

27 May, 2021

Grupo Lala
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Mexico City

To the board of directors

RE: Board of director's failure to independently value the shares of Grupo Lala and breach of fiduciary duties

On the 22nd of May 2021 Grupo Lala announced that its controlling shareholder was making a voluntary offer to buy out minority shareholders for MXN 17.36 per share. This was accompanied by a statement that the controlling shareholder wishes to delist Grupo Lala from the Bolsa Mexicana.

While this is a modest premium to what the share price was when the deal was announced, it is a level which severely undervalues the company.

Should the controlling shareholder be successful at acquiring sufficient shares in the Grupo Lala to delist it from the Bolsa Mexicana, this would severely prejudice the rights of minority shareholders who wish to remain invested in the company. In particular, minority shareholders will be faced with the option of either: (1) tendering their shares at an offer price which is too low, or (2) not tendering their shares and owning shares in a company whose trading liquidity is severely curtailed by no longer being listed.

The board of directors of Grupo Lala owes fiduciary duties to its shareholders.

To comply with such fiduciary duties, the board should hire a credible independent third party to conduct a valuation of Grupo Lala. If such credible independent third party finds that the offer of MXN 17.36 per share undervalues the company, this fact should be announced to the market.

There is no indication to date that an effort has been made to hire a credible independent third party to conduct a valuation, nor is there any information supporting that the offer of MXN 17.36 is a fair value for the shares.

Currently only four members on Grupo Lala's ten member board are classified as independent. These are:

- Pablo Roberto González Guajardo
- Rafael Robles Miaja
- Blanca Avelina Treviño de Vega
- Carlos Antonio Danel Cendoya

While it is expected that the members of the board who are not independent would act in the interests of the controlling shareholder, this is not the case for the independent directors who are expected to protect the interests of minority shareholders.

Should the board refuse to conduct such a valuation by a credible independent third party, the independent board members should resign in protest.

Yours sincerely

Kyle Wales

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