

Rating Action: Moody's affirms Alicorp's Baa3 rating; stable outlook

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New York, March 04, 2019 -- Moody's Investors Service (Moody's) affirmed today Alicorp, S.A.A. (Alicorp)'s Baa3 senior unsecured rating. The outlook is stable. The affirmation follows Alicorp's acquisition on January 31 of Intradevco Industrial, S.A. (Intradevco) for USD490.5 million. The transaction was financed with the proceeds of a USD500 million bridge loan that matures in 18 months.

RATINGS RATIONALE

Alicorp's Baa3 rating is supported by its leading market position in Peru in key product categories, its high profitability and strong credit metrics; and its extensive and hard to replicate distribution network. The rating also reflects its broad product portfolio, and its experienced management team with a successful track record of completing acquisitions. The rating considers the company's small size compared to global industry peers, its limited geographic diversity given its concentration in Peru and certain Latin American markets with weak economies, and its exposure to commodity price volatility.

The acquisition of Intradevco will give Alicorp access to a different tier of products and will broaden its home and personal care portfolio by adding new categories such as bleach, insecticides, air care, surface care, oral care, liquid soap, deodorants and shampoo. In addition, it will allow Alicorp to strengthen its presence in Latin America as Intradevco has operations in Peru and exports to several other countries in Latin America, including Ecuador and Bolivia.

Pro-forma for the transaction, Alicorp's Consumer Goods Peru line of business will contribute with around \$171 million to consolidated EBITDA, representing around 50% of Alicorp's consolidated EBITDA. Moody's estimates that Alicorp's adjusted debt/EBITDA will increase to around 4.0 times, up from 2.9 times as of December 31, 2018. Still, the company plans to use the proceeds from the sale of certain Credicorp Ltd.'s shares that it owns to amortize debt, reducing adj. debt/EBITDA back to approximately 3.1 times by mid-2019 and 2.6 times by year end 2020.

Moody's considers this acquisition in line with Alicorp's strategy of increasing its presence in the Andean region and by increasing its portfolio mix towards the higher margin home and personal care categories. Euromonitor forecasts Peruvian home and personal care to reach a market size of close to \$3.5 billion by 2022, a 9% increase when compared to 2018.

Alicorp's stable outlook reflects our expectation that the company will be able to integrate Intradevco while demonstrating a fast de-leveraging trend.

An upgrade could be triggered if the company's adj. debt/EBITDA is below 2.5 times and adj. EBIT/Interest Expense is above 5 times on a sustained basis. To be considered for an upgrade the company should maintain strong liquidity and positive free cash flow.

A downgrade could be triggered if the company's adj. debt/EBITDA remains above 3.5 times or if adj. EBIT/Interest expense declines below 3.5 times. A deterioration in liquidity or operating performance, increased payouts to shareholders, large debt financed acquisitions, or integration challenges, could also lead to a downgrade.

Alicorp has good liquidity. As of December 31, 2018 the company's cash position of PEN1,037 million (USD311 million) would cover 1.1 times its short-term debt. Its liquidity position is further supported by a strong free cash flow generation which has been positive over 2015-2018 at an average of PEN550 million (USD167 million) per year. In addition, the company has available revolving uncommitted credit facilities to fund its working capital requirements totaling PEN3,200 million (USD960 million).

The principal methodology used in this rating was Global Packaged Goods published in January 2017. Please see the Rating Methodologies page on www.moody's.com for a copy of this methodology.

Alicorp, S.A.A., headquartered in Lima, is a Peruvian manufacturer and distributor of consumer goods (food

and home & personal care products), business-to-business branded products (bakeries, industrial products and food service) and aquaculture (shrimp and fish feed). Alicorp also has an oilseeds crushing business in Bolivia. Alicorp has operations in Peru, Ecuador, Bolivia, Chile, Brazil, and Argentina, and exports to other countries in Latin America. Alicorp is public company and is majority owned and controlled by Grupo Romero (46.1% stake), one of the largest conglomerates in Peru. The balance is owned by pension funds (28.4%), mutual funds (15.8%) and others (9.8%). Alicorp reported revenues of PEN8,289 million (\$2.5 billion) in 2018.

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