



AUXADI

Accelerate: your U.S. private equity investment into Latin America

Latin America continues to attract global institutional investors, even in the wake of the global pandemic. And, thanks to its geographical proximity and the high volume of diaspora, North America is in pole position to capitalize on the huge opportunities Latin America presents.

Are you looking to capitalize on Latin American opportunities for your private equity investments?

Get in touch with our experts today.

Introduction: a growing appetite for Latin America

2020 was a turbulent year for many industries across the globe, but investors are now keen to make up for lost time, with significant interest in global deals spanning numerous sectors and markets, particularly in private equity. There's also a renewed interest in cross-border transactions, with firms looking to new jurisdictions, ripe for investment.

Preqin commented in a recent report that 2021 is set to be a big year for international GPs, with Latin America's largest investors primed to add private assets¹ to their books. So, it's no surprise that U.S. private equity managers are now turning their eyes towards Latin America (LATAM). In fact, according to Auxadi's latest research report², 90% of North American-based GPs are set to commit capital to the region by 2026.

Latin America was seen as a riskier jurisdiction in the past, with multiple cultural, legal and regulatory complexities, all of which make it difficult for international firms to consider the region with confidence. And, on top of the challenges presented by COVID, there are also increased political and macroeconomic headwinds to take into consideration. However, LATAM has become a highly sought-after fundraising destination for alternative fund managers and is a region with a lot of potential for capital-laden GPs.

A THRIVING REGION FOR VENTURE CAPITAL

According to research by the Latin America Venture Capital Association (LAVCA), 2020 set a record for investments in Latin America, with more than \$16 billion invested across 653 deals closed last year. And, the venture capital sector in particular gained more traction with a steady flow of VC cash going into promising start-ups. Preqin highlighted that funds focusing on digital technology have found success servicing the region's attractive demographics and tech start-ups in Brazil have enjoyed notable success, encouraging other governments across the region to start offering support to develop entrepreneurial ecosystems³.

Preqin also added that the need to improve Latin America's digital infrastructure opened the door for technological disruption pre-COVID-19, and this only increased after the pandemic's onset⁴. New opportunities for mobile apps, e-commerce, and telecommuting platforms have opened up and technological innovation is a potential key growth driver for the region.

WITH OPPORTUNITIES, COME CHALLENGES

U.S. GPs are fully aware of the challenges they face when looking to deploy capital in the region, even though LATAM is bursting with potential. Our research highlighted that 44% of responses believe the myriad jurisdictional differences in law, regulatory frameworks, and compliance regimes to be the biggest challenge, though many also flagged cultural differences and misalignment on valuations between buyer and seller. However, proximity to the region, talent and opportunities compensate far beyond risks.

What's more, to mitigate the risks involved in cross-border transactions, our study showed that a sizeable proportion of U.S. private equity firms have already taken steps to outsource some elements of their operations to third parties, with many more planning to do so in the future. For example, 52% said they're already outsource regulatory reporting requirements, and a further 39% said they will do so going forward.

