

# MOODY'S

## RATINGS

### **Rating Action: Moody's Ratings affirms Weir's Baa3 ratings following Micromine acquisition announcement; outlook remains positive**

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28 Feb 2025

London, February 28, 2025 -- Moody's Ratings (Moody's) today affirmed The Weir Group Plc's (Weir) long term issuer rating and senior unsecured ratings at Baa3, along with the Baa3 ratings on its \$800 million note due 2026 and £300 million note due 2028. The outlook remains positive.

This rating action follows Weir's announcement on February 28 2025 [1]that it agreed to acquire Mining Software Holdings Pty Ltd (Micromine), an Australian mining software company, for A\$1.310 billion. The company will fund the transaction with debt and expects it to close in the second quarter of 2025, following regulatory approvals.

#### **RATING RATIONALE**

Today's rating action reflects Weir's stable performance with revenue experiencing a slight decline counterbalanced by strengthening profit margins on the back of cost reduction measures and favorable product mix. In addition, Weir has made significant progress in reducing its funded debt, decreasing its overdraft from £280 million at the mid-point of 2024, to £29 million by the end of the year. As well, by the end of 2024, Weir met our criteria for an upgrade, achieving a debt/EBITDA leverage ratio of 2.1x, which is below the threshold of 2.5x. The company's RCF (Retained Cash Flow) to net debt ratio stood at 49.4%, well above the 30% benchmark, and it also reduced its outstanding borrowings.

Although the acquisition of Micromine will raise Weir's debt/EBITDA leverage to 3.3x (on a Moody's-adjusted basis) in 2025, it remains compatible with a Baa3 credit rating. We expect Weir to reduce this leverage to 2.5x (on a Moody's-adjusted basis) by 2026, and continue to decrease it further through positive free cash flow generation.

Micromine is a private mining software company based in Australia. Weir agreed to acquire Micromine for A\$1.310 billion (approximately £660 million), which will be

financed through debt. Micromine reported revenue of A\$93 million (around £47 million) and an EBITDA of A\$41 million (approximately £21 million), with a compound annual growth rate (CAGR) of 25% in revenue over the past three years. Weir aims to accelerate this revenue growth to over 30% and increase the EBITDA margin to over 50% from 44% in 2024.

Nonetheless, the acquisition comes with integration risks, including potential delays and challenges in achieving the ambitious growth targets and deleveraging plans. Additionally, the underlying business is only expected to see moderate growth.

Weir's Baa3 issuer rating remains supported by its (1) strong market leadership in product niches that are key to the mining industry and robust market share for core products; (2) good diversification in terms of commodity and geography, which enables proximity to the diverse customer base; (3) focus on fairly inexpensive but operationally critical products with very high aftermarket potential, which provides more stability and typically higher margins; (4) positive underlying business trends including increasing demand for a range of metals coupled with the environmentally responsible requirements for extraction; and (5) high profitability in its core mining operations and solid free cash flow generation, particularly during downturns.

The main constraints for the Baa3 rating are (1) Weir's modest scale in terms of revenue and somewhat narrower product portfolio when compared to similarly rated peers; (2) short lead time of its businesses with limited backlog, which constrains revenue visibility into new equipment sales; (3) its exposure to mainly one end market, mining and minerals, which experiences some cyclical pressures at times; and (4) some risk of debt-funded acquisitions that could temporarily increase leverage.

## ESG CONSIDERATIONS

Weir's governance, in particular its clearly stated financial policy and a track record of adherence to conservative leverage, is a key driver of today's rating action.

## LIQUIDITY

Weir benefits from strong liquidity. The company reduced its revolving credit facility to \$600 million from \$800 million in 2023 and had virtually no drawings at year-end 2024. Weir's other maturities include an \$800 million bond due 2026, which we expect to be re-financed well ahead of maturity and a £300 million bond due 2028. The company is consistently cash generative and supports a stable dividend.

## RATING OUTLOOK

The positive rating outlook reflects our expectation that in addition to continued EBITDA growth, Weir will successfully integrate the Micromine business and reduce its debt/EBITDA leverage to 2.5x or below in the next 12-18 months. We further expect Weir to continue complying with its stated financial policy and to maintain

ample liquidity. The outlook could be changed to stable if Weir fails to deleverage and integrate Micromine into its operations as expected.

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

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

We 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.

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. The company reports in two principal divisions: Minerals (73.5% of group revenue in 2023) and ESCO (26.5%), acquired in July 2018, which is a provider of ground engaging tools (GET) for large mining machines. In 2024, Weir generated £2.5 billion in revenue from continuing operations. Weir is a publicly listed company, and as of 25 February 2025, it had a market capitalisation of around £5.95 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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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at <https://ratings.moodys.com/rmc-documents/435880>.

The Global Scale Credit Rating(s) discussed in this Credit Rating Announcement was(were) issued by one of Moody's affiliates outside the EU and is(are) endorsed for use in the EU in accordance with the EU CRA Regulation.

## REFERENCES/CITATIONS

[1] Press release 28-Feb-2025

Please see <https://ratings.moodys.com> for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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