MOODY'S INVESTORS SERVICE

CREDIT OPINION
18 December 2023

Update

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RATINGS

Agrosuper S.A.

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

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 following outlook change to negative

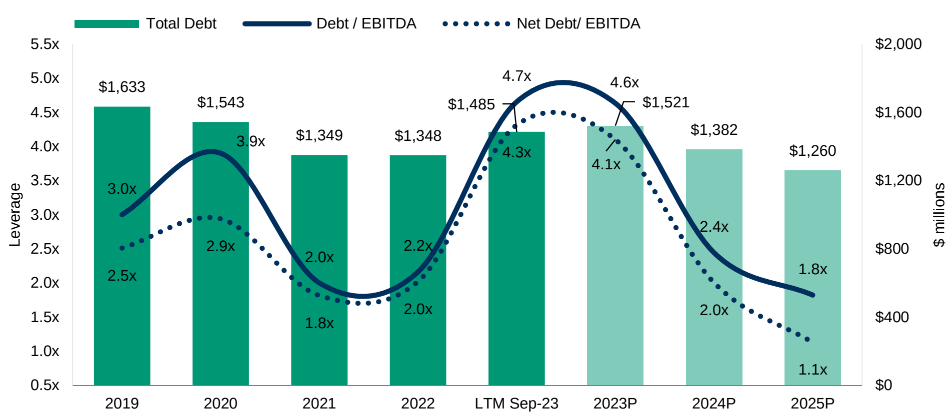
Summary

Agrosuper S.A.'s (Agrosuper, Ba1 negative) 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.

On December 12, 2023, Moody's affirmed Agrosuper's Ba1 ratings and changed the outlook to negative from stable. The outlook change to negative reflects Agrosuper's subpar financial results over the first nine months of 2023, and Moody's expectation that persistent weak market fundamentals may keep credit metrics strained over the next 12 months.

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
Agrosuper's gross and net leverage



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

» 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 negative outlook reflects Agrosuper's subpar financial results over the first nine months of 2023, and Moody's expectation that persistent weak market fundamentals may keep credit metrics strained over the next 12 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

» Stability in earnings, so that gross debt/EBITDA remains below 2.0x.

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 (4.7x as of the 12 months ended September 2023)

» Cash flow from operations/debt remaining below 20% (5.1% as of the 12 months ended September 2023) on a sustained basis

Key indicators

Exhibit 2

Agrosuper S.A.

US Millions	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	LTM Sep-23	2023P	2024P	2025P
Revenue	$2,585	$3,456	$3,284	$4,000	$4,179	$4,165	4,218.0	4,521.0	4,402.0
Debt / EBITDA	1.4x	3.0x	3.9x	2.0x	2.2x	4.7x	4.6x	2.4x	1.8x
CFO / Debt	32.4%	12.9%	24.2%	36.1%	24.4%	5.1%	12.6%	26%	48%
Debt / Book Capitalization	20.6%	38.3%	35.3%	33.3%	33.3%	36.9%	36.5%	32%	29%
EBITA / Interest Expense	20.3x	7.0x	4.1x	13.1x	6.1x	2.5x	2.5x	6.2x	8.2x

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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

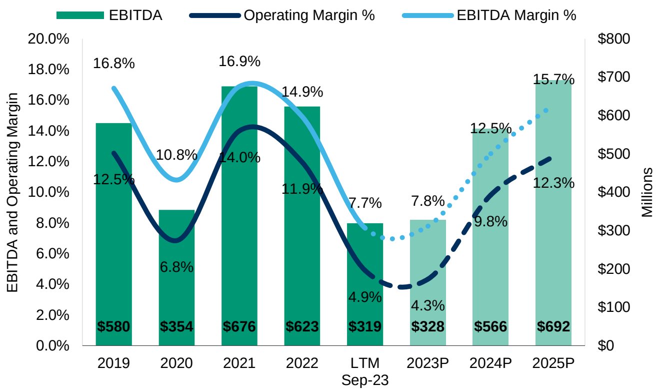
Gradual recovery and deleveraging amid market reopening in 2023-24

Over the first nine months of 2023, Agrosuper was affected by a combination of factors and non-recurring events that led to an increase in operational costs and a decrease in revenue, causing a significant dip in profitability with its EBITDA margin (Moody's adjusted) falling to 7.7% as of LTM Sep-23, a sharp decline from 14.9% in 2022 (see Exhibit 3). In addition to factors that affected in general the protein industry, mainly increase of grain costs, a decrease of poultry and salmon prices and oversupply periods across different protein segments, Agrosuper also experienced a challenging 2023 due to non- recurring events that negatively impacted its performance. These included avian flu outbreaks in Chile, affecting some of its chicken and turkey plants, an isolated ISA virus outbreak and a reduction in the share of premium product produced in the salmon segment. However, Moody's expects an improvement in Agrosuper's performance in Q4 2023, compared to previous quarters. This is driven mainly by the recovery and normalization of export volumes in poultry. This is particularly significant as most export markets for Agrosuper's poultry were shut for most of Q2 2023 and part of Q3 2023, forcing the company to redirect almost all its volumes to the local market during those periods.

