

**ISSUER COMMENT**

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## Pesquera Exalmar S.A.A.

### Debt refinancing is credit positive but ratings remain unchanged

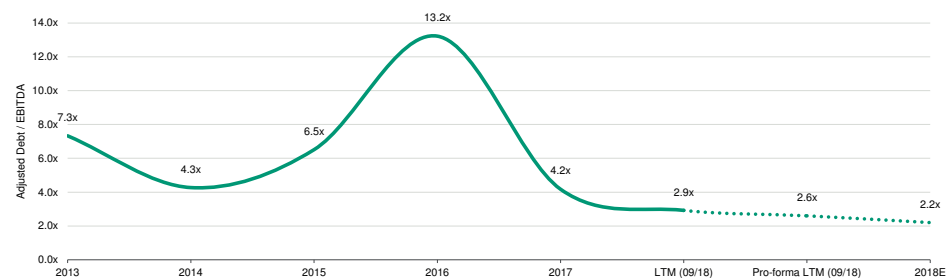
[Pesquera Exalmar, S.A.A.](#)'s (Exalmar, B3 stable) announcement on January 16th that it obtained a new \$110 million syndicated loan is credit positive but has no immediate impact on its B3 ratings nor its stable outlook. The company will use the proceeds of the syndicated term loan to refinance its 7.375% senior notes due 2020 and other long term bank debt. This transaction will provide Exalmar with greater financial flexibility and will slightly improve its leverage as the company will also use around \$20 million of its cash on hand to pay down debt.

The new five-year \$110 million syndicated term loan will be secured by certain plants and some vessels that together represent around 3% of Exalmar's fishing quota. The loan has one year grace period and considers a 36% balloon payment.

The company's \$110 million outstanding senior unsecured notes due 2020 will be entirely paid down with a combination of cash on hand and a portion of the proceeds of the syndicated loan. In addition, the company will use \$19 million from the new syndicated loan to refinance other existing bank debt. We estimate that pro-forma for the debt reduction, Exalmar's adj. debt/EBITDA ratio will decline by around a third of a turn to 2.6x, down from 2.9x over the twelve months ended September 30, 2018.

Exhibit 1

**Adj. debt/EBITDA will continue to improve from debt reduction combined with better operating results**



Source: Moody's Financial Metrics™ and Moody's estimates

Exalmar's credit metrics have improved substantially during 2018 as Peru's fishing quota recovered. In 2018, total fishing quota was 5.4 million metric tons, a 26% increase from the previous year and the highest level seen since 2012. Higher fishing quota has supported Exalmar's EBITDA which in turn led to an improvement in its credit metrics. Exalmar's adj. debt/EBITDA declined to 2.9x over the twelve months ended September 30, 2018; down

from 4.2x in December 31, 2017. As Exalmar successfully caught its entire fishing quota from the second fishing season of 2018, we estimate incremental EBITDA in the fourth quarter of 2018 will have resulted in a further decline of adj. debt/EBITDA towards 2.2x for the full year 2018.

Exhibit 2

**Total quota per fishing season**

Source: PRODUCE

The fishing industry in Peru should not be materially affected by El Niño event during the first quarter of 2019. On January 4, 2019 Peru's federal climate agency ENFEN has set an alert for a weak El Niño during January and February. Nevertheless, the agency continues to estimate a 27% likelihood of normal seawater conditions and a zero probability of strong or extraordinary El Niño during Peru's 2018-19 summer season (December to March).

Pesquera Exalmar, S.A.A. is a Peruvian fishing company that produces fishmeal and fish oil used for indirect human consumption. In addition, Exalmar also sells fresh and frozen fish (mackerel, horse mackerel, giant squid and mahi-mahi) for direct human consumption. Exalmar has a 6.7% assigned quota in the north-center region of Peru and the ability to process third-party catch, which increases its overall participation in the market. This positions the company as the third-largest fishing company in Peru in terms of processed anchovy. The company reported revenues of \$222 million over the twelve months ended September 30, 2018.

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