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21 December 2023

Update

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RATINGS

Alicorp S.A.A.

Domicile	Peru
Long Term Rating	Baa3 , Possible Downgrade
Type	Senior Unsecured - Dom Curr
Outlook	Rating(s) Under Review

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Alicorp S.A.A.

Update following placement of rating on review for downgrade

Summary

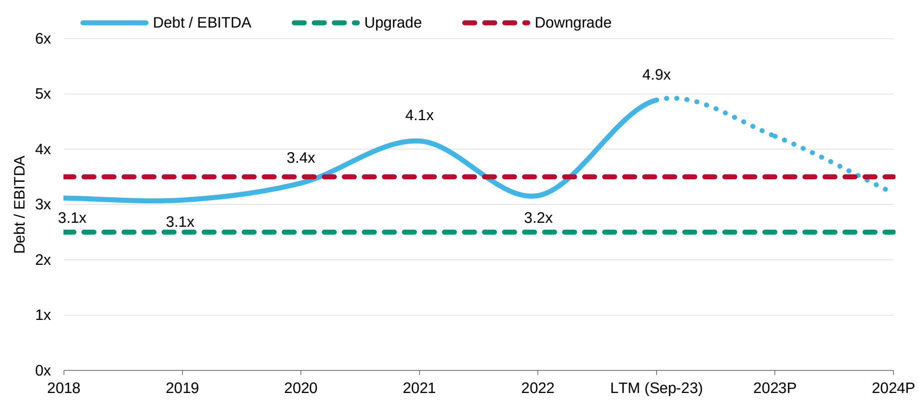
On November 16, we placed the Baa3 rating of Alicorp S.A.A.'s senior unsecured global notes on review for downgrade. The review for downgrade follows a significant deterioration in Alicorp's credit metrics including leverage and EBITA margin (Moody's-adjusted) at 4.9x and 5.9% for the 12 months that ended September 2023, which are weak for the current rating. We expect the company to face difficulties in improving its consolidated margins and restoring revenue growth, given the challenges in different segments, including receding but persistent high inflation, still-volatile commodity prices, lower disposable income in the countries in which it operates and the El Niño weather phenomenon, all of which are causing more volatility in some of its segments than previously expected.

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, its broad product portfolio and its experienced management team.

The rating also takes into consideration Alicorp's operating scale, at the lower end of the range for its Baa-rated global industry peers; limited geographic diversification, which exposes the company to low-rated countries; and exposure to raw material price volatility and through its Crushing business.

Exhibit 1

Alicorp is weakly positioned in the current rating category



All figures and ratios are calculated using Moody's estimates and standard adjustments. Periods are financial year-end unless indicated.
Source: Moody's Financial Metrics™

Credit strengths

» Leading market position in Peru, its largest market, with an extensive and difficult-to-replicate distribution network

» Good segment and product diversification

» Experienced management team

Credit challenges

» Weak credit metrics for the current rating category

» Consumers' weakening purchasing power, coupled with inflationary pressures, to limit margin improvement

» Limited geographic diversification, which exposes Alicorp to low-rated countries

» History of M&A

Rating outlook

The review will focus on Alicorp's plans to address the underperformance in its business including structural changes the company is implementing in its consumer business in Peru. In our review, we will consider the company's broader long-term business strategy including the appropriateness of its financial policies related to liquidity and capital allocation, given the higher-than-expected volatility in its Crushing and Aquafeed businesses.

Factors that could lead to an upgrade

An upgrade of Alicorp's rating is unlikely, given the review for downgrade. However, we could confirm the rating if:

» the company manages to reduce and maintain its leverage below Moody's-adjusted debt/EBITDA 3.5x; and

» its Moody's-adjusted EBIT/interest expense remains above 3.5x on a sustained basis.

An upgrade would also require the company to maintain strong liquidity and positive free cash flow (FCF).

Factors that could lead to a downgrade

A rating downgrade could be triggered if Alicorp's:

» debt/EBITDA remains above 3.5x; or

» EBIT/interest expense does not recover toward 3.5x with no prospects of recovery.

