

HD Australia's Leighton to sell 50% of services business to US PE **firm** Apollo for A\$700 mn

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Australia's biggest builder Leighton Holdings Ltd yesterday agreed to sell half of its services units to leading US private **equity firm** Apollo Global Management LLC for A\$ 700 **million** (\$570 **million**) in an all-cash deal.

The deal covers operation and maintenance services businesses of Thiess Services which includes communications, **energy** solutions, asset and infrastructure services, and environmental services and Leighton Contractors Services which includes Visionstream and infrastructure services, Leighton said in a statement.

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New York-headquartered Apollo is a leading global investment management **firm** with \$164 **billion** in assets under management.

Leighton expects the proceeds from the transaction would help it to reduce its gearing, an indicator of financial leverage, by about 10 per cent.

The move is in line with Leighton's restructuring strategy announced in June to reduce the **company's** debt and simplify its structure.

Leighton's executive chairman and chief executive officer Marcelino Fernandez said: "By choosing to partner with funds managed by Apollo, a leading global investment management **firm**, we gain access to Apollo's expertise in creating a single, integrated and efficient business which will be better able to compete in the Australian market place."

With longer-term contracts and steady cash flows the **company** will be better positioned to allocate funds to the improvement of its gearing and balance sheet, and to financing of future growth, he further stated.

Sydney-based Leighton is one of the world's leading construction contractors with **operations** in 20 countries in Asia-Pacific, the Middle East and southern Africa.

Leighton's majority shareholder is Hochtief, Germany's largest construction **company** with a 53.43-per cent **stake**, is also headed by Marcelino Fernandez.

Leighton's services business in one of the largest in Australia with total revenue of A\$2.2 **billion** in 2014, approximately A\$4 **billion** of work in hand and about 6,400 employees.

Leighton and Apollo plan to run the business independently, led by a dedicated management team to maximise opportunities in the growing industrial and civil infrastructure services sector.

Apollo's senior partner and head of Asia-Pacific Steve Martinez said, "We are very excited to invest in two great businesses in partnership with Leighton. We look forward to working with the services business team to grow a world-class industrial and civil services **company** focused on continuing to deliver extraordinary results to customers."

In October, Leighton said that its gearing was reduced to 33.7 per cent at the end of Q3 compared to 39.4 per cent a year ago. Net debt, including operating leases, was A\$1.65 **billion** at the end of September.

Last week, the **company** said that it would sell its **energy** and infrastructure subsidiary John Holland, which had an enterprise value of A\$1.15 **billion**, to **China** Communications Construction **Company** (CCCC),

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