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11 July 2019

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

### **CIMIC GROUP RATING AFFIRMED BY STANDARD & POOR'S**

Standard & Poor's has affirmed CIMIC Group's credit rating at BBB/Stable/A-2.

The S&P Global Ratings announcement is appended.

Sincerely,

**CIMIC GROUP LIMITED**  
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## CIMIC Group Ltd.

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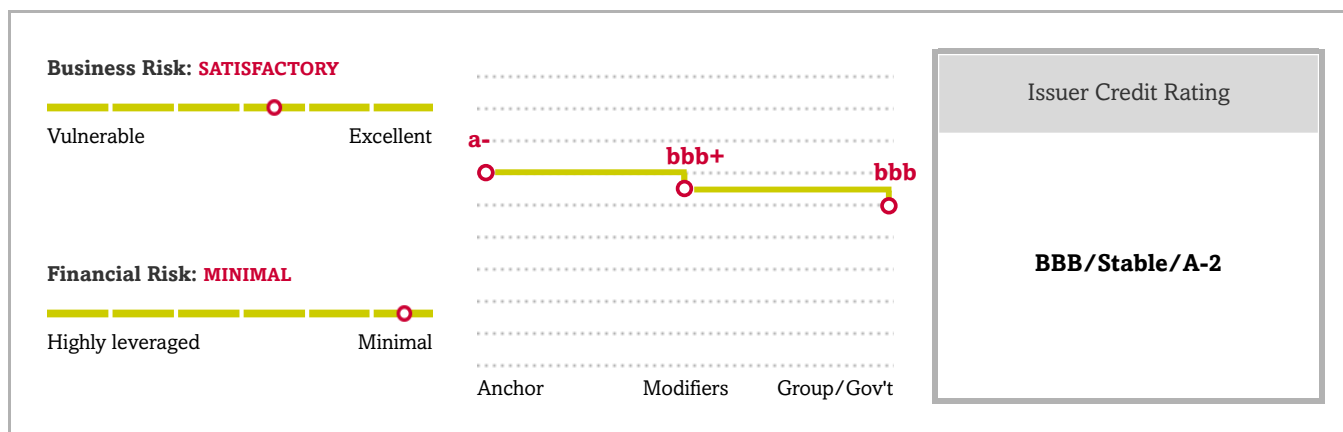
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Related Criteria

# CIMIC Group Ltd.



## Credit Highlights

### Overview

Key Strengths	Key Risks
Leading position in Australia's infrastructure construction, engineering, and contract mining sectors.	Exposure to operating risks, uneven project tenders, and cyclicalities inherent in the engineering and construction industry.
Significant project and geographic diversity.	Largely exposed to developed markets that are highly competitive.
Moderate earnings visibility underpinned by some long-term contracts, high renewal rates, and solid project pipeline.	Reduced rating headroom following the significant increase in factoring outstanding in 2018.
Despite significant increase in receivables factoring in 2018, financial stance likely to remain supportive of minimal financial risk profile.	Constrained credit quality due to status as core subsidiary of ACS.

### ***Broad geographic diversity and favorable end-market exposure provide margin stability and mitigate sector cyclicalities.***

CIMIC Group Ltd. benefits from its leading market position in Australia's infrastructure construction and contract mining sectors. Under several brand names, CIMIC has activity-focused businesses in construction; mining; mineral processing; operations and maintenance services; public-private partnerships (PPPs); and engineering. The group is exposed to diverse end-markets, including oil and gas, mining, as well as road and rail, water, defence, renewable energy, and telecommunications infrastructure. In our view, this geographic diversity helps to mitigate CIMIC's exposure to the operating risks, uneven project tenders, and inherent cyclicalities of the construction industry.

***Increased receivables factoring outstanding reduces rating headroom.*** CIMIC's use of receivables factoring, that we treat as a debt-like obligation, significantly increased in 2018 to A\$1.9 billion as of Dec. 31, 2018, from A\$600 million in 2017. When added to the group's reported debt, it has reduced rating headroom. Nevertheless, CIMIC's financial risk profile remains conservative. We expect CIMIC to maintain its adjusted funds from operations (FFO)-to-debt ratio above 60% over the next two years and adjusted debt to EBITDA below 1.5x. In our view, CIMIC will continue to have a stronger balance sheet than that of its ultimate parent, the ACS, Actividades de Construcción y Servicios SA (ACS) group, reflecting lower reported financial debt.

***The weaker credit quality of ACS continues to constrain the rating.*** Despite CIMIC's stand-alone credit profile (SACP) of 'bbb+', the issuer credit rating is constrained by our assessment that CIMIC remains a core subsidiary of the weaker parent, ACS. As a result, our rating on CIMIC is in line with the long-term issuer credit rating on ACS (BBB/Stable/A-2). ACS owns 50.4% of HOCHTIEF AG, which in turn, owns 72.6% of CIMIC. The issuer credit ratings on CIMIC are linked to those on Hochtief and Grupo ACS because we view CIMIC and Hochtief as core companies of

ACS.

**Outlook: Stable**

The stable outlook on CIMIC reflects that on Hochtief. The stable outlook on Germany-based construction and services group Hochtief reflects that on parent ACS, given our view that Hochtief is a core subsidiary of the ACS group, and its ratings are equalized with the parent's.

We forecast ACS' adjusted FFO to debt to recover to more than 30% in 2019-2020, following a temporary drop in 2018, reflecting the benefit of dividends received from Abertis. We expect that ACS' operating performance will remain resilient in 2019-2020, reflecting supporting market conditions in the U.S. and Australia, and a continued focus on cash flow generation and disciplined working capital management. We forecast the group's adjusted EBITDA margins at about 8% in 2019-2020, underpinned by an already secured backlog and intake of new projects, and a dividend stream from Abertis. We view ACS' commitment to maintaining a conservative financial policy as positive.