A deterioration in Alicorp's liquidity, further deterioration in operating performance, increased payouts to shareholders, large debt-financed acquisitions or integration challenges could also lead to a rating downgrade.

Key indicators

Exhibit 2
Alicorp S.A.A.

Alicorp, SAA y Subsidiarias

US Millions	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	LTM (Sep-23)	Next 12-18 months forward view
Revenue	2,522.5	2,958.8	2,676.9	3,153.5	4,018.5	3,793.0	3,555.3
EBITA Margin %	10.7%	10.7%	9.5%	7.7%	8.1%	5.9%	6.8%
Debt / EBITDA	3.1x	3.1x	3.4x	4.1x	3.2x	4.9x	3.2x
RCF / Net Debt	15.0%	9.6%	5.7%	-7.7%	17.8%	5.8%	21.2%
EBITA / Interest Expense	5.8x	3.8x	3.4x	3.4x	4.5x	2.5x	3.2x

All figures and ratios are calculated using Moody's estimates and standard adjustments. Moody's Forecasts (f) or Projections (proj.) are Moody's opinion and do not represent the views of the issuer. Periods are financial year-end unless indicated. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Profile

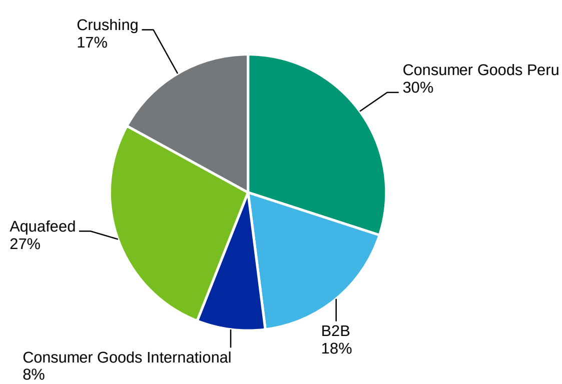
Alicorp S.A.A. is a Peruvian manufacturer and distributor of consumer goods (food, home and personal care products), branded business-to-business (B2B) products (bakeries, industrial products and food services) and aquafeed (shrimp and fish feed). The company also has a crushing business of soybean and sunflower beans, and produces oil, flour and seeds, and it also sells fertilizers.

Alicorp's products are sold under four different lines of business that have different market dynamics: consumer goods (38% of revenue), branded B2B products (18%), aquafeed (27%) and crushing (17%). The company's largest business segment, consumer goods, is divided into two categories: food, and home and personal care products.

Alicorp's revenue mainly comes from Peru, where it generated 53% of its consolidated revenue in 2022, followed by Ecuador (Caa3 stable), Chile (A2 stable) and Bolivia (Caa1 negative).

The company is majority-owned by Grupo Romero (53% share). Alicorp reported revenue of PEN14,297 million for the 12 months that ended September 2023.

Exhibit 3
Alicorp's revenue breakdown by line of business, year-to-date September 2023



