

	April 2020	September 2020	March 2021
Total Respondents	61	77	29
Respondents with customers in this county	39	61	21
Sales are primarily to	April 2020	September 2020	March 2021
Existing Customers	100%	97%	100%
New Customers	0%	3%	0%
Respondents extending credit to customers vs. those who do not	April 2020	September 2020	March 2021
Extend Credit	95%	93%	90%
Do Not Extend Credit	5%	7%	10%
Payment terms granted by those extending credit to customers in this country:	April 2020	September 2020	March 2021
0-30	38%	26%	26%
31-60	38%	51%	42%
61-90	16%	18%	32%
91+	8%	5%	0%
Average days beyond terms:	April 2020	September 2020	March 2021
	24.4	21.1	15.8
Payment methods used (multiple selections permitted):	April 2020	September 2020	March 2021
Wire Transfer	95%	94%	100%
EFT (seller initiated)	16%	12%	24%
EFT (buyer initiated)	29%	10%	24%
Check	21%	12%	14%
Credit Card	18%	17%	5%
Extended Payment Program or Progress Billing	0%	2%	0%
B.P.O. (Bank Payment Obligation)	0%	0%	0%
Letter of Credit	18%	10%	10%
Cash Against Documents	8%	3%	10%
Dated Draft	0%	0%	0%
*Other	0%	3%	5%

***OTHER**

March 2021

- Open terms backstopped by credit insurance.

Payment Delays Are:	April 2020	September 2020	March 2021
Increasing	61%	23%	26%
Decreasing	0%	7%	5%
No Change	33%	68%	58%
No Payment Delays	6%	2%	11%

Causes of payment delays, open account:	April 2020	September 2020	March 2021
Billing Disputes	15%	9%	6%
Other Disputes	3%	4%	6%
Cash Flow Issues	26%	36%	29%
Inability to Pay	6%	8%	6%
Unwilling to Pay	6%	9%	0%

Causes of payment delays, open account:	April 2020	September 2020	March 2021
Customer Payment Policy	6%	15%	18%
Government Approval	0%	3%	0%
Regulatory Issues	0%	4%	0%
Foreign Exchange Rates	6%	4%	12%
Central Bank Issues	0%	4%	0%
Cultural Norms and Customs	12%	4%	18%
*Other	20%	0%	6%

***OTHER**

April 2020	March 2021
<ul style="list-style-type: none"> Customers now citing COVID-19 for past dues that were due before COVID-19 hit. General slowdown in MX. COVID-19 related. Red tape. Many companies shut down temporarily. Unable to process receipt of goods to allow invoices to be paid. 	<ul style="list-style-type: none"> Price Issue due to yearly/semi-annual price negotiation and price change. Customer is paying based on goods receipt while our company bill based on invoice date therefore, use price based on current date. Effective date has always been part of the negotiation but sometimes not being applied causing the confusion and discrepancy.

PRS Political & Economic Risk Forecast (Updated 1/01/21)

18-month & 5-year political forecasts and probability for REGIMES most likely to hold power; risk ratings for TURMOIL (low to high), and RISK RATINGS (A+ least, D- most) for financial TRANSFER, direct INVESTMENT, and EXPORT to the country. If forecast has changed, the previous rating appears in parentheses. An asterisk (*) means a nonincumbent regime. Most recent economic data and forecasts include a previous five-year average, a one-year forecast or estimate, and a five-year forecast average. REAL GROWTH of GDP and INFLATION are expressed as percentages, and CURRENT ACCOUNT figures are in billions of US dollars.

Country Regimes and Probabilities	Turmoil	Transfer	Investment	Export		Real GDP Growth	Inflation	Current Account
Mexico					2016-2020	0.7	0.8	-8.56
Populist Coalition 40%	High	B	B+	B	2021	3.4	3.5	11.20
*Divided Government 40%	Moderate	B-	B	B-	2022-2026	2.3	3.6	-6.90

Advice when doing business in this country:

