FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Alicorp's Ratings at 'BBB'; Outlook Stable

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Fitch Ratings - New York - 05 Apr 2022: Fitch Ratings has affirmed Alicorp S.A.A.'s 'BBB' Long-Term Foreign and Local Currency Issuer Default Ratings (IDRs). Fitch also affirmed Alicorp's senior unsecured notes at 'BBB.' The Rating Outlook on the corporate ratings is Stable. The rating affirmation reflects Alicorp's resilient business profile in a difficult environment due to high inflation costs, lower disposal income and higher interest rates in the region.

KEY RATING DRIVERS

Deleveraging Expected: Fitch expects adjusted net debt/EBITDA to move below 3x in 2022, which is in line with Alicorp's 'BBB' rating (3.2x at YE 2021). The improved EBITDA is the result of both a gradual rebound of the consumer goods units, thanks to higher prices, revenue mix, efficiencies program and its other division's resilient performance. Fitch projects EBITDA of PEN1.4 billion in 2022, compared to PEN1.3 billion in 2021. Fitch expects capex to reach about USD125 million, similar to 2021, but inclusive of USD43 million for a capacity expansion of the aquafeed business in 2022, and USD12 million in recurring capex.

Diversified Product Mix: The company has a broad geographically diversified product portfolio, which provides resilience and growth prospects in addition to smoothing cash flow volatility. Alicorp focuses on consumer goods, namely Food and Home & Personal Care Products (39% of EBITDA); B2B (food service and bakery) (15% of EBITDA); Aquaculture Feed (22% of EBITDA) in Ecuador and Chile; and Oilseeds crushing (27% of EBITDA).

Resilient Margin: Fitch expects EBITDA margins to remain close to 10% over the next two years despite higher commodities and distribution costs, due to the improved company's revenue mix, as well as SKU rationalization. Low double-digit growth revenue growth is expected in 2022, due to a gradual recovery of Alicorp's consumer goods in Peru and resilient performance of the aquafeed businesses. Fitch projects Peru's Real GDP growth of 2.5% in 2022, following a sharp increase of 13.3% in 2021 as the country's economy gradually reopened.

EBITDA increased 17.5% year-on-year in 2021, due to the solid performance of the crushing, aquafeed units and the recovery of the B2B performance as well SG&A initiatives, while the consumer goods Peru division was pressured with higher commodity costs and lower volumes.

Solid Business Profile: Alicorp's 'BBB' ratings reflect the company's strong market position in the Peruvian consumer products industry as a result of its leading brands, broad product portfolio, and extensive distribution network. Fitch estimated that Alicorp's Peruvian and Bolivian operations accounted for approximately 53% and 27% of EBITDA, respectively, in 2021. The company divested low-performing Brazilian and Argentinian operations in late 2021.

DERIVATION SUMMARY

Alicorp's 'BBB' ratings reflect the company's strong market position in the Peruvian consumer products industry due to its leading brands, broad product portfolio and extensive distribution network. Peru remains the company's core market and represents about 53% of EBITDA as of YE 2021, while the company has grown both organically and inorganically to increase its geographic diversification in South America.

Factors constraining Alicorp's ratings include the company's moderate size and a less diversified portfolio of products and brands when compared with other large consumer and packaged goods companies such as Unilever PLC (A/Stable), Nestle SA (A+/Stable) and Grupo Bimbo, S.A.B. De C.V. (BBB/Stable), which all have global presences in developed and developing markets.

Alicorp's credit metrics are in line for the rating category. Fitch expects Alicorp's net leverage to reach below 3x in 2022. The company additionally has some exposure to higher-risk countries such as Ecuador, and Bolivia, which have a sovereign risk rating of 'B-' and 'B', respectively.

KEY ASSUMPTIONS

Fitch's Key Assumptions Within The Rating Case for the Issuer:

--Low double-digit revenue growth driven by consumer demand;

--EBITDA margin close to 10% over the next two years;

--Net debt/EBITDA moves below 3x by 2022.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--Net debt/EBITDA below 1.5x on a sustained basis;

--Increased geographic diversification in investment-grade countries;

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--Net debt/EBITDA above 3.0x as a result of a decline in operating performance or cash flow generation associated with adverse market conditions or acquisitions.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Non-Financial Corporate issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit https://www.fitchratings.com/site/re/10111579.

LIQUIDITY AND DEBT STRUCTURE

Adequate Liquidity: Liquidity is adequate based on the company's cash balance, FCF, and use of a revolving credit facility for working capital. As of YE 2021, Alicorp had PEN905 million of cash and cash equivalent and current debt of PEN486 million (excluding leases).

Alicorp's exposure to U.S. dollar-denominated debt is limited. About 23% of its total financial liability had FX exposure to U.S. dollars as of YE 2021.

ISSUER PROFILE

Alicorp is a Peruvian-based producer of consumer goods, industrial products, and animal nutrition. The company focuses on four core businesses: Consumer Products in Peru, Ecuador and Colombia, among other countries; B2B Products; Aquaculture; and Oilseeds crushing, which is part of the vertically-integrated consumer business in Bolivia.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

RATING ACTIONS

ENTITY / DEBT	RATING			PRIOR
Alicorp S.A.A.	LT IDR	BBB Rating Outlook Stable	Affirmed	BBB Rating Outlook Stable
	LC LT IDR	BBB Rating Outlook Stable	Affirmed	BBB Rating Outlook Stable
senior unsecured	LT	BBB	Affirmed	BBB

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

Corporate Rating Criteria (pub. 15 Oct 2021) (including rating assumption sensitivity)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.0.2 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Alicorp S.A.A.	EU Endorsed, UK Endorsed

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Corporate Finance   Retail and Consumer   Latin America   Peru

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