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28 October 2021

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

STANDARD & POOR'S REPORT

Standard & Poor's (S&P) has published a report confirming CIMIC Group's issuer credit rating as 'BBB-/A-3' with stable outlook.

S&P states: "CIMIC is considering a potential listing of Ventia. Importantly, we do not expect any selldown of Ventia to affect CIMIC's credit profile materially. The company should deploy proceeds raised in a manner consistent with the current rating."

The S&P announcement is appended.

Sincerely,

CIMIC GROUP LIMITED
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Authorised by the CIMIC Group Continuous Disclosure Committee

S&P Global Ratings

RatingsDirect®

CIMIC Group Ltd.

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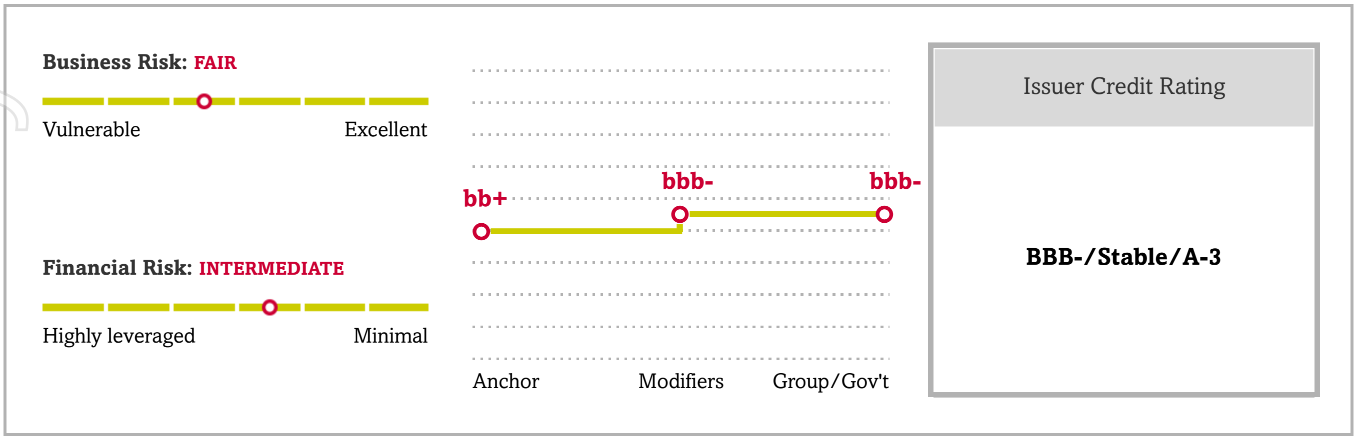


Credit Highlights

Overview

Key strengths	Key risks
Leading market positions in Australia's infrastructure construction, engineering, and contract mining sectors.	Uneven timing of project tenders and operating risks in the engineering and construction industry that has above-average cyclicality.
Significant project and geographical diversity.	COVID-19 project exposure and fixed-price contract risks.
Moderate earnings visibility from long-term contracts, high renewal rates, and solid project pipeline.	Limited financial buffer under its stand-alone credit profile (SACP) of 'bbb-'.

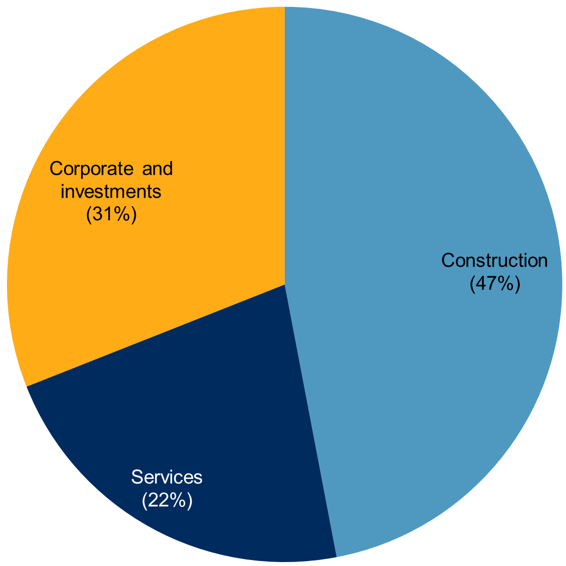
CIMIC's geographical diversity, broad end-market exposure, and solid order backlog should allow the group to navigate COVID-19 delays and social-distancing measures. We expect CIMIC to manage through this period by maintaining a strong liquidity position, and reducing costs and discretionary expenditure. In our view, the company will effectively manage cash flow and working capital and cut nonessential capital expenditure.

We expect CIMIC's prudent approach to financial risk management to support the current rating. CIMIC is committed to maintaining a strong balance sheet that supports an investment-grade rating. We anticipate the company will manage debt-to-EBITDA below 2.5x and maintain strong liquidity. It aims to diversify its funding sources, term out its long-term debt and utilize revolving credit facilities for working capital and standby liquidity. Its 625 million euro eight-year fixed-rate 1.593% corporate bond issued in 2Q21 is evidence of the company's good access to capital markets.