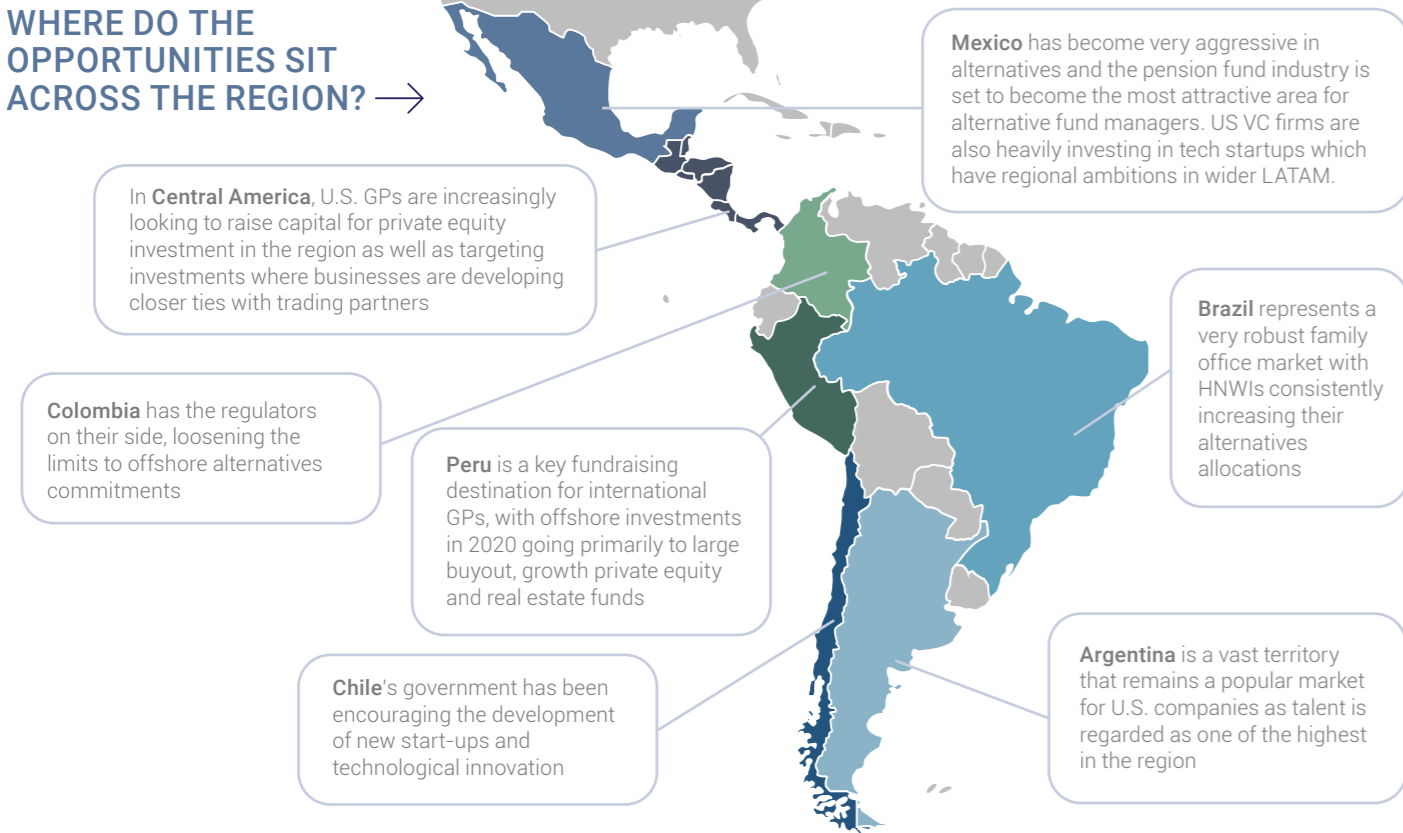
¹ Preqin, "Why a 'Gap Year' Might Pave the Way for New Opportunity in Latin America", 13 October 2020
² Auxadi, "Recovery to Rediscovery: Capitalizing on a Changed U.S. Private Equity Landscape", June 2020
³ Preqin, "Preqin Markets in Focus: Latin America's Growing Appetite for Alternative Assets", March 2021
⁴ Preqin, "Preqin Markets in Focus: Latin America's Growing Appetite for Alternative Assets", March 2021

KEY DRIVERS FOR LATAM INVESTMENT

The key drivers for attracting more U.S. investment into the region are:

-  Opportunities to buy at **affordable prices**
-  Venture capital is flowing into the region, echoing **the VC trend** in Europe
-  Activity in the **fintech and renewables sectors** maintains pre-COVID levels
-  LATAM's proximity to the States makes it a **natural extension for U.S. firms**
-  LATAM is more aggressive in terms of commitment to carbon neutrality, meaning **investing into solar or wind farms** is an exciting prospect for private equity firms
-  Regulatory developments across LATAM are aimed at helping investors expand their alternative portfolios and **diversify across borders**

WHERE DO THE OPPORTUNITIES SIT ACROSS THE REGION? →



A POSITIVE ROAD AHEAD

Appetite for private equity investment into Latin America is certainly on the rise and will only continue to increase as U.S. fund managers pivot their investment focus towards the region.

