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HD **UGL eyes John Holland after $1.2b DTZ buy**

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Contractor UGL is set to kick off consolidation in the engineering sector and consider a play for Leighton Holdings' John Holland business after finalising a deal to sell property arm DTZ to private **equity firm** TPG for $1.215 **billion**.

The DTZ deal, which was signed on Friday night after delays finalising **sale** and **purchase** agreements, is expected to be announced Monday.

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UGL will reap between $1 **billion** and $1.1 **billion** in cash from the **sale**, enabling it to pay off almost $650 **million** in net debt, return money to shareholders and pursue acquisitions.

As revealed by AFR Weekend , it is understood private **equity** firms, including Warburg Pincus, have already approached UGL chief executive Richard Leupen to discuss teaming up to bid for other engineering businesses, including John Holland.

Leighton's new Spanish CEO, Marcelino Fernández Verdes, confirmed last week John Holland is up for **sale** as part of a selling spree designed to strengthen the contractor's balance sheet. People close to Leighton say the **sale** of John Holland may hurt the **company** in the long term if it creates a new competitor.

Mr Leupen could also revive talks with Transfield Services, UGL's long-term rival. UGL approached Transfield in 2012 with a bid of more than $4 a share but was rebuffed.

UGL investors said they were happy with the DTZ **sale**, which represents a multiple of around 9 times earnings and avoids the need for an expensive and time-consuming de-merger.

"It looked like TPG had played a brilliant game of bluff and bluster and backed UGL into a corner," said Will Vicars, chief investment officer at Caledonia Investments and a UGL shareholder.

"But UGL has stared them down and come up with a **sale** price that will be more than acceptable to investors and puts the **company** in a great state to pay down debt to an acceptable level, do buybacks and start an aggressive dividend policy all while the engineering arm is winning lots of business and the pipeline is particularly strong."

TPG formed a consortium with **Hong Kong** investment manager PAG and Canada's Ontario Teachers' Pension Plan to buy DTZ after making an initial offer for the property group in November.

TPG wants to take advantage of DTZ's footprint in **China** and make further acquisitions to build a global property group that can rival US-based market leaders CBRE and Jones Lang LaSalle.

TPG has brought in former CBRE CEO Brett White as a non-executive director on DTZ's board.

Mr White will become executive chairman of DTZ in March when his non-compete agreement with CBRE, which he left at the end of 2012, expires.

Mr White spent 30 years at CBRE, becoming chief executive in 2005, and led the $US900 **million acquisition** of the real-estate businesses of Netherlands-based ING Group in 2011.

DTZ's incumbent CEO, Tod Lickerman, who joined in September last year, will remain in the role.

DTZ's auction attracted offers from TPG and rival firms Warburg Pincus, Ares Management and Bain Capital.

Warburg Pincus, whose bid was financed by Macquarie Group, stopped working on the deal earlier this month.

UGL was advised by Goldman Sachs. TPG's **lead** advisor was UBS and it also received advice from JP Morgan and Credit Suisse.

CO leiho : Leighton Holdings Ltd | tpgpar : TPG, Inc. | uncont : UGL Ltd. | wpcap : Warburg Pincus LLC | jhgpl : John Holland Group Pty Ltd | hocht : Hochtief AG | ocisa : ACS Actividades de Construcciones y Servicios SA

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