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CREDIT OPINION
13 March 2023

Update

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RATINGS

Agrosuper S.A.

Domicile	Chile
Long Term Rating	Ba1
Type	LT Corporate Family Ratings
Outlook	Stable

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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Agrosuper S.A.

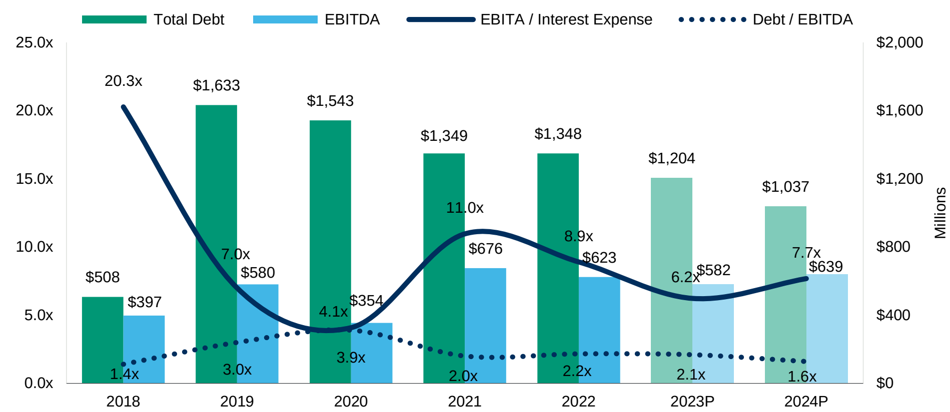
Update to credit analysis

Summary

Agrosuper S.A.'s (Agrosuper, Ba1 stable) ratings reflect its strong business profile as an integrated and diversified protein producer, with solid brands and leading positions in Chile's domestic market for chicken, pork and turkey, in addition to its status as the third-largest global producer of salmon. The ratings also reflect Agrosuper's good asset base and capital structure, and our 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 terms of geography and business segments explain its strong profitability with moderate volatility. The ratings also incorporate the company's operational track record of more than 65 years and its experienced management, as well as its strong operating performance and good liquidity.

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 its export revenue. Also constraining the ratings is the company's exposure to the cyclical nature of the protein industry and the overall volatility in 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.

Exhibit 1
Robust credit metrics for the rating position



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

Credit strengths

» Strong business profile, with a mix of chicken, pork, turkey, salmon and processed food

» Strong brands, leading market position in the Chilean market and status as the third-largest salmon producer worldwide

» Vertically integrated throughout the whole production and commercial chain for all of its business segments

» Strong operating performance and good liquidity

Credit challenges

» Exposure and sensitivity to protein and grain prices globally

» Exposure to the cyclical nature of the protein industry, climate risk and environmental regulation

» Exposure to trade barriers in international markets

Rating outlook

The stable rating outlook reflects our 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.

Factors that could lead to an upgrade

» An upgrade would require Agrosuper to show a resilient performance regardless of the underlying macroeconomic environment and consumption patterns in key markets, along with maintaining a clear financial policy for capital allocation and dividend payments

» Stability in the margins of its aquaculture business, expanded by two key acquisitions in 2018-19, could also exert upward pressure on the ratings

Factors that could lead to a downgrade

» A deterioration in liquidity and operating performance

» Leverage, as measured by Moody's-adjusted gross debt/EBITDA, remaining above 3.5x (2.2x as of the 12 months ended December 2022)

» Cash flow from operations/debt remaining below 20% (21% as of the 12 months ended December 2022) on a sustained basis

Key indicators

Exhibit 2

Agrosuper S.A.

US Millions	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	2023P	2024P
Revenue	$2,585	$3,456	$3,284	$4,000	$4,179	4,436.0	4,317.0
Debt / EBITDA	1.4x	3.0x	3.9x	2.0x	2.2x	2.1x	1.6x
CFO / Debt	32.4%	12.9%	24.2%	34.1%	20.7%	27.1%	37.8%
Debt / Book Capitalization	20.6%	38.3%	35.3%	33.3%	33.3%	29.5%	25.2%
EBITA / Interest Expense	20.3x	7.0x	4.1x	11.0x	8.9x	6.4x	7.8x

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Source: Moody's Financial Metrics™.

