Moody's
INVESTORS SERVICE

Rating Action: Moody's changes Alicorp's outlook to negative; affirms Baa3 ratings

06 Apr 2022

New York, April 06, 2022 -- Moody's Investors Service (Moody's) changed today Alicorp S.A.A.'s ratings outlook to negative from stable. At the same time, Moody's affirmed Alicorp's Baa3 senior unsecured rating.

Affirmations:

..Issuer: Alicorp S.A.A.

....Senior Unsecured Global Notes, Affirmed Baa3

Outlook Actions:

..Issuer: Alicorp S.A.A.

....Outlook, Changed To Negative From Stable

RATINGS RATIONALE

The change in Alicorp's outlook to negative reflects Moody's expectation that Alicorp's credit metrics will remain relatively weak for the rating category in the next 12-18 months.

Alicorp's Baa3 rating is supported by its leading market position in Peru in key product categories, 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 relative 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.

Alicorp's credit metrics deteriorated in 2021. The company incurred in additional debt in 2021 in order to finance its working capital requirements which led leverage to increase. Alicorp's debt/EBITDA, as adjusted by Moody's, reached 4.2x as of December 31, 2021; up from 3.4x a year before. Still, Moody's expects Alicorp to reduce debt in 2022-24 which will led to an improvement in leverage. Moody's estimates Alicorp's adj. debt/EBITDA will decline below 3.5x by year-end 2022 and towards 3.0x by year-end 2024.

Alicorp has a leading market position in Peru in its key product categories, which include industrial baking flour, industrial oils, edible oils, laundry detergents, pasta, cookies and crackers, shortenings and mayonnaise, among others. Despite competing with large multinational companies and with local enterprises, Alicorp has been able to maintain its market leadership because of its broad product portfolio that targets all socioeconomic segments, product innovation capacity, extensive distribution network and strong brand recognition.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

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

Positive pressure could be triggered if the company's Moody's-adjusted debt/EBITDA is below 2.5x and its Moody's-adjusted EBIT/interest expense is above 5x on a sustained basis. To be considered for an upgrade, the company should maintain strong liquidity and positive free cash flow.

Alicorp has adequate liquidity. As of December 31, 2021 Alicorp reported cash on hand of PEN905 million that can cover 1.6x its short-term debt. The company is proactively reducing its debt since last year and by the first quarter of 2022 it has paid down PEN244 million of debt, mainly in corporate bonds. While the company paid an extraordinary dividend in 2021, that led Alicorp to incur in incremental debt to finance its working capital requirements, Moody's expects Alicorp to resume its normal dividend payout to around an annual average of PEN245 million in 2022-24 with capital expenditures close to PEN500 million per year. The company has a long-term debt maturity profile that includes, without financial leases, PEN1,123 million in 2023, PEN808 million in 2024, PEN786 million in 2025, and PEN1,630 million in 2026 and beyond . Moody's expects Alicorp to at least partly refinance its debt maturities due 2024. The company has committed credit facilities of PEN167 million and advised credit facilities of PEN1,287 million ($348 million) to cover its seasonal working capital requirements.

Alicorp S.A.A. is a Peruvian manufacturer and distributor of consumer goods (food, home & personal care products), business-to-business (B2B) branded products (bakeries, industrial products and food service) and aquafeed (shrimp and fish feed). The company also has a crushing business of soybean and sunflower beans. Alicorp's revenues come mainly from Peru (56%), followed by Ecuador, Bolivia, and Chile. The company is majority owned by Grupo Romero (48.3% share) and the balance is owned by pension funds (35.1%), mutual funds (7.0%), and others (9.6%). Alicorp reported revenues of PEN12,228 million in 2021.

The principal methodology used in these ratings was Consumer Packaged Goods Methodology published in February 2020 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1202237. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

These ratings are solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website www.moodys.com.

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Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1288235 .

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