

# MEXICO

## An Attractive Prospect



**I**N LINE WITH THE REST OF THE WORLD, MEXICO IS CURRENTLY preoccupied with combating the coronavirus pandemic, but the country's medium-term future looks more promising than most. With relations between the U.S. and China deteriorating, the southern neighbor across the Rio Grande looks best placed to fill that trade vacuum.

Mexico is already the world's fifteenth largest recipient of FDI, with annual inward flows regularly exceeding \$30 billion. Proximity to the vast North American market which is looking to diversify trade away from China, means that Mexico is likely to reap even greater rewards in the coming years. Investment is also coming in from the local business community. "I feel very confident about Mexico," says Aby Lijtszain, Executive President of Grupo Traxion. "We have a 5-year investment plan, and we're already reaping the results."

While the depreciation of the peso against the dollar has made Mexico an attractive option for both investors and multinationals, there are other factors adding to the country's appeal. Agricultural and mineral extraction used to be the backbone of Mexico's economy, but vehicles, electrical machinery and

equipment, and other specialist machinery including computers are equally as important to the country's economic performance. The manufacture of medical devices and aerospace components are also both increasingly significant.

The emergence of sectors that rely on skilled labour rather than on Mexico's natural resources owes much to the close partnerships that have been fostered between private industry and the country's educational institutions. "Companies like ours are successful because our trained, hard-working staff offer a quality service," says Grupo Multisistemas de Seguridad President Alejandro Desfassiaux.

Mexican President Andrés Manuel López Obrador (aka AMLO) recently promised to create an additional two million jobs when the 'new normal' finally arrives. "This crisis is temporary, transitory," AMLO said. "Normality will return soon. We will defeat the coronavirus, and we will reactivate the economy."

When that normality returns, further investment into Mexico appears to be one of the more certain bets in an uncertain world.

## PEÑA VERDE – An Expansive Vision

**W**ITH REVENUE FROM THE insurance industry representing about 2.4% of Mexico's GDP, there is clearly room for further growth, and Peña Verde is poised to capitalize on this opportunity. Originally established as a holding company for its shareholders' investments in General de Seguros (GenSeg) and Reaseguradora Patria (Patria Re), and listed on the Mexican Stock Exchange since 2012, Peña Verde's growth over the past decade has been little short of explosive.

Guided by the vision of CEO Manuel S. Escobedo and his board, a somewhat random collection of companies that were plugging away unspectacularly in their own separate silos have been molded into one of the country's most successful and dynamic insurance groups. Mapping out a corporate restructuring is relatively simple, but making it work in the long term is another matter altogether, and that is exactly what Escobedo has managed to do.

"There were no synergies and no economies of scale," he says. "We realized that we had to



**Manuel S. Escobedo**  
CEO Peña Verde

completely restructure everything, to develop a common vision and create the critical mass and economies of scale we needed to attract more investment."

The execution of this vision has been an unqualified success. Between them, GenSeg, Patria Re, and Peña Verde's two other main

subsidiaries, General de Salud and Patria Corporate Member Ltd., now provide everything from life and health to automotive and marine insurance and reinsurance. Last year, U.S.-based A.M. Best and Fitch Ratings awarded Patria Re a series of A and AAA credit ratings.

Now that the basic building blocks are in place, Escobedo is focused on turning the group into what he describes as a "phygital" company—one that harnesses the power of technology to enhance employees' capabilities, rather than replace them with computers.

"We believe insurance will remain a people business," he explains. "It is a service, after all."

Escobedo is confident that Mexico's insurance industry promises a bright future for Peña Verde. "We believe we can double in size and become a \$750 million company in the next five years," he predicts. "After that, we will need to inject more capital to sustain our growth."



## MULTISYSTEMS SECURITY GROUP (GMSI) – Security Experts

Mexico's \$1.1 trillion economy is the second-largest in Latin America and the 15th-largest in the world. It is one of the emerging countries most open to foreign direct investment, and the total stock of Mexico FDI is estimated to be nearly \$486 billion, with the lion's share of investments coming from the U.S., Spain, and Canada.