On a stand-alone basis, we expect Hochtief to continue displaying a stronger balance sheet than the ACS group, mainly reflecting its lower amount of financial debt.

**Downside scenario**

We could lower our ratings on Hochtief if we downgraded ACS; for example if ACS' adjusted FFO to debt did not recover as we expect, and instead remained materially below 30% without short-term recovery prospects. In our view, this could result from a significant project setback that might increase working capital, significantly lower dividends from the Abertis special purpose vehicle (SPV) than in our base-case scenario, or additional equity investment in the SPV.

Pressure on the ratings could also arise from markedly higher debt at the parent level stemming from, for example, unexpected sizable acquisitions or higher shareholder returns than in our base-case scenario, or much higher factoring usage. Weakening liquidity would also weigh on the ratings. In our base-case scenario, we assume that the ACS group will not control the Abertis SPV, but will control Hochtief.

**Upside scenario**

An upgrade is unlikely in 2019-2020 in the absence of a track record of dividends received from the Abertis SPV. Beyond 2020, we could raise the ratings if ACS committed to a more conservative financial policy, and the parent group maintained stronger credit metrics, including FFO to debt comfortably above 40% and discretionary cash flows (DCF) to debt higher than 10%.

## Our Base-Case Scenario

Assumptions	Key Metrics																				
<p>In our base case for CIMIC Group, we assume:</p> <ul style="list-style-type: none"><li>• In the Asia-Pacific: 5.1% real GDP growth in 2019 and 5.3% in 2020; and in Australia: GDP growth of 2.2% in 2019 and 2.5% in 2020.</li><li>• Revenue growth of around 5% in 2019 and 3% in 2020, reflecting a solid backlog at year-end 2018 that provides good visibility on future revenues, and good prospects for the infrastructure sector in key markets, in particular a large order intake in Australia.</li><li>• For 2019-2020, we assume that adjusted EBITDA margin will be about 13%, reflecting the company's cost-cutting efforts and bidding discipline that supports cash-backed profit generation;</li><li>• Capital expenditure at around A\$650 million–A\$750 million over the next two years. We assume an increase compared with previous years, since the group has been awarded a number of large projects in Asia-Pacific that will require significant investments over the next few years.</li><li>• Share buyback of around A\$100 million; and</li><li>• Dividend payout remaining at about 65% of underlying net income in 2019-2020.</li></ul>	<table><tr><th>Year end Dec. 31</th><th>2018A</th><th>2019F</th><th>2020F</th></tr><tr><td>FFO to debt (%)</td><td>59.2</td><td>60-65</td><td>65-70</td></tr><tr><td>Debt to EBITDA (x)</td><td>1.5</td><td>1.4-1.5</td><td>1.3-1.4</td></tr><tr><td>FOCF to debt (%)</td><td>3.2</td><td>30-40</td><td>30-40</td></tr><tr><td>DCF to debt (%)</td><td>(13.3)</td><td>13-15</td><td>15-18</td></tr></table> <p>Fully adjusted by S&amp;P Global Ratings. A--Actual. F--Forecast. FFO--Funds from operations. DCF--Discretionary cash flow.</p>	Year end Dec. 31	2018A	2019F	2020F	FFO to debt (%)	59.2	60-65	65-70	Debt to EBITDA (x)	1.5	1.4-1.5	1.3-1.4	FOCF to debt (%)	3.2	30-40	30-40	DCF to debt (%)	(13.3)	13-15	15-18
Year end Dec. 31	2018A	2019F	2020F																		
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DCF to debt (%)	(13.3)	13-15	15-18																		

### Base-case projections

**Macro tailwinds for the construction industry in Australia should support CIMIC's revenue growth over our forecast period.** In Australia, a favorable market supported by population growth, healthy full-time employment, and low interest rates should support the broader engineering and construction (E&C) industry. The government-led infrastructure activity at the federal and state government level remains solid and is increasing, after a period of underinvestment. We believe that over the medium term, the positive macroeconomic environment and higher infrastructure investment in the group's key geographic markets will continue to support the group's backlog, revenue growth, and profitability.

**We expect CIMIC's adjusted margins to remain relatively stable, driven by a focus on project delivery and cost discipline.** Higher margins in the mining and mineral processing will be partly offset by business declines in Hong Kong and Middle East as sizable projects are completed.

***CIMIC's solid work in hand, sound balance-sheet management, and sizable liquidity cushion underpin its credit quality.***

We expect CIMIC to maintain a sizable cash cushion to help withstand unexpected cost overruns, potential swings in working capital, and decline in demand for new projects in weaker regions. A continued strong balance sheet should support CIMIC's organic growth and provide flexibility in capital expenditure, investments in PPPs, as well as enable the company to participate in industry consolidation opportunities.

***Financial policy to remain prudent.*** We expect CIMIC to maintain a disciplined approach to financial policy decisions. The group's management has reiterated its commitment to a conservative financial policy that supports a strong investment-grade rating.

## Company Description

CIMIC Group Ltd. is an engineering-led global infrastructure company with core activities in construction, mining, mineral processing, services, and PPPs that are focused on Australia, the Asia-Pacific, the Middle East, Sub-Saharan Africa, North and South America. The company constructs roads, rails, tunnels, 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.

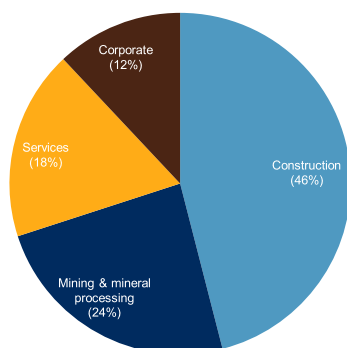
The company also provides contract mining services for metallurgical and thermal coal, iron ore, gold, diamond, nickel, copper production, as well as the design, construction and operation of mineral processing plants and associated mine site infrastructure. Further, the company develops and invests in infrastructure projects comprising road and rail infrastructure, hospitals, and water projects.

