

Analyst Team

[Link to ScotiaView](#)

Felipe Ucross | Analyst
Scotia Capital (USA) Inc. | 212-225-5098
Juan Jose Guzman, MSc | Associate
Scotiabank Perú SAA | 511-211-6851

Pertinent Data

Rating	Sector Outperform
1-Yr. Target	COP 28,000
NUTRESA-CN	COP 30,020
1-Yr. Return	-4.4%
Div. (NTM)	\$708.84
Div. (Curr.)	\$677.66
Yield (Curr.)	2.3%
Valuation: Explicit 10-Year DCF @ 11.0%	

Capitalization (as of January 11, 2022)

Market Cap. (M)	US\$3,410
Enterprise Value (B)	\$17,314
Shares O/S (M)	460
Float O/S (M)	255

The Domino Effect

OUR TAKE: Positive. In keeping with our board game titles, we think that last Friday's large tendered amount, one day ahead of the deadline, could generate a domino effect. Investors that were on the fence about a sale may have just been pushed over the line due to the liquidity risk. However, if Grupo Argos were to announce a proposal for a large dividend increase at Nutresa, as they have been telegraphing, sellers could miss out. As expected, with one day to the deadline (Monday was a holiday in Colombia), this will be down to the wire.

KEY POINTS

First Large Batch of Tenders: On Friday, Jan 7, we had the first large tender since this process started. About 48 million shares were tendered, taking the cumulative total to 15.6% of Nutresa's outstanding shares and 31.1% of Gilinski's minimum amount of shares sought. While this certainly improves Gilinski's odds to reach his minimum threshold, the recent modification in Nutresa's board composition has changed things a bit.

Nutresa's New Board Composition: In order to reach quorum for the recent vote against Gilinski's tender offer for Sura shares - as its four non-independent directors recused from voting- Nutresa reduced its number of board members from eight to seven, retiring one non-independent member. Under the current structure (i.e., with four independent members), Gilinski would need three out of those four members to control the independent side of the board. Under an 8-member structure, that minimum threshold implied 37.5% of the total outstanding shares, as explained [in our previous report](#). After the change in the board composition, that minimum sits now at 42.9%.

Who Was Behind the First Large Block? Due to the large size of the offers and based on the latest 13-D equivalent ownership filings, it seems to us that only two players could have been behind Friday's offers: Proteccion or Porvenir. We doubt that Proteccion will participate, much less a day early, meaning that we think it's likely that Porvenir was the tenderer.

Is a Dividend Increase Coming? Our thinking is that a significant dividend increase could be proposed to the board of Nutresa as part of GEA's defense plan. If Grupo Argos' announcement was any guidance, we think the proposal could be for a 30% increase or more. The current payout is at 50%, so going to 65% (or more) and then moving with inflation or slightly above (like they have done historically) is perfectly feasible and doesn't totally kill inorganic growth. We think Nutresa can even go to a 50% increase (75% payout) without stretching itself thin, becoming the best dividend yield in our coverage.

[Continues on page 2]

Qtly EPS (Basic)	Q1	Q2	Q3	Q4	Year	P/EPS
2019A	\$379.11	\$231.42	\$285.69	\$204.33	\$1,100.55	23.1x
2020A	\$413.57	\$300.96	\$305.77	\$230.32	\$1,250.62	19.2x
2021E	\$498.89A	\$298.09A	\$365.71A	\$313.18	\$1,475.86	19.4x
2022E	\$422.85	\$334.51	\$402.57	\$350.63	\$1,510.57	19.9x

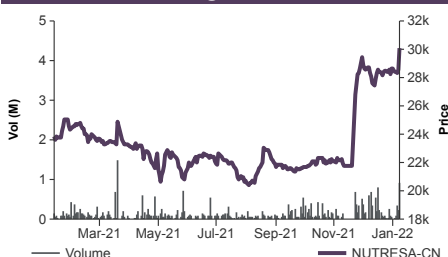
(FY-Dec.)	2019A	2020A	2021E	2022E
Revenues (M)	\$9,958,851	\$11,127,541	\$12,572,089	\$13,653,444
EBITDA (M)	\$1,347,229	\$1,443,576	\$1,566,732	\$1,705,603
EBITDA Margin	13.5%	13.0%	12.5%	12.5%
Return on Equity	8.7%	9.2%	10.5%	10.2%

Historical price multiple calculations use FYE prices. All values in COP unless otherwise indicated. Source: FactSet; company reports; Scotiabank GBM estimates.