Profile

Founded in 1955 and headquartered in Rancagua, Chile (A2 stable), Agrosuper is a vertically integrated protein producer with more than 2,000 fresh, frozen and value-added products, and around 68,000 clients. For year-end 2022, total revenue amounted to $4.2 billion and assets totaled $4.7 billion. The company has around 18,300 employees and 12,000 third-party collaborators.

Through its meat business, Agrosuper produces chicken, pork, turkey and processed food; through its aquaculture business, it produces Pacific and Atlantic salmon. The company is vertically integrated throughout the whole production and commercial chain and is Chile's market leader in chicken, pork and turkey, with over 50% market share as of December 2022. Through Aquachile S.A. (Aquachile), Agrosuper is the third-largest salmon producer globally with 205,000 tons Whole Fish Equivalent (WFE) produced in 2022 (around 8% market share) and the largest salmon producer in Chile (around 23% market share).

Agrosuper exports to a diversified portfolio of direct and indirect clients in around 60 countries through solid distribution networks and 11 international offices. As of December 2022, 58% or $2.5 billion of the company's revenue derived from international sales. During 2022 exports were directed mainly to the US (33.9% of total export revenue), Japan (12.8%), China (11.5%), Brazil (11.3%), Mexico (6.2%), South Korea (6.0%), and the remainder to other countries.

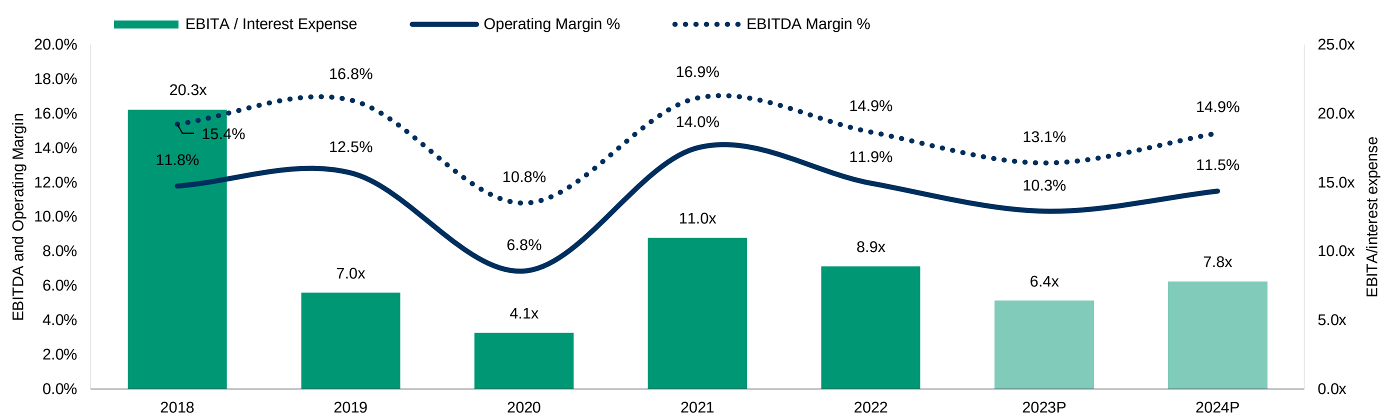
Detailed credit considerations

Strong business profile as an integrated and diversified food producer support strong profitability

The company's integrated business, leading position and revenue diversification in terms of geography and business segment explain its strong profitability with moderate volatility. It's Moody's-adjusted operating margin remained around 12%-13% in 2016-19 and moved closer to 12%-14% in 2021-22 as the global demand for proteins and food services recovered after the pandemic related lock-downs in 2020. We expect operating margins to move closer to 10%-12% in 2023-24 mainly because of lower prices in poultry resulting from better supply-demand balance in the US; and interest coverage will remain healthy and robust relative to Agrosuper's rating category (see Exhibit 3). The integrated model is a key advantage for Agrosuper, and allows the company to control the entire production and distribution process and improve efficiency and profitability, particularly because the volatility in grain commodity prices is a key risk for its cost structure and a source of margin volatility.

