GCR RATINGS

RATING ANNOUNCEMENT

GCR affirms AECI Limited's national scale issuer ratings of A+$_{(ZA)}$/A1$_{(ZA)}$; Outlook Stable

Rating action

Johannesburg, 29 May 2025 – GCR Ratings (GCR) has affirmed the national scale long term and short-term issuer ratings assigned to AECI Limited (AECI or the group) of A+$_{(ZA)}$ and A1$_{(ZA)}$, respectively. The Outlook is Stable.

Rated Entity	Rating class	Rating scale	Rating	Outlook / Watch
AECI Limited	Long Term Issuer	National	A+$_{(ZA)}$	Stable Outlook
	Short Term Issuer	National	A1$_{(ZA)}$	

Rating rationale

AECI's ratings are supported by its leading market position in mining services in Africa, as well as its well-established international market presence. Ongoing portfolio optimization efforts, which have seen the group shift its focus to its core expertise and businesses with strong underlying growth prospects, are expected to underpin a recovery and stronger earnings base over the next 12-24 months. Moreover, AECI is expected to maintain its conservative financial policies, whilst sales proceeds from planned divestures provide additional financial flexibility.

AECI's robust business profile is underpinned by its leading position in commercial explosives in Africa (fifth largest globally), and well-established market presence in Australia and Indonesia. The group's revised strategic focus, effective November 2023, centres on further strengthening its market positions and product solutions internationally in its core Mining services business, which represents over half of total revenue, to drive growth and attain a global market position of third by 2030. Part of the group's portfolio optimization includes the planned divesture of six non-core businesses, with Much Asphalt having sold in early 2025 for ZAR1.1 billion. The majority of these businesses were profitable but no longer align with the strategic vision. The group is expected to remain geographically diverse by revenue and customer, albeit tempered by concentration to risker African regions, a narrower product mix and increased vulnerability to mining cyclicality and commodity prices.

For financial 2024, ended 31 December, the group reported softer earnings. Revenue fell by 3.8% to ZAR33.6 billion (USD1.9 billion) in 2024, whilst EBITDA dropped 13% to ZAR3 billion resulting in a lower EBITDA margin of 9% (2023: 9.9%). GCR views the weaker performance as temporary, as this was largely off the back of non-recurring costs related to transitory factors in line with the new strategy. Moreover, despite ongoing supply chain challenges and general macroeconomic uncertainty, we believe that through a combination of cost-reduction initiatives, increased efficiencies and improving mix to higher margin products should more than offset these headwinds and allow for an earnings recovery in 2025. The operational and strategic improvements from several growth projects could raise the group's underlying EBITDA potential over the medium term, with AECI targeting at least a ZAR800 million EBITDA base uplift per year over 2025 and 2026.

Net debt to EBITDA remained stable at 1.2x, whilst the GCR calculated net interest coverage moderated to 5.8x (2023: 6.9x) and operating cash flow (OCF) coverage to debt lowered to 30% (2023: 57%). Nevertheless, the group continues to report ample headroom over covenants. GCR anticipates that credit protection metrics will strengthen as profitability improves and partial application of divestiture proceeds towards debt reduction. Additionally, continued tight management of the working capital cycle should also allow for higher free cash flows to support the group's financial flexibility to invest in increased growth capital expenditure in 2025. Near-term debt maturities are modest at ZAR881 million, but we note the large ZAR2.8 billion concentration in the following financial year. Most of the latter debt is linked to businesses that are planned for divesture, although the group will also consider refinancing options over 2H 2025.

AECI's liquidity position remains strong, with GCR's uses versus sources coverage ratio of over 2.0x for the next 12 months and 1.4x over 24 months. Liquidity is backed by ZAR2.2 billion in unrestricted cash holdings at year-end 2024, unutilised funding lines of ZAR2.4 billion, concluded sales proceeds and strong forecasted operating cash flows.

Outlook statement

The Stable Outlook reflects GCR's expectation that AECI's solid market positions will enable the group to sustain growth in earnings and cash flows. We also expect to see credit protection metrics strengthen and the debt maturity profile smooth out.

Rating triggers

An upgrade of the ratings could follow demonstrated execution on its strategy expansion and portfolio transformation that facilitates stronger market positions and thus sustainably higher earnings and profit margins. Upward rating migration may also come from debt balances declining at a faster pace than we project, either through stronger free cash flow generation or ongoing asset divestures, whereby credit metrics are likely to be sustained at stronger levels through the cycle.

The ratings could be lowered if 1) there is a sustained erosion in profitability that translates into weaker cash flows; 3) market share declines due to competitive pressure; 3) a deterioration in leverage metrics and/or liquidity.