CIMIC remains a core subsidiary of Actividades de Construccion y Servicios SA (ACS). Our ratings on CIMIC remain aligned with those on its parent ACS (BBB-/Stable/A-3). ACS owns 50.4% of Hochtief AG, which owns 78.6% of CIMIC. The issuer credit ratings on CIMIC are linked to those on Hochtief and ACS because of CIMIC's strategic and financial importance to the group. We forecast that CIMIC will contribute 35%-40% to ACS' adjusted EBITDA in fiscal 2021.

Chart 1a

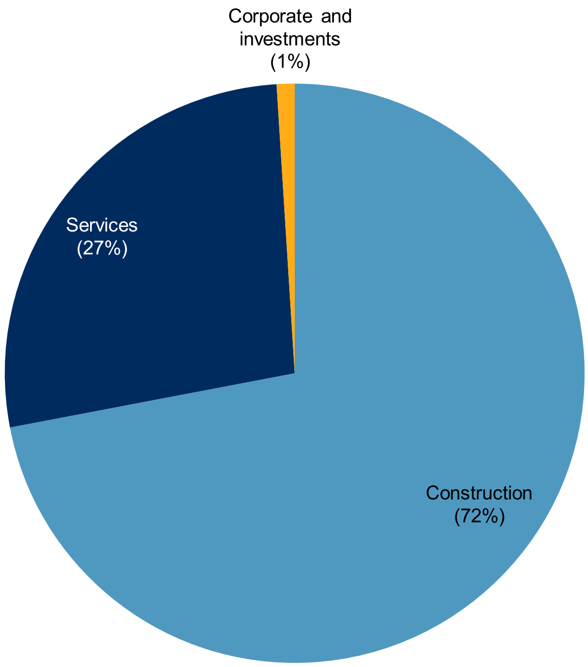
CIMIC's Consolidated (Incl. Thiess & Ventia) Construction Business Formed The Bulk of Group Revenue In 1H2021



1H--First half. Source: CIMIC's company filings, S&P Global Ratings.

Chart 1b

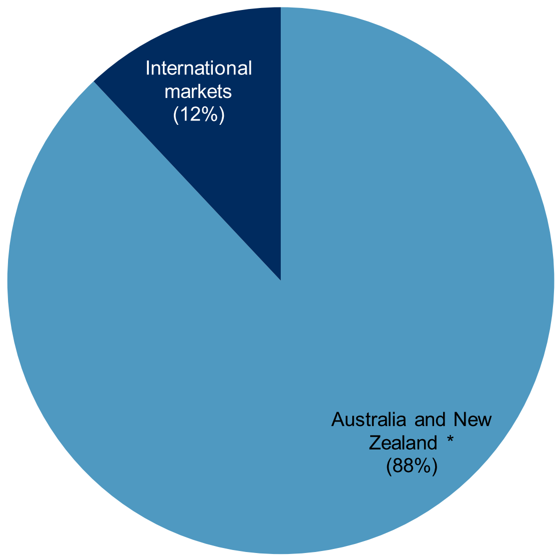
CIMIC's Standalone (Excl. Thiess & Ventia) Construction Business Drove Group Revenue In 1H2021



1H--First half. Source: CIMIC's company filings, S&P Global Ratings.

Chart 1c

CIMIC Group's ANZ Market Dominated Revenue In 1H2021



1H--First half. *Australia and NZ revenues also included Papua New Guinea. Source: CIMIC's company filings, S&P Global Ratings.

Outlook: Stable

The stable outlook on CIMIC reflects the outlook on the ultimate parent, ACS, given our view that CIMIC and its immediate parent, Hochtief, are core subsidiaries of the ACS group. We therefore equalize the ratings and outlook on CIMIC with those on the ultimate parent.

The stable outlook on ACS and its core subsidiaries reflects our expectation that the ACS group's adjusted FFO to debt will stand above 25% in 2021-2022. The group's solid order backlog and still-positive prospects for civil infrastructure construction should support operating performances. We forecast the ACS group's adjusted EBITDA margin at 7.5%-8.0% for 2021-2022. This would be underpinned by a secured order backlog, new projects, and dividends from Abertis Infraestructuras, S.A. ACS is negotiating the disposal of a large portion of its industrial-service assets. We will assess the rating implications of such a transaction once the terms are agreed and we know how the group intends to use the proceeds.

Downside scenario

We could lower the ratings if ACS group's adjusted FFO-to-debt ratio drops below 25%, without short-term recovery prospects.

We believe this could happen if:

- There is markedly higher debt. This could stem, for example, from unexpected large investments or higher shareholder returns than our base case.
- There are operational setbacks that result in increased working capital, or a prolonged suspension of construction projects as a consequence of the current recession.
- ACS receives significantly lower dividends from Abertis Infrastructures, S.A. than our base-case assumption.
- The disposal of its Industrial Service division weakens its business position, which is not offset by the group's commitment to preserving credit metrics at a much higher level.
- ACS group's liquidity weakens.