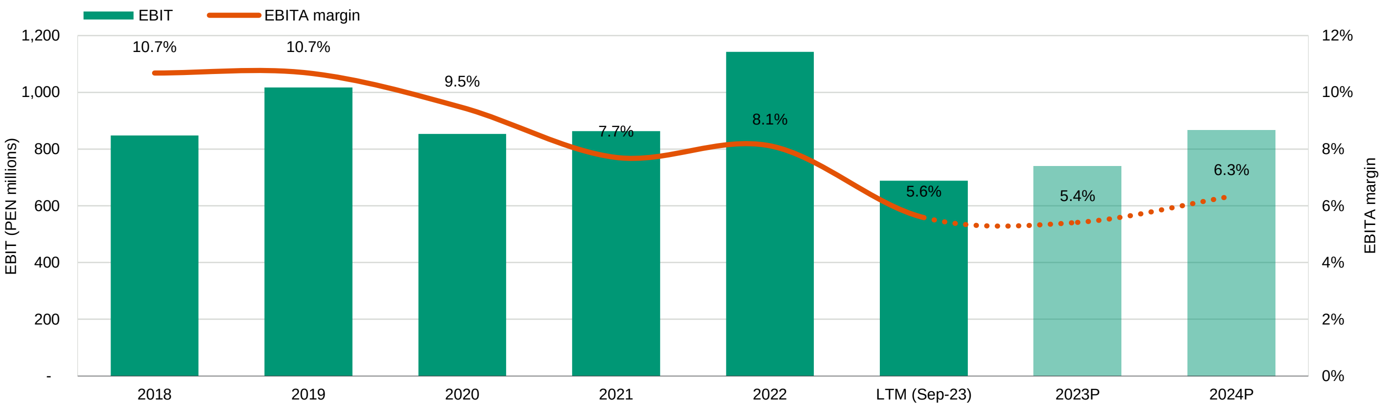
Source: Company filings

Detailed credit considerations

Higher-than-expected volatility and weak recovery in some segments will delay a significant improvement in credit metrics

We expect Alicorp to face difficulties in improving consolidated margins and restoring revenue growth, given the headwinds in different segments, including receding but persistent high inflation, still-volatile commodity prices, lower disposable income in the countries in which it operates and the El Niño weather phenomenon, all of which are causing more volatility in some of its segments than previously expected, leading to leverage of 4.9x and an EBIT margin of 5.6% for the 12 months that ended September 2023, which are weak for the current rating category.

Exhibit 4
Despite improvement in EBIT in 2022, challenges remain



Source: Moody's Financial Metrics™

Consumer goods (38% of revenue, year-to-date Q3 2023)

In 2020, volumes increased driven by in-home consumption; however, weak purchasing power has undermined Alicorp's ability to increase prices or push its tier 1 products, particularly in the traditional channel. In addition, to this, Alicorp implemented changes since 2022, exiting some of its production lines, simplifying its distribution network, consolidating production centers, and making changes in its supply chain model to improve productivity and reduce working capital requirements. This strategy further impacted consolidated volumes.

The impact of these initiatives in 2023 amounted to PEN41 million year-to-date September 2023, with PEN20 million only during Q3 2023. These changes should materialize in an improved EBITDA margin starting in Q4 2023 because the company does not expect additional expenses related to these initiatives. However, in the international business, volumes and profitability will remain under pressure as consumers' purchasing power will remain fragile through 2024.

B2B (18% of revenue)

The unrest and increasing operational disruptions in Peru since December 2022 led consumer companies such as Alicorp to limit some logistics activities preemptively in the southern cities of Arequipa, Cusco and Juliaca in early 2023. As a result, we expect Alicorp to see contraction in its B2B segment of 5% in volumes and close to 7% in revenue in 2023, based on hotel, restaurant and other travel cancellations in tourist-dependent areas such as Cusco. The company remains focused on sustaining its gross margins given lower commodity prices.

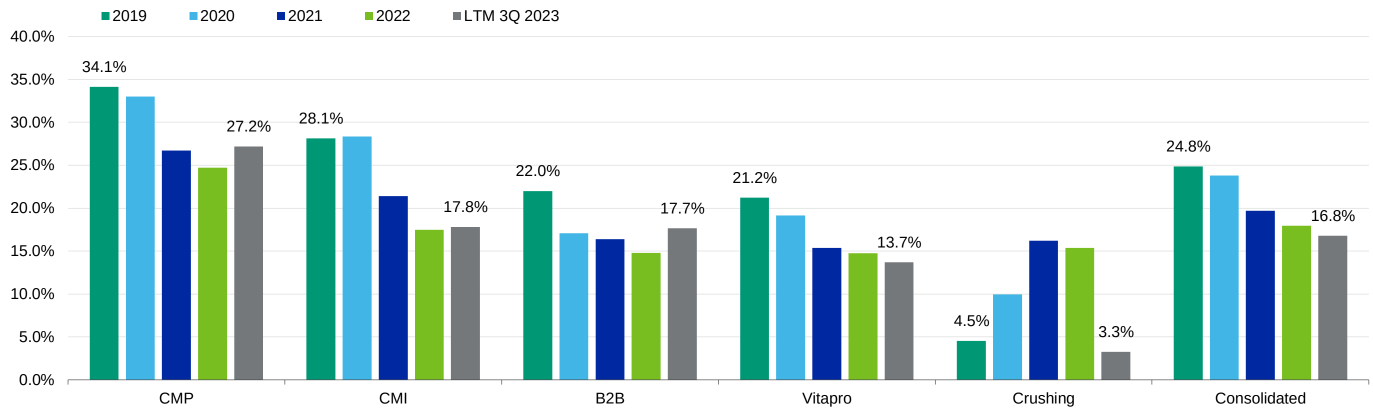
Aquafeed (27% of revenue)

