Credit Rating Report | Corporate| June 2026

AECI Limited

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)	

Analytical Entity: AECI Limited

JSE-listed AECI Limited (AECI or the group) is a diversified chemicals company catering to a range of end-markets. Founded in 1896, the group operates in more than 20 countries and has manufacturing facilities across 6 continents. In line with the revised business strategy and subsequent portfolio reorganisation, AECI Mining, which specialises in the manufacture and distribution of commercial explosives and chemical related products to the global mining industry, remains the cornerstone of the group's growth strategy. The group's operations are primarily managed in two pillars: Mining and Chemicals. Non-core entities classified under the prior Managed Business division that have not yet been sold will be reincorporated under the Chemicals pillar.

Credit Profile Summary

Strengths

- Leading competitive position in commercial mining explosives in Africa and well-established market positions in select international regions.
- Broadly diverse range of chemical products and geographic reach.
- Potential for improved profitability over the next few years due to portfolio optimization, improved cost efficiencies, innovation, and growth expansion.
- Strong balance sheet and liquidity, providing ample financial flexibility.

Weaknesses

- Exposure to higher-risk sub-Saharan African territories and highly cyclical industries.
- Smaller size relative to global peers.
- Raw material security supply and logistics concerns in South African operations.

Rating Summary

AECI's ratings are supported by its leading market position in mining services in Africa, as well as its well-established international market presence in certain regions. Ongoing progress with regards to its portfolio optimization efforts, which has seen the group shift its focus predominantly to its core mining expertise, is expected to continue to support a stronger earnings base. This, together with recent sales proceeds from

business divestitures has strengthened the balance sheet and provides ample financial flexibility for the group to pursue organic and external growth initiatives.

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 that the group will maintain conservative financial policies.

Rating Triggers

An upgrade of the ratings could follow demonstrated execution on its expansion strategy and portfolio optimisation that facilitates stronger market positions, scale as well as sustainably higher earnings and profit margins. Upward rating migration may also come from credit metrics sustained at stronger levels through the cycle, including an OCF-to-debt ratio remaining above 60% and net debt/EBITDA under 0.5x.

The ratings could be lowered if 1) there is a sustained erosion in revenues and/or profitability that translates into weaker cash flows which could stem from a prolonged weakness in demand or adverse working capital swings; and/or 2) a sustained deterioration in leverage metrics or liquidity.

Risk score summary

Rating components & factors	Risk Score
Operating environment	**10.25**
Country risk	6.75
Sector risk	3.50
Business profile	**1.50**
Competitive position	1.50
Sustainability	0.00
Financial profile	**3.00**
Earnings	0.25
Leverage & cash flow	1.00
Liquidity	1.75
Comparative profile	**0.00**
Peer comparative	0.00
External support	0.00
Total risk score	**14.75**

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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 2026
GCR's SA Corporate Sector Risk Score report, July 2025

Ratings history

AECI Limited

Rating scale	Review	Rating class	Rating	Outlook/Watch	Date
Long Term Issuer	Initial	National	A(ZA)	Stable Outlook	Jul 2015
Short Term Issuer		National	A1(ZA)		
Long Term Issuer	Last	National	A+(ZA)	Stable Outlook	May 2025
Short Term Issuer		National	A1(ZA)		

Operating environment

Country risk

Whilst AECI displays strong global geographic diversification (to Africa, Europe, Southeast Asia, North America, South America and Australia), the majority (in excess of 80%) of revenues and EBITDA are generated in Africa. Accordingly, the country risk score is moderated by its overall high exposure to South Africa and other higher-risk African territories, which offsets its international market share presence. We note that in line with its stated strategy, a key focus for business growth will be expanding its Mining segment outside of Africa, with a particular focus on regions with more stable market dynamics.

Sector risk

AECI's sector risk score is derived primarily from its exposure to the domestic primary manufacturing sector, whilst also incorporating the domestic mining sector risk scores, given that serving this sector will remain the core focus. No adjustment was made for the group's international exposures, although this will be considered as operations in these regions gain traction.

Business profile

Competitive position

AECI's recent business transformation strategy is aimed at establishing a more focused and profitable group by leveraging existing capabilities and strengthening its Mining and certain key Chemical operations. AECI has over 100 years of experience in manufacturing explosives and detonators. Over the years, AECI expanded its product and service offerings, but maintained its chemicals focus. The performance of acquired large businesses in 2018, Much Asphalt and Schirm (which has operations in the USA and Germany), were underwhelming, owing in part to tougher market conditions stemming from COVID-19 and geopolitical issues. These, together with four other business units (Animal Health, Sans Fibers, Food & Beverage and Public Water), that lack scale or synergies within the group, were earmarked for sale. To date, Much Asphalt, Food & Beverage, as well as two Schirm operations (USA and one site in

Germany), were sold for net proceeds of ZAR2.2 billion. The two remaining Schirm Germany sites are being reconfigured to serve as a European base supporting the chemicals segment within AECI Mining. The other non-core businesses (12% revenue and 5% of EBITDA) will continue to be managed optimally but are unlikely to receive future investment and will be sold off opportunistically.

