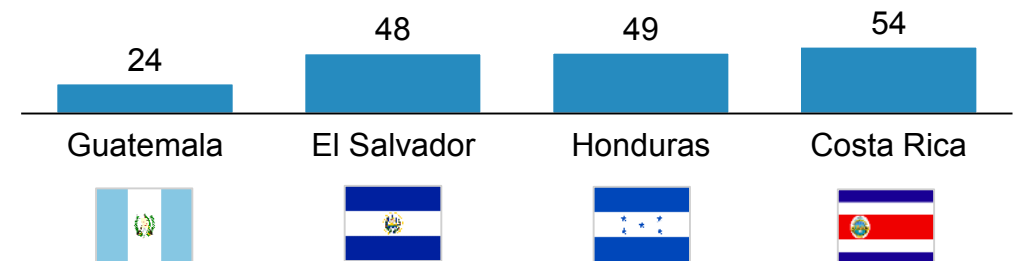
Guatemala's currency grew stronger against the US dollar vis-a-vis neighboring countries with weaker currencies

Exchange rate absolute variation¹
%, 2010-2019



Guatemala has one of the lowest public debts in Central America

Central government debt²
% of GDP, 2019



1. Change in local currency value against the US dollar, a positive value indicates a local currency growing stronger while a negative value indicates a local currency weakening
2. Total stock of debt liabilities issued by the central government as a share of GDP

VISION 2030

Position Guatemala as the **new development pole of electronic manufacturing in the Americas**, becoming one of the major exporters to the US and Latin America end-markets through a new hub with world class talent and a growing ecosystem



Guatemala has key advantages to promote the development of the electronic manufacturing sector