Production: January 10, 2022, 23:10 ET. Dissemination: January 11, 2022, 06:32 ET.

For Reg AC Certification and important disclosures see Appendix A of this report. Analysts employed by non-U.S. affiliates are not registered/qualified as research analysts with FINRA in the U.S. unless otherwise noted within this report.

Volume and Closing Price for NUTRESA-CN



Source: FactSet.

Why Is that Dividend Announcement So Important? On a dividend discount model methodology, a 30%-plus increase in dividends (and increases with inflation, so no change in the historical growth rate) would suggest staying in the shares is better than selling. However, the tender is about to end, and we have seen no announcements. We are no legal experts, but there could be some provision preventing Grupo Argos from announcing an increase proposal for Nutresa during the tender.

GEA Must Accelerate Defense Pace: But if GEA wants to keep its independence, it needs to act soon. The slower it moves, the higher the risk that its defense is late to the game. And in our opinion, it's moving slowly.

Game Theory for the Hold-outs: What's the best strategy for the hold-outs now? Playing into the domino effect can nullify their chances of getting a higher price, one that is closer to the 13x EBITDA that we think is fair (for control, as Gilinski has presented his offer). As a smart investor said to us last week, "the more players that participate in this first low-priced sweep from Gilinski, the more he can offer in a second round to get to his minimum threshold."

All Good for Nutresa Shareholders: In our opinion, the chances that the tender goes through just went up. But we continue to think that this is all good for shareholders who stand to gain from a GEA-Gilinski fight for control.

Our View: We continue to think a control position in Nutresa is worth 13x NTM EBITDA.

In Other News, GEA's Fight with Quintero Continues: As the tender offer for Nutresa approaches its end this week, there was some [controversy](#) during the weekend as the Mayor of Medellin, Mr. Daniel Quintero, had some harsh words against GEA's related companies in an interview published in Gilinski's [owned magazine](#). Grupo Argos responded with a [press release](#) indicating that it is assessing taking legal action against Mr. Quintero for the potential reputational damage of his remarks.

Company Overview

Tuesday, January 11, 2022

Company Description

Nutresa is a leading Latin American manufacturer and distributor of branded consumer food products. Founded in 1920 in Colombia, where it evolved through a solid combination of organic growth and a successful acquisition strategy, it manages more than 168 brands, 17 of which generate annual sales of US\$50 million each. While Nutresa's products can be found in nearly 72 countries around the world, the company mainly generates revenue through eight business segments distributed in the 14 countries where it operates its 45 manufacturing plants.

Key Risks

Economic, raw materials, foreign exchange, political and geographic, regulatory, interest rate, M&A, corporate governance.

This report is intended for felipe.gomezbridge@ashmoregroup.com.co. Unauthorized distribution of this report is prohibited.

Appendix A: Important Disclosures

I, Felipe Ucros, certify that (1) the views expressed in this report in connection with securities or issuers that I analyze accurately reflect my personal views and (2) no part of my compensation was, is, or will be directly or indirectly, related to the specific recommendations or views expressed by me in this report.

This document has been prepared by Research Analysts employed by The Bank of Nova Scotia and/or its affiliates. The Bank of Nova Scotia, its subsidiaries, branches and affiliates are referred to herein as "Scotiabank." "Scotiabank" together with "Global Banking and Markets" is the marketing name of the global corporate and investment banking and capital markets business of The Bank of Nova Scotia and its affiliates. Scotiabank, Global Banking and Markets produces research reports under a single marketing identity referred to as "globally branded research" under U.S. rules. This research is produced on a single global research platform with one set of rules which meet the most stringent standards set by regulators in the various jurisdictions in which the research reports are produced. In addition, the Research Analysts who produce the research reports, regardless of location, are subject to one set of policies designed to meet the most stringent rules established by regulators in the various jurisdictions where the research reports are produced.