Analytical contacts

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Related criteria and research

Criteria for the GCR Ratings Framework, May 2024
GCR Criteria for Rating Corporate Entities, May 2024
GCR Rating Scales Symbols and Definitions, May 2023
GCR's Country Risk Score report, May 2025
GCR's SA Corporate Sector Risk Score report, March 2024

Ratings history

AECI Limited					
Rating scale	Review	Rating class	Rating	Outlook/Watch	Date
Long Term Issuer	Initial	National	A(ZA)	Stable Outlook	September 2015
Short Term Issuer		National	A1(ZA)		
Long Term Issuer	Last	National	A+(ZA)	Stable Outlook	May 2024
Short Term Issuer		National	A1(ZA)		

Risk score summary

Rating Components & Factors	Score
Operating environment	**10.25**
Country risk score	6.50
Sector risk score	3.75
Business profile	**1.50**
Competitive position	1.50
Sustainability	0.00
Financial profile	**2.75**
Earnings	0.25
Leverage & cash flow	1.00
Liquidity	1.50
Comparative profile	**0.00**
Group support	0.00
Peer comparison	0.00
Total Risk Score	**14.50**

Glossary

Capital Expenditure	Expenditure on long-term assets such as plant, equipment or land, which will form the productive assets of a company.
Cash Flow	The inflow and outflow of cash and cash equivalents. Such flows arise from operating, investing and financing activities.
Cash	Funds that can be readily spent or used to meet current obligations.
Commodity	Raw materials used in manufacturing industries or in the production of foodstuffs. These include metals, oil, grains and cereals, soft commodities such as sugar, cocoa, coffee and tea, as well as vegetable oils.
Covenant	A provision that is indicative of performance. Covenants are either positive or negative. Positive covenants are activities that the borrower commits to, typically in its normal course of business. Negative covenants are certain limits and restrictions on the borrowers' activities.
Debt	An obligation to repay a sum of money. More specifically, it is funds passed from a creditor to a debtor in exchange for interest and a commitment to repay the principal in full on a specified date or over a specified period.
Financial Flexibility	The company's ability to access additional sources of capital funding.
Financial Year	The year used for accounting purposes by a company or government. It can be a calendar year or it can cover a different period, often starting in April, July or October. It can also be referred to as the fiscal year.
Forecast	A calculation or estimate of future financial events.
Interest Cover	Interest cover is a measure of a company's interest payments relative to its profits. It is calculated by dividing a company's operating profit by its interest payments for a given period.
Leverage	With regard to corporate analysis, leverage (or gearing) refers to the extent to which a company is funded by debt.
Liquidity	The speed at which assets can be converted to cash. It can also refer to the ability of a company to service its debt obligations due to the presence of liquid assets such as cash and its equivalents. Market liquidity refers to the ease with which a security can be bought or sold quickly and in large volumes without substantially affecting the market price.
Long Term Rating	See GCR Rating Scales, Symbols and Definitions.
Margin	A term whose meaning depends on the context. In the widest sense, it means the difference between two values.
Operating Cash Flow	A company's net cash position over a given period, i.e. money received from customers minus payments to suppliers and staff, administration expenses, interest payments and taxes.
Proceeds	Funds from issuance of debt securities or sale of assets.
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.
Recovery	The action or process of regaining possession or control of something lost. To recoup losses.
Refinancing	The issue of new debt to replace maturing debt. New debt may be provided by existing or new lenders, with a new set of terms in place.
Short Term Rating	See GCR Rating Scales, Symbols and Definitions.
Short Term	Current; ordinarily less than one year.
Working Capital	Working capital usually refers to the resources that a company uses to finance day-to-day operations. Changes in working capital are assessed to explain movements in debt and cash balances.

Salient points of accorded rating

GCR affirms that a.) no part of the rating process was influenced by any other business activities of the credit rating agency; b.) the ratings were based solely on the merits of the rated entity, security or financial instrument being rated; and c.) such ratings were an independent evaluation of the risks and merits of the rated entity, security or financial instrument.

The credit ratings have been disclosed to the rated entity.

The ratings above were solicited by, or on behalf of, the rated entity.

The rated entity participated in the rating process via in person interaction and/or via online virtual interaction and/or via electronic and/or verbal communication and correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from the rated entity and other reliable third parties to accord the credit ratings included:

- The audited financial results to 31 December 2024 and four years of comparative audited numbers
- Integrated Annual Report 2024
- Results presentation 2024
- Debt facility schedule as at 31 December 2024 and 31 March 2025
- Exchange Rate Source: https://www.bloomberg.com/markets/currencies ZAR17.86/USD on 26 May 2025.

damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by GCR.

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