Vitapro, and specifically its shrimp business, is struggling because of price reductions and aggressive competition, with shrimp prices having dropped particularly during the second half of 2023. With farmers shifting to lower-tier feeds, and searching for larger discounts and better commercial terms, competitive pressures will persist through mid-2024.

Crushing (17% of revenue)

Since 2022, the Crushing business has faced more volatility than expected. In 2022, its EBITDA was around $120 million, equivalent to 25% of the consolidated figure, but it dropped to negative $16 million for the first nine months of 2023. Besides the margin volatility, the Crushing business also drives significant working capital swings, which the company finances with short-term debt during the second and third quarters every year. The company hedges inventory to protect prices; however, in 2023, Alicorp was not able to fully hedge the entirety of it, which will drive additional losses in the year.

Exhibit 5
Mixed segment recovery, but consolidated gross margin remains at historical low levels
Gross Margin per segment and consolidated



Gross margin as reported by the company.
Source: Alicorp

Leading market position in Peru, with an extensive distribution network

Alicorp has brands across premium, mainstream and value segments, which allow it to reach a broader customer base with different disposable incomes through a differentiated pricing strategy. In the past, this strategy allowed the company to sustain and even increase volumes sold; however, the mix has strained profitability, in line with lower disposable income.

Alicorp's countrywide distribution network in Peru is a credit strength. The company sells its products in the country through around 110,000 points of sale in the traditional (77%) channel and more than 3,500 points of sale in the modern (23%) channel. Alicorp sells to third-party exclusive distributors (32%), wholesalers (11%), nonexclusive distributors (34%) and directly to supermarkets (23%). In Ecuador, Alicorp has two distribution networks in key regions through local distributors; in Bolivia Alicorp distributes using its own network, while in Chile the company covers key regions through third-party distributors.

Ample product portfolio and a sound market leader with a high degree of innovation

Since May 2023, Alicorp changed its strategy to focus in its core brands and in the traditional channel in order to recover profitability. 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 historically been able to maintain its market leadership because of its broad product portfolio that targets all socioeconomic segments, product innovation, extensive distribution network and strong brand recognition.

Alicorp's diversification by product is high, with each product category accounting for less than 7% of revenue in the consumer goods and B2B segments. In consumer goods in Peru, the largest category is laundry detergents, which has six leading brands and contributes 6.9% to consolidated revenue. Edible oils contribute 5.9% to the company's revenue and pasta contributes 3.5%. In the B2B segment, industrial baking flour accounts for 6.5% of the company's revenue and industrial oil accounts for 5.5%. As for aquafeed, shrimp feed is the largest category, contributing 17%.

Geographic diversification exposes Alicorp to countries with lower ratings

Despite the beneficial effects from increased geographic diversification, the company's presence in weaker economies such as Ecuador and Bolivia exposes it to inflationary environments besides foreign-exchange volatility in Peru.