In our base-case scenario, we assume the ACS group will not control Abertis, but will continue to control Hochtief.

Downside rating pressure could also occur at CIMIC if the expected level of ACS group support for CIMIC reduces, together with a reduction in CIMIC's SACP.

Upside scenario

An upgrade would hinge on a clear commitment from ACS to a more conservative financial policy on investments and shareholders' remuneration. We could also upgrade if ACS achieves consistently stronger credit metrics, including FFO to debt that is comfortably above 35% and DCF to debt of at least 5%.

Our Base-Case Scenario

- Australia's real GDP growth of 4.2% in 2021, 3.3% in 2022 and 2.8% in 2023;
- Moderate COVID-19 end market disruptions compared with the broader economy;
- Revenue growth of high single digits in 2022, driven by new contract wins in Australia's construction and services industry and good prospects for the Australian infrastructure sector due to government initiatives;
- Adjusted group EBITDA margins of 10%-13% over the next two years, as the group executes its construction and services projects, offset by rising labor and other costs;
- No remaining material cash outflows associated with BICC;
- Work-in-hand of A$35.1 billion as at Sep. 30, 2021;
- Adjusted capital expenditure (capex; including 50% of Thiess and 50% of Ventia) of about A$600 million;
- Reported lease liabilities of about A$320 million;
- Working capital outflows of A$500 million-A$700 million;
- Trade receivables securitizations of about A$500 million;
- Tax rate of 30%;
- No material debt-funded acquisitions; and
- Dividend distributions of 60%-65% of net profits after tax (NPAT).

Key metrics

CIMIC Group Ltd.--Key Metrics

	--Fiscal year ended Dec. 31--			
	2019a	**2020a***	**2021f****	**2022f****
EBITDA margin (%)	13.8	N.M.	10%-12%	11%-13%
Debt to EBITDA (x)	2.0	N.M.	2.5x - 2.9x	2.3x - 2.7x
FFO to debt (%)	37.7	N.M.	28-32	30 - 33

*Fiscal 2020 metrics were distorted by the 50% sale of Thiess and asset write-downs. **Includes 50% consolidation of Thiess Group Holdings Pty Ltd. (a joint venture between CIMIC and Elliott Investment Management, L.P.) and 50% consolidation of Ventia Pty Ltd. a--Actual. f--Forecast. FFO--Funds from operations. N.M.--Not meaningful.

CIMIC's earnings should gradually improve over the next 12 months, supported by an improving project pipeline and better cashflow generation. We expect CIMIC's adjusted leverage (S&P-adjusted debt to EBITDA) to be above 2.5x as at Dec. 31, 2021, but improve to around 2.5x in 2022. This will be driven by government infrastructure initiatives that would bolster the company's existing projects, work-in-hand and cash flow generation.

Company Description

CIMIC is an engineering-led global infrastructure company with core activities in construction, mining, mineral processing, services, and public-private partnership projects that are focused on Australia, the Asia-Pacific, Sub-Saharan Africa, and North and South America. The company constructs roads, rails, tunnels, hospitals, airports, buildings, and social infrastructure projects, as well as water, energy, and resources facilities; oil and gas structures; and renewable energy infrastructure projects, such as utility-scale wind, geothermal energy, and waste-to-power installations.

The company, through its 50% owned Thiess JV, also provides contract mining services for metallurgical and thermal coal, iron ore, gold, diamond, nickel, and copper production. Through a 100% owned subsidiary Sedgman Pty. Ltd., the company provides the design, construction, and operation of mineral processing plants and associated mine site infrastructure.

CIMIC is a subsidiary of Hochtief. As of June 30, 2021, Hochtief owned 78.6% of CIMIC. The ultimate parent is ACS, which owns 50.4% of Hochtief. We expect CIMIC (including 50% of Thiess) to contribute 20%-25% to ACS group's revenue and 30%-35% to its adjusted EBITDA.