However, there's no denying that substantial barriers to your operations can arise while capitalizing on new opportunities. That's why many firms have already started to outsource the running of some elements of their fund's operations to third parties, maximizing their chances for securing new acquisitions in the potentially fruitful post-COVID landscape.

As a leading provider of accounting, tax and payroll services to some of the largest fund managers, we're currently seeing a dramatic increase in demand for our services in Latin America, thanks to our ability to combine local knowledge with a strict adherence to international best practice.



How we can help

HOW WE CAN HELP

Now's the time for private equity firms to seize opportunities in LATAM.

Relying on a specialist outsourcing partner, like **Auxadi**, to manage the administration requirements of your fund's investments can be hugely advantageous when looking to expand your investment strategies into new locations, like LATAM.

With over 40 years' experience and operating in over 50 jurisdictions across the globe, we're experts when it comes to helping businesses grow across borders and enter new markets with ease. We're on hand to make the complex simple, so you can look at broadening your opportunities with confidence.

We offer a tailored and flexible solution across all your accounting, tax and payroll requirements, as well as providing SPV set up and administration, relieving you of regulatory burdens so you can focus on adding value. Not only that, we're present in all key Latin American jurisdictions – and we've got local teams on the ground with experience and knowledge of local tax and regulatory requirements.

Our services to private equity managers looking to invest in LATAM are:

SPV set up and administration

We're experts when it comes to your SPV administration needs, covering all alternative investment classes

SPV set up and administration

We offer an end-to-end approach for the launch and ongoing management of your SPV/s, using our unique and purpose-built MultiCountry IT platform.

- Set up and incorporation services
- SPV accounting (including management accounting)
- Bank account set up and KYC
- Registered office
- Consolidation services of all your SPV accounts
- Financial reporting
- Directorship services
- Regulatory reporting and compliance support
- Statutory filings

Accounting

We provide accounting administration for global corporations and investments

Accounting

We're ready to help you with your international accounting, producing timely and useful reporting, whatever the location of your operations.

- Accounting and bookkeeping
- Management accounting
- Statutory accounting
- Official books and Annual Accounts
- Cash management (incl. payments)
- Reporting
- Financial statements consolidation
- Audit assistance
- Bank account monitoring
- Treasury and cash flow forecasts

Tax compliance

We can help sort your international taxes with expert knowledge to ensure you remain tax compliant

Tax compliance

We can help you navigate the specifics of local tax regimes, executing and implementing your chosen tax structure and taking care of any tax compliance requirements.

- Tax compliance (multinational federal, state and municipal taxes)
- Official books and Annual Accounts
- Assistance in tax inspection and audit
- Reviews and claims to tax authorities

Payroll

We offer international payroll services that remove complexity while ensuring confidentiality

Payroll

We provide local tax and legislative knowledge combined with our unique global payroll platform to give you a single point of access, approval permissions, data management, and reporting functions across multiple locations.

Technology

The need for efficient, automated and flexible technologies continues to increase - and data is key

Our technology

Our unique, best-in-class, technology platform is fully customizable to help you manage and monitor your international investments, providing you with full visibility and transparency. This single system is accessible in every country we operate in and gives you timely, accurate and consolidated data whenever and wherever you need it. Using our system, you can:

- Approve payments
- Check accounting reports
- Review support documentation
- Raise invoices
- Review tax returns

All through a single, easy-to-use platform.

Gold
Microsoft
Partner



What activity are we seeing?



WHAT ACTIVITY ARE WE SEEING?

Whilst Latin America can be seen as a complex investment choice for some, we're seeing a lot of activity, that proves the region shouldn't be underestimated:



The past few years have seen an increase in multinationals companies – particularly among tech start-ups that have expanded operations in other LATAM countries. These are companies that started in Colombia, Chile, or Brazil and grown their operations into Argentina, Mexico or Peru. They've attracted the attention of private equity houses, especially from the U.S. due to the proximity of the two markets.



In LAVCA's latest report on tech investment in LatAm⁵, venture investment in the region topped \$4bn for a second consecutive year, with a record 488 deals in 2020. They also reported a record 2020 for total capital invested in Mexico (\$831m) and Chile (\$136m), and a record 2020 for total early-stage capital invested in Argentina, Brazil, Colombia and Mexico.