The company was formerly known as Leighton Holdings Ltd. and changed its name to CIMIC Group Ltd. in April 2015. CIMIC Group Ltd. is a subsidiary of Hochtief AG (Hochtief). As of Jan. 31, 2019, Hochtief had 72.6% share ownership in CIMIC. The ultimate parent is Spanish Actividades de Construcción y Servicios SA (ACS). ACS has 50.4% share ownership in Hochtief.

Since 2011, ACS has gradually increased its share of ownership in Hochtief and has simplified the corporate structure, enhanced integration, and aligned strategy and risk management within the consolidated group. However, as a result of the agreement between the ACS group and Atlantia to acquire Abertis, ACS has diluted its ownership rate in Hochtief to 50.4%, and instead, Atlantia has become the largest minority shareholder with an 18% stake in Hochtief.

**Chart 1a**

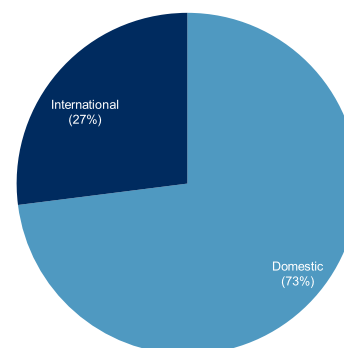
CIMIC Group: Diversified Business By Activity



Source: CIMIC's company filings, S&P Global Ratings.  
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**Chart 1b**

CIMIC Group: Australian Market Dominates Revenue



Source: CIMIC's company filings, S&P Global Ratings.  
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## Business Risk: Satisfactory

Our SACP on CIMIC Group reflects the company's significant project and geographic diversity. CIMIC generates the majority of revenues and work in hand from projects that are domiciled in Australia. We, therefore, view that the economic health of Australia's economy and the mining sector will influence CIMIC's business prospects.

CIMIC has leading market positions in Australia's infrastructure construction, contract mining sectors, and presence in annuity income derived from the services business. Over the past few years, CIMIC has significantly grown its presence in the services and PPP businesses, which enhances its diversification and bolsters the earnings margins. Similar to the ACS group, CIMIC operates through strong local brands and companies that enjoy 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, undergrounds, and bridges—supports its ability to win new contracts.

Under the Thiess and Sedgman brand names, CIMIC is one of the largest contract miners globally with experience in mineral processing. CIMIC has an established strong franchise in large infrastructure construction predominantly in road and rail via the CPB Contractors, Leighton Asia, and Broad brand names. CIMIC undertakes private sponsorship of government infrastructure through CIMIC's Pacific Partnership brand that bids on PPPs. Further, CIMIC's services business UGL and CIMIC's 47% ownership of Ventia Pty Ltd. also undertake operations and maintenance activities in road and rail infrastructure, oil and gas, water, defence, renewable energy, and telecommunications infrastructure. Engineering and technical services are provided by its brand EIC Activities.

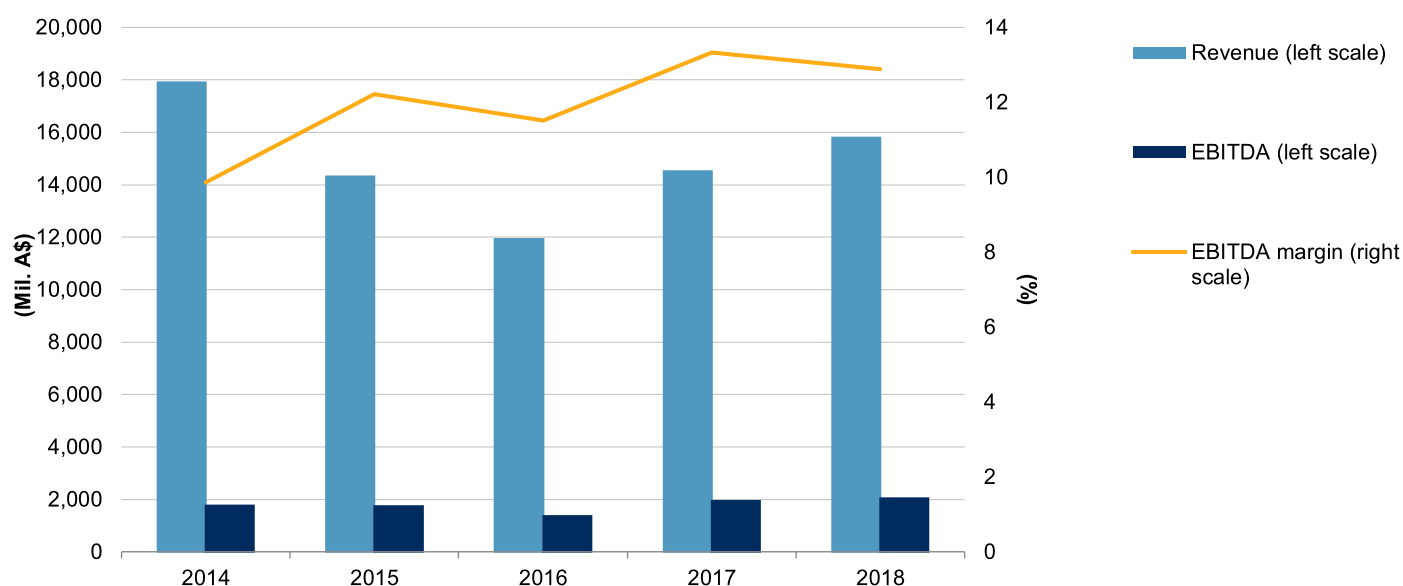
In our view, CIMIC's risk management approach and modest financial risk appetite help counter the moderately high-risk construction industry, which requires a sufficient financial buffer to offset performance risks. In line with ACS, CIMIC's strategy of selecting and pricing for the inherent risk in projects that are located in developed markets should

continue to support above average earnings margins. Also in line with the group's strategy, CIMIC's EBITDA margins have benefited from a diverse portfolio of projects and a partnering of large complex projects that facilitate risk sharing. In addition, profitability has been supported by the company's restructuring and cost-cutting efforts, and a bidding discipline that supports cash-backed profit generation.