Peer Comparison

Table 1

CIMIC Group Ltd.--Peer Comparison

Industry sector: Engineering and construction

	CIMIC Group Ltd.	Strabag SE	Fluor Corp.	Power Construction Corp. of China	Webuild S.p.A.	Ferrovial S.A.
Ratings as of Oct.5, 2021	BBB-/Stable/A-3	BBB/Stable/--	BBB-/Negative/NR	BBB+/Stable/--	BB-/Stable/--	BBB/Stable/A-2
	--Fiscal year ended Dec. 31, 2020--					
(Mil. A$)						
Revenue	11,219.4	23,312.6	20,309.5	107,422.5	7,077.2	9,416.9
EBITDA	(508.1)	1,792.6	436.6	8,034.6	283.6	991.0
Funds from operations (FFO)	(880.9)	1,497.4	256.7	3,374.4	75.0	777.5
Interest expense	157.7	51.2	103.8	2,426.8	144.5	210.4
Cash interest paid	199.3	49.8	95.4	3,800.7	131.5	53.4
Cash flow from operations	651.7	1,954.3	339.4	4,801.1	188.3	1,400.6
Capital expenditure	829.6	715.0	147.0	14,300.1	291.4	214.1
Free operating cash flow (FOCF)	(178)	1,239.3	192.4	(9,498.9)	(103.1)	1,186.6
Discretionary cash flow (DCF)	(476.6)	1,071.5	123.4	(10,629.9)	(150.2)	377.9
Cash and short-term investments	2,919.9	4,442.2	2,880.3	17,595.3	3,892.9	10,022.6
Debt	3,812.6	0.0	693.1	62,654.1	2,935.2	0.0
Equity	892.1	6,514.0	1,637.4	47,100.4	3,305.8	(2,115.2)
Adjusted ratios						
EBITDA margin (%)	N.M.	7.7	2.1	7.5	4.0	10.5
Return on capital (%)	N.M.	15.0	7.8	5.8	(5.1)	22.1

Table 1

CIMIC Group Ltd.--Peer Comparison (cont.)

Industry sector: Engineering and construction

	CIMIC Group Ltd.	Strabag SE	Fluor Corp.	Power Construction Corp. of China	Webuild S.p.A.	Ferrovial S.A.
EBITDA interest coverage (x)	N.M.	35.0	4.2	3.3	2.0	4.7
FFO cash interest coverage (x)	N.M.	31.1	3.7	1.9	1.6	15.6
Debt/EBITDA (x)	N.M.	0.0	1.6	7.8	10.3	0.0
FFO/debt (%)	N.M.	N.M.	37.0	5.4	2.6	N.M.
Cash flow from operations/debt (%)	17.1	N.M.	49.0	7.7	6.4	N.M.
FOCF/debt (%)	N.M.	N.M.	27.8	(15.2)	(3.5)	N.M.
DCF/debt (%)	N.M.	N.M.	17.8	(17)	(5.1)	N.M.

N.M.--Not meaningful.

Business Risk: Fair

CIMIC has leading positions in Australia's infrastructure construction and contract mining markets, and benefits from relatively predictable income from its services businesses. CIMIC generates the bulk of revenue and work-in-hand (WIH) from projects in Australia. Accordingly, the health of Australia's economy and mining sector is a key driver of CIMIC's business. The infrastructure sector in Australia continues to improve in line with increased government investment. We expect project work to accelerate in 2022, following delays caused by COVID-19-related impact in 2021.

CIMIC has grown its services and PPP businesses in recent years, enhancing its earnings diversity. Similar to the ACS group, CIMIC operates through strong local brands with a long track record of project performance. This strategy supports its market position and customer retention. The group's proven ability to deliver large-scale and technically complex projects--including tunnels and bridges--enables it to win new contracts.

CIMIC has an established franchise in large infrastructure construction, predominantly in road and rail via CPB Contractors and Leighton Asia. CIMIC undertakes private sponsorship of government infrastructure projects through CIMIC's Pacific Partnership brand that bids on PPPs. Further, CIMIC's services business UGL and CIMIC's 47% ownership of Ventia Services Pty Ltd. also undertake operations and maintenance in road and rail infrastructure, oil and gas, water, defense, renewable energy, and telecommunications infrastructure.

CIMIC is considering a potential listing of Ventia. Importantly, we do not expect any selldown of Ventia to affect CIMIC's credit profile materially. The company should deploy proceeds raised in a manner consistent with the current rating.

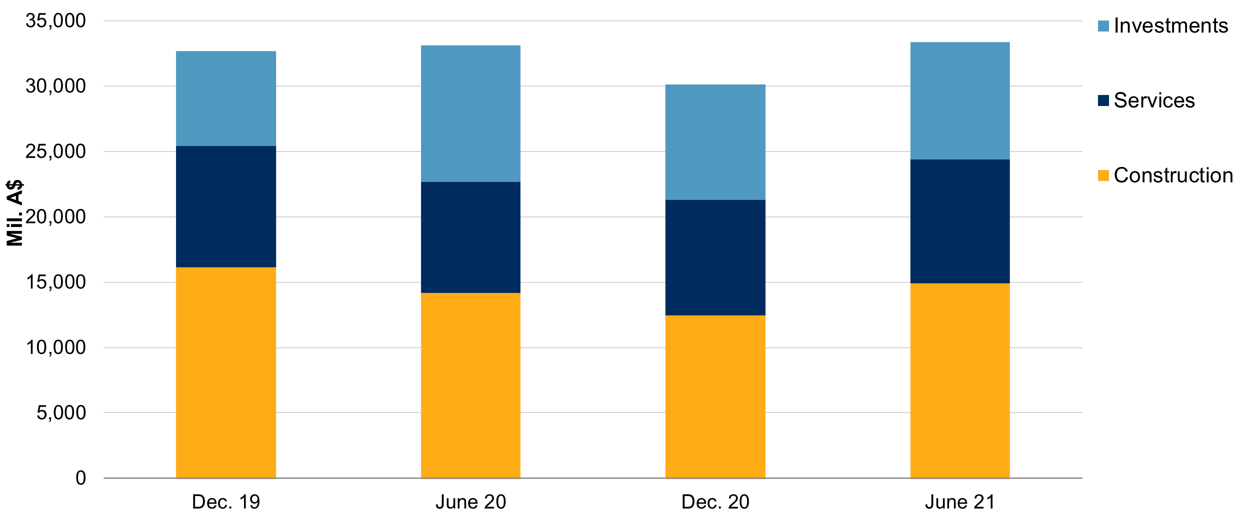
CIMIC's risk management and financial policy framework helps to counter above-average risks in the construction industry, which requires a sufficient financial buffer to offset performance risks. Contractors bear various operating risks, including potential cost overruns, and misjudging project complexity, timing and expenses. These are especially relevant under fixed-price contracts. The risks for CIMIC are somewhat mitigated by the group's contracting profile. CIMIC's construction WIH contract risk profile now comprises 54% of lower-risk contracts, including alliance-style contracts, collaborative partnership models, schedule of rates, and managing contractor and cost reimbursable contracts.