**T**HAT FIGURE WOULD BE EVEN higher, and Mexico's geographical allure wider, were it not for justifiable concerns about security. The tales of lawlessness that make the international headlines are much more isolated than they may appear, but companies like Multisystems Security Group (GMSI) and its founder and president, Alejandro Desfassiaux, are working hard to change the narrative and alter perceptions.

The company that Desfassiaux founded in 1983 after a distinguished military career was among the first professional organizations in Mexico's private-sector security industry, and indisputably the first to recognize the potential of technology as well as firepower to make the country a safer place to work, particularly for the multinationals bringing much-needed investment into Mexico's mining industry, as well as for the country's burgeoning high-end luxury product sector.

"In the 1980s, organized crime had made Mexico a very dangerous place to work," he recalls. "We were almost immediately successful because we were the first company to offer a service deploying high-quality, well-trained, hardworking, and mainly ex-military personnel."

Desfassiaux brought an extra factor into the mix that appealed to the hardheaded financiers so influential in the world of multinationals: a tangible return on their investment. "We have been able to convince our clients that security is an investment rather than an expenditure," he explains.

"Security inevitably comes at a cost wherever in the world you may be. And the more expensive the thing is that you stand to lose, the more expensive it becomes. My mission is to reduce the cost of the potential loss for my clients."

His approach has paid off handsomely. Today GMSI is one of Mexico's leading private security providers, with over 30 subsidiaries and more than 1,000 customers. Over the past 40 years, Mexico's GDP per capita has soared from \$5,818 to \$21,412 and the economy's reliance on natural resources and heavy industry has diminished in the process. GMSI, too, has moved with the times. In addition to what is effectively an army of fully equipped and rigorously trained security guards, the group's services include its Special Immediate Reaction Body (CERI), a network of rapid-response units that are on hand 24/7 to deal with incidents and emergencies.

Desfassiaux and the R&D teams at GMSI continue to develop technological advancements to improve the response time of these units to such SOS calls. The principal feature of the company's ProteGM app, which is compatible with all mobile device operating systems, is an alert button that alerts both CERI and other preprogrammed trusted contacts in the event of an emergency. The app also provides a national directory of emergency telephone numbers, a criminal map sectioned by state, and safety advice for emergencies, disasters, and situations involving violence or criminals. A second



**Alejandro Desfassiaux**  
Founder and President Multisystems Security Group (GMSI)

ProteGM GPS app allows GMSI's clients to track their surveillance units in real time.

"GMSI has grown organically, but its very special spirit has always remained the same—a combination of discipline, technology, people, and quality," says Desfassiaux. "It is our greatest strength."

Covering an area of nearly 2 million square kilometers, Mexico is the 14th-largest country in the world, and creating any kind of national network is a challenge. In 2018, GMSI launched its National Monitoring Center, the first of its kind; named C5 because it interlinks GMSI's signature expertise in control, computing, command, communication, and quality, it enables GMSI to offer its services nationally as well as locally, and even across parts of Central and Latin America.

While GMSI is making Mexico a safer place for overseas concerns to both invest and work, Desfassiaux is also dedicated to improving the day-to-day security of his compatriots. Last summer, for instance, the company signed a collaborative agreement with Mexico United Against Crime (MUCD) to promote a culture of zero tolerance toward crime in all walks of Mexican life.

A safe pair of hands in every sense.



**Multisystems Security Group®**

# TRAXION – Driving Mexico Forward

Mexico's multibillion-dollar transportation and logistics industry accounts for 6% of the nation's GDP, and that contribution is growing. Determined to realize the full potential of the country's key strategic location at the crossroads of two continents, successive Mexican governments have both funded and encouraged outside investment in a number of multimodal transport corridors.

