

MOODY'S

RATINGS

Rating Action: Moody's Ratings affirms Wienerberger's Baa3 ratings; stable outlook

29 Apr 2024

Frankfurt am Main, April 29, 2024 -- Moody's Ratings ("Moody's") has today affirmed the Baa3 long term issuer ratings of Wienerberger AG ("Wienerberger") as well as Baa3 rating of its senior unsecured notes. The outlook remains stable.

RATINGS RATIONALE

Today's affirmation with a stable outlook mainly reflects Wienerberger's robust operational performance in 2023 amid depressed construction activity in its key markets, especially for residential newbuild construction. The company managed to prevent a substantial deterioration of its earnings and margins, owing to its pricing power and the benefits from its efficiency measures and the reduction of fixed costs. The ongoing strengthening of its business profile, with a progressive shift towards a more profitable solution-based model and generally more stable renovation and infrastructure related activities, also supported its operational resiliency.

In February 2024, Wienerberger closed the acquisition of most businesses of Terreal Group ("Terreal") for an enterprise value of around €0.6 billion, the largest in its history. Moody's forecasts that even without a meaningful recovery in construction activity in its key countries, Wienerberger will be able to maintain its reported net leverage within its target range of 1.5x-2.0x over the next 12-18 months (1.6x at year-end 2023), leading to Moody's-adjusted metrics well in line with the agency's expectation for the Baa3 rating. These include gross debt/EBITDA below 2.5x and retained cash flow (RCF)/net debt in the high-30s in percentage terms.

LIQUIDITY

At year-end 2023, Wienerberger reported €414 million of cash and cash equivalents, with access to an undrawn committed €600 million revolving credit facility maturing in November 2025, facing relatively sizeable maturities of its financial liabilities (excluding leases) over the next two years: roughly €360 million in 2024 and around €430 million in 2025.

Today's ratings affirmation recognizes that the company entered into a new €600 million long-term loan facility in April 2024, which refinanced the bridge loan it drew upon the closing of the acquisition of Terreal and provided additional liquidity for the upcoming maturities. Additionally, the rating agency forecasts that Wienerberger will be able to return to a meaningful Moody's-adjusted free cash flow (FCF) generation over the next 12-18 months. The Baa3 issuer rating captures the agency's assumption that the company will continue addressing its debt maturities well ahead of their due date, ensuring a well-balanced debt maturity profile with a long-term availability of its back-up facilities.

ESG CONSIDERATIONS

Moody's has changed Wienerberger's Credit Impact Score to CIS-2 from CIS-3. Although its Issuer Profile Scores (E-3, S-3, G-2) remain unchanged, the agency now places more emphasis on governance considerations that largely mitigate the company's exposure to environmental and social risks pertaining to its manufacturing operations. Wienerberger's recent tightening of its reported net leverage target to 1.5x-2.0x, from below 2.5x previously, as well as its improving operational track record, increase the importance of governance considerations in the Baa3 long term issuer rating.

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

Moody's could upgrade Wienerberger's Baa3 long term issuer rating with further evidence of a strengthened business profile, coupled with disciplined capital allocation. The positive pressure could also arise if the company sustainably maintained its Moody's-adjusted gross debt/EBITDA below 2x and its Moody's-adjusted RCF/net debt above 35%, while ensuring a well-balanced debt maturity profile with a long-term availability of its back-up facilities.

Conversely, negative rating pressure could arise if Wienerberger's Moody's-adjusted gross debt/EBITDA increased above 3x and its Moody's-adjusted RCF/net debt declined below 25%, both on a sustained basis. Negative Moody's-adjusted FCF for several years or a more aggressive liquidity management could also lead to a downgrade.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Building Materials published in September 2021 and available at <https://ratings.moodys.com/rmc-documents/74988>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

COMPANY PROFILE

Headquartered in Vienna, Austria, Wienerberger is a leading supplier of building

materials, providing solutions for the building envelope (roof, wall and facade) and piping solutions for infrastructure, buildings and agriculture. In 2023, it generated revenue of around €4.2 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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