The company's diverse portfolio of projects, risk-sharing of large complex projects through joint ventures, and bidding discipline should support its cash flows and margins. Key to CIMIC's earnings growth is its continued success in securing new work. As of Sep. 30, 2021, CIMIC's WIH expanded to A$35.1 billion. This was a 16.6% increase over Dec. 31, 2020.As at Sep. 30, 2021, WIH remained well-diversified, with 43% from construction, 29% from services and 28% attributed to investments (services and mining).

CIMIC's third-quarter results as at Sep. 30, 2021 reflected solid revenue growth in Australian construction and services. Group revenue increased by 9.2% to A$10.9 billion for the 12 months from Sep. 30, 2020. Reported EBITDA margins were stable at about 10%. Leighton Asia was still affected by an unwinding of projects, but is expected to stabilize over the next 12 months as new projects are awarded.

Chart 2

Construction Remains The Key Contributor To CIMIC's Work-In-Hand



Source: S&P Global Ratings.

Financial Risk: Intermediate

CIMIC's earnings should gradually improve over the next 12 months, though it has limited headroom at the 'bbb-' SACP level to absorb any material deterioration. We expect CIMIC Group's adjusted leverage (S&P-adjusted debt to EBITDA) to be above 2.5x in 2021, but improve to around 2.5x in 2022. This will be driven by government-led infrastructure initiatives that bolster the company's existing projects, WIH and cash flow generation.

CIMIC's financial performance deteriorated significantly in 2020, and was well below our prior expectations. The company's earnings and cash flow suffered as COVID-19 slowed down new project awards. Its tendering license in Hong Kong was also suspended (regained since), and there were significant working capital outflows. The company reported a number of one-off costs associated with asset impairments, restructuring, project settlement and provisions to cover pandemic uncertainties, totaling about A$840 million gross of taxes. There was also a revenue reversal in fiscal 2020 results, with respect to the Gorgon Jetty contract asset, following an adverse resolution of arbitration with

Chevron.

CIMIC's 'bbb-' SACP is dependent on the company's disciplined approach to capital management, including maintaining an adjusted debt-to-EBITDA ratio of below 2.5x. Our assessment of CIMIC's commitment to increasing earnings while limiting pressure on its balance sheet remains a key rating consideration. We expect CIMIC to maintain strong liquidity, strictly managing cash flow, working capital and dividends. Management should continue to take decisive actions to navigate the challenging operating environment from social distancing across the construction and infrastructure services industry.