Over the past five years, CIMIC's adjusted EBITDA margin improved, reflecting an increased share of more profitable, higher risk mining projects in Australia, and group efficiency measures. CIMIC's adjusted EBITDA margin stood at 12.9% in 2018, and we forecast it will remain about 13% in 2019 and 2020, underpinned by an already secured backlog and intake of new projects.

## Chart 2

### CIMIC Group's Revenue And EBITDA Margin Are Likely To Increase Further



Source: CIMIC's company filings, S&P Global Ratings.

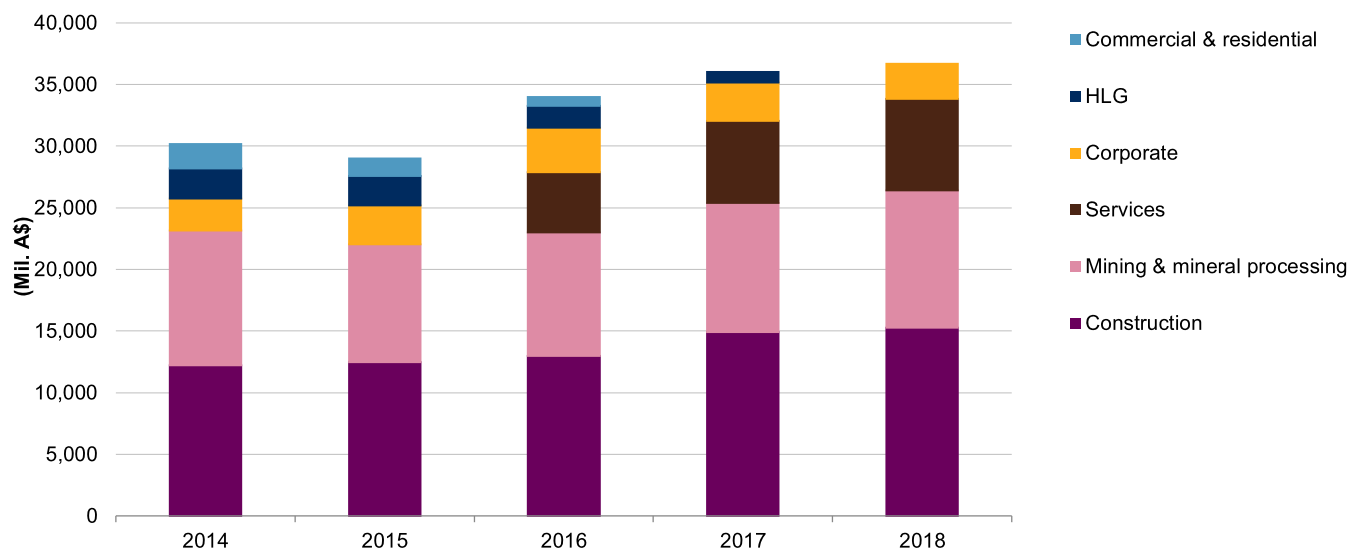
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Key to CIMIC's earnings growth is its continued success at tendering and securing new work. As of March 31, 2019, CIMIC's work-in-hand (WIH) had expanded to A\$36.9 billion from A\$34.6 billion during the same period a year ago. New contracts and contract extensions across CIMIC's core activities of construction, mining, mineral processing, services, and PPPs boosted its WIH.

CIMIC's WIH is well diversified by industry and project, and currently provides revenue visibility for the next two years. Further, the solid WIH provides a level of protection against a potential scenario of sharp and unexpected slowdowns, delays or cancellations in activity levels that could hamper profitability.

**Chart 3**

### Construction And Mining & Mineral Processing Continue To Dominate Backlog Work in hand by segment



HLG-- BIC Contracting LLC (BICC) (formerly HLG Contracting LLC). Corporate segment mainly includes contributions from Corporate, EIC Activities, Pacific Partnerships, the commercial & residential business and the former BICC segment. Source: CIMIC's company filings, S&P Global Ratings. Copyright © 2019 by Standard & Poor's Financial Services LLC. All rights reserved.

In Australia, long-term market forces should support the broader E&C industry, as indicated by healthy full-time employment and low interest rates. The industry will continue to benefit from strong nonresidential construction and a solid pipeline of government-led infrastructure at federal and state government levels, lifted by continued population growth and a period of underinvestment.

The Australian federal government's 2019/2020 budget announced an expansion of the infrastructure spending pipeline to A\$100 billion, from A\$75 billion, over the next 10 years, targeted at easing congestion and improving connectivity access. CIMIC has an extensive pipeline, of about A\$110 billion of tenders to be bid or awarded in 2019. And A\$320 billion of projects are coming to market in 2020 and beyond, including more than A\$130 billion worth of PPP projects.

We believe that over the medium term, the positive macroeconomic environment and higher infrastructure investment in the group's key geographic markets will continue to support the group's backlog, revenue growth, and profitability.

