

RASSINI

Company Note

November 5, 2018

Launches takeover bid

- **Rassini's controlling group, through GGI INV SPV, has launched a takeover bid to purchase all of the company's outstanding shares (US\$665.9million), which could lead to a delisting**
- **GGI INV SPV would pay US\$2.08 (~MXN\$41.65) per share and US\$4.16 per CPO (~MXN\$83.31), implying a 4.2x 2018E FV/EBITDA multiple and a 7.4% discount over our PT2018**
- **Such bid concludes on December 3rd, allowing investors to monetize their investment with a 31.3% return since we initiated coverage on the stock in June of 2015 (vs +3.7% of Mexbol)**

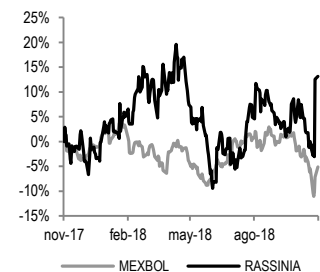
The controlling group pretends to delist the company from the MSE. Rassini announced that its control group- through GGI INV SPV, current holder of 45.73% of the company's equity-, began a takeover bid to purchase all of the company's outstanding shares, leading the company to delist from the MSE. To this effect, at least 49.3% of shares among investors should participate in the bid (90.7% of the float). The price for the said offer is US\$2.08 per share and US\$4.16 per CPO, valuating the company at US\$665.9 million, which implies a 4.2x 2018E FV/EBITDA multiple, similar to the one-year average (4.1x) but below the peers' median (5.0x) Meanwhile, the price of MXN\$41.65 per share and MXN\$83.31 per CPO (considering the fix exchange rate from last Thursday of MXN\$20.0258 per dollar), would stand 7.4% below our MXN\$45.00 PT2018. Nevertheless, we consider such bid would allow shareholders to monetize their investment with an attractive 31.3% return, since we initiated coverage on the stock back in June of 2015 (vs +3.7% of the Mexbol). The bid concludes on December 3rd and will settle 7 days after in dollars or in pesos.

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Current Price	MXN\$40.00
Max – Min LTM (P\$)	42.49 – 31.75
Market Cap (US\$m)	637.4
Shares Outstanding (m)	320.1
Float	54.3%
Daily Turnover (P\$ m)	2.7
Valuation metrics TTM	
EV/EBITDA	4.1x
P/E	9.1x

Relative performance to Mexbol
 LTM

Financial Statements

MXN, million	2016	2017	2018E	2019E
Revenues	16,340	18,104	18,916	18,880
Operating Income	2,259	2,308	2,406	2,599
EBITDA	3,190	3,366	3,378	3,428
EBITDA Margin	19.5%	18.6%	17.9%	18.2%
Net Income	1,431	1,475	1,522	1,866
Net Margin	8.8%	8.1%	8.0%	9.9%
Total Assets	15,024	14,469	12,476	13,012
Cash	1,913	1,991	846	1,342
Total Liabilities	9,318	8,283	6,113	5,535
Debt	3,145	2,596	1,641	992
Common Equity	5,706	6,185	6,364	7,476

Source: Banorte with data from MSE

Valuation and financial metrics

	2016	2017	2018E	2019E
EV/EBITDA	4.5x	4.0x	4.1x	3.7x
P/E	8.9x	8.7x	8.4x	6.9x
P/Book	2.3x	2.1x	2.1x	1.8x
ROE	29.6%	24.8%	24.3%	27.0%
ROA	9.5%	10.2%	12.2%	14.3%
EBITDA/ Interest expen	10.0x	10.7x	12.3x	79.0x
Net Debt/EBITDA	0.4x	0.2x	0.2x	-0.1x
Debt/Equity	0.6x	0.4x	0.3x	0.1x

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Document for distribution among public

RASSINI—Financial Statements

MXN, million

Income Statement					
Year	2016	2017	2018E	2019E	CAGR
Net Revenue	16,340	18,104	18,916	18,880	4.9%
Cost of goods sold	12,877	14,482	15,200	15,077	5.4%
Gross profit	3,463	3,621	3,716	3,804	3.2%
General expenses	1,193	1,227	1,278	1,181	-0.3%
Operating Income	2,259	2,308	2,406	2,599	4.8%
Operating Margin	13.8%	12.7%	12.7%	13.8%	-0.1%
Depreciation	779	810	802	805	1.1%
EBITDA	3,190	3,366	3,378	3,428	2.4%
EBITDA Margin	19.5%	18.6%	17.9%	18.2%	
Interest income (expense) net	(190)	(316)	(234)	(41)	-39.8%
Interest expense	319	314	274	43	-48.6%
Interest income	6	12	25	10	22.0%
Other income (expenses)	123	(13)	15	(8)	-140.7%
Exchange Income (loss)					
Unconsolidated subsidiaries	47	71	63	59	7.7%
Net Income before taxes	2,116	2,063	2,235	2,616	7.3%
Provision for Income taxes	723	618	674	706	-0.8%
Discontinued operations					
Consolidated Net Income	1,394	1,445	1,560	1,910	11.1%
Minorities	(38)	(30)	38	44	-205.1%
Net Income	1,431	1,475	1,522	1,866	9.3%
Net Margin	8.8%	8.1%	8.0%	9.9%	
EPS	4.470	4.608	4.754	5.830	9.3%