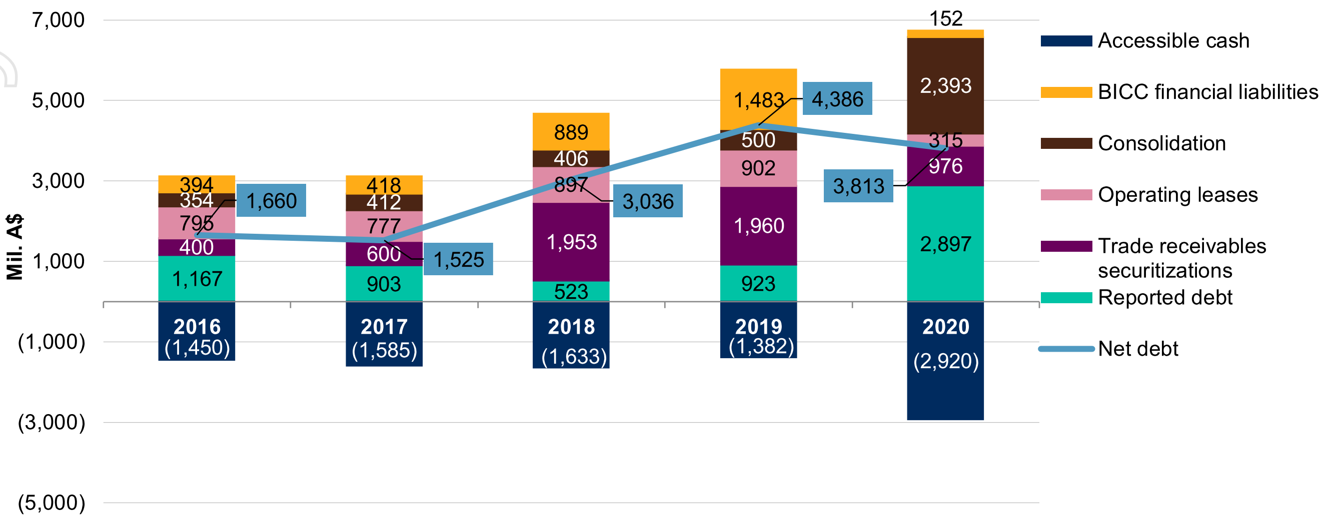
Disciplined working-capital management will remain key to CIMIC's cash flows and balance sheet over the next 12 months. The group has introduced various measures to improve cashflow generation, including stricter project selection. It also reduced its use of receivables factoring (trade receivables securitization) to A$975.8 million in 2020 from about A$1.96 billion in 2019. Factoring is a key adjustment we have made to the group's reported debt. In our base-case scenario, we forecast that its factoring balance will drop to about A$500 million.

The proportional consolidation of Thiess Group Holdings Pty Ltd. joint venture (JV) and Ventia better reflects the credit profile of CIMIC and the ACS group. We proportionately consolidate CIMIC's share of ownership in the Thiess JV and Ventia. In addition, our proportional consolidation of Thiess includes a proportional consolidation of 50% of Elliott's preference shares in Thiess. We treat these shares as debt and the associated dividends as interest expense. However, Thiess is under no legal obligation to make payments under the preference shares. The preference shares are subordinated and perpetual, and nonpayment would not cause a default (for details, see "Global Contract Miner Thiess Group Holdings, Guaranteed Notes Assigned 'BBB-' Ratings; On CreditWatch Negative," published Feb. 22, 2021).

The Thiess JV and associated put option add complexity to CIMIC's structure and governance. CIMIC and Elliott have joint control of Thiess in accordance with a shareholders' agreement, which contains Thiess' financial and dividend policies. Importantly, Elliott has a put option to sell its 50% interest in Thiess back to CIMIC during an option exercise period in years four to six from transaction completion. The exercise price is set at Elliott's purchase price, adjusted for any downward movement in the value of the ASX200 Total Return Index. We view the substance of the selldown to Elliott as a financing transaction for CIMIC, with CIMIC retaining downside exposure in the event of a fall in the value of Thiess. The joint control of Thiess also raises questions about the strategic importance of mining services for the ACS group. We also do not regard the interests of CIMIC and Elliot in the JV as completely aligned and view Elliot as a financial investor rather than a strategic partner.

Chart 3

CIMIC Group's Adjusted Debt By Debt Type



Source: S&P Global Ratings.

We make several adjustments to CIMIC's reported debt to calculate the company's financial ratios. For the year ended Dec. 31, 2020, material adjustments to CIMIC's reported financials include:

- Trade receivables securitization: adding A$975.8 million.
- Operating leases: Total operating leases on CIMIC's balance sheet (not including investments) amounted to A$314.8 million, in line with the adoption of accounting standard AASB16 from Jan. 1, 2019.
- Proportional consolidation: As at Dec. 31, 2020, we proportionately consolidate Ventia Services Pty Ltd.'s debt (50% of A$1,595.4 million) and Thiess Group Holdings Pty Ltd.'s debt (50% of A$3,190.8 million) in CIMIC's balance sheet. This reflects our view that the affiliates are strategically important to CIMIC, despite its partial ownership. We note that Thiess' and Ventia's debt is not guaranteed by CIMIC. Our consolidation also includes 50% of the Thiess JV Elliott put option of A$1,092.5 million. Thiess was categorized as a discontinued operation in CIMIC's Annual Report for 2020, with the transaction completing on Dec. 31, 2020. We have proportionately consolidated this back to arrive at our S&P-adjusted figures.
- Debt other: A$151.2 million of the BICC financial liabilities.
- Surplus cash: Applying a haircut of A$447.5 million to the group's reported cash balance, to account for the cash and liquid short-term investments that we believe would not be immediately available for debt repayment.
- Supply chain financing: We understand that the terms of these facilities mirror normal credit terms and do not extend the credit payment period. In addition, the company has fully repaid all of its supply chain financing, with the program cancelled as of Sep. 30, 2021.