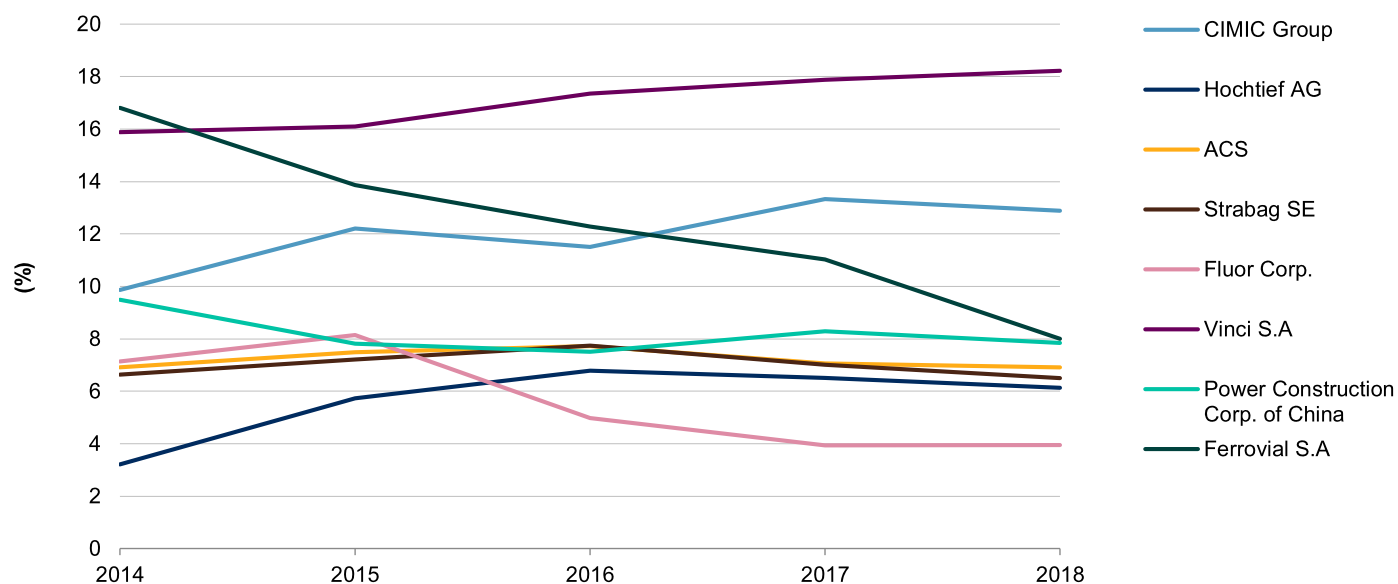
### Peer comparison

We compare CIMIC Group with other construction companies we rate in Europe, the Middle East, Africa, the U.S., and China. Excluding China, CIMIC Group with its parent group ACS is the largest construction company in the world. CIMIC's business risk profile is on par with most peers', reflecting its wide geographic and sector diversification.

CIMIC's financial risk profile is stronger compared with those of its parent group ACS, VINCI S.A., and Power Construction Corp. of China (PowerChina). However, it is on par with peers such as Ferrovial S.A., Strabag SE, and Fluor Corp., which also display minimal financial debt.

**Chart 4**

**CIMIC Group's EBITDA Margins Are Largely Better Than Peers'**

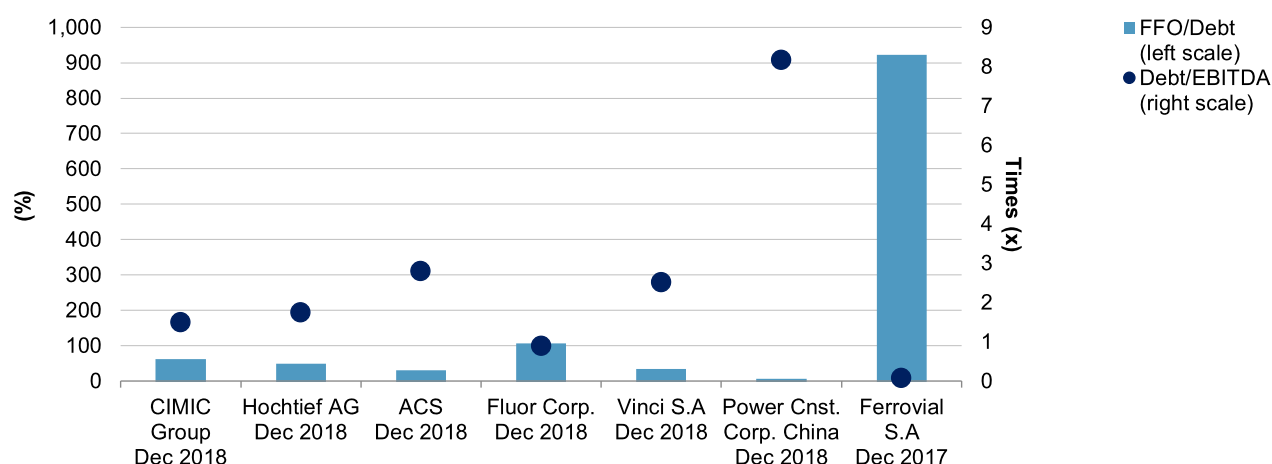


Source: S&P Global Ratings.

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Chart 5

## CIMIC Group Has Relatively Lower Leverage Compared With Most Peers'



FFO--Funds from operations. Source: S&P Global Ratings.

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The rating on PowerChina is three notches higher than the company's stand-alone credit profile (SACP) of 'bb+' because we see a high likelihood of extraordinary support from the Chinese government. Meanwhile, the ratings on CIMIC Group are one notch lower than its SACP 'bbb+' and reflect its core status within the ACS group. Other peer companies' ratings reflect their SACPs.