According to our report, the level of interest in LATAM as an investment destination among U.S. GPs (76%) outstripped Asia Pacific – indicating that the trebling of regional deal flow from 133 in 2010, to 400 in 2019 is set to accelerate again following the pandemic-induced lull of 2020.



Cross-border deal flow will continue to grow in popularity. Our study also revealed that 33% of U.S. respondents expect that the volume of international transactions will bounce back to pre-pandemic levels by the end of 2021, and a further 45% expect this to happen in 2022 – so now's the time to make your move if Latin America sparks your interest.

⁵ LAVCA, "2021 Review of Tech Investment in Latin America", April 2021



Case study

BUILDING A LONG-TERM AND TRUSTED PARTNERSHIP WITH A LEADING PRIVATE EQUITY FIRM

As the private equity sector grapples with multiple challenges, it's proven strong resilience as an asset class and continues to be an attractive investment opportunity. And, as expert service providers can help manage your operations, you can focus on your investments, delivering returns and growing your business across borders.

The following case study is an example of how we help private equity fund managers whilst excelling in our service delivery and building and maintaining a trusted partnership for the long term.

OUR CLIENT AND THEIR CHALLENGE

Our client is a private equity management firm driving the transformation of medium-sized companies in Spain and Portugal. The firm manages more than €1bn in investments and has completed more than 100 transactions in its 30-year history.

The client was looking for an outsourcing partner with relevant experience working with private equity funds and multi-country experience in order to support them with their expansion and growth plans.

OUR SOLUTION

Auxadi were appointed as their corporate service provider in 2006 and have since built a strong long-term relationship. In our latest satisfaction survey, the client awarded us with a 5/5 rating highlighting our dedication and commitment to providing a seamless and quality service. We provide services to four entities.

Services we provide:

- Accounting and reporting
- Periodic tax obligations
- Tax compliance
- Additional annual accounting functions (e.g. balance sheets, income statement, preparation of Annual Accounts etc.)

Why they chose us:

- Strong expertise when it comes to unravelling complexities, giving the client confidence in the quality of our service
- 15-year strong relationship supporting and enabling their growth
- With our single-point-of-contact approach, our clients are at the heart of our business strategy
- We're a leading provider of accounting, tax and payroll services across more than 50 countries globally

We work with some of the largest private equity and real estate fund managers in the world, including:



Why choose Auxadi?

It's becoming increasingly challenging to manage your ongoing operations on top of maintaining your focus on delivering returns to your investors. And, as you look to grow your portfolios beyond home country borders, these operational issues grow exponentially and all differ by country. Regulatory and legislative compliance, intricacies of tax regimes – expanding can put undue pressure on your team and your business.

You need expert local advice – to avoid tax or regulatory breaches; to make sure you've got the most suitable entity for your investment; to ensure you're compliant and can operate effectively.

Auxadi is a specialist provider of tailored international accounting, tax compliance and payroll services. We operate in 50 jurisdictions across Europe, the USA and Latin America, with a key account management hub in Miami, and offer an end-to-end solution through cloud-based technology to make your life as easy as possible.

We provide a seamless service across all countries through our single point of contact service model, acting as true extension of your internal departments. We ensure that your administrative requirements are met across your investment portfolio, no matter the volume of deal flow.

We've helped more than 1,700 companies with their start up and establishment through flexible and efficient solutions developed by a motivated, committed, and solid team. With more than 40 years' experience, we're experts when it comes to private equity and real estate funds.



WE UNRAVEL COMPLEXITIES
and make the complex simple



WE ENABLE EXPANSION AND INVESTMENT
across the globe, including the U.S.