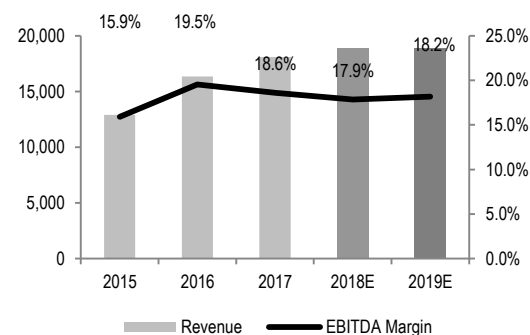
Balance Sheet (Million pesos)

Total Current Assets	5,187	5,111	3,877	4,383	-5.5%
Cash & Short Term Investments	1,913	1,991	846	1,342	-11.1%
Long Term Assets	9,837	9,358	8,599	8,628	-4.3%
Property, Plant & Equipment (Net)	8,721	8,355	7,712	7,741	-3.9%
Intangible Assets (Net)	173	165	189	189	3.0%
Total Assets	15,024	14,469	12,476	13,012	-4.7%
Current Liabilities	5,556	5,672	4,373	4,402	-7.5%
Short Term Debt	1,424	1,631	1,341	1,298	-3.0%
Accounts Payable	2,592	2,516	2,462	2,535	-0.7%
Long Term Liabilities	3,762	2,611	1,740	1,134	-33.0%
Long Term Debt	1,721	965	299	(306)	-156.3%
Total Liabilities	9,318	8,283	6,113	5,535	-15.9%
Common Stock	5,706	6,185	6,364	7,476	9.4%
Preferred Stock	(38)	(30)	38	44	-205.1%
Total Equity	5,523	6,025	6,226	7,314	9.8%
Liabilities & Equity	15,024	14,469	12,476	13,012	-4.7%
Net Debt	1,232	605	795	(350)	-165.8%

Cash Flow (Million pesos)				
	2016	2017	2018E	2019E
Cash Flow from Operating Activities before Taxes	1,498	852	1,240	3,396
Cash Flow from Operating Activities	2,040	1,619	593	(284)
Cash Flow from Investing Activities	(844)	(773)	(841)	(1,028)
Cash Flow from Financing Activities	(1,058)	(791)	(2,047)	(1,588)
Change in Cash Balance	1,636	907	(1,056)	496

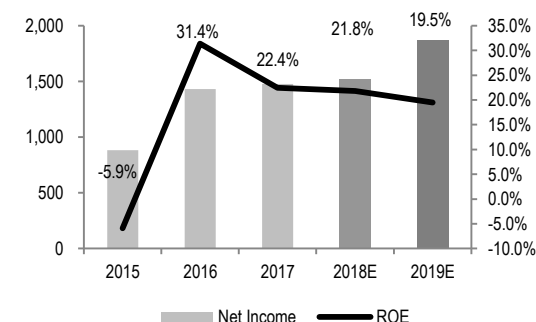
Revenue & EBITDA Margin

MXN, million



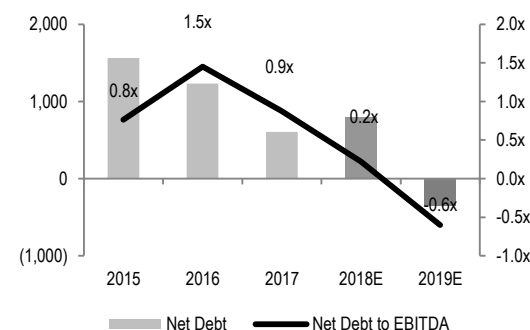
Net Income & ROE

MXN, million



Net Debt & Net debt to EBITDA ratio

MXN, million



Source: Banorte, MSE.

Certification of Analysts.

We, Gabriel Casillas Olvera, Delia Maria Paredes Mier, Alejandro Padilla Santana, Manuel Jiménez Zaldivar, Tania Abdul Massih Jacobo, Katia Celina Goya Ostos, Juan Carlos Alderete Macal, Víctor Hugo Cortes Castro, Marissa Garza Ostos, Miguel Alejandro Calvo Domínguez, Hugo Armando Gómez Solís, Gerardo Daniel Valle Trujillo, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Santiago Leal Singer, Francisco José Flores Serrano, Francisco Duarte Alcocer, Jorge Antonio Izquierdo Lobato and Leslie Thalía Orozco Vélez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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	Reference
BUY	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
SELL	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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History of PT and Ratings

Stock	Date	Rating	PT
RASSINI A	19/02/2018	Buy	\$45.00
RASSINI A	23/10/2017	Buy	\$42.00
RASSINI A	25/04/2017	Buy	\$47.00

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