Exhibit 1: Revenue by segment

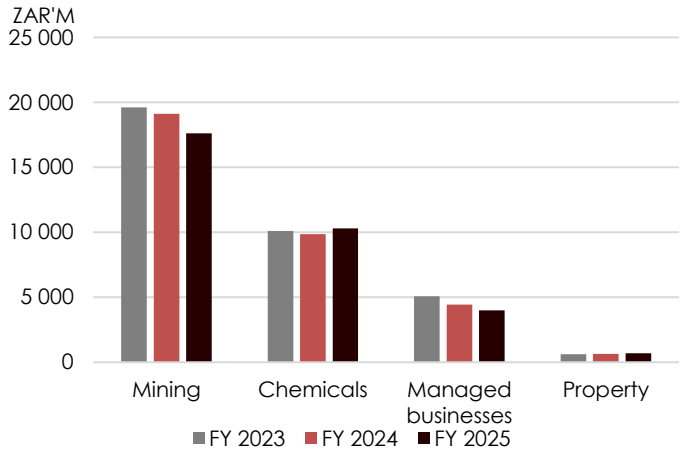
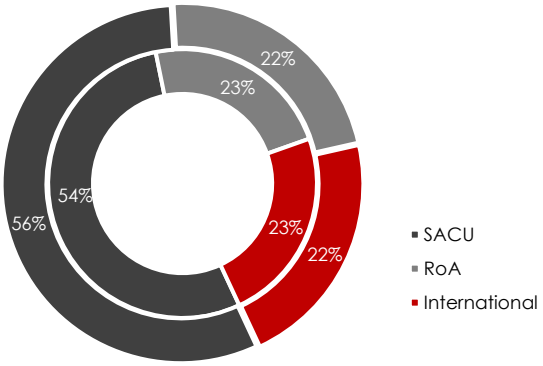


Exhibit 2: Revenue by region, FY 2025 (FY 2024 inside)



Based on continuing operations. * SACU: South African Customs Union
**ROA: Rest of Africa

GCR continues to recognise AECI's strong market position as a leading producer of commercial explosives in Africa (fifth largest globally), and well-established market presence in Australia and Indonesia. AECI Mining remains the cornerstone of the group's revised growth strategy, focusing on further strengthening its market positions and product solutions internationally. Notwithstanding some setbacks to the strategy, the medium to longer-term target is to develop into a global top-three integrated mining explosives and chemicals player. In financial 2025, ended 31 December, Mining services represented over half of total revenue and around 80% of profits. This segments' competitive strengths are underpinned by an extensive production base, anchored by the Modderfontein nitrates complex in South Africa (one of only two integrated explosives producers in Southern Africa) and its mine-to-mineral offerings through the value chain. Further, as it owns its intellectual property, the segment has considerable opportunities to use its existing and developing intellectual and manufacturing capabilities to expand and strengthen its globally competitive products. This, together with its long history of expertise in underground mining across different minerals mined (over 80) positions the group strongly, particularly for difficult ore bodies.

In 2025, 39% of revenue in the mining business was derived from the SACU region, 35% from Rest of Africa and a further 26% from international regions. Australia, Asia Pacific and the Democratic Republic of Congo will be of focus for Mining Explosives growth. The group plans to adopt an asset-light approach to its international expansion. This may involve a small acquisition to secure an operating licence, as well as mobile emulsion plants that offers greater cost flexibility. Further entrenchment within Africa is expected to stem from expanding Mining Chemicals (higher margin) off the existing explosives customer footprint.

The AECI Chemicals division has been reorganised to become more competitive given the consolidation of manufacturing sites and improved plant utilisation rates. Focus will also leverage on areas where they already have a well-established presence and on products that are broadly higher margin and align with changing sustainability demands. Growing the African operations should also lessen the high exposure to the South African manufacturing and industrial sectors, which continue to face difficulties in the weak economic environment.

Risks to the business profile include the security of key raw material supplies, input price volatility and utility constraints. The reliance on Sasol as a key supplier of ammonia and natural gas is of concern. Rail transportation of ammonia has experienced significant disruptions due to the weakness of Transnet. The group has tried to mitigate risk by adopting a hybrid supply model and importing some ammonia through the Port of Richards Bay. However, recent disruptions on global trade routes due to geopolitical events brings in additional risks to the supply and input costs of ammonia and other raw materials. Sasol has also signalled a halt on natural gas sales (primarily used by AECI Chemicals) to the market by mid-2028 as its supply depletes. Additionally, unstable electricity supply hampers production and/or further investment in energy-intensive sectors. Growth internationally, as well as further progress on expanding renewable energy initiatives could somewhat alleviate the aforementioned pressures.

