

HD Leighton Sells Half of Services Arm to Apollo Global

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Australia's biggest construction **company**, Leighton Holdings Ltd. , has agreed to sell half of its services arm to private-**equity firm** Apollo Global Management for 700 **million** Australian dollars (US\$570 **million**) in cash.

Leighton said Wednesday it will form a 50:50 joint venture partnership with Apollo comprising the combined **operations** of its Thiess Services and Leighton Contractors Services units, which build and manage communications, **energy** and infrastructure projects across Australia.

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Apollo's **purchase** will help it further expand its focus on construction and engineering services firms, branching out beyond its traditional focus on real estate and debt. In May Apollo invested US\$500 **million** in CSV Midstream Solutions Corp., a Canadian engineering and construction **firm** servicing **oil** and gas projects.

Leighton, controlled by Germany's Hochtief AG , which is run by Spain's Actividades de Construcción y Servicios SA, has been selling off assets this year as it looks to shore up its balance sheet following years of financial losses and steep write-downs.

The **company** had previously been a large beneficiary of Australia's **mining**-fueled economic boom, which saw a raft of spending by firms and government on new mines, infrastructure and property. Though Leighton has a market capitalization of A\$7.1 **billion**, its shares have lost about two-thirds of their value since 2007, when shares briefly topped A\$60.

The deal gives the services business an enterprise value of A\$1.075 **billion** and will reduce Leighton's gearing by about 10 percentage points, the **company** said in a statement to the Australian Securities Exchange .

The **sale** of Leighton's services business comes just days after it offloaded its John Holland building division to **China** Communications Construction Co. for about A\$1.15 **billion**. The **company** is also looking to sell its property division, and has been chasing money it is owed for construction work, particularly in a Dubai-based joint venture Habtoor Leighton Group, which has suffered significant write-downs.

Leighton Chief Executive Marcelino Fernandez Verdes announced the asset sales in June, saying he wanted to streamline the business and restructure its sprawling group of companies to avoid overlaps and bring similar **operations** together. The strategic review came soon after owner Hochtief upped its **stake** in the business to 70%, and then swiftly moved to oust the **company's** chairman and chief executive in an attempt to stem losses.

The deal with Apollo is subject to regulatory approvals including from the Foreign Investment Review Board and the New Zealand Overseas Investment Office.

CO apolmn : Apollo Global Management LLC | hocht : Hochtief AG | leiho : Leighton Holdings Ltd | ocisa : ACS Actividades de Construcciones y Servicios SA

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