By the end of fiscal year 2023, Moody's expects Agrosuper to have a debt to EBITDA ratio of around 4.6x, and 4.1x on a net debt basis (see Exhibit 4). Moody's also expects the company's profitability to continue to recover in 2024, with an EBITDA margin of around 12.5%, which in turn would allow Agrosuper to reduce its indebtedness and leverage to approximately 2.5x-3.0x by the end of fiscal year 2024. This aligns more closely with the target level stipulated in the company's fiscal policies and with the company's Ba1 rating. However, a downside risk to this scenario is a continued underperformance resulting from higher price volatility in protein and commodity markets, and new outbreaks at the companies' facilities given its geographic concentration in Chile.

The company's debt/book capitalization increased to 36.9% as of LTM September 2023, from the 33.3% as of December 2022, but at all times below the 45%-60% range of a Ba rating category, however.

Exhibit 3
Decline in profitability and interest coverage with recovery in 2024-25



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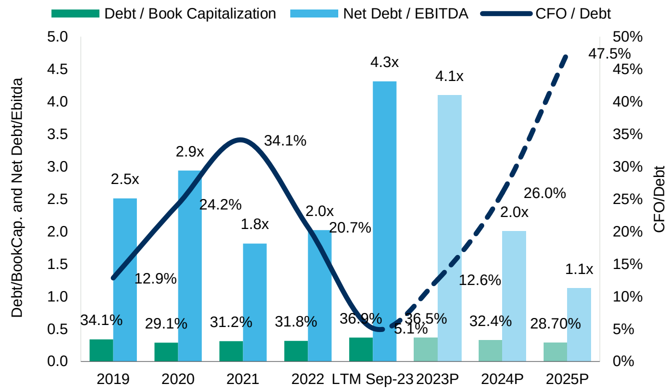
Source: Moody's Financial Metrics™

Exhibit 4
Leverage metrics will likely improve in 2024-25 aided by higher EBITDA



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Source: Moody's Financial Metrics™

Strong business profile as an integrated and diversified food producer

The company's integrated business, leading position and revenue diversification in terms of geography and business segment explain its strong profitability with moderate volatility. 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.

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 negative), the world's largest protein producer with $71 billion in revenue in the last twelve months ended in September 2023; Marfrig Global Foods S.A. (Ba2 negative), the second-largest beef producer globally with $27 billion in revenue in the last twelve months ended in September 2023; and other important companies like BRF S.A. (Ba3 stable) and Minerva Foods S.A. 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.

ESG considerations

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

Exhibit 5
ESG credit impact score

CIS-3

ESG considerations have a limited impact on the current rating, with potential for greater negative impact over time.

Source: Moody's Investors Service

Agrosuper's CIS-3 reflects our assessment that ESG considerations have a limited impact on the current rating, with a potential for negative impact over time. The primary environmental risk for Agrosuper stems from its dependence on natural resources. Social risks are predominantly associated with responsible production, encompassing aspects like food safety, grain supply, animal diseases, and product quality. Although the company is privately owned and its ownership is concentrated, this is counterbalanced by its prudent financial policy.

Exhibit 6
ESG issuer profile scores

Source: Moody's Investors Service

Environmental

Agrosuper's credit exposure to environmental risks reflects company's vulnerabilities associated with natural capital and water management. Being a producer of poultry, pork, and salmon, its exposure to risks related to greenhouse gas emissions is less than that of beef producers, thereby reducing its exposure to carbon transition risks. The company's dependence on water for its operations introduces risks tied to water management. These can manifest in the form of water contamination and discharge issues, which could potentially lead to regulatory penalties, operational disruptions, and reputational damage.

