



## Rating Action: **Moody's changes Weir's outlook to positive, affirms Baa3 rating**

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26 May 2023

London, May 26, 2023 – Moody's Investors Service (Moody's) has today changed the outlook for Weir Group Plc (The), or Weir (company), to positive from stable.

A list of affected ratings can be found at the end of this press release.

### RATINGS RATIONALE

Today's rating action reflects Weir's robust growth in EBITDA in recent years coupled with reduction in leverage and improvement in cash flow. The strengthening of Weir's credit metrics reflects positive underlying business trends: increasing demand for a range of metals coupled with the environmentally responsible requirements for extraction. These credit positives are counterbalanced by the smaller size of Weir's business focused on a single cyclical market although diversified geographically, as well as potential for debt-financed acquisitions given its strong cash generation.

Weir's strong performance was driven by double-digit growth in orders of 14% in 2022 and 22% in 2021 which led to revenue growth of 21% in 2022 and 2% in 2021 (accounting for a large one-off item in 2020). At the same time the company reported operating profit growth of 25% and 15% in 2022 and 2021, respectively, and margin expansion of 60 basis points and 40 basis points in these periods. Looking forward, Moody's expects Weir to demonstrate mid-single digit revenue growth through the cycle and an operating margin approaching 17%. These projections are underpinned by large macro trends, such as urbanisation, driving the need for more metals, as well as miners' requirement for more technologically sophisticated and environmentally friendly solutions.

As a result of its strong expected performance, Moody's expects Weir to maintain its solid cash generation with retained cash flow/net debt over 30% and robust coverage metrics of over 7.0x while gradually reducing its gross leverage to below 3.0x as adjusted by Moody's. The agency notes that these figures incorporate material cash balances.

### RATING OUTLOOK

The positive rating outlook reflects Moody's expectation that in addition to continued EBITDA growth, Weir will reduce its gross debt in the next 12-18 months. The agency further expects Weir to continue complying with its stated financial policy and to maintain ample liquidity.

### ESG CONSIDERATIONS

Moody's views governance as one of key drivers for this rating action. The agency expects Weir to adhere to its stated financial policy of limiting leverage to 0.5-1.5x and a dividend payout of one third of EPS. The agency further anticipates that any potential acquisitions will be financed prudently and any temporary leverage increases will be promptly reduced to comply with the financial policy targets.

### LIQUIDITY

At year-end 2022, Weir reported £691 million of cash. The company has an \$800 million revolving credit facility (RCF) with a syndicate of eleven global banks due April 2027. At 31 December 2022, £336.5 million was drawn under the RCF. Weir has no debt maturities until 2026 when its \$800 million senior global notes come due.

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

Moody's would consider upgrading the ratings if the company improves its scale while Moody's-adjusted debt/EBITD falls sustainably below 2.5x and Moody's-adjusted retained cash flow/net debt rises sustainably above 30%. Further, Moody's would expect Weir to reduce its funded debt and to sustain its leverage closer to the lower bound of its financial policy range.

Moody's could downgrade the ratings if Moody's-adjusted debt/ EBITDA exceeds 3.5x for a prolonged period, if Moody's-adjusted retained cash flow/net debt falls below 20% for a prolonged period, or if Weir's liquidity position weakens, for example, because of shrinking flexibility under its net leverage covenant ratio (test level of 3.5x) or if free cash flow after capex, interest and dividends turns negative.

## LIST OF AFFECTED RATINGS

Affirmations:

..Issuer: Weir Group Plc (The)

.... LT Issuer Rating, Affirmed Baa3

....Commercial Paper, Affirmed P-3

....Senior Unsecured Regular Bond/Debenture, Affirmed Baa3

Outlook Actions:

..Issuer: Weir Group Plc (The)

....Outlook, Changed To Positive From Stable

## PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Manufacturing published in September 2021 and available at <https://ratings.moodys.com/rmc-documents/74970>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

## COMPANY PROFILE

Headquartered in Glasgow, UK, Weir is an engineering solution provider focusing on designing, manufacturing and supplying products and engineering services for mining and minerals end markets. For the 12 months ended December 2022, Weir generated revenue of £2.5 billion. Weir is a publicly listed company, and as of 19 May 2023, it had a market capitalisation of around £4.7 billion.

## 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 on <https://ratings.moodys.com/rating-definitions>.

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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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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at [https://ratings.moodys.com/documents/PBC\\_1288235](https://ratings.moodys.com/documents/PBC_1288235).

At least one ESG consideration was material to the credit rating action(s) announced and described above.

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Maria Maslovsky  
Vice President - Senior Analyst  
Corporate Finance Group  
Moody's Investors Service Ltd.  
One Canada Square  
Canary Wharf  
London, E14 5FA  
United Kingdom  
JOURNALISTS: 44 20 7772 5456  
Client Service: 44 20 7772 5454

Sven Reinke  
Associate Managing Director  
Corporate Finance Group  
JOURNALISTS: 44 20 7772 5456  
Client Service: 44 20 7772 5454

Releasing Office:  
Moody's Investors Service Ltd.  
One Canada Square  
Canary Wharf  
London, E14 5FA  
United Kingdom  
JOURNALISTS: 44 20 7772 5456  
Client Service: 44 20 7772 5454

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