

CrossborderExpansion Services

Independent industry research, siting analysis, and due diligence services to help companies assess Mexico & US-Mexico market entry and expansion options

Times are tough, and today's globally-minded companies need an independent and experienced partner to help them evaluate manufacturing, logistics, technology and service industry options in Mexico -- without breaking the bank. Crossborder Group's CrossborderExpansion services provide affordable, research-based economic data, cost modeling, siting studies, and market-entry advisory services in markets throughout Mexico and along the US-Mexico Border.



Whether you need a general cost model for an operation in Mexico, a multi-region siting comparison, in-depth market data, or simply an analysis of outsourcing options, Crossborder can do that -- and more. When it comes to Mexico, let our US- and Mexico-based team help you answer that question: "Now what?"

A Few Examples of our CrossborderExpansion Work

HILTI: Siting Analysis & Due Diligence

The European-headquartered manufacturer, Hilti, selected Crossborder as their lead consulting firm for a complex and challenging five-month project to both evaluate possible sites for a Greenfield manufacturing operation, as well as provide due diligence research on several Mexico-based acquisition targets.

The two-phase siting analysis included a basic screening of four locations in the US and 11 cities in Mexico -- followed by an in-depth comparison of three finalist cities that assessed labor and operational costs, logistics, suppliers, real estate, security, government permits and incentives. The result: a \$30 million investment in Hilti's first manufacturing plant in the Western Hemisphere to be located in North East Mexico.

HILTI

Steel Supplier Research

General Overview

- Although the first steel mills were only introduced in the 1940s, Mexico has a relatively mature steel industry that represents close to 2% of the total GDP and is one of the country's major manufacturing sectors. Production in 2008 is estimated at approximately 18 million metric tons, and Mexico is considered the 17th largest steel producer in the world.
- Most of Mexico's steel companies are located in the Northeast-Central-Pacific border of Mexico. Nearly 20% of Mexico's total steel production comes from Michoacan state (a state on the West Pacific coast, south of Puerto Vallarta). Another 38% comes from the two states of Coahuila and Nuevo Leon - northern border states that are actually within the target geography for a potential steel location. In fact, approximately 60% of Mexico's total steel production comes from states in the geographic area being reviewed for a possible Greenfield operation.
- The steel industry is one of the most globalized industries, and Mexican companies are no exception. During the early part of this decade, global companies such as the Italian-Argentinian group Techint (Ternium in Mexico) and the Dutch-Indian group ArcelorMittal, have acquired some of the oldest and most traditional companies in the industry, including ANSA (Antes Homero Mercuriano), TAMSA (Tubo de Acero de Mexico, S.A.) and MELCASA (one of the most well-known companies of Monterrey). This global consolidation trend will continue in Mexico with more acquisitions and mergers. The global consolidation of steel by Nucor, Terium, and the joint venture of Villacis and ArcelorMittal.
- During the past 15 years, the consumption of steel and steel products has increased considerably in Mexico with growth driven mainly by domestic demand in sectors such as automotive, aerospace and metal-mechanic companies. Due to the relative lack of steel production, Mexico was actually a net importer of steel products in 2007, importing 5.86 million metric tons (MTC) of steel products with a value of US\$ 4.2 billion, while importing 7.1 Mt with a value of US\$ 6.2 billion. In 2006, the Federal Government

Steel Products Client: Mexico Cost Model

Originally contracted to create a Mexico market study of one of their key products, this \$200+ million California company asked Crossborder to also develop a Mexico Manufacturing Cost Model using variables from one of their Georgia-based manufacturing plants. After an initial analysis of logistical considerations for both suppliers and the end-market, Crossborder created a cost-model that gave our client the likely operational costs for a future Mexico-based factory -- using industrial surveys of similar metal operations in Mexico, regional cost data, and a confidential RFP to four maquiladora shelter companies.

Mexico Manufacturing Options & Cost Model Report

Annualized Phase 2 Shelter Operation Cost Comparison

Based on the data for the Phase 1 of an Excess Mexico operation (significantly increase costs particularly given the low number of employees suggested by Excess 100 employees in this stage), Excess on Page 11 there is a 15% higher cost for an independent operator at the level of employees. A number that could be potentially higher if differences are encountered by Excess establishing a newly owned independent operation.

Approximate Unit Per Product Costs:

Product	Unit Cost
Steel Blank (100 lbs)	\$1.50
Steel Blank (200 lbs)	\$2.50
Steel Blank (300 lbs)	\$3.50
Steel Blank (400 lbs)	\$4.50
Steel Blank (500 lbs)	\$5.50

Approximate Annual Full-Capacity Production:

Product	Annual Production
Steel Blank (100 lbs)	100,000
Steel Blank (200 lbs)	200,000
Steel Blank (300 lbs)	300,000
Steel Blank (400 lbs)	400,000
Steel Blank (500 lbs)	500,000

Strategic Mexican Recommendation for Excess:

- Based on Crossborder's initial analysis and the Cost Model results presented herein, it appears the Mexico can be built as an excellent and market (as shown by the previous market study), as well as offer Excess a significant opportunity to control costs while