Social

Agrosuper's credit exposure to social risks is largely derived from its obligations towards responsible production. As a comprehensive producer of pork, poultry, and salmon, its exposure to deforestation risks, which are typically associated with cattle raising, is somewhat mitigated. However, the need for traceability of grains, along with ensuring that its supply chain adheres to social standards, are significant factors influencing its credit profile because non-compliance could potentially lead to regulatory sanctions, supply chain disruptions, and reputational damage.

Governance

Credit exposure to governance risk 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; and five out 10 board members are independent.

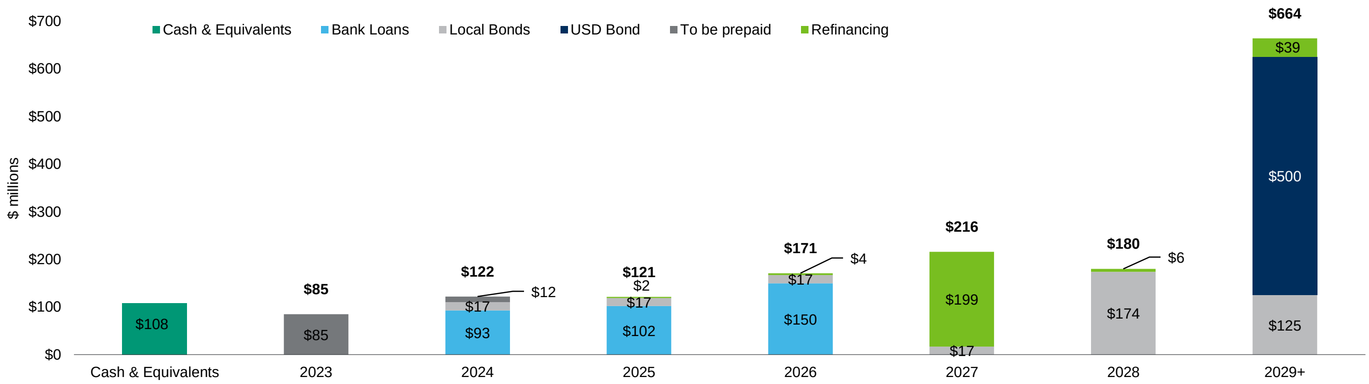
ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

Agrosuper maintains a good liquidity profile. As of September 2023, the company had about $108 million in cash and marketable securities with 64% denominated in US dollars, and Moody's expects around $300 million in cash flow from operations in 2024. These compare favorably with the company's debt obligations of around $122 million next year (a pro-forma reported by the company following a liability management performed in October 2023). If Agrosuper's profitability and cash flow persist in performing below historical standards, however, it could potentially lead to a deterioration in the company's liquidity.

Agrosuper successfully refinanced $250 million in short-term liabilities in October 2023, with new loans amounting $165 million maturing in 2027-28 to pay down short term PAE (acronym for Prestamo Anticipo Exportadores) pre-export loans. Additionally, it extended a bilateral loan subscribed by Empresas AquaChile S.A for $85 million that originally matured in March 2024.

Exhibit 7
Debt maturity profile
As of October 2023



Source: Agrosuper Q3 presentation.

For 2024 we expect capital expenditures of around $100-110 million and around $21 million in dividends (35% of net income distribution), which leads to a free cash flow generation of around $200 million.

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.

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.

Methodology and scorecard

Agrosuper's scorecard-indicated outcome using our rating methodology for Protein and Agriculture Industry maps to a Ba2 for LTM period ended in September 2023, one notch below the Ba1 rating assigned. Our foward-looking view over the next 12-18 months maps to a scorecard indicated outcome of Ba1.

Exhibit 8

Rating factors

Agrosuper S.A.

Protein and Agriculture Industry Scorecard [1][2]	Current LTM 9/30/2023		Moody's 12-18 Month Forward View As of 12/12/2023 [3]	
Factor 1 : Scale (10%)	**Measure**	**Score**	**Measure**	**Score**
a) Total Sales (USD Billion)	$4.2	Ba	$4.5	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	4.7x	B	2.4x	Baa
b) CFO / Debt	5.1%	Caa	26.0%	Baa
c) Debt / Book Capitalization	36.9%	Baa	32.4%	A
d) EBITA / Interest Expense	2.5x	B	6.2x	Baa
Factor 4 : Financial Policy (15%)				
a) Financial Policy	Ba	Ba	Ba	Ba
Rating:				
a) Scorecard-Indicated Outcome		Ba2		Ba1
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 9/30/2023(L); Source: Moody's Financial Metrics™
[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	Negative
Corporate Family Rating	Ba1
Senior Unsecured	Ba1

Source: Moody's Investors Service

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