Overall, the group is expected to remain geographically diverse by revenue and customer, albeit tempered by concentration to riskier African regions and the mining sector, as well as vulnerability to commodity price cyclicality. The group's comparatively smaller scale compared to global peers also tempers its ratings.

Sustainability

AECI's sustainability factors are a neutral consideration in our credit rating analysis. The group has established well-defined governance structures, although we note the repeated changes in the executive management team and board over the past three years. This could imply some additional execution risk to the revised business strategy. ESG practices are aligned with the strategic framework, with the group committed to net-zero emissions by 2050 and a zero-harm integrated approach. AECI published its first sustainability report in May 2022.

Financial profile

Earnings

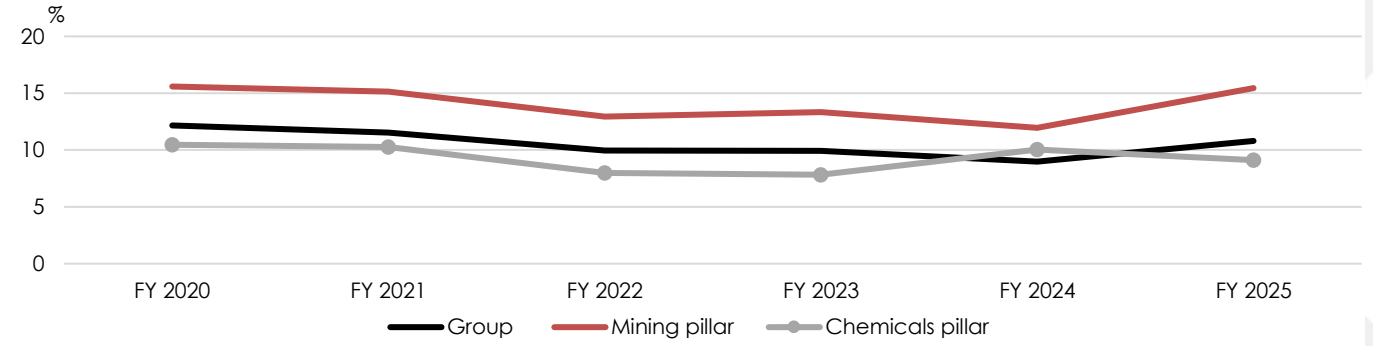
The group's earnings recovered in 2025, aligning with our prior expectations. The weaker performance in 2024 was largely off the back of non-recurring restructuring costs related to the transition to the new

strategy. That said, progress has been slower than previously communicated management targets (to double EBITDA by year end 2026) owing to a few operational challenges. For 2025, revenue declined by 4.2% to ZAR32.2 billion ($1.9 billion), impacted largely by lower production volumes in the mining cluster on account of power outages and raw material supply constraints at Modderfontein. This is expected to be corrected by the planned investments at Modderfontein (ZAR800 million over the next three years) to improve utilisation, modernise processes and supply chain continuity.

We note the group's focus on efficiencies and cost control should lead to recurring increases in margin. For 2025, AECI's EBITDA and operating margin improved to 10.8% and 7.6% from 9.0% and 5.8% in 2024. AECI's adjusted guidance for EBITDA targets growth of 15% p.a and a margin of 13-15% over the medium term.

AECI Mining's profitability has proven resilient to market challenges and demonstrates relatively strong demand dynamics and cost pass-through capabilities. Focus will be on growing higher-margin technology products and mining chemicals. EBITDA in this division rose 19% to ZAR2.7 billion in 2025, contributing to an EBITDA margin of 15% from 12% previously. This helps to balance the relatively more volatile and lower margin chemical division, albeit remaining an important supplementary cash contributor. We expect continued tight management of working capital, particularly inventory, given the current trade flow disruptions in key raw materials (ammonia and sulphur) as a result of the Middle East conflict. The group has a working capital to revenue target of 14%-16%, which was adhered to in 2025 at 15% (2024: 16%). Thus, cash operating cash flows are projected to remain positive to support increased growth capital expenditure.