**W**HILE MANY ARE STILL WORKS in progress, these corridors will ultimately create an interlocking network of roads and railways linking Mexico's ports to its inland industrial parks and free-trade zones, and Mexican transportation and logistics titan TRAXION is in pole position to benefit as the new roadmap takes shape.

The relentless surge in cross-border trade has boosted interest and investment in Mexico's air and maritime transportation sectors, but road transportation remains the most lucrative segment. Last year it represented over 90% of the total transportation services industry's value, and TRAXION is both the dominant and fastest-growing player in the sector.

While the industry as a whole has been increasing at a CAGR above 6% over the past several years, that growth is nothing compared to the pace at which TRAXION has expanded its market share. Since the group was founded eight years ago by executive president Aby Lijtszain, TRAXION's acquisition strategy has seen the company blossom into an organization with 15,300 employees, over 1,000 customers, and annual consolidated revenues of more than \$600 million.

"The idea behind TRAXION was to create a one-stop shop for ground transportation and logistics that could meet all our customers' requirements," Lijtszain explains. "I chose the best companies in each market and integrated them into our platform."

By Lijtszain's calculation, the company has grown 28-fold since its inception in 2011, and his strategy has seen the fleet of 200 trucks that TRAXION started off with grow to over 8,000. "We are three times the size of our nearest competitor, and we are the only company in the

sector listed on the Mexican Stock Exchange with institutional investors as shareholders, and abiding to the highest governance and sustainability guidelines," he says.

**TODAY, TRAXION IS THE ONE-STOP SHOP THAT LIJTSZAIN HAD IN MIND WHEN HE SET OUT. THE BEST-IN-CLASS COMPANIES THAT HE SUCCESSFULLY TARGETED FOR ACQUISITION INCLUDE GRUPO SID, A LEADING NATIONAL TRANSPORTATION AND LOGISTICS COMPANY WITH AN EXCELLENT 45-YEAR TRACK RECORD AND SOLID CUSTOMER BASE, AND "LAST-MILE" SPECIALISTS REDPACK, WHOSE FLEET OF 621 LIGHT VEHICLES OFFERS A RANGE OF SERVICES FROM NEXT-DAY DELIVERY TO LESS-THAN-TRUCKLOAD FREIGHT SERVICES.**

This flexibility allows TRAXION's clients to book as much or as little space as they need to transport their goods to every major city in the country. TRAXION has also acquired several other long-established brands, such as EGOBA, the leader in border transfer trucking for more than 45 years.

TRAXION is one of Mexico's most diversified transportation companies as well as its largest. By 2018, according to the IMF, Mexico's per capita income was approximately \$20,600, putting it ahead of Argentina. Yet car ownership in Mexico remains relatively low, and the vast majority of its blue-collar workforce rely either



**Aby Lijtszain**  
President TRAXION

on public transport or company buses to get to and from work. Through its LIPU subsidiary's centralized platform, TRAXION provides personnel transportation not just to the large corporations that have historically been the main sponsors of company buses, but also to small companies grouped together in industrial parks and corporate hubs, and to resorts and hotels. With more than 5,400 buses, the largest and most modern fleet in Mexico, LIPU also provides student transportation to numerous schools and universities across the country.

Lijtszain continues to look for growth opportunities and in 2017 TRAXION successfully completed a \$220 million IPO listing on the Mexican Stock Exchange. Since then, the group has spent \$370 million on a combination of strategic acquisitions and organic growth. TRAXION has also managed to increase productivity in its cargo operations; kilometer volume has increased more than 21% since its IPO, and average revenue per kilometer improved by 10% in 2018 and 6% in 2019.

This streamlining of operations has been achieved through effective management and the deployment of new technologies, and Lijtszain is not done yet. "I see enormous opportunities to use disruptive technology to increase our market share even further," he says. "We have a five-year investment plan that is already giving us a return." There will be plenty more where that came from.

