



# PROTEAK

WE CREATE FORESTS FOR YOU TO HAVE  
THE CORRECT TIMBER IN YOUR LIFE

# ABOUT PROTEAK



- ♣ Proteak is the largest forestry company in Mexico
- ♣ Started as a forestry company.....migrating to an industrial company
- ♣ Started operations of the first MDF plant in Mexico with a capacity of 280,000 m<sup>3</sup> supplied as a turn key project by Dieffenbacher
- ♣ It is a Public company since 2010, mainly owned by all the Mexicans thru the pension funds (+ 20 M people)
- ♣ 20,000 has (50,000 Acres) of sustainable and high growth Teak and eucalyptus, first plantation to obtain carbon credits
- ♣ We are a sustainable (eliminating the pollution of 400,000 cars) and certified company **FSC®**
- ♣ We believe in technology and in inherent advantages as the major differentiators to achieve only **ONE** thing:  
**Be the lowest cost supplier**
- ♣ We already export to 15 countries
- ♣ We make a difference in the population of one of the poorest parts of Mexico (Southwest of Tabasco), more than 5,000 families depend of our success



**TECNOTABLA**

**EL MDF DE BUENA MADERA**

by **PROTEAK**

*We Take Care of the Board in every Step*

## OFFICIAL TITLE OF THE PRESENTATION

*Why Proteak? How an Entrepreneur Became Involved  
in Mexico's Newest MDF Operation*

## TRANSLATION

*Why **A COMPANY WITH NO EXPERIENCE CALLED  
Proteak ? How an Entrepreneur (ARE YOU KIDDING?  
NOTHING CAN BE DONE DIFFERENTLY IN THIS  
INDUSTRY)** Became Involved in **THE CAPITAL OF  
CRIME, DRUGS AND CORRUPTION CALLED Mexico's  
Newest (IF YOU CAN CALL NEW A TECHNOLOGY  
MORE THAN 40 YEARS OLD)** MDF Operation*

# MEXICO, HAVING THE RIGHT CLIMATE TO BE A TIMBER POWERHOUSE, IMPORTS 8 BILLION USD OF TIMBER AND PAPER

## Situation of the MDF Market in 2013

- ♣ Imports of 600,000 m<sup>3</sup>
- ♣ No local production for practical purposes
- ♣ Imports mainly from
  - USA
  - Chile
- ♣ Distributors and Particleboard producers Imported the product
  - ♣ No Interest of putting an MDF plant in Mexico
  - ♣ Many excuses



## REASONS NOT TO DO IT

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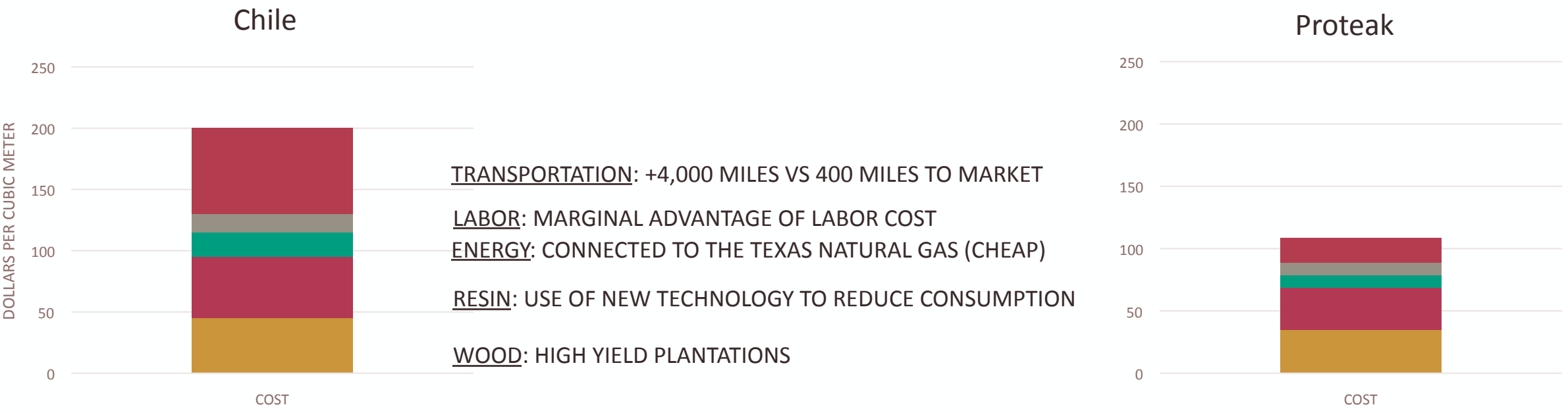
There is not enough **WOOD** to supply a decent size plant of MDF

Nobody will give the **MONEY** for a greenfield for a company with no industrial experience

**MEXICO** is a really bad place to invest

There is no place for a new company in the **COMPETITIVE SPACE**

# TO OBTAIN THE MONEY FIRST WE NEEDED TO DEMONSTRATE THE ONLY SUSTAINABLE COMPETITIVE ADVANTAGE: **WE WILL BE THE LOWEST COST SUPPLIER** Cost Structure to supply one cubic meter to Mexico City