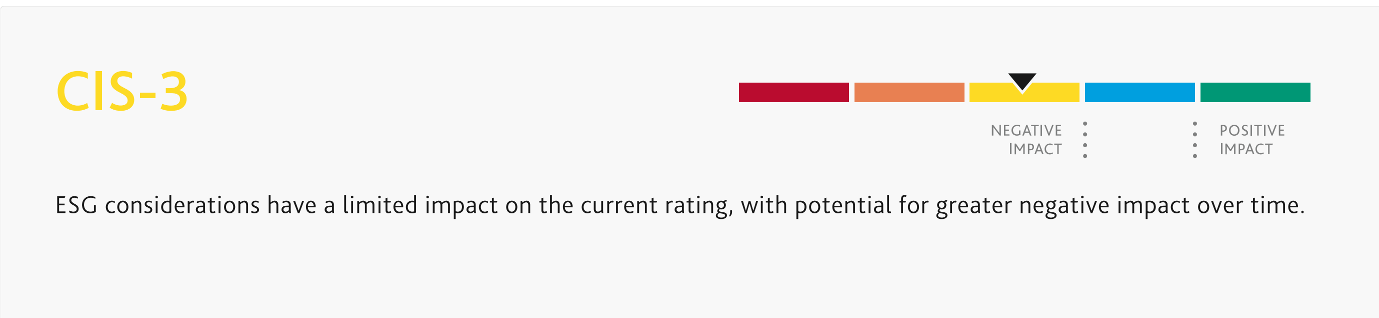
We revised down our expected GDP growth in Peru to 1.3% from 2.3% in 2023, while the expected growth in 2024 remained unchanged at 3%. We expect Bolivia to grow 1.8% in 2023 and 1.9% in 2024, and Ecuador 2.2% in 2023 and 2% in 2024. The main challenges relate to social, economic and political disruptions. In Bolivia, the drop in liquid international reserves has precipitated a confidence shock that has undermined macrofinancial stability. In Ecuador, the government will face difficulties in advancing macrofiscal adjustments that promote firmer economic growth, regaining access to international markets and ensuring policy continuity over successive governments. To offset some of these risks, Alicorp funds these subsidiaries in the local markets and arranges commercial activities through its trading company in Uruguay.

Alicorp has expanded its international operations over the last few years, but Peru remains its largest market, accounting for 53% of consolidated revenue in 2022. Alicorp has a track record of completing acquisitions. Since 2012, the company has successfully closed nine M&A transactions of local and international companies.

ESG considerations

Alicorp S.A.A.'s ESG credit impact score is CIS-3

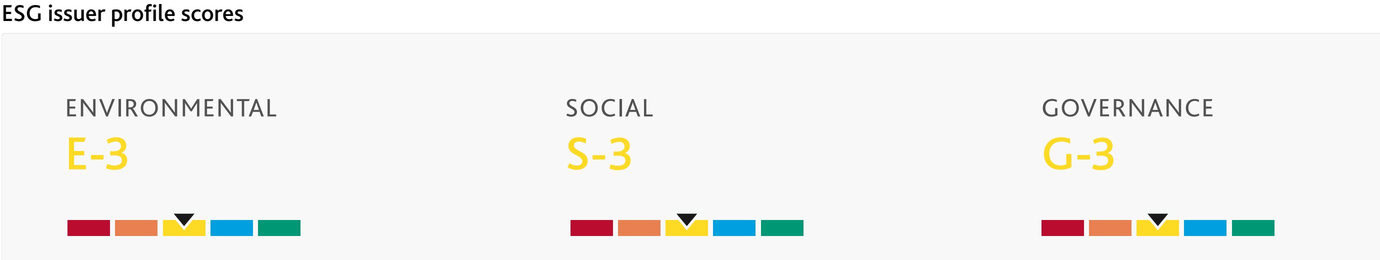
Exhibit 6
ESG credit impact score



Source: Moody's Investors Service

Alicorp's ESG Credit Impact Score is moderately negative reflecting the company's policies to sustain adequate liquidity and net leverage at its 2.5x public target. At the same time, the score reflects its reliance on natural capital and the environmentally sustainable procurement of some of these raw materials, coupled with moderately negative demographic and societal trend risks due to the evolving focus on health concerns that may impact consumer demand and brand perception.

Exhibit 7
ESG issuer profile scores



Source: Moody's Investors Service

Environmental

Alicorp's exposure to environmental risks reflects the impact arising from the environmentally sustainable procurement of some raw materials. It also reflects the exposure to waste and pollution reflecting the waste created from products packaging material that often cannot be recycled. Alicorp focuses on energy consumption, packaging and waste management and has modified its plants for better energy consumption and to use machinery more efficiently. In previous years, the company has successfully recycled 53% of its waste and is also constantly innovating its packaging to make them more ecological.

