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Leighton to Sell John Holland Unit to Chinese Construction Company -- Update

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By Robb M. Stewart

MELBOURNE, Australia--Leighton Holdings Ltd. will sell its John Holland building division to China Communications Construction Co. for about 1.15 billion Australian dollars (\$950.9 million), giving the Chinese firm a large foothold in Australia and allowing Leighton to cut debt as its German parent company tightens its grip.

Sydney-based Leighton said it had signed a binding agreement to sell the business to a unit of the Hong Kong and Shanghai-listed CCCC, one of the world's biggest construction companies. The sale is subject to conditions including approval from Australia's Foreign Investment Review Board.

The deal follows a strategic review launched in June by Marcelino Fernandez Verdes, the chief executive of majority owner Hochtief AG who took the reins at Leighton in March as the German company moved to increase its stake in the Australian company.

Leighton is also considering the sale of its services and property businesses or taking on partners as it refocuses on such operations as engineering and contract mining.

Mr. Fernandez Verdes said the company, after an extensive global sale process, achieved a price for John Holland that reflects its position as one of Australia's leading engineering and construction companies.

The proceeds will allow Leighton to cut its debt-to-equity position and will be used to finance growth, particularly in public-private partnerships, he said.

With the sale, about 4,100 employees will transfer to CCCC International Holding Ltd. It will lead to a fall in Leighton's annualized revenue of about A\$3.7 billion and a drop in work-in-hand of about A\$5.4 billion, the company said.

Leighton has been working to rebuild its balance sheet after taking a hit in recent years from problematic infrastructure projects and the global financial crisis. It has been sharpening its focus on major construction contracts such as airports and Asian casinos as mining investment has slowed globally.

It recorded a net profit of A\$430.2 million for the nine months through September, down 3% on a year earlier when profits were bolstered by the sale of a majority stake in its telecommunications assets

The John Holland business provides contracting and engineering services to industries including energy and mining, with operations across Australia and New Zealand as well as in South East Asia and the Middle East.

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Corrections & Amplifications

This item was corrected at 0311 ET (0811 GMT) to reflect that About 4,100 employees at Leighton Holdings Ltd.'s John Holland business will transfer to CCCC International Holding Ltd. The original version incorrectly said about 1,400 employees would transfer.

12 Dec 2014 03:01 ET Correction to Leighton to Sell John Holland Unit Article Thursday

About 4,100 employees at Leighton Holdings Ltd.'s John Holland business will transfer to CCCC International Holding Ltd. "Leighton to Sell John Holland Unit to Chinese Construction Company -- Update," at 2359 GMT Thursday, incorrectly said about 1,400 employees would transfer to CCCC International in the seventh paragraph.

(END) Dow Jones Newswires

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