Exhibit 3

Adequate interest coverage despite some decline in profitability in 2023-24



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Source: Moody's Financial Metrics™

Corn is a key raw material for Agrosuper, and the company can partially replace it with wheat, if necessary. As for its aquaculture business, canola oil and fish meal are the main raw materials. Agrosuper follows a strict policy of grain procurement, under which it does not take long or short positions on commodities and keep a stock for around 30-150 days, depending on the raw material. In addition, its hedging policy uses only up 30/90-day futures, with the exception of fish meal, with a maximum of 150 days.

Agrosuper produces 100% of animal food for its chicken, pork and turkey businesses, and since 2022 produces nearly all of salmon, up from 76% in 2020. The company's meat segment is supported by four feed plants located across Chile; the company's salmon business is supported by its Pargua feed plant.

Agrosuper's breeding farms and processing facilities for its meat business are also located in Chile. The company operates its own breeding, hatcheries, grow-out farms and processing plants. In its chicken business, the company produced more than 450,000 tons of chicken in 2022 and holds two processing plants with a combined capacity of 480,000 MT/year. In the case of pork, Agrosuper produced around 423,000 tons of pork in 2022 and owns two processing plants with a combined capacity of 516,000 MT/year. As for turkey, the company produced around 60,000 tons of turkey in 2022 and has a processing facility with a capacity of 90,600 MT/year. Through three processing plants, Agrosuper also produced around 45,000 tons of processed foods, including cold meat, sausages, and elaborated products like nuggets, and meat and meat-free hamburgers, among others.

Agrosuper's logistics network for the local and international markets include important frozen storage capacity, 26 local distribution centers, local ground transportation network (514 outsourced trucks that ride more than 960,000 km per month), and local and international commercial offices.

In its aquaculture business, Agrosuper produces 100% of eggs to ensure the genetic quality of production. Through around 100 concessions located across three of Chile's southern regions and six processing plants, the company has a total capacity of 250,000 WFE MT/year. Only around 5% of salmon is sold locally; the remainder is exported, so international logistics and air transportation for salmon products are particularly relevant in light of the high importance of Agrosuper's fresh salmon business. The company also holds a frozen storage capacity of 10,000 MT in Chile and 20,000 MT abroad for salmon.

In 2018 and 2019, Agrosuper acquired the salmon business of Grupo Pesquero Friosur and also the company Aquachile to strengthen its aquaculture business, at fair values of $235 million and $851 million, respectively. Through these acquisitions, the company obtained the licenses to operate farming zones in Chile's southern region and became the third-largest salmon producer globally. Currently, the aquaculture business is consolidated under the Aquachile name.

Small scale compared with global peers and geographic concentration of asset base

Because of the company's high exposure to the protein industry and the highly cyclical nature of the industry, Agrosuper's smaller scale than that of its global peers and limited country diversification in terms of plants and facilities expose it to higher revenue and margin volatility, but this is mitigated by the company's broad base of clients globally. 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.

The global protein industry is a highly competitive environment and in South America alone we find some of the largest protein producers, including JBS S.A. (Baa3 stable), the world's largest protein producer with $73 billion in revenue in the last twelve months ended in September 2022; Marfrig Global Foods S.A. (Ba2 positive), the second-largest beef producer globally with $22 billion in revenue in the last twelve months ended in September 2022; and other important companies like BRF S.A. (Ba2 stable) and Minerva Foods S.A. (Ba3 positive). Scale is an important factor for the ratings because it is an indicator of the company's ability to weather changing market conditions and economic cycles. Scale can also provide a broader platform for sustainable earnings and cash flow generation, typically enhancing operating and financial flexibility.