Financial summary

Table 2

CIMIC Group Ltd.--Financial Summary

Industry sector: Engineering and construction					
	--Fiscal year ended Dec. 31--				
	2020	**2019**	**2018**	**2017**	**2016**
(Mil. A$)					
Revenue	11,219.4	15,828.8	15,786.8	14,506.8	11,921.7
EBITDA	(508.1)	2,183.3	2,034.6	1,933.8	1,372.2
Funds from operations (FFO)	(880.9)	1,655.5	1,797.6	1,691.8	1,213.7
Interest expense	157.7	142.0	169.5	176.8	137.4
Cash interest paid	199.3	176.6	178.1	161.2	137.5
Cash flow from operations	651.7	1,298.6	669.0	1,456.3	1,228.3
Capital expenditure	829.6	800.7	572.2	457.6	316.1
Free operating cash flow (FOCF)	(178.0)	497.9	96.8	998.7	912.3
Discretionary cash flow (DCF)	(476.6)	(82.1)	(403.4)	567.1	(96.7)
Cash and short-term investments	2,919.9	1,382.1	1,632.7	1,585.4	1,450.3
Gross available cash	2,919.9	1,382.1	1,632.7	1,585.4	1,450.3
Debt	3,812.6	4,386.3	3,035.5	1,525.3	1,659.8
Equity	892.1	723.0	2,336.8	3,357.2	3,312.4
Adjusted ratios					
EBITDA margin (%)	N.M.	13.8	12.9	13.3	11.5
Return on capital (%)	N.M.	25.3	24.2	23.2	19.1
EBITDA interest coverage (x)	N.M.	15.4	12.0	10.9	10.0
FFO cash interest coverage (x)	N.M.	10.4	11.1	11.5	9.8
Debt/EBITDA (x)	N.M.	2.0	1.5	0.8	1.2
FFO/debt (%)	N.M.	37.7	59.2	110.9	73.1
Cash flow from operations/debt (%)	17.1	29.6	22.0	95.5	74.0
FOCF/debt (%)	N.M.	11.4	3.2	65.5	55.0
DCF/debt (%)	N.M.	(1.9)	(13.3)	37.2	(5.8)

N.M.--Not meaningful.

Reconciliation

Table 3

CIMIC Group Ltd.--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. A$)

	--Fiscal year ended Dec. 31, 2020--									
CIMIC Group Ltd. reported amounts										
	Debt	Shareholders' equity	Revenue	EBITDA	Operating income	Interest expense	S&P Global Ratings' adjusted EBITDA	Cash flow from operations	Dividends	Capital expenditure
Reported	2,896.6	966.4	7,802.4	(1,227.6)	(1,618.4)	101.7	(508.1)	(265.2)	11.4	598.1

Table 3

CIMIC Group Ltd.--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. A$) (cont.)

S&P Global Ratings' adjustments										
Cash taxes paid	--	--	--	--	--	--	(173.5)	--	--	--
Cash interest paid	--	--	--	--	--	--	(167.5)	--	--	--
Cash interest paid: Other	--	--	--	--	--	--	(31.8)	--	--	--
Trade receivables securitizations	975.8	--	--	--	--	--	--	984.5	--	--
Reported lease liabilities	314.8	--	--	--	--	--	--	--	--	--
Accessible cash and liquid investments	(2,919.9)	--	--	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	--	0.8	--	--	--	--
Deconsolidation/consolidation	2,393.1	--	3,417.0	719.5	298.3	55.2	--	45.9	6.0	231.5
Nonoperating income (expense)	--	--	--	--	88.8	--	--	--	--	--
Noncontrolling interest/minority interest	--	(74.3)	--	--	--	--	--	--	--	--
Debt: Contingent considerations	1.0	--	--	--	--	--	--	--	--	--
Debt: Other	151.2	--	--	--	--	--	--	--	--	--
Operating cash flow: Discontinued operations	--	--	--	--	--	--	--	(113.5)	--	--
Total adjustments	916.0	(74.3)	3,417.0	719.5	387.1	56.0	(372.8)	916.9	6.0	231.5
S&P Global Ratings' adjusted amounts										
	Debt	Equity	Revenue	EBITDA	EBIT	Interest expense	Funds from operations	Cash flow from operations	Dividends paid	Capital expenditure
Adjusted	3,812.6	892.1	11,219.4	(508.1)	(1,231.3)	157.7	(880.9)	651.7	17.4	829.6

Liquidity: Strong

We forecast CIMIC's sources of liquidity to cover its uses by more than 1.5x over the next 12 months. This ratio should remain positive over the next 24 months even if EBITDA declines 30%. This reflects the group's large cash reserves and cash flow, which will more than offset short-term debt maturities and seasonal and non-seasonal working capital outflows inherent in the industry.

We also view the group as having sufficient covenant headroom and prudent risk management policies aimed at maintaining a strong liquidity position. The company continues to diversify funding sources, term out its long-term debt and utilize revolving credit facilities for working capital and standby liquidity. Its 625 million euro eight-year fixed-rate 1.593% corporate bond issued in 2Q21 is evidence of solid capital-market support. Our liquidity assessment incorporates CIMIC's ability to manage capex and asset disposals to support its liquidity needs.