Table 1

## CIMIC Group Ltd. -- Peer Comparison

Industry Sector: Engineering & Construction

	CIMIC Group Ltd.	HOCHTIEF AG	ACS, Actividades de Construcción y Servicios SA	Strabag SE	Fluor Corp.	VINCI S.A.	Power Construction Corp. of China	Ferrovial S.A.
	--Fiscal year ended Dec. 31, 2018--	--Fiscal year ended Dec. 31, 2018--	--Fiscal year ended Dec. 31, 2018--	--Fiscal year ended Dec. 31, 2017--	--Fiscal year ended Dec. 31, 2018--	--Fiscal year ended Dec. 31, 2018--	--Fiscal year ended Dec. 31, 2018--	--Fiscal year ended Dec. 31, 2017--
(Mil. A\$)								
Revenues	15,786.8	38,794.8	59,548.6	20,745.1	27,194.2	71,021.0	83,450.9	18,055.0
EBITDA	2,034.6	2,374.2	4,120.5	1,452.5	1,076.6	12,940.1	6,531.8	1,988.7
FFO	1,797.6	1,877.0	3,188.8	1,326.8	996.8	10,016.9	2,159.4	1,323.6
Interest Expense	169.5	371.9	772.0	104.5	135.2	1,058.3	3,436.6	159.8
Cash Interest Paid	178.1	334.0	740.4	88.1	120.1	938.1	3,439.3	447.0
Cash flow from operations	669.0	929.8	1,993.3	1,949.9	329.2	8,849.0	(1,106.5)	1,729.1
Capital expenditures	572.2	667.3	1,288.4	702.8	299.4	3,289.4	12,338.0	273.4

Table 1

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

Industry Sector: Engineering & Construction								
	CIMIC Group Ltd.	HOCHTIEF AG	ACS, Actividades de Construccion y Servicios SA	Strabag SE	Fluor Corp.	VINCI S.A.	Power Construction Corp. of China	Ferrovial S.A.
Free operating cash flow	96.8	262.4	704.9	1,247.2	29.8	5,559.6	(13,444.5)	1,455.7
Discretionary cash flow	(403.4)	(254.0)	191.8	1,092.5	(299.7)	2,175.9	(14,112.0)	581.9
Cash and short-term investments	1,632.7	5,934.9	11,639.2	4,252.7	2,808.7	12,930.3	18,843.8	6,354.6
Debt	3,035.5	4,099.5	11,500.9	0.0	954.4	32,290.9	53,307.3	143.9
Equity	2,336.8	4,004.8	9,837.0	5,217.8	4,424.0	32,192.7	36,837.3	2,056.3
<b>Adjusted ratios</b>								
EBITDA margin (%)	12.9	6.1	6.9	7.0	4.0	18.2	7.8	11.0
Return on capital (%)	25.6	25.9	17.0	13.8	11.9	13.4	6.1	30.2
EBITDA interest coverage (x)	12.0	6.4	5.3	13.9	8.0	12.2	1.9	12.4
FFO cash interest coverage (x)	11.1	6.6	5.3	16.1	9.3	11.7	1.6	4.0
Debt/EBITDA (x)	1.5	1.7	2.8	0.0	0.9	2.5	8.2	0.1
FFO/debt (%)	59.2	45.8	27.7	NM	104.4	31.0	4.1	919.9
Cash flow from operations/debt (%)	22.0	22.7	17.3	NM	34.5	27.4	(2.1)	1,201.6
Free operating cash flow/debt (%)	3.2	6.4	6.1	NM	3.1	17.2	(25.2)	1,011.6
Discretionary cash flow/debt (%)	(13.3)	(6.2)	1.7	NM	(31.4)	6.7	(26.5)	404.4

NM--Not meaningful.

## Financial Risk: Minimal

Our assessment of the company's financial risk reflects its healthy cash balances and conservatively leveraged balance sheet. CIMIC's financial risk profile remains minimal, despite reduced rating headroom following the significant increase in receivables factoring outstanding as of 2018.

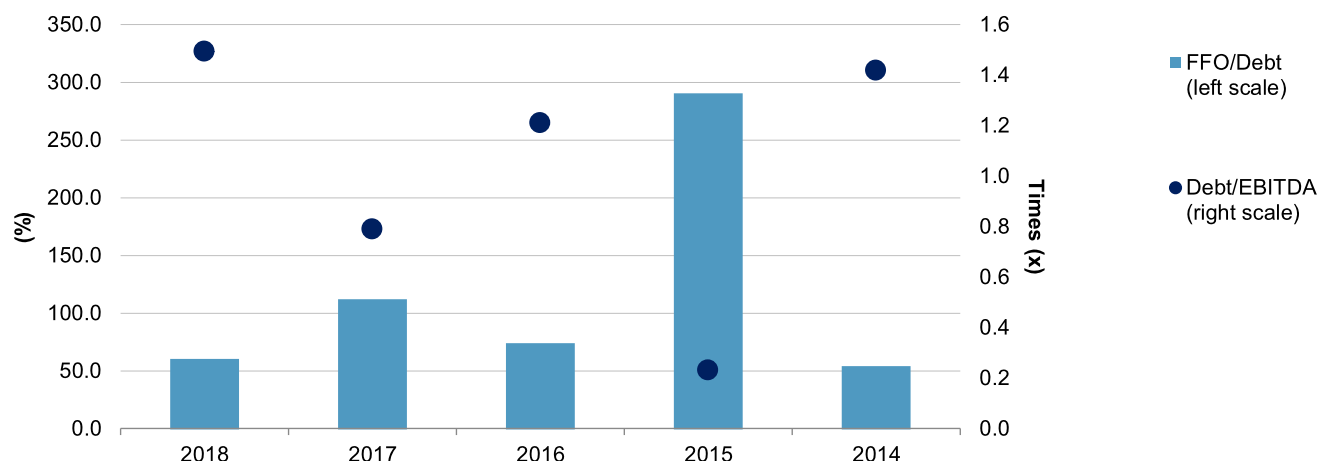
CIMIC's use of factoring increased in 2018 to A\$1.9 billion at year-end, up from A\$600 million in 2017. As a result, CIMIC's adjusted debt to EBITDA increased to about 1.5x at the end of 2018 from about 0.8x in 2017, and adjusted FFO to debt decreased to about 60%, from 111% in 2017.

We expect CIMIC's credit metrics to remain consistent with the minimal financial risk profile over the next two years, in the absence of any major debt-funded investment or acquisition and a further significant increase in receivables

factoring. We expect CIMIC to maintain its adjusted FFO-to-debt ratio above 60% over the next two years and adjusted debt to EBITDA below 1.5x. We also expect CIMIC to maintain a stronger balance sheet than the consolidated ACS group's, reflecting stronger debt metrics.