Also supporting the ratings is Agrosuper's experienced management, demonstrated ability to secure new customers around the world and long-term relationships with its main clients, which also help the company find new customers in the event of possible export restrictions imposed on Chile by other countries.

Adequate capital structure and conservative financial policy will support credit metrics and deleveraging

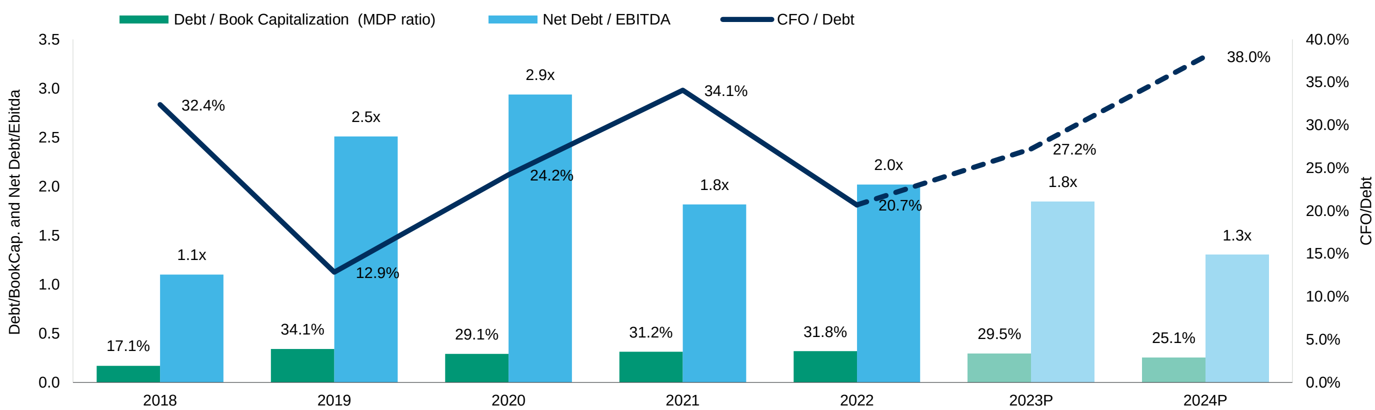
Agrosuper's good capital structure also supports its credit profile, and we expect the company's conservative financial policy to help maintain a prudent capital structure and preserve liquidity in coming years.

Agrosuper is committed to keeping its leverage metrics in check with net debt to reported EBITDA in the 0.5x-2.0x range (1.8x as of fiscal year ended in December 2022), and according to our projections, the company's leverage will remain within this range in 2023-24, which is in line with its historical levels and appropriate for its rating position.

Almost two-thirds of Agrosuper's acquisition of Friosur and Aquachile worth around $1.1 billion in 2018-19 was funded with debt; this, followed by the coronavirus pandemic and related lock-downs in 2020; resulted in relatively high leverage in 2019-2020. According to our base case scenario, net debt to EBITDA (Moody's adjusted) will remain around 1.8x in 2023; in line with 2021-22 range of 1.8x-2.0x; but the company's free cash flow generation will aid the company's deleveraging by 2024 to around 1.3x (see Exhibit 4). Downside risk to this scenario stems from the company's inherent exposure and sensitivity to protein and grain prices globally, however.

The company's debt/book capitalization was 38% in 2019, higher than the 21% before the acquisitions mentioned above, but at all times well below that of a Ba rating category of 45%-60%. The company lowered its book capitalization ratio to 33.3% as of December 2022 and will likely remain around 25%-30% in 2023-24.

Exhibit 4
Good cash flow generation lowers debt requirements and leverage



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Source: Moody's Financial Metrics™.