Scotiabank relies on information barriers to control the flow of non-public or proprietary information contained in one or more areas within Scotiabank into other areas, units, groups or affiliates of Scotiabank. In addition, Scotiabank has implemented procedures to prevent research independence being compromised by any interactions they may have with other business areas of The Bank of Nova Scotia. The compensation of the Research Analyst who prepared this document is determined exclusively by Scotiabank Research Management and senior management (not including investment or corporate banking).

Research Analyst compensation is not based on investment or corporate banking revenues; however, compensation may relate to the revenues of Scotiabank as a whole, of which investment banking, corporate banking, sales and trading are a part. Scotiabank Research will initiate, update and cease coverage solely at the discretion of Scotiabank Research Management. Scotiabank Research has independent supervisory oversight and does not report to the corporate or investment banking functions of Scotiabank.

For Scotiabank, Global Banking and Markets Research Analyst Standards and Disclosure Policies, please visit www.gbm.scotiabank.com/disclosures.

For additional questions, please contact Scotiabank, Global Banking and Markets Research, 4 King St W, 12th Flr, Toronto, Ontario, M5H 1A1.

Time of dissemination: January 11, 2022, 06:32 ET. Time of production: January 10, 2022, 23:10 ET. Note: Time of dissemination is defined as the time at which the document was disseminated to clients. Time of production is defined as the time at which the Supervisory Analyst approved the document.

Rating and Price Target History

Nutresa (NUTRESA-CN) as of January 07, 2022 (in COP)

02-06-2017 Price: 24,000.00 Rating: SO Target: 31,000.00	02-24-2020 Price: 25,300.00 Rating: SO Target: 33,000.00	04-27-2020 Price: 23,200.00 Rating: SO Target: 30,000.00	08-03-2021 Price: 20,350.00 Rating: SP Target: 28,000.00	11-12-2021 Price: 21,740.00 Rating: SO Target: 28,000.00
---	---	---	---	---



*Represents the value(s) that changed.

Ratings Legend: FS=Focus Stock; SO=Sector Outperform; SP=Sector Perform; SU=Sector Underperform; T=Tender; UR=Under Review; CS=Coverage Suspended; DC=Discontinued Coverage
Source: Scotiabank GBM estimates; FactSet.

This report is intended for felipe.gomezbridge@ashmoregroup.com.co. Unauthorized distribution of this report is prohibited.

Definition of Scotiabank, Global Banking and Markets Equity Research Ratings

Scotiabank has a three-tiered rating system, with ratings of Sector Outperform, Sector Perform, and Sector Underperform. Each Research Analyst assigns a rating that is relative to his or her coverage universe or an index identified by the Research Analyst that includes, but is not limited to, stocks covered by the Research Analyst.

The rating assigned to each security covered in this report is based on the Scotiabank, Global Banking and Markets Research Analyst’s 12-month view on the security. Research Analysts may sometimes express in research reports shorter-term views on these securities that may impact the price of the equity security in a manner directly counter to the Research Analyst’s 12-month view. These shorter-term views are based upon catalysts or events that may have a shorter-term impact on the market price of the equity securities discussed in research reports, including but not limited to the inherent volatility of the marketplace. Any such shorter-term views expressed in research report are distinct from and do not affect the Research Analyst’s 12-month view and are clearly noted as such.

Ratings

Sector Outperform (SO)

The stock is expected to outperform the average 12-month total return of the analyst’s coverage universe or an index identified by the analyst that includes, but is not limited to, stocks covered by the analyst.

Sector Perform (SP)

The stock is expected to perform approximately in line with the average 12-month total return of the analyst’s coverage universe or an index identified by the analyst that includes, but is not limited to, stocks covered by the analyst.