We expect CIMIC to have the following sources and uses of liquidity over the next 12 months from June 30, 2021:

Principal liquidity sources	Principal liquidity uses

- Accessible cash and cash equivalents of A$2.635 billion as at June 30, 2021;
- Available undrawn committed credit lines of about A$1.1 billion as at June 30, 2021; and
- Forecast CIMIC stand-alone cash FFO of more than A$600 million.

- Debt maturities of about A$1.1 billion related to US144a notes and syndicated and bilateral bank facilities;
- Seasonal and nonseasonal working capital outflows of A$500 million-A$700 million;
- Capital expenditure (stand-alone) of A$150 million-A$250 million;
- No material cash outflows associated with BICC; and
- Dividend distributions at 60%-65% of NPAT, or between A$200 million and A$300 million.

Debt maturities

As of June 30, 2021:

- Current portion of long-term debt: A$36.7 million
- Debt due in second year: A$1,068.4 million
- Debt due in third year: A$950 million
- Debt due in fourth year: A$400.7 million
- Debt due in fifth year: Nil
- Debt due after fifth year: A$976.1 million
- Total debt: A$3,431.9 million

Covenant Analysis

There are no financial covenants in CIMIC's bond documentation.

Environmental, Social, And Governance

Environmental factors are an important consideration in our credit rating analysis of CIMIC. This reflects the company's exposure to waste management and carbon emissions as a leading player in the engineering and construction sectors, and its exposure to commodity mining, particularly coal, through its mining services. CIMIC's recent selldown of 50% of its Thiess mining services operations has somewhat reduced the group's exposure to coal mining. However, the acquirer of the 50% stake in Thiess, Elliott Investment Management L.P, retains an option to put the Thiess stake back to CIMIC over the next few years. From a social risk perspective, the group's large workforce and nature of activities expose the group to material health and safety risks. That said, the group has appropriate health and safety risk management systems and processes in place to manage these risks.

Group Influence

We consider CIMIC to be a core subsidiary of the ACS group because of its strategic and financial importance to the group. As a result, we equalize our ratings on CIMIC with the ratings on ACS (BBB-/Stable/A-3). As at June 30, 2021, ACS owned 50.4% of Hochtief, which in turn owned 78.6% of CIMIC.

Since 2017, ACS has significantly strengthened its integration with CIMIC, and aligned strategy and risk management within the consolidated group. Nevertheless, we believe that the presence of sizable minority shareholders in Hochtief and CIMIC may, to some extent, constrain cash movements within the group.

Issue Ratings - Subordination Risk Analysis

Capital structure

As of June 30, 2021, CIMIC's total debt was A$3,431.9 million, with a weighted-average debt maturity of about three years. The company's funding is diversified through a mix of drawn bank facilities of A$2,196.7 million, U.S. 144A notes of A$268.4 million, and other debt of A$9.3 million, all of which were issued on an unsecured basis. CIMIC's undrawn bank facilities were about A$1,140.0 million.

In the second quarter of 2021, the group issued 625 million euros (approximately A$982.5 million) of eight-year fixed-rate corporate bonds in the euro medium-term note market.

Analytical conclusions

We equalize the 'BBB-' issue rating with the 'BBB-' issuer credit rating on CIMIC, given our view that the company's lenders are not materially disadvantaged by debt located in its income-generating subsidiaries of Thiess and Ventia.

Ratings Score Snapshot

Issuer Credit Rating

BBB-/Stable/A-3

Business risk: Fair

- **Country risk:** Low
- **Industry risk:** Moderately high
- **Competitive position:** Fair

Financial risk: Intermediate

- **Cash flow/leverage:** Intermediate

Anchor: bb+

Modifiers

- **Diversification/portfolio effect:** Neutral (no impact)

- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Strong (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Positive (+1 notch)

Stand-alone credit profile : bbb-

- **Group credit profile:** bbb-
- **Entity status within group:** Core (no impact)

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | General: The Treatment Of Non-Common Equity Financing In Nonfinancial Corporate Entities, April 29, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	Modest	**Intermediate**	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	**bb+**	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of October 26, 2021)*	
CIMIC Group Ltd.	
Issuer Credit Rating	BBB-/Stable/A-3
Senior Unsecured	BBB-
Issuer Credit Ratings History	
09-Mar-2021	BBB-/Stable/A-3
21-Oct-2020	BBB/Watch Neg/A-2
16-May-2018	BBB/Stable/A-2
24-Oct-2017	BBB/Negative/A-2
10-May-2017	BBB/Stable/A-2
Related Entities	
ACS, Actividades de Construccion y Servicios SA	
Issuer Credit Rating	BBB-/Stable/A-3
Senior Unsecured	BB+
ACS Servicios Comunicaciones y Energia S.L.	
Issuer Credit Rating	BBB-/Stable/A-3
Senior Unsecured	BBB-
HOCHTIEF AG	
Issuer Credit Rating	BBB-/Stable/A-3
Senior Unsecured	BBB-
Thiess Group Holdings Pty Ltd.	
Issuer Credit Rating	BB+/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.