Exhibit 3: EBITDA margin progression

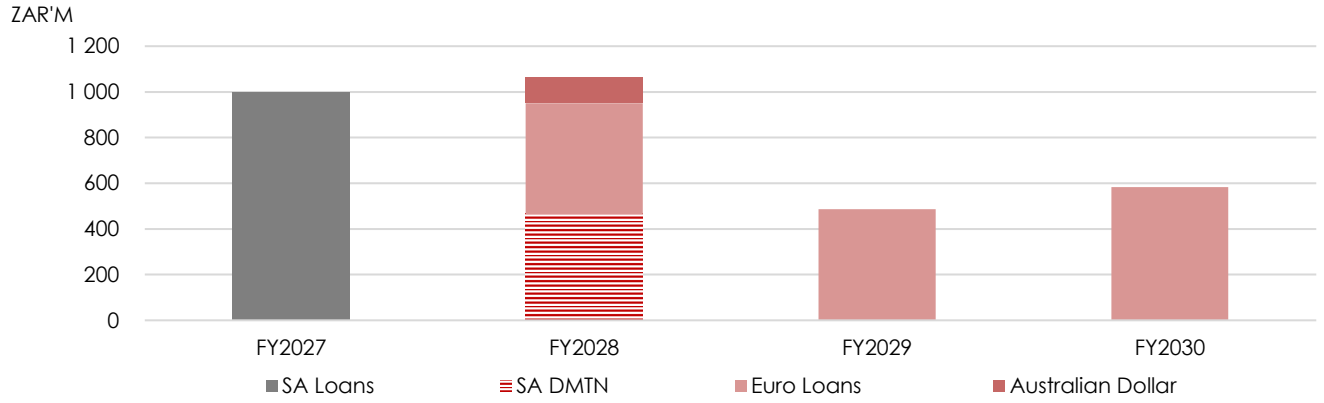


Note: Prior FY 2023, Chemicals pillar is a consolidation of prior reported divisions, of Water, Agri Health and Chemicals.

Leverage and cash flows

GCR considers AECI's prudent financial management a credit strength, having demonstrated a track record of low leverage. Strong cash generation and proceeds from asset sales were used to reduce debt, moderating gearing metrics. Net debt to EBITDA declined to a low of 0.1x (2024: 1.2x), GCR-calculated net interest cover improved to 10.0x (2024: 5.8x), and operating cash flow coverage of debt increased to 56% (2024: 31%). As a result, the group has substantial headroom against its financial covenants, allowing it to focus on organic growth opportunities and pursue acquisitions opportunistically over time. The debt maturity profile has also improved, with near-term debt repaid using asset sale proceeds.

Exhibit 4: Debt maturity profile at FY 2025



GCR considers the entity's access to local capital markets and sustainability linked funding, alongside its diversified funding pool, as credit positives. Whilst foreign currency debt totals ZAR1.9 billion, hard currency earnings from international businesses provide a natural currency hedge.

Liquidity

AECI's liquidity profile is strong. At end-December 2025, AECI reported unrestricted cash of ZAR3.9 billion. We expect the group to maintain tight working capital discipline amid ongoing trade flow disruptions, supporting continued robust operating cash flows in 2026. Combined with around ZAR5 billion in unutilised funding lines, this underpins ample liquidity sources. This is more than sufficient to cover ZAR745 million of maturing debt and higher growth capex in the mining division that was previously delayed. GCR's uses-to-sources coverage ratio registers well over 2x for the next 12 and 24 months; however, we also assume a high likelihood of extraordinary shareholder returns given the excess cash.

Comparative profile

Peer analysis

The peer analysis is neutral to the ratings.

Group support

Group support is not applicable to the ratings.

Rating adjustment factors

Structural adjustments

No structural adjustments have been made to the anchor credit evaluator in arriving at the final ratings.

Instrument ratings

No adjustments for instrument ratings are applicable.

Glossary

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.
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.
Diversification	Spreading risk by constructing a portfolio that contains different exposures whose returns are relatively uncorrelated. The term also refers to companies which move into markets or products that bear little relation to ones they already operate in.
Exposure	Exposure is the amount of risk the holder of an asset or security is faced with as a consequence of holding the security or asset. For a company, its exposure may relate to a particular product class or customer grouping. Exposure may also arise from an overreliance on one source of funding. In insurance, it refers to an individual or company's vulnerability to various risks
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.
Issuer	The party indebted or the person making repayments for its borrowings.
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.
Maturity	The length of time between the issue of a bond or other security and the date on which it becomes payable in full.
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.
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.
Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
Short Term Rating	See GCR Rating Scales, Symbols and Definitions.
Short Term	Current; ordinarily less than one year.

Salient points of accorded ratings

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The credit ratings have been disclosed to the rated entity.

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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 2025 and four years of comparative audited numbers
- Integrated Annual Report 2025
- Results presentation 2025
- Debt facility schedule as at 31 December 2025
- Exchange Rate Source: https://www.bloomberg.com/markets/currencies ZAR16.61/$ on 15 May 2026.

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