1



**Strategic
location**

2



**Skilled labor
force availability**

3



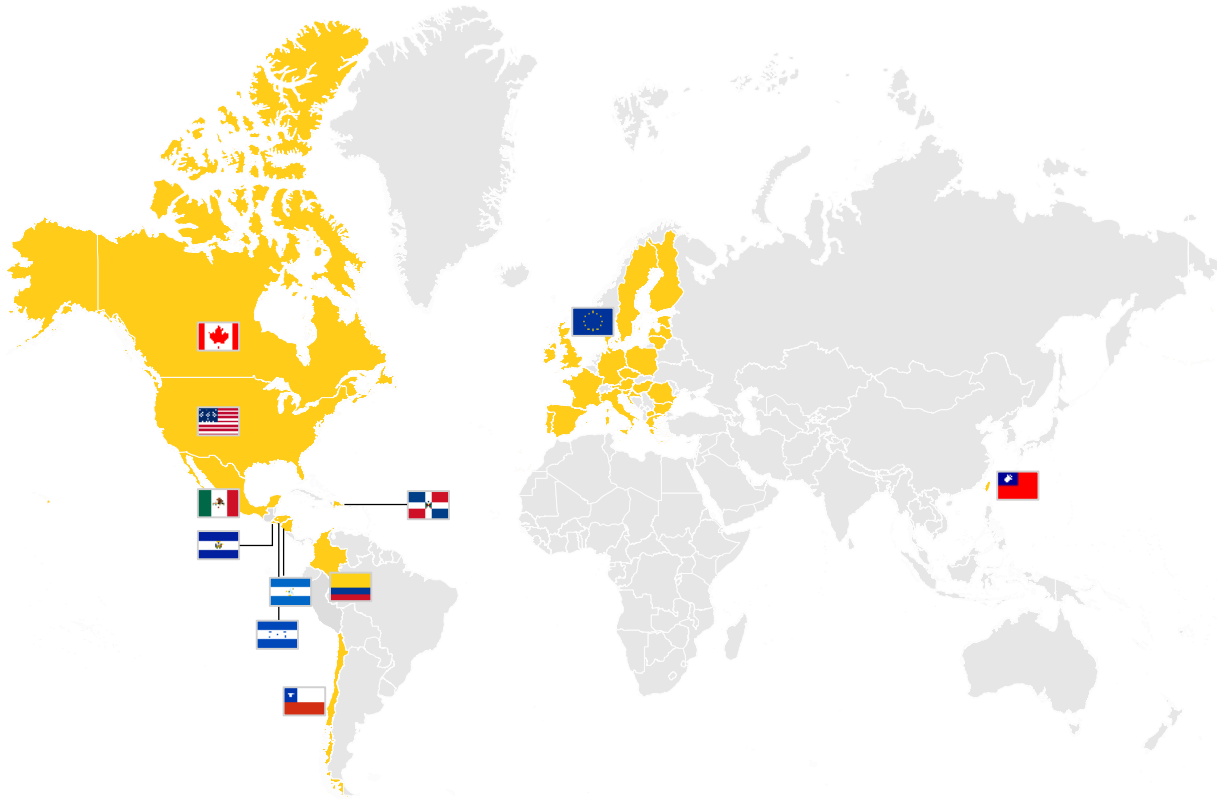
**Competitive
costs**



1. Guatemala has access to key markets through a strategic location close to the US and other major end-markets, more than 10 FTAs and access to the Atlantic and Pacific oceans

Access to +40 countries and +1,500 M people

■ Countries with FTAs with Guatemala



Guatemala

✈ Airport
 🚢 Ports



Shipping costs and time

xx Cost US\$ xx Shipping days

	Miami		Amsterdam	
Guatemala	1,400	9	1,300	24
China	3,300	41	2,000	44
Vietnam	2,600	46	2,000	37

2. Guatemala's skilled labor force is the largest of Central America and has a specific program to train people in the electronic manufacturing sector



Dynamic working population

~7 M

Is the total labor force, strengthened by a demographic bonus until 2050



Trained labor force

~440 K

People trained in 2019 by a public professional training program



Skills in electronic manufacturing

~10 K

People will be trained in electronic manufacturing skills in 2021¹

1. This training will be provided as part of a public-private effort to develop the sector

3. Guatemala is developing a region to promote an electronic manufacturing ecosystem at competitive costs

Access to cargo Airport and Ports

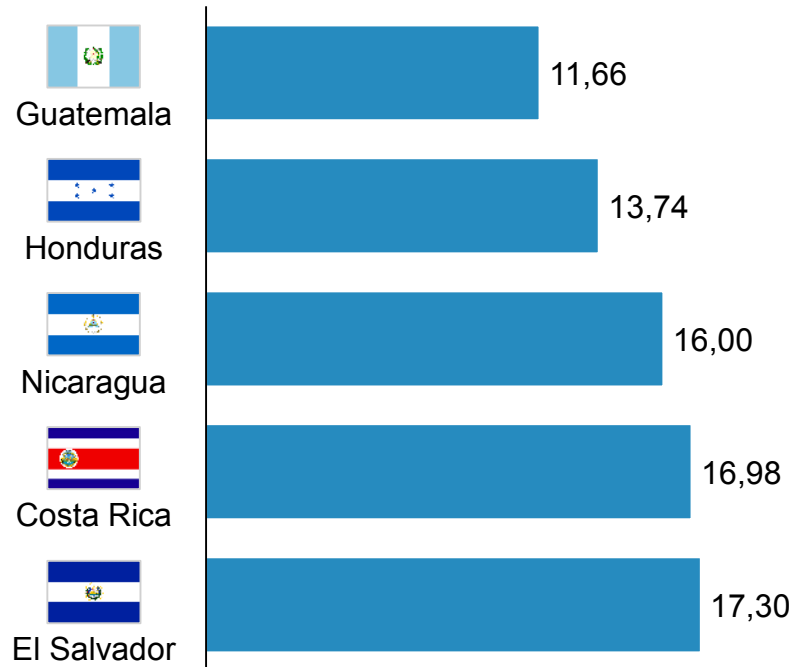
To significantly improve low internal logistics costs



Proximity to power generation plants

To improve stable power at a low cost

Industrial Energy Tariff per kWh
US\$ cents



Free trade zones (ZOLIC)

To reduce costs via fiscal incentives

- Import duties and Value Added Tax waiver on all imports into FTZ
- Value added Tax waiver
- Waiver on tax stamps on documents of acts or contracts on goods and businesses located in the free zone
- Income Tax waiver for 10 years
- Real Estate Tax waiver for 5 years