The lack of experience has been compensated with an agreement with FINSA, one of the largest board producers of Europe and a turn key Project with Dieffenbacher

## IN MEXICO WE HAVE ACCESS TO CAPITAL; GERMANY ALSO HELPED

- ♣ PROTEAK is a Public Company
- ♣ Mexico has more than 250 Bn USD in savings ready to be invested in the pension fund system
- ♣ We were able to raise more than 100 M USD of Equity
- ♣ With the German Government help, we were able to raise the balance in a long term loan
- ♣ Thanks to our strategy to close the gap in experience, we were able to raise the money





## DUE TO HISTORICAL REASONS, MEXICO HAS NOT DEVELOPED A ROBUST FOREST INDUSTRY

- ♣ The sector with the Largest is wood and paper products; 8 Bn Dollars
- ♣ The fragmentation of land ownership and legal hurdles have been the real limitations
- ♣ Limited sourcing from natural forests
- ♣ In the 20<sup>th</sup> century no real effort of forestry plantations
- ♣ In 1993 the law changed and some companies started limitedly to invest in the sector
- ♣ While in Brazil there are + 12 M Acres of plantations in Mexico we have less than 100 K Acres
- ♣ In 2000 we did not have any forestry plantation talent in Mexico
- ♣ All the companies thought they needed huge



WOOD



**What do you do in a Situation  
like this?**

**You change  
Everything**

**We Cheated**

# WE BOUGHT THE WOOD, LAND AND R&D FOR THE INITIAL PART OF THE PROJECT

We also brought the talent from overseas

## The Wood

- We bought 20,000 acres of eucalyptus plantation, initially planted by a US company that needed eucalyptus
- 50 clones proven for the area
- 20 years of R&D, not put into action due to a lack of use of the wood
- FSC
- Buying agricultural land in Mexico is challenge, we know how to do it. Took us 10 years to learn how

## The Talent and Results

- We brought 6 forestry engineers from South America with different specialties
- We invested in forestry equipment
- We chose agricultural land, not marginal land
- With our current footprint we will be able to source all the raw materials for the first line
- HIGH QUALITY fiber
- ***Growth rates above 45 m<sup>3</sup>/year, comparable with Brazil (but next to the US)***
- R&D to improve genetics and usage of other fibers

**We saved years compared to starting from scratch**



**Seedling Plantation vs Clone Plantation. Both planted the same day**





**30 days Old**



**5 months Old**



**14 months Old**

## TYPICAL KNOWLEDGE OF MEXICO ABROAD



**DRUG CARTELS AND VIOLENCE**

**CANCUN**

## THE REAL MEXICO

- ♣ 11<sup>TH</sup> Economy in the World, but Goldman Sachs put it in 7<sup>th</sup> place in 2040, ahead of England or Italy
- ♣ We are different country than the rest of Latin America or development world, we rely in manufacturing not commodities
  - ♣ 86% of our exports are manufacturing goods
  - ♣ Will be the 5<sup>th</sup> largest producers of cars in 5 years
- ♣ The Growth rate of Mexico, w/o the oil effect, is above 3.5% for the last 4 years
- ♣ Solid Macro Economic fundamentals: low debt, high savings, no inflation, almost no deficit
- ♣ TPP and NAFTA
- ♣ We are in the right neighborhood





# BEING THE LOW COST SUPPLIER.....OUR STRATEGY IS NOT TO UPSET THE MARKET

## MEXICO

- Bring the capacity with a normal ramp up
- Substitute the imports in an orderly fashion
- Not use our cost advantage in the price
- Produce added value products
- Already have a participation importing product from FINSA
- We will be for the next 10 years, at least, the only vertically integrated company in Mexico

## Overseas (US)

- Start with small efforts
- Look for added value areas where cycle times are relevant (1 day vs Chile 50 days)
- Specialty Products as Capabilities Increase
- Use our Logistical advantages in certain parts of the US

# STATUS

Finding the Right Acquisition Target and convincing them

Proving Dieffenbacher we had a chance and negotiate a turn key project

Getting the money; Equity and Debt

Finding the Human Talent and Partners

Planting more than 8 million trees, 3 million more per year

Working from IDEA to First Board for 42 months

And Investing 170 M USD.....





## WHAT HAS CHANGED IN RECENT TIME?

- ♣ Amazing results on the forestry side, great growth rates and the high quality fiber.....if I may say so....at great cost, cycles of less than 5 years
- ♣ Two other MDF plants started being build in the last 24 months but using waste of natural forest or second use of wood...  
Risky
  - ♣ Mexico will be self supplied in 12 months
- ♣ Brazil started exporting to Mexico due to their oversupply and weak currency; that advantage is disappearing due to inflation and currency appreciation
- ♣ Prices in Mexican Pesos are strong, but in dollars they have gone down
- ♣ The US market is strong, and some added value products can and should be produced in Mexico and not South America
- ♣ Energy prices have gone down, and some components of the Resin have been impacted, so we should continue working in a target of being the lowest cost supplier
- ♣ Already planting for a second line.....will keep you posted



THANKS

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