REUTERS

UPDATE 1-Australia's Leighton sells building unit to China's CCCC

386 words
12 December 2014
10:03 AM
Reuters News
LBA
English

* Sale ahead of anticipated infrastructure spending flurry

* Will reduce Leighton's gearing by around 10 percentage points

* Majority of employees will transfer with the business (Adds details on the sale)

SYDNEY, Dec 12 (Reuters) - China Communications Construction Co Ltd (CCCC) has agreed to buy a building unit of Leighton Holdings Ltd for A$1.15 billion ($951 million), gaining a foothold in Australia ahead of an anticipated construction flurry.

The deal comes after Australian Prime Minister Tony Abbott announced during last year's general election campaign that he wanted to be known as "Mr Infrastructure."

Abbott has promised to spend a record A$50 billion to upgrade Australia's transport networks. Contributions from state and private investors are expected to bring infrastructure spending up to A$125 billion.

Planned projects include highways around the country and a new inland railway between Melbourne and Brisbane.

Leighton's John Holland unit, which built Australia's parliament, is being sold to CCCC's wholly-owned subsidiary, CCCC International Holding Ltd (CCCI), the world's fourth largest construction company by revenue.

Leighton, which had announced a review of the business in June, said the sale price was "subject to certain adjustments." It did not give details of those potential revisions.

"The divestment of John Holland supports our focus on further reducing gearing and strengthening our balance sheet so that we can be sustainably competitive," said Leighton Chief Executive Marcelino Fernandez Verdes. "Proceeds will also be used to finance future growth, particularly in private public partnerships."

Leighton has been seeking to streamline its domestic construction and engineering companies - John Holland, Thiess and Leighton Contractors - which operate independently and often compete against each other for contracts.

John Holland is Leighton's third-largest unit by sales, with A$4.5 billion of revenue in 2013.

The sale will result in a reduction in gearing of around 10 percentage points, Leighton said, while annualised revenue will fall by around A$3.7 billion and work in hand will drop by around A$5.4 billion.

Around 4,100 of the unit's 5,000 employees will transfer to the new business.

The sale is subject to approval by Australia's Foreign Investment Review Board.

Released: 2014-12-12T00:03:14.000Z

Thomson Reuters (Markets) LLC

Document LBA0000020141211eacb00sk2