**Chart 6**

**CIMIC Group's Credit Metrics**



FFO--Funds from operations. Source: S&P Global Ratings.

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Further, supporting our assessment is CIMIC's modest financial risk appetite is the management commitment to a conservative financial policy that supports a strong investment-grade rating.

We make several adjustments to CIMIC's reported debt to calculate the company's financial ratios. For the year ended Dec. 31, 2018, material adjustments to CIMIC's reported financials include:

- Receivables factoring facilities: adding A\$1.9 billion.
- Operating leases: adding A\$897 million.
- Debt other: A\$889.2 million of the BICC (a joint venture, BIC Contracting LLC, formerly HLG Contracting LLC) facilities secured and drawn.
- Proportionally consolidation: CIMIC's share in Ventia Pty Ltd. of about A\$406.3 million. This approach reflects our view that this affiliate is strategically important to CIMIC, despite its partial ownership.
- Surplus cash: applying a haircut of about A\$580.4 million to the group's reported cash balance, which accounts for the cash and liquid short-term investments that we believe would not be immediately available for debt repayment.

CIMIC has an asset-light business model with capital expenditure (capex) representing about 3% of revenue on average over the past five years. We expect gross capex to increase in 2019-2020, because the group has been awarded projects in the mining business that will require higher investment, such as in tunnelling and mining equipment.

## Financial summary

Table 2

CIMIC Group Ltd.--Yearly Data					
Industry Sector: Engineering & Construction					
	--Fiscal year ended Dec. 31--				
	2018	2017	2016	2015	2014
<b>(Mil. A\$)</b>					
Revenues	15,786.8	14,506.8	11,921.7	14,317.7	17,901.9
EBITDA	2,034.6	1,933.8	1,372.2	1,748.9	1,765.7
FFO	1,797.6	1,691.8	1,213.7	1,159.1	1,328.3
Interest Expense	169.5	176.8	137.4	274.4	315.6
Cash Interest Paid	178.1	161.2	137.5	276.8	301.9
Cash flow from operations	669.0	1,456.3	1,228.3	1,601.6	1,535.8
Capital expenditures	572.2	457.6	316.1	284.2	741.4
Free operating cash flow	96.8	998.7	912.3	1,317.4	794.4
Discretionary cash flow	(403.4)	567.1	(96.7)	927.4	372.6
Cash and short-term investments	1,632.7	1,585.4	1,450.3	2,147.6	1,983.7
Gross available cash	1,632.7	1,585.4	1,450.3	2,147.6	1,983.7
Debt	3,035.5	1,525.3	1,659.8	400.7	2,502.7
Equity	2,336.8	3,357.2	3,312.4	4,115.3	3,781.6
<b>Adjusted ratios</b>					
EBITDA margin (%)	12.9	13.3	11.5	12.2	9.9
Return on capital (%)	25.6	23.2	19.1	18.0	3.1
EBITDA interest coverage (x)	12.0	10.9	10.0	6.4	5.6
FFO cash interest coverage (x)	11.1	11.5	9.8	5.2	5.4
Debt/EBITDA (x)	1.5	0.8	1.2	0.2	1.4
FFO/debt (%)	59.2	110.9	73.1	289.3	53.1
Cash flow from operations/debt (%)	22.0	95.5	74.0	399.7	61.4
Free operating cash flow/debt (%)	3.2	65.5	55.0	328.8	31.7
Discretionary cash flow/debt (%)	(13.3)	37.2	(5.8)	231.5	14.9

FFO--Funds from operations.

## Liquidity: Strong

We view the group's liquidity as strong, based on our forecast that sources of liquidity will exceed uses by more than 1.5x over the next 24 months. This reflects the group's ample cash reserves and our expectation of solid positive cash flows, which will more than offset short-term debt maturities and seasonal working capital outflows over this period.

The company has solid relationships with leading international and domestic banks, perceived stability in financial markets and prudent financial risk management, which further support our strong liquidity assessment.

Principal Liquidity Sources	Principal Liquidity Uses
<ul style="list-style-type: none"> <li>• Cash and cash equivalents of A\$1.5 billion as of Dec. 31, 2018;</li> <li>• Available undrawn committed credit lines of about A\$2.6 billion with maturities greater than one year; and</li> <li>• Unadjusted FFO of about A\$1.6 billion.</li> </ul>	<ul style="list-style-type: none"> <li>• Minimal debt maturities of about A\$50.7 million;</li> <li>• Seasonal working capital requirements of up to A\$750 million, and a maximum A\$250 million of nonseasonal working capital outflow;</li> <li>• Capex of about A\$650 million-A\$700 million;</li> <li>• Share buyback about A\$100 million; and</li> <li>• Dividends of about A\$550 million-A\$600 million.</li> </ul>

### Debt maturities

As of Dec. 31, 2018 (mil. A\$):

- Current portion of long-term debt: 50.7
- Debt due in second year: 198.0
- Debt due in third year: 0
- Debt due in fourth year: 274.1
- Debt due in fifth year: 0
- Debt due after fifth year: 0
- Total debt: 522.8

## Covenant Analysis

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

## Other Credit Considerations

We also consider other credit factors that affect our assessment of CIMIC's SACP, which we incorporate in our financial policy assessment. We continue to apply a negative financial policy modifier, which results in a one-notch downward adjustment to the anchor of 'a-' to derive the 'bbb+' SACP.

While we view the company's current drawn debt position as conservative and CMIC financial risk profile is minimal, we do not believe that it inhibits the company's ability to grow its business and execute on its current strategy. Over time, we expect that management will use debt to make bolt-on acquisitions, and provide funding for continued growth in WIH and capex. This debt funding would be consistent with management's commitment to a conservative financial policy that supports a strong investment-grade rating.