WE'RE TECHNOLOGY DRIVEN
using our best-in-class technology platform



50+
countries being served with a strong presence in all key LATAM countries



137+
U.S. based clients serviced



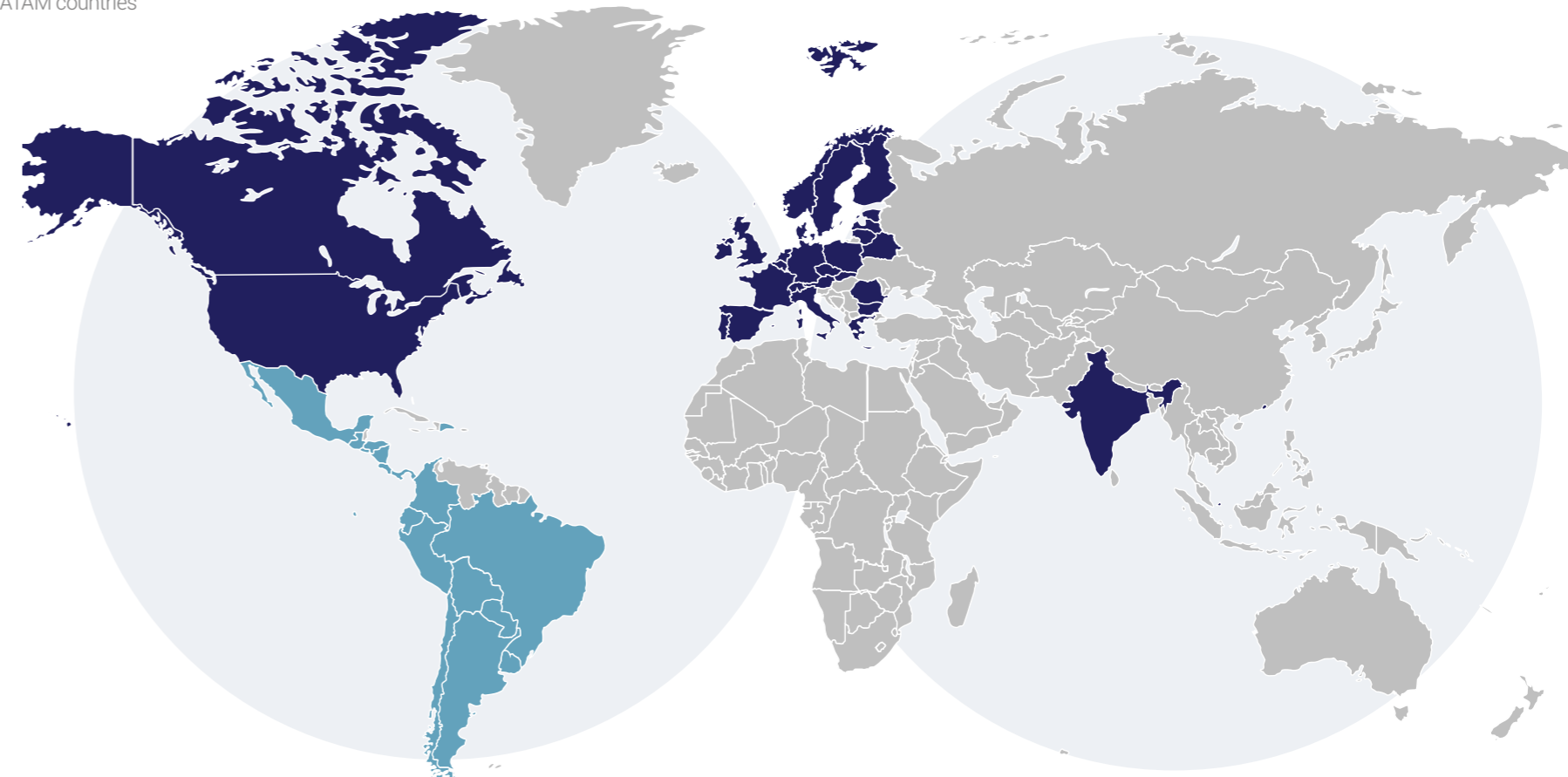
1,700+
total clients serviced



28,000
client tax returns to be submitted for 2021



Miami
is a key account management hub



375+
employees around the globe

95%
of our clients operate in more than one country

15%
of the top PERE companies are our clients

25+
nationalities within our workforce

To find out how we can **accelerate** your private equity investment into Latin America, **get in touch today.**

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 www.auxadi.com

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