

MOODY'S INVESTORS SERVICE

Rating Action: Moody's assigns Ba1 first-time rating to Agrosuper; stable outlook

06 Jan 2022

New York, January 06, 2022 -- Moody's Investors Service, ("Moody's") has assigned a Ba1 corporate family rating to Agrosuper S.A. ("Agrosuper") and a Ba1 rating to its proposed senior unsecured notes for up to \$500 million. Net proceeds from the proposed issuance will be primarily used to refinance existing debt and for general corporate purposes. The outlook is stable.

This is the first time that Moody's has assigned ratings to Agrosuper.

The rating of the proposed notes assumes that the final transaction documents will not be materially different from draft legal documentation reviewed by Moody's to date and assume that these agreements are legally valid, binding, and enforceable.

Assignments:

..Issuer: Agrosuper S.A.

.... Corporate Family Rating, Assigned Ba1

....Senior Unsecured Regular Bond/Debenture, Assigned Ba1

Outlook Actions:

Issuer: Agrosuper S.A.

...Outlook, Assigned Stable

RATINGS RATIONALE

The Ba1 ratings assigned to Agrosuper mainly reflect its strong business profile as an integrated and diversified food producer, with solid brands and leading position in Chile's domestic market for pork, chicken, and turkey, in addition to its status as the second largest global producer of salmon. The ratings also reflect Agrosuper's good asset base and capital structure and Moody's expectation that the company will maintain a prudent capital structure with conservative financial policies to protect liquidity. Agrosuper's integrated business, leading market position, and revenue diversification in term of geographies and business segments explain the company's strong profitability with moderate volatility. The company's over 60-year track record and experienced management is also incorporated into the ratings.

Agrosuper's ratings also reflect the geographic diversification of sales through exports (typically around two-thirds of revenues) to more than 60 countries, supported by its diversified portfolio of domestic and global clients, a solid local and international distribution network and 11 international offices around the world. The company's strong operating performance and good liquidity are also incorporated in the ratings. In addition, Moody's stable outlook and good fundamentals for the protein industry will support the company's operating performance in 2022.

Agrosuper's ratings are mainly constrained by its small revenue and scale relative to global and regional peers, partially offset by the diversification provided by the company's export revenues. Agrosuper has a strong asset base in Chile, but concentration of assets in one country exposes the company to operating risk related to changing physical climate, environmental regulations, and potential trade barriers from foreign countries. Also constraining the ratings is the company's exposure to the cyclical nature of protein industry and overall volatility of protein and grain prices globally. In addition, the ratings consider the company's family-owned structure, balanced by good corporate governance practices and compliance with local capital markets regulations.

The stable rating outlook reflects Moody's expectation that Agrosuper will be able to sustain good liquidity and adequate credit metrics for the Ba1 rating level over the next 12-18 months.

Agrosuper has good liquidity. As of September 2021, Agrosuper's cash balance of \$272 million was well above reported short-term debt of \$184 million. Additionally, higher cash flow generation in the next 12-18 months as a result of the continued recovery of global economic activity will aid the company's liquidity. The proposed notes issuance for up to \$500 million will allow the company to strengthen its liquidity by providing cash sources to refinance debt obligations. Pro-forma the proposed notes and subsequent liability management, total debt levels will not rise in 2022. As of September 2021, debt to Moody's-adjusted EBITDA ratio was at 1.8x and Moody's expects leverage metrics to remain at around 2.0x in 2021-22.

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

Agrosuper's ratings could be downgraded if its liquidity or operating performance deteriorates. Quantitatively, a downgrade could also occur if the company's leverage, as measured by Moody's-adjusted gross debt to EBITDA ratio, remains above 3.5x (1.8x as of the last twelve months ended in September 2021) and cash flow from operations/debt stays below 20% (39.4% as of the last twelve months ended in September 2021) on a sustained basis.

An upgrade would require Agrosuper to show a resilient performance regardless of the underlying macroeconomic environment and consumption patterns in its key markets, maintaining a clear financial policy regarding capital allocation and dividend payments. Stability in margins of its aquaculture business, expanded by two key acquisitions in 2018-19, would also bring upward pressure into the rating.

The principal methodology used in these ratings was Protein and Agriculture published in November 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1296919. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Founded in 1955 and headquartered in Rancagua, Chile, Agrosuper is a vertically integrated protein food producer with over 2,000 fresh, frozen and value-added products and around 68,400 clients. As of the last twelve months ended September 2021, total revenues amounted to \$3.8 billion and assets totaled \$4.8 billion. Agrosuper produces pork, chicken, turkey and related processed foods, and through its aquaculture business, it produces Pacific and Atlantic salmon, trout and tilapia.

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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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.

At least one ESG consideration was material to the credit rating action(s) announced and described above.

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