Structural considerations

If the consolidated debt of the subsidiaries of Agrosuper (excluding the company's debt) represented around 25% of the total consolidated debt reflected in the holding's financial statements, the ratings on Agrosuper's notes could suffer downward pressure because the financial commitments of the holding are structurally subordinated to the financial commitments of each subsidiary individually.

ESG considerations

Agrosuper S.A.'s ESG Credit Impact Score is Moderately Negative CIS-3

Exhibit 5
ESG Credit Impact Score

CIS-3

Moderately Negative

For an issuer scored CIS-3 (Moderately Negative), its ESG attributes are overall considered as having a limited impact on the current rating, with greater potential for future negative impact over time. The negative influence of the overall ESG attributes on the rating is more pronounced compared to an issuer scored CIS-2.

Source: Moody's Investors Service

Agrosuper's credit impact score is moderately negative (**CIS-3**), which reflects our assessment that ESG considerations have a limited impact on the current rating, with a potential for negative impact over time. Agrosuper has highly negative environmental risk exposure, mainly reflecting its reliance on natural resources; also, its highly negative exposure to social risks mainly reflects risks associated with responsible production related to food safety, grain supply, animal diseases and product quality. Exposure to governance risks is moderately negative and mainly reflecting the company's private and concentrated ownership, but this is balanced by the company's conservative financial policy.

Exhibit 6
ESG Issuer Profile Scores

Source: Moody's Investors Service

Environmental

Agrosuper has highly negative exposure to environmental risks (**E-4**) mainly because of its exposure to risks arising from natural capital and water management. As a poultry, pork and salmon producer, the company is less exposed than beef producers to greenhouse gas (GHG) emissions, and therefore risk exposure to carbon transition is moderately negative. Water management risk exposure is highly negative due to the reliance of water in the process and risks associated with water contamination and discharge.

Agrosuper's goal is to make energy and water consumption as efficient as possible. In 2021, the company reduced carbon scope 1 and 2 emissions by 20.4% relative to 2020; in the same period, the company lowered its water consumption by 10.4% in the meat segment and by 19% in the aquaculture segment. Also, 90% of packaging in the meat segment and 25% in the aquaculture segment was made of recyclable materials in 2021. Agrosuper reduced 94.3% of odors in the basin lake Rapel in 2013-21 and 47% in Quebradila in 2015-21. The company uses a circular system for animal organic residues, which results in bio fertilizers that are distributed free of cost to small farmers. Bio fertilizer provides nutrients and organic matter to soil, helps reduce odors, and avoids solid erosion.

Social

Agrosuper´s highly negative exposure (**S-4**) to social risks stems from its exposure to responsible production. As an integrated producer of pork, poultry and salmon, it is somewhat less exposed to deforestation risks linked to cattle raising; but traceability of grains and compliance of the supply chain with social standards are relevant considerations for its credit profile.

Agrosuper invested around $1.5 million in social programs and communities in 2021. The company invests in entrepreneurship programs, healthy lifestyle promotion, education programs and scholarships, and social welfare to help communities develop and improve their standard of living. The company has collaborated with indigenous communities to protect water consumption and preservation, promote and preserve indigenous culture, and create programs of social investment. The company prioritizes local suppliers in Chile, all of which are subject to compliance with the company's good practices manual.

Governance

Credit exposure to governance risk is moderately negative (**G-3**), which reflects the company's conservative financial policy and experienced and well-seasoned management team, which in turn balances the company's private and concentrated ownership. Agrosuper is owned by the Vial family; six out 10 board members were independent as of December 31, 2022.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

