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11 January 2021

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MOODY'S INVESTORS SERVICE AFFIRMS CIMIC'S RATING

Please find attached a copy of a media release issued by CIMIC Group Limited, parent company of CIMIC Finance (USA) Pty Ltd.

Yours faithfully
CIMIC GROUP LIMITED

Company Secretary



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11 January 2021

ASX Market Announcements
Australian Securities Exchange Limited
Level 4
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SYDNEY NSW 2000

MOODY'S INVESTORS SERVICE AFFIRMS CIMIC'S RATING

Moody's Investors Service (Moody's) has affirmed the Baa2 issuer rating of CIMIC Group Limited and the Baa2 backed senior unsecured rating assigned to CIMIC Finance (USA) Pty Ltd, following the completion of CIMIC's sale of 50% of Thiess. The outlook on all ratings is stable.

The Moody's press release is appended.

Sincerely,

CIMIC GROUP LIMITED
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Rating Action: Moody's affirms CIMIC's Baa2 ratings; outlook stable

08 Jan 2021

Sydney, January 08, 2021 -- Moody's Investors Service, has today affirmed the Baa2 issuer rating of CIMIC Group Limited (CIMIC) and the Baa2 backed senior unsecured rating assigned to CIMIC Finance (USA) Pty Ltd. The outlook on all ratings is stable.

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The rating affirmation follows the completion of CIMIC's sale of a 50% equity interest in Thiess, the world's largest mining services provider, on 31 December 2020.

RATINGS RATIONALE

"The ratings affirmation reflects Moody's view that the transaction is overall credit neutral for CIMIC," says Saranga Ranasinghe, a Moody's Vice President and Senior Analyst.

In terms of financial profile, the impact of the transaction is credit positive. The transaction unlocked around AUD800 million of tax assets in cash and generated total sale proceeds of around AUD2.2 billion. Moody's expects CIMIC will use the total cash proceeds to reduce debt. The transaction will also result in a reduction in receivables factoring, and in the deconsolidation of Thiess' lease liabilities from CIMIC's balance sheet. As a result, Moody's expects CIMIC's adjusted gross debt/EBITDA (excluding debt drawn during the pandemic to bolster liquidity) to be around 2.6x -- 2.7x over the next 1-2 years, within the threshold for the Baa2 rating. Moody's expects CIMIC to repay debt drawn to bolster liquidity during the pandemic as market conditions normalize.

However, in terms of impact on CIMIC's business profile, Moody's sees the impact of the sale as a net credit negative. CIMIC's overall scale and diversity will reduce, with Thiess contributing close to half of CIMIC's reported EBIT in recent periods.

Elliot, CIMIC's 50% joint venture partner in Thiess, has the option to sell its share in Thiess to CIMIC, in years four to six, at lower of the sale price or fair market value.

Thiess will remain a key component of CIMIC's business going forward. Moody's expects CIMIC to receive around AUD150-AUD200 million in annual dividends from Thiess, which is expected to be sufficiently funded with Thiess' free cash flow. The sale will also reduce CIMIC's capex requirements substantially, given that Thiess has historically accounted for the majority of CIMIC Group's capex.

CIMIC's Baa2 rating continues to reflect its strong market position in the Australian construction and mining services sectors, income diversity across business lines, and a solid financial and liquidity profile.

CIMIC's rating is constrained by business risks around complex and fixed price projects, and by its linkage to its parent entities HOCHTIEF AG (unrated) and Actividades des Construcción y Servicios SA (ACS, unrated), both of which have weaker credit profiles.

The stable outlook reflects Moody's expectation that CIMIC's credit profile will remain within the financial parameters set for the rating, and that any problem contracts will remain manageable and within earnings guidance.

CIMIC's liquidity profile will remain strong post transaction completion. Sources of liquidity include (1) unrestricted cash holding of around AUD3 billion as of June 2020; and (2) proceeds from Thiess transaction of around AUD2.2 billion, which Moody's expects will be used to repay debt, including the AUD1.5 billion syndicated banking facility maturing August 2021. There are no other material debt maturities in calendar 2021. Moody's expects CIMIC to distribute most of operating cashflows after capital expenditure to shareholders leading to free cash flow after dividend payments to be broadly neutral over the next 12-18 months.

Environmental, Social and Governance (ESG) Considerations

The primary ESG consideration for CIMIC relates to governance. Moody's regards CIMIC's ownership by HOCHTIEF and ACS, both of which have weaker credit profiles, as a credit constraint. This risk is mitigated by CIMIC's public commitment to a strong investment-grade rating, and its track record of conservative balance sheet management.

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

Factors that Could Lead to an Upgrade

Moody's would upgrade the ratings only if HOCHTIEF and ACS, excluding CIMIC, demonstrate materially stronger financial profiles, in addition to CIMIC maintaining adjusted debt/EBITDA below 2.0x, on a sustained basis.

Factors that Could Lead to a Downgrade

The ratings could be downgraded if (1) financial leverage deteriorates, such that adjusted debt/EBITDA exceeds 3.0x on a sustained basis; (2) liquidity (cash and undrawn facilities) falls below a level sufficient to meet the company's debt maturities over the next 12-18 months; (3) material disruption to cashflow from one or more major contracts, such that EBITA margins fall below 5% on a sustained basis; (4) underperformance at the key joint ventures that could lead to a reduction in dividends received and/or require financial support from CIMIC; or (5) HOCHTIEF's credit quality and/or liquidity position weaken materially.

The principal methodology used in these ratings was Construction Industry published in March 2017 and available at https://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC_1061454. Alternatively, please see the Rating Methodologies page on www.moody's.com for a copy of this methodology.

CIMIC Group Limited (ASX:CIM) is an engineering-led construction, mining, services and public private partnerships leader working across the lifecycle of assets, infrastructure and resources projects.

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.moody's.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

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Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1243406.

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MOODY'S
INVESTORS SERVICE

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