FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Agrosuper S.A. Ratings at 'BBB-'; Outlook Stable

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Fitch Ratings - New York - 18 Dec 2023: Fitch Ratings has affirmed Agrosuper S.A. (Agrosuper) Long-Term Foreign and Local Currency Issuer Default Ratings (IDRs) and its USD500 million senior unsecured bond at 'BBB-'. Fitch has also affirmed Agrosuper's Long-Term National Scale Rating and Local Issuances at 'AA-(cl)'. The Rating Outlook is Stable.

Agrosuper's ratings reflect the company's solid leadership in the protein industry in Chile and its product and protein diversification, vertically integrated operations, strong brand recognition and extensive distribution network. The Stable Outlook factors in Agrosuper's expected rapid deleveraging after reaching a peak in 2023 due to weaker operating performance.

KEY RATING DRIVERS

Rapid Deleveraging Expected: Fitch expects rapid deleveraging and positive FCF for Agrosuper in 2024 with net leveraging reaching 2.0x at YE24 and lower in 2025, from 3.6x forecast at YE23. The rapid deleveraging is based on improved EBITDA thanks to costs reduction, normalization of poultry prices, and improvement in salmon product mix and prices. FCF is expected to improve in 2024 due to controlled capex and dividend distribution. Net leverage is forecast to peak at about 3.6x by the end of 2023 because of the negative impact on prices and export restrictions in poultry due to the avian flu, lower prices in the salmon business due to lower share of premium products, and higher grain and freight costs.

EBITDA Recovery from Poultry: Fitch expects a recovery in EBITDA margin for the meat segment, mainly due for lower prices caused by export restrictions in Chile for poultry following the avian flu. The negative cost impact is estimated at USD83 million in EBITDA for the nine months ending September 2023.

Normalization of Salmon Performance: Fitch Forecasts EBITDA margin for the salmon segment to normalize to about 15%-16% in the medium term from 12.5% expected in 2023, thanks to better salmon prices and a gradual reduction in feed and freight costs, and a higher sales volume. The salmon business' EBITDA in the first nine months of 2023 decreased by 36% compared to the same period in 2022 due to a reduction in average prices by the lower premium share in product mix and higher overall global supply.

Neutral to Positive FCF: Fitch expects neutral FCF in 2023 due to lower operational performance and higher capex derived from investment in feeding facility. Fitch forecasts FCF in 2024 to be positive assuming dividends to remain at about 30% of net profit and a level of capex intensity in the range of 2% to 3% of the revenues. Fitch considers Agrosuper's financial flexibility to be adequate following the refinancing of USD250 million executed in October 2023 and the development of a monetization plan for USD16 million of non-core assets.

Solid Business Profile: Agrosuper is the leading producer of pork, chicken, turkey and salmon in Chile, with a domestic market share of 54%, 50%, 65% and 22%, respectively, as of 2022. In the salmon farming business, Agrosuper is the third largest supplier of salmon globally, with an estimated market share of 5% in Atlantic salmon and 24% in Pacific salmon in 2022. The company has highly recognized brands and multiple proteins and it is vertically integrated from feed production through wide distribution Channel. The concentration of clients is low, with more than 66,000 clients. The exports market accounted for 62% of revenues with USA and Asia (mainly China, Japan y South Corea) representing 25% and 32%, respectively of revenue from export sales in first nine months of 2023.

High Protein Diversification reduce Performance Volatility: Agrosuper benefits from a highly diversified protein business, considering its production of pork, chicken, turkey, salmon, and processed food. This diversification allows the company to lower the performance volatility in each protein segment related to prices and cost evolution. Fitch expects Agrosuper's meat and salmon divisions to represent about 59% and 41% of EBITDA in 2025. The LTM September 2023 EBITDA margin of the salmon business of

Protein Sector and Industry Risks: Fitch has a neutral sector outlook for the LATAM protein sector in 2024 thanks to favorable export prospects, low production costs and resilient global consumption. World supply for Atlantic salmon is expected to increase by about 5% in 2024 driven the increase of 7% of Norway production, offset by the stable production in Chile. This increase is in line with the demand growth prospect. The main risk factors of the protein industry come from supply-demand volatility, grain and transport costs, sanitary risks that are inherent to animal production, and potential restrictions in international markets.