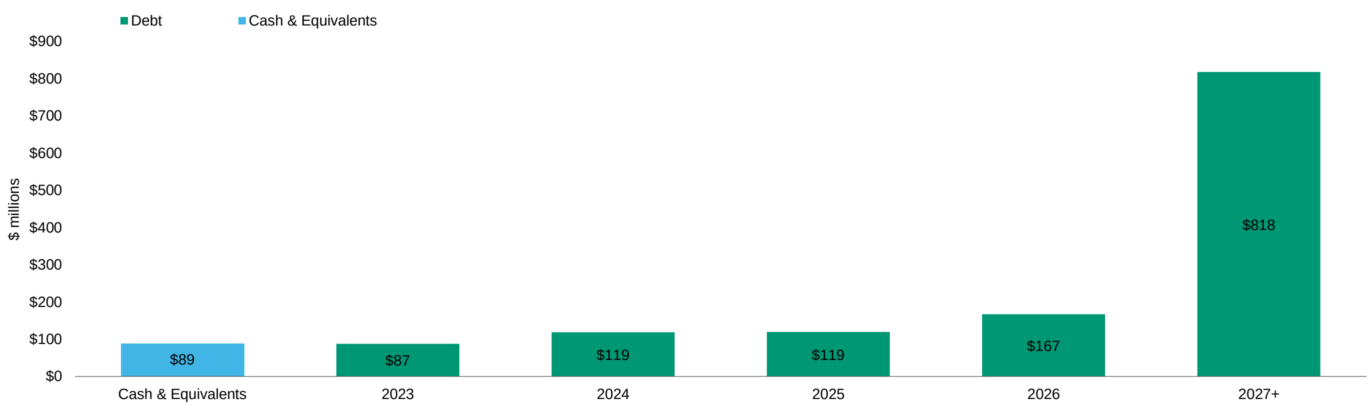
Liquidity analysis

Agrosuper has good liquidity. As of December 2022, its cash balance of $89 million is in line with reported short-term debt of $87 million. Additionally, we expect Agrosuper to generate cash from operations of around $330 million in 2023; with capital expenditures of around $100-110 million, similar to $105 million in 2022; and around $90 million in dividends (35% of net income distribution), free cash flow generation will be at around $110 million in 2023.

Regarding foreign-currency risk, most of the debt is denominated in US dollars and around 40% of the cost of goods sold is related to commodities, but export operations provide a natural hedge.

Exhibit 7

Debt maturity profile
As of December 2022



Source: Agrosuper.

Methodology and scorecard

The following table shows Agrosuper's scorecard-indicated outcome using our rating methodology for Protein and Agriculture Industry for fiscal-year ended in December 2022, and on a forward-looking basis. The rating of Ba1 one notch below the current scorecard-indicated outcome, reflecting its small scale relative to global peers, geographic concentration of assets in one country, and exposure to volatility in protein and grain prices globally.

Exhibit 8

Rating factors

Agrosuper S.A.

Protein and Agriculture Industry Scorecard [1][2]	Current FY 12/31/2022		Moody's 12-18 Month Forward View As of 3/10/2023 [3]	
Factor 1 : Scale (10%)	**Measure**	**Score**	**Measure**	**Score**
a) Total Sales (USD Billion)	$4.2	Ba	4.4	Ba
Factor 2 : Business Profile (35%)				
a) Geographic Diversification	Ba	Ba	Ba	Ba
b) Segment Diversification	Ba	Ba	Ba	Ba
c) Market Share	Ba	Ba	Ba	Ba
d) Product Portfolio Profile	Baa	Baa	Baa	Baa
e) Earnings Stability	Ba	Ba	Ba	Ba
Factor 3 : Leverage & Coverage (40%)				
a) Debt / EBITDA	2.2x	A	2.1x	A
b) CFO / Debt	20.7%	Baa	27.1%	Baa
c) Debt / Book Capitalization	33.3%	A	29.5%	A
d) EBITA / Interest Expense	8.9x	A	6.4x	A
Factor 4 : Financial Policy (15%)				
a) Financial Policy	Ba	Ba	Ba	Ba
Rating:				
a) Scorecard-Indicated Outcome		Baa3		Baa3
b) Actual Rating Assigned		Ba1		

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of FY 12/31/2022.
[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 9

Category	Moody's Rating
AGROSUPER S.A.	
Outlook	Stable
Corporate Family Rating	Ba1
Senior Unsecured	Ba1

Source: Moody's Investors Service

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