



BY VERONICA NAVARRO
 AND JONATHAN LEVIN
 Bloomberg News

MEXICO CITY - Bondholders are rewarding Mexichem SAB with record-low borrowing costs as the chemical producer that's quadrupled profit since 2007 plans its biggest debt offering.

Reuters reported that Mexichem began selling \$750 million of 10-year bonds and \$400 million of notes due in 2042 on Wednesday. The 2022 debt yields 5 percent while the notes due in 30 years yield 6.75 percent. The sale comes after yields on its \$350 million of 8.75 percent bonds due in 2019 fell 3.54 percentage points to touch a record 5.21 percent on Sept. 10. Bonds due in 10 years from Sao Paulo-based Braskem SA, Latin America's largest petrochemicals maker, yield 5.14 percent.

Borrowing costs for Mexichem have plunged as the company used its cash to make more than 17 acquisitions since 2007, increasing its market value by 12-fold while keeping debt levels almost 50 percent lower than Braskem's. Mexichem, which has posted the biggest Latin American equity rally in the past five years after a 968 percent surge in its shares, said in August it's considering two more company purchases.

"You don't find many good stories like this one. It has good ratios, good history, good management, good share performance," Carlos Legaspy, who's going to tender Mexichem's 2019 bonds and is manager of \$350 million at Precise Securities. "The company's fundamentals don't justify such high borrowing costs."

Tlalnepantla, Mexico-based Mexichem will use proceeds of the

Mexichem sells 10-year bonds

Borrowing costs plunge as company expands

This screen capture shows the Mexichem website. The company has made more than 17 acquisitions since 2007.

offering to buy back its bonds due in 2019 and repay a \$600 million credit line, according to Moody's Investors Service.

It also plans to raise an additional \$1 billion in a share sale "in case an opportunity arises," said Enrique Ortega, Mexichem's director of strategic planning and

investor relations.

Mexichem said on July 25 that earnings before interest, taxes, depreciation and amortization, or Ebitda, rose to 3.95 billion pesos (\$304 million) in the second quarter, compared with 996 million pesos in 2007. Its second-quarter sales jumped 43 percent from

a year earlier after the acquisition of Zwolle, Netherlands-based Wavin NV for 470 million euros (\$604 million) in May.

Mexichem shares soared more than 10-fold in the past five years and market capitalization jumped to 112.8 billion pesos, according to data compiled by Bloomberg.