March 2021
<ul style="list-style-type: none"> Most of the companies we deal with from this country are part of our group account under Automotive, therefore with Master Purchase Agreement or Global Contract. I believe it's still best to do the due diligence for every prospect customer and establish a minimal credit line and monitor closely to avoid a huge exposure at the onset. You can make gradual increments once transaction, payment behavior, relationship has been stable and established. It is important to consider that Mexican payment behavior is difficult for pre-collection, it means, not all the Mexican people accept to receive payment requests or reminders before the invoice due date. Obtain financial statements and complete due diligence. Check [credit reports], obtain other references hopefully some that are US based and check the history. Whatever terms you grant, expect to be paid in 60+ days. Know your customer - go and visit their facility - get financial statements. You might consider for accounts with parent in the us to get a parental guarantee. Know your customer and try to remain fully secured. The present government is not business friendly which was causing problems even before the pandemic pushed the economy over the edge. Start with cash in advance and grant credit slowly. Beware of corruption. Know your customer. Develop a relationship with the customer for more prompt payments.

September 2020

- Be very careful on who you extend credit to. I would have the customer pay in advance for a while before extending credit. Many fly-by-night customers.
- Patience, and align due dates with payment dates if you want an accurate cash plan.
- It is very important to have local presence in case of payment disputes.
- Secure your receivables.
- Know the customer / company as much as possible. Expect to have to follow up on payments as these accts in MX love to drag out paying on time.
- Complete proper vetting prior to pursuing opportunity. Be conservative with exposure, terms/method of terms, etc.
- Make sure your AR is secured!
- I would sell CIA or LC. Payments are slowing.
- Put on hold if they start rolling past due, insure if necessary.
- Unless it is a financially well-established firm with a proven track record you may want to consider CIA or advance wire transfer. Use of a trusted local agent is helpful but know your buyer!
- Have a strong team in country " Sales Reps." that will help to collect the money. Constant communication is key to improve your chances to get paid on time. Know well your customer. Verify that if their business is legit and in good standing with the IRS in Mexico. Insured your receivables as much as you can. Having a bilingual member in your collection team can make a difference. They like to be spoken in their language. They are proud of their heritage. Overall in Latin America and Mexico you have to build friendship first and then is business. Face to face communication is more effective than e-mails.
- Make sure the customer is well established, request trade and bank references and request also financials to do a credit assessment. Usually subsidiaries of big public companies do not share financials but no credit issues with those.
- Hold shipments if payment is delayed. It seems the only way to ensure payments are not dragged out indefinitely.
- These customers have a lot of requirements in order to proceed with the payments, so it is better to ask all their procedures before start invoicing to them.
- Best to get money up front, they usually want to pay 50% at time of order and 50% before product ships.
- Ensure Government regulations are followed, to avoid causing delays.
- We perform the same due diligence with Mexican customers as we do with domestic ones. If it isn't a company with a strong credit bureau report and good payment record, we ask for cash in advance or a standby letter of credit to secure the account.
- Mexico is getting easier to deal with, but you still have to make sure you have very tight contracts and be ready for the to push the limits until the balance is paid in full.
- Political environment and FX.
- Pull credit information like in the US. Most companies are up and up in terms of paying.

April 2020

- Know your buyer, if you have local assistance, use it. Be mindful of billing due dates and start seeking payment once due.
- Really know your customer, now how they are legally setup and who you are really selling to (5 C's of Credit).
- Keep a tight control on customer being over their limit.
- Research the customer, get some kind of guaranty, at least a pagaré. If you can afford credit insurance, go for it.
- Be very persistent with these customers. Their culture and norms are much different than the US. They will string out payment unless you stay diligent.
- There is a tendency for slower payment, due to several things: currency flow, cultural norms, movement of product, etc. Because we sell heavy equipment, we normally grant 60 days terms.
- Obtain financial statements and complete due diligence on the customer
- Make sure if you extend credit, you have a good relationship with the customer.
- Make sure you know what documents you have to present for payment. It's different in many cases than just the invoice.
- Unless the customer is affiliated with an existing customer, I would consider cash in advance or standby letter of credit, unless they are highly rated by credit reporting agencies.



April 2020

- Mexico is just now starting to feel the full brunt of the Covid-19 pandemic. Much of the country is shutdown, especially in the two largest cities. No firm timeline for reopening the economy.
- Maintain good working relationship. Be persistent with collections. Secure balance, if possible, with SBLOC. Don't sell to new customers in Mexico at this time.