Social

Alicorp's exposure to social risks reflects the sourcing of a number of raw materials, including soybean, sunflower, among others. The company is also exposed to health and safety considerations across its business segments but particularly related to its consumer business. We also consider customer relations and demographic and societal trend risks to be moderately negative due to the evolving focus on health concerns, particularly related to some of the products in Alicorp's portfolio like cookies and industrial baking flour, etc. To mitigate this, Alicorp focuses in nutrition and health and complies using natural ingredients and in line with the international regulations of the CODEX Alimentarius and the Food and Drug Administration.

Governance

Alicorp's exposure to governance considerations reflects the company's commitment to the IG rating including financial policies with a public target net leverage ratio of 2.5x. In August 2022, Alicorp closed a $125 million committed facility available until August 2025 that will further support liquidity. In addition, the governance score considers stable dividend payouts at around PEN 200 million per year and subject to the company's net leverage ratio. Alicorp is a public company and is majority owned and controlled by Grupo Romero (55.79% stake), one of the largest conglomerates in Peru. The board includes nine members, out of which 33% are independent members.

Liquidity analysis

Alicorp's liquidity is adequate, supported by total liquidity of PEN1,577 million as of September 30, 2023, enough to cover its debt maturing in the next 12 months. Total liquidity includes Alicorp's reported cash on hand of PEN589 million plus the company's $120 million committed facility and additional PEN532 million ($140 million) in its committed term loan related to the capital spending of Vitapro available through May 2024.

Since 2022, Alicorp has put in place measures to improve its liquidity profile including the following: proactive debt reduction — in 2022, the company paid down PEN279 million of debt; Alicorp increased its committed revolving credit facility from PEN171 million ($45 million) to PEN456 million ($120 million), which is fully available through August 2025; and Alicorp resumed its normal dividend payout of PEN214 million in 2022, and is implementing strategies to improve its working capital management.

Exhibit 8
Debt maturity profile

As of September 2023.
Exchange rate 2023: 3.75 USD/PEN, 2024: 3.85 USD/PEN. The chart does not include the Vitapro term loan.
Source: Company filings

Methodology and scorecard

The principal methodology used in rating Alicorp was our Consumer Packaged Goods rating methodology, published in June 2022. The scorecard-indicated outcome is Ba2 based on historical financials and Ba1 in our projections, one notch below the company's assigned rating, reflecting persistent cost pressures and difficulties in improving margins in the foreseeable future.

Exhibit 9

Rating factors

Alicorp S.A.A.

Consumer Packaged Goods Industry Scorecard [1][2]	Current LTM 9/30/2023		Moody's 12-18 Month Forward View As of 11/7/2023 [3]	
Factor 1 : Scale (20%)	**Measure**	**Score**	**Measure**	**Score**
a) Revenue (USD Billion)	$3.8	Ba	$3.7	Ba
Factor 2 : Business Profile (30%)				
a) Geographic Diversification	B	B	B	B
b) Segmental Diversification	Baa	Baa	Baa	Baa
c) Market Position	A	A	A	A
d) Category Assessment	A	A	A	A
Factor 3 : Profitability (10%)				
a) EBITA Margin	5.9%	Caa	6.8%	Caa
Factor 4 : Leverage and Coverage (25%)				
a) Debt / EBITDA	4.9x	B	3.2x	Baa
b) RCF / Net Debt	5.8%	Caa	21.2%	Baa
c) EBITA / Interest Expense	2.5x	Ba	3.2x	Ba
Factor 5 : Financial Policy (15%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Rating:				
a) Scorecard-Indicated Outcome		Ba2		Ba1
b) Actual Rating Assigned				Baa3 RUR Down

[1] All ratios are based on Adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] As of 9/30/2023(L). [3] This represents Moody's forward view; not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics™

Ratings

Exhibit 10

Category	Moody's Rating
ALICORP S.A.A.	
Outlook	Rating(s) Under Review
Senior Unsecured -Dom Curr	Baa3[1]

[1] Placed under review for possible downgrade on November 16 2023
Source: Moody's Investors Service