DERIVATION SUMMARY

Agrosuper's ratings reflect its leading position in the protein industry in Chile and a strong operating margin attributable to its strong distribution network and market position. The company has a leading position in the salmon industry where barriers of entry are high and scale is important, as it provides leverage in negotiations with its suppliers (grains, freight, packaging). Fitch expects the company's financial profile to remain conservative over the next 24 months with net leverage below 2.0x, which is in line with the 'BBB-' and 'AA-(cl)' ratings.

Agrosuper maintains higher protein diversification than its global peers, such as Marfrig Global Foods (BB+) or Minerva (BB), as well as lower net leverage ratios expected over the rating horizon. The rating is constrained by its limited scale and less geographical diversification of its production base compared to its international peers, such as JBS (BBB-) or Tyson Foods (BBB).

KEY ASSUMPTIONS

Fitch's Key Assumptions Within its Rating Case for the Issuer Include:

--Low single-digit revenue growth in 2023-2026 period;

--EBITDA margin reduction to 8% in 2023 and recovery in 2024 to around 11% in 2024 moving to 13% in the medium term due to positive cost trend and improve in sales price in Poultry and salmon businesses;

--Dividend Distribution equivalent to 30% of net income in 2023-2026 period;

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/upgrade:

--An upgrade is unlikely, considering the higher leverage of the company.

--Debt to EBITDA below 1.5x, or net debt /EBITDA of 1.0x, on a sustained basis;

--Increased scale and geographical diversification outside of Chile;

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:

--Inability to return to leverage lower of Debt/EBITDA 2.5x, or net debt/EBITDA of 2.0x, in the next 12-18 months, considering the lower recovery of operational performance, or Capex/dividends beyond the Fitch expectations;

--Inability to recover EBITDA margin sustained above 10%;

--Deterioration in financial flexibility or inability to refinance short-term debt commitments.

LIQUIDITY AND DEBT STRUCTURE

Adequate Liquidity: Agrosuper reported a cash position of USD108 million compared with a short-term debt of USD342 million, consisting of revolving and export finance credit facilities as of 3Q23. In October 2023, Agrosuper refinanced USD250 million of short term, moving around USD200 million toward 2027. This refinancing allows Agrosuper to strength its cash position at the end of 2023 and 2024, even considering debt payments in the short term. The next relevant maturity is USD110 million due in 2024 (USD93 million of bank loans and USD17 million of national bonds).

Agrosuper has broad access to local financial markets, maintaining five registered and available bond programs for a total of UF27 million (around USD1.13 billion), of which UF16.5 million (USD695 million) is available. Also, the company has around USD750 million of short-term bank facilities, 80% of which are undrawn.

world player in the salmon industry.

SUMMARY OF FINANCIAL ADJUSTMENTS

--Lease Adjustments;

--Hedge derivatives on financial debt.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

RATING ACTIONS

ENTITY / DEBT	RATING		PRIOR
Agrosuper S.A.	LT IDR	BBB- Rating Outlook Stable Affirmed	BBB- Rating Outlook Stable
	LC LT IDR	BBB- Rating Outlook Stable Affirmed	BBB- Rating Outlook Stable

	Natl LT	AA-(cl) Rating Outlook Stable Affirmed		AA-(cl) Rating Outlook Stable
senior unsecured	LT	BBB-	Affirmed	BBB-
senior unsecured	Natl LT	AA-(cl) Rating Outlook Stable Affirmed		AA-(cl) Rating Outlook Stable

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

National Scale Rating Criteria (pub. 22 Dec 2020)

Metodología de Calificaciones en Escala Nacional (pub. 22 Dec 2020)

Metodología de Calificación de Finanzas Corporativas – Efectiva del 29 de diciembre de 2022 al 21 de diciembre de 2023 (pub. 29 Dec 2022)

Corporate Rating Criteria (pub. 03 Nov 2023) (including rating assumption sensitivity)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.1.0 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Agrosuper S.A.	EU Endorsed, UK Endorsed

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