MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns a Baa3 rating to Alicorp's notes; stable outlook

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New York, April 04, 2019 -- Moody's Investors Service (Moody's) assigned a Baa3 senior unsecured rating to Alicorp, S.A.A.'s (Alicorp) proposed up to 10-year Peruvian Sol-denominated senior unsecured notes of up to $500 million. The outlook is stable. The proceeds of the notes will be used to refinance existing debt.

RATINGS RATIONALE

"The Baa3 rating reflects Alicorp's 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." said Alonso Sánchez, a Vice President at Moody's. The rating also reflects Alicorp's broad product portfolio and its experienced management team with a successful track record of completing acquisitions. The rating considers the company's relative small size compared to global industry peers, its limited geographic diversification given its concentration in Peru and certain Latin American markets with weak economies, and its exposure to commodity price volatility.

The proposed transaction will not impact Alicorp's leverage, while improving its debt maturity profile. With the proceeds of the proposed notes Alicorp will refinance its $500 million bridge loan maturing in 2020 that was used to finance the acquisition of Intradevco Industrial, S.A. (Intradevco) in January 2019. Pro-forma for the debt refinancing, Alicorp's long-term debt maturity profile as of December 31, 2018 will be as follows: PEN926 million ($274 million) due 2019, PEN428 million ($127 million) due 2020, PEN475 million ($140 million) due 2021, PEN120 million ($35 million) due 2022, and PEN2,778 million ($822 million) thereafter.

The acquisition of Intradevco added $500 million of debt to Alicorp's balance sheet and led its Moody's adjusted debt/EBITDA to increase to around 4.0 times, up from 2.9 times as of December 31, 2018. While this level is high for the rating category, we expect Alicorp to use the proceeds from the sale of certain Credicorp Ltd.'s shares that it owns to amortize debt. Higher EBITDA generation and debt reduction in the first half of 2019 will improve Alicorp's adj. debt/EBITDA back to approximately 3.1 times by mid-2019 and 2.6 times by year end 2020.

The recent acquisition of Intradevco is in line with Alicorp's strategy to increase its presence in the Andean region by increasing its portfolio mix toward the higher-margin home and personal care categories. According to Euromonitor, home care in Peru, in value terms, will grow at a CAGR of 1% in 2018-22, while personal care will grow at a CAGR of 2.6% over the same period. Euromonitor forecasts the Peruvian home and personal care segment will reach a market size of close to $3.5 billion by 2022. This increase is also supported by the forecast Peruvian economic growth. Moody's estimate Peru's GDP will rise 3.7% in 2019 and 3.9% in 2020.

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 ($311 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 ($167 million) per year. In addition, the company has available revolving uncommitted credit facilities to fund its working capital requirements totaling PEN3,200 million ($960 million).

The principal methodology used in this rating was Global Packaged Goods published in January 2017. Please see the Rating Methodologies page on www.moodys.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 (B2B) 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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