Sector Underperform (SU)

The stock is expected to underperform the average 12-month total return of the analyst’s coverage universe or an index identified by the analyst that includes, but is not limited to, stocks covered by the analyst.

Focus Stock (FS)

As of April 29, 2019, Scotiabank GBM discontinued the Focus Stock rating. A stock assigned this rating represented an analyst’s best idea(s); stocks in this category were expected to significantly outperform the average 12-month total return of the analyst’s coverage universe or an index identified by the analyst that included, but was not limited to, stocks covered by the analyst.

Other Ratings

Under Review – The rating has been temporarily placed under review, until sufficient information has been received and assessed by the analyst.

Tender – As of January 25, 2021, Scotiabank GBM discontinued the Tender rating.

Risk Ranking

The Speculative risk ranking reflects exceptionally high financial and/or operational risk, exceptionally low predictability of financial results, and exceptionally high stock volatility. The Director of Research and the Supervisory Analyst jointly make the final determination of the Speculative risk ranking.

Ratings Distribution

As of December 31, 2021

Rating	Companies Rated in Each Category		Investment Banking Service Provided in the Last 12 Months	
	Count	Percentage	Count	Percentage
Sector Outperform	287	51%	100	35%
Sector Perform	245	44%	64	26%
Sector Underperform	29	5%	1	3%

For the purposes of the ratings distribution disclosure FINRA requires members who use a ratings system with terms different than “buy,” “hold/neutral” and “sell,” to equate their own ratings into these categories. Our Sector Outperform, Sector Perform, and Sector Underperform ratings are based on the criteria above, but for this purpose could be equated to buy, neutral and sell ratings, respectively.

This report is intended for felipe.gomezbridge@ashmoregroup.com.co. Unauthorized distribution of this report is prohibited.

General Disclosures

This document is for distribution only as may be permitted by law. It is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject Scotiabank to any registration or licensing requirement within such jurisdiction. It is published solely for information purposes; it is not an advertisement nor is it a solicitation or an offer to buy or sell any financial instruments or to participate in any particular trading strategy.

No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained in this document except with respect to information concerning Bank of Nova Scotia (TSX: BNS; NYSE: BNS). This document is not intended to be a complete statement or summary of the securities, markets or developments referred to in this document. Scotiabank does not undertake to update or keep current the information contained herein, nor make any commitment as to the frequency of publication.

If you are affected by MiFID II, you must advise us in writing at trade_supervision@scotiabank.com.

Any opinions expressed in this document may change without notice and may differ or be contrary to opinions expressed by other business areas or groups of Scotiabank. Any statements contained in this document attributed to a third party represent Scotiabank's interpretation of the data, information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation have not been reviewed by the third party. Nothing in this document constitutes a representation that any investment strategy or recommendation is suitable or appropriate to an investor's individual circumstances or otherwise constitutes a personal recommendation. Investments involve risks, and investors should exercise prudence and their own independent judgement in making their investment decisions and carefully consider any risks involved.

The financial instruments that may be described in this document may not be eligible for sale in all jurisdictions or to certain categories of investors. Instruments such as options, derivative products, and futures are not suitable for all investors, and trading in these instruments is considered risky. Mortgage and asset-backed securities may involve a high degree of risk and may be highly volatile in response to fluctuations in interest rates or other market conditions. Foreign currency rates of exchange may adversely affect the value, price, or income of any security or related instrument referred to in this document. For investment advice, trade execution, or other enquiries, clients should contact their local sales representative. The value of any investment or income may go down as well as up, and investors may not get back the full amount invested. Past performance is not necessarily a guide to future performance.

To the full extent permitted by law, neither Scotiabank nor any of its directors, employees or agents accepts any liability whatsoever for any direct or consequential loss arising from any use of the information or this document. Nothing in this document constitutes financial, investment, tax, accounting or legal advice. Investors should seek their own legal, financial and tax advice regarding the appropriateness of investing in any securities or pursuing any strategies discussed in the document. Any prices stated in this document are for information purposes only and do not represent real-time valuations for individual securities or other financial instruments. There is no representation that any transaction can or could have been effected at those prices, and any prices do not necessarily reflect Scotiabank's internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions by Scotiabank or any other source may yield substantially different results. All pricing of securities in reports is based on the closing price of the securities' principal marketplace on the night before the publication date, unless otherwise explicitly stated.