## Group Influence

Our rating on CIMIC is in line with the long-term issuer credit rating on its parent ACS, which currently owns 50.4% in Hochtief; and Hochtief owns 72.6% of CIMIC. We view CIMIC and Hochtief as core to ACS' operations. The ratings on CIMIC and Hochtief reflect the rating on ACS, despite their stronger SACPs, since we do not see the two companies as insulated subsidiaries.

Although ACS' stake in Hochtief has diluted from 72% as result of the Abertis acquisition jointly with Atlantia, in our view ACS has retained control of decision-making at Hochtief and CIMIC. ACS continues to appoint Hochtief's and CIMIC's top management. We assess CIMIC and Hochtief as core subsidiaries of the ACS group because of their strong relevance to the group.

Since 2017, ACS has significantly strengthened its integration with CIMIC, and aligned strategy and risk management within the consolidated group. In May 2017, Marcelino Fernández Verdes was appointed CEO of ACS while remaining CEO of Hochtief and Executive Chairman of CIMIC. ACS and Hochtief's joint investment in the Abertis SPV is further evidence that ACS is continuing to drive Hochtief's strategy and influence the subsidiary's creditworthiness. As such, we do not view CIMIC and Hochtief as insulated subsidiaries within the ACS group.

In 2010, CIMIC's immediate parent Hochtief adopted a ring-fencing policy to limit cash transfers to ACS. We understand that since 2017, Hochtief has discontinued this ring-fencing policy and is gradually refinancing the outstanding financial debt by issuing new debt instruments with no ring-fencing terms. Nevertheless, we believe that given the group's structure, the presence of sizable minority shareholders in Hochtief and CIMIC may to some extent constrain cash movement within the group.

## Issue Ratings - Subordination Risk Analysis

### Capital structure

As of Dec. 31, 2018, gross debt was A\$522.8 million with a weighted-average debt maturity of about three years. The funding is diversified through a mix of drawn bank facilities A\$36 million, U.S. private placements of A\$162 million, 144A notes of A\$283.5 million, and other debt of \$41.3 million; all of which are issued on an unsecured basis.

### Analytical conclusions

We rate CIMIC's notes 'BBB', the same as the issuer credit rating, because no significant elements of subordination risk are present in CIMIC's capital structure.

## Reconciliation

Table 3

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

--Fiscal year ended Dec. 31, 2018--

#### 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	Cap expenditures
	522.8	2,381.2	14,670.2	1,628.8	1,066.9	73.1	2,034.6	1,708.5	470.2	5
<b>S&amp;P Global Ratings' adjustments</b>										
Cash taxes paid	--	--	--	--	--	--	(58.9)	--	--	--
Cash taxes paid - Other	--	--	--	--	--	--	--	--	--	--
Cash interest paid	--	--	--	--	--	--	(119.5)	--	--	--
Trade receivables securitizations	1,953.0	--	--	--	--	--	--	(1,353.0)	--	--
Operating leases	897.0	--	--	307.8	58.6	58.6	(58.6)	249.2	--	--
Accessible cash & liquid investments	(1,632.7)	--	--	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	--	2.6	--	--	--	--
Deconsolidation/consolidation	406.3	--	1,116.6	98.0	117.2	35.3	--	64.3	30.0	--
Nonoperating income (expense)	--	--	--	--	64.8	--	--	--	--	--
Noncontrolling interest/minority interest	--	(44.4)	--	--	--	--	--	--	--	--
Debt - Other	889.2	--	--	--	--	--	--	--	--	--
D&A - Impairment charges/(reversals)	--	--	--	--	2.7	--	--	--	--	--
Total adjustments	2,512.7	(44.4)	1,116.6	405.8	243.2	96.4	(237.0)	(1,039.5)	30.0	--

#### S&P Global Ratings' adjusted amounts

	Debt	Equity	Revenues	EBITDA	EBIT	Interest expense	Funds from operations	Cash flow from operations	Dividends paid	Cap expenditures
	3,035.5	2,336.8	15,786.8	2,034.6	1,310.1	169.5	1,797.6	669.0	500.2	5

## Ratings Score Snapshot

### Issuer Credit Rating

BBB/Stable/A-2

### Business risk: Satisfactory

- **Country risk:** Very low
- **Industry risk:** Moderately high

- **Competitive position:** Satisfactory

**Financial risk: Minimal**

- **Cash flow/Leverage:** Minimal

**Anchor: a-**

**Modifiers**

- **Diversification/Portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Negative (-1 notch)
- **Liquidity:** Strong (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Neutral (no impact)

**Stand-alone credit profile : bbb+**

- **Group credit profile:** bbb
- **Entity status within group:** Core (-1 notch from SACP)

## Related Criteria

- 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
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria | Corporates | Industrials: Key Credit Factors For The Engineering And Construction Industry, 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: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

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**Business And Financial Risk Matrix**

<b>Business Risk Profile</b>	<b>Financial Risk Profile</b>					
	<b>Minimal</b>	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
<b>Satisfactory</b>	<b>a/ a-</b>	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 July 11, 2019)\*****CIMIC Group Ltd.**

Issuer Credit Rating BBB/Stable/A-2

Senior Unsecured BBB

**Issuer Credit Ratings History**

16-May-2018 BBB/Stable/A-2

24-Oct-2017 BBB/Negative/A-2

10-May-2017 BBB/Stable/A-2

14-Jul-2014 BBB-/Stable/A-3

**Related Entities****ACS, Actividades de Construcción y Servicios SA**

Issuer Credit Rating BBB/Stable/A-2

**ACS Servicios Comunicaciones y Energía S.L.**

Issuer Credit Rating BBB/Stable/A-2

Senior Unsecured BBB

**HOCHTIEF AG**

Issuer Credit Rating BBB/Stable/A-2

Senior Unsecured BBB

\*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.

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