Appendix

Exhibit 11

Peer comparison

(in US millions)	Alicorp S.A.A. Baa3 Negative			Grupo Bimbo, S.A.B. de C.V. Baa1 Stable			Flowers Foods, Inc. Baa2 Stable			Sigma Alimentos S.A. de C.V. Baa3 Stable			Conagra Brands, Inc. Baa3 Stable		
	FYE Dec-21	FYE Dec-22	LTM Sep-23	FYE Dec-21	FYE Dec-22	LTM Sep-23	FYE Jan-22	FYE Dec-22	LTM Jul-23	FYE Dec-21	FYE Dec-22	LTM Sep-23	FYE May-22	FYE May-23	LTM Aug-23
Revenue	$3,154	$4,018	$3,793	$16,709	$19,826	$22,393	$4,331	$4,806	$5,003	$6,822	$7,425	$8,315	$11,536	$12,277	$12,277
EBITDA	$327	$410	$304	$2,412	$2,714	$3,077	$577	$563	$555	$740	$648	$718	$2,239	$2,513	$2,596
Total Debt	$1,316	$1,304	$1,476	$6,534	$6,219	$8,229	$1,211	$1,195	$1,376	$2,545	$2,465	$2,633	$9,339	$9,569	$9,604
Cash & Cash Equiv.	$227	$246	$155	$427	$632	$360	$186	$165	$12	$824	$678	$560	$83	$94	$93
EBIT Margin	7.1%	7.4%	5.2%	9.6%	9.1%	9.1%	8.9%	7.7%	7.2%	7.6%	6.0%	6.1%	15.8%	17.1%	17.7%
EBIT / Int. Exp.	3.1x	4.1x	2.2x	4.5x	5.3x	4.3x	9.0x	9.3x	8.3x	4.6x	3.8x	3.4x	4.6x	4.9x	5.0x
Debt / EBITDA	4.1x	3.2x	4.9x	2.7x	2.2x	2.5x	2.1x	2.1x	2.5x	3.5x	3.7x	3.5x	4.2x	3.8x	3.7x
RCF / Net Debt	-7.7%	17.8%	5.8%	25.8%	33.2%	27.6%	25.2%	26.6%	19.1%	19.9%	16.1%	15.8%	9.3%	13.1%	13.2%
FCF / Debt	-20.4%	15.4%	-11.9%	6.3%	-6.8%	-18.3%	-3.6%	0.3%	-1.9%	2.6%	-4.0%	-1.5%	1.1%	-0.1%	1.5%

All figures and ratios calculated using our estimates and standard adjustments. FYE = Financial year-end. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Exhibit 12

Moody's-adjusted debt breakdown

Alicorp S.A.A.

(in US Millions)	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-22	LTM Ending Sep-23
As Reported Debt	**1,000.8**	**1,268.1**	**1,098.5**	**1,316.2**	**1,304.3**	**1,475.7**
Pensions	0.0	0.0	0.0	0.0	0.0	0.0
Operating Leases	0.0	0.0	0.0	0.0	0.0	0.0
Moody's-Adjusted Debt	**1,000.8**	**1,268.1**	**1,098.5**	**1,316.2**	**1,304.3**	**1,475.7**

All figures are calculated using Moody's estimates and standard adjustments.
Source: Moody's Financial Metrics™

Exhibit 13

Moody's-adjusted EBITDA breakdown

Alicorp S.A.A.

(in US Millions)	LTM Ending Jun-22	LTM Ending Sep-22	LTM Ending Dec-22	LTM Ending Mar-23	LTM Ending Jun-23	LTM Ending Sep-23
As Reported EBITDA	**361.3**	**382.8**	**381.1**	**328.4**	**324.1**	**286.2**
Unusual	-9.4	-1.2	29.4	38.9	25.6	17.5
Non-Standard Adjustments	0.0	0.0	0.0	0.0	0.0	0.0
Moody's-Adjusted EBITDA	**351.9**	**381.6**	**410.5**	**367.3**	**349.7**	**303.7**

All figures are calculated using Moody's estimates and standard adjustments.
Source: Moody's Financial Metrics™

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