The Research Analyst(s) responsible for the preparation of this document may interact with trading desk personnel, sales personnel and other parties for the purpose of gathering, applying and interpreting market information.

In the normal course of offering investment and banking products and services to clients, Scotiabank may act in several capacities (including issuer, market maker, underwriter, distributor, index sponsor, swap counterparty, and calculation agent) simultaneously with respect to a product, giving rise to potential conflicts of interest. Scotiabank uses controls such as information barriers to manage conflicts should they arise. Scotiabank and its affiliates, officers, directors, and employees may have long or short positions (including hedging and trading positions), trade as principal and buy and sell in instruments or derivatives identified herein; such transactions or positions may be inconsistent with the opinions expressed in this document.

Recipients of this document should expect that Scotiabank will from time to time perform services (including investment banking or capital market services) in connection with the services and activities described in this document and that they may perform services for and engage in transactions with other market participants, including the issuers of certain of the investments underlying the transactions herein.

The information in this document has been prepared without taking into account any investor's objectives, financial situation or needs, and investors should, before acting on the information, conduct independent due diligence when making an investment decision and consider the appropriateness of the information, having regard to their objectives, financial situation and needs. For further information, please contact your sales representative.

Scotiabank specifically prohibits the redistribution of this document in whole or in part without Scotiabank's prior written permission, and Scotiabank accepts no liability whatsoever for the actions of third parties in this respect. Images may depict objects or elements that are protected by third-party copyright, trademarks and other intellectual property rights.

Tuesday, January 11, 2022

Equity research reports published by Scotiabank are initially and simultaneously made available electronically to intended recipients through its proprietary research website, ScotiaView, e-mail, and through third-party aggregators. The mediums in which research is disseminated to clients may vary depending on client preference as to the frequency and manner of receiving research reports. Institutional clients with questions regarding distribution of equity research or who wish to access the proprietary model used to produce this report should contact Scotiabank at 1-800-208-7666.

A list of all investment recommendations in an equity security or issuer that have been disseminated during the preceding 12 months is available at the following location: www.gbm.scotiabank.com/disclosures.

Additional Disclosures

Australia: This report is provided in Australia by the Bank of Nova Scotia, an APRA-regulated Authorised Deposit-Taking Institution (Foreign Bank ADI) holding an Australian Financial Services License (AFSL).

Canada: Distributed to eligible Canadian persons by Scotia Capital Inc., a registered investment dealer in Canada.

Chile: This report is distributed by Scotia Corredora de Bolsa Chile Limitada, a subsidiary of The Bank of Nova Scotia.

Colombia: This report is distributed in Colombia by Scotiabank Colpatria, S.A. as authorized by the Superintendencia Financiera de Colombia to The Bank of Nova Scotia ("Scotiabank"). Scotiabank and Scotia Capital Inc. promote and advertise their products and services through Scotiabank Colpatria, S.A. This document does not contain any type of investment advice nor does it aim to provide advice. This report is prepared by analysts employed by The Bank of Nova Scotia and certain of its affiliates, including Scotia Capital Inc.

Hong Kong: This report is distributed by The Bank of Nova Scotia Hong Kong Branch, which is authorized by the Securities and Future Commission to conduct Type 1, Type 4 and Type 6 regulated activities and regulated by the Hong Kong Monetary Authority.

Japan: This research report is provided for information purposes only and it is not intended to solicit any orders for securities transactions or commodities futures contracts. While we believe that the data and information contained in this research report are obtained from reliable sources, we do not guarantee the accuracy or completeness of the data and information.

Mexico: The information contained in this report is for informational purposes only and is not intended to influence the decision of the addressee in any way whatsoever with respect to an investment in a certain type of security, financial instrument, commodity, futures contract, issuer, or market, and is not to be construed as an offer to sell or a solicitation of an offer to buy any securities or commodities futures contracts. Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, is not responsible for the outcome of any investment performed based on the contents of this research report.

Peru: This report is distributed by Scotiabank Peru SAA, a subsidiary of The Bank of Nova Scotia. This report is prepared by analysts employed by The Bank of Nova Scotia and certain of its affiliates, including Scotia Capital Inc.

Singapore: For investors in the Republic of Singapore, this document is provided via an arrangement with BNS Asia Limited pursuant to Regulation 32C of the Financial Advisers Regulations. The material contained in this document is intended solely for accredited, expert or institutional investors, as defined under the Securities and Futures Act (Chapter 289 of Singapore). If there are any matters arising from, or in connection with this material, please contact BNS Asia Limited, located at 1 Raffles Quay, #20-01 North Tower, One Raffles Quay, Singapore 048583, telephone: +65 6305 8388.

This document is intended for general circulation only and any recommendation that may be contained in this document concerning an investment product does not take into account the specific investment objectives, financial situation, or particular needs of any particular person, and advice should be sought from a financial adviser based in Singapore regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation, or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

BNS Asia Limited and/or its affiliates may have in the past done business with or may currently be doing or seeking to do business with the companies or issuers covered in this report. The information provided or to be provided or actions taken by or to be taken by BNS Asia Limited and/or its affiliates in such circumstances may be different from or contrary to the discussion set out in this report.

United Kingdom and the rest of Europe: Except as otherwise specified herein, this material is distributed by Scotiabank Europe plc to persons who are eligible counterparties or professional clients. Scotiabank Europe plc is authorized by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

United States: Distributed to U.S. persons by Scotia Capital (USA) Inc. or by an authorized subsidiary or affiliate of The Bank of Nova Scotia that is not registered as a U.S. broker-dealer (a 'non-U.S. affiliate') to major U.S. institutional investors only. Scotia Capital (USA) Inc. accepts responsibility for the content of a document prepared by its non-U.S. affiliate (s) when distributed to U.S. persons by Scotia Capital (USA) Inc. To the extent that a U.S. person wishes to transact in the securities mentioned in this document through Scotiabank, such transactions must be effected through Scotia Capital (USA) Inc., and not through a non-U.S. affiliate. The information in this document

Tuesday, January 11, 2022

has not been approved, disapproved, or recommended by the U.S. Securities and Exchange Commission ("SEC"), any state securities commission in the United States or any other U.S. or non-U.S. regulatory authority. None of these authorities has passed on or endorsed the merits or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offense in the United States.

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable. Scotiabank, together with "Global Banking and Markets," is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including Scotia Capital Inc., Scotia Capital (USA) Inc., Scotiabank Europe plc, Scotiabank (Ireland) Designated Activity Company, Scotiabank Inverlat S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Casa de Bolsa S.A. de C.V., Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank Group and authorized users of the mark. The Bank of Nova Scotia is incorporated in Canada with limited liability. Scotia Capital Inc. is a member of the Canadian Investor Protection Fund and regulated by the Investment Industry Regulatory Organization of Canada. Scotia Capital (USA) Inc. is a broker-dealer registered with the SEC and is a member of FINRA, NYSE, NFA and SIPC. Scotiabank Europe plc is authorized by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Scotiabank Inverlat, S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, and Scotia Inverlat Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

This report is intended for felipe.gomezbridge@ashmoregroup.com.co. Unauthorized distribution of this report is prohibited.

© The Bank of Nova Scotia 2022

This report and all the information, opinions, and conclusions contained in it are protected by copyright. This report may not be reproduced in whole or in part, or referred to in any manner whatsoever, nor may the information, opinions, and conclusions contained in it be referred to without the prior, express consent of Scotiabank, Global Banking and Markets. The Bank of Nova Scotia, Scotiabank, and Global Banking and Markets logo and names are among the registered and unregistered trademarks of The Bank of Nova Scotia. All rights reserved.