



**HD** **Moody's: Leighton's rating unaffected by sale of John Holland business**

**WC** 1,580 words

**PD** 12 December 2014

**SN** Moody's Investors Service Press Release

**SC** MOODPR

**LA** English

**CY** (c) 2014

**LP**

Moody's Investors Service says Leighton Holdings Limited's (Leighton) announcement to sell its wholly owned subsidiary John Holland is mildly credit positive for Leighton but has no immediate impact on its Baa3/stable rating.

Leighton today announced that it has entered in to a binding agreement to sell John Holland - to CCCC International Holding Limited (CCCC; unrated) - a Chinese based construction company - for an enterprise valuation of about A\$1.15 billion subject to certain adjustments. John Holland provides engineering and contracting services to the infrastructure, energy and transport services sectors.

**TD**

"The sale of John Holland would be credit positive for Leighton because the company will use part of the proceeds to reduce ongoing financial leverage at a time of soft operating environment", says Maurice O'Connell, a Moody's Vice President - Senior Credit Officer.

We expect that the sale of John Holland will result in a reduction of around 7-10% in Leighton's EBITDA. But the impact of reduced earnings is more than offset by the planned debt reduction.

"What is critical for Leighton's ongoing credit profile is the extent to which debt reduction from the transaction represents a strategic long-term initiative rather than a temporary one", O'Connell says, adding "We understand that a portion of the proceeds will also be used to finance Leighton's growth".

Moody's notes the company's stated commitment to reduce its gearing and strengthen the balance sheet as part of ensuring its ongoing competitive positioning in the market.

The transaction is subject to regulatory approvals.

The principal methodology used in this rating was Construction Industry published in November 2014. Please see the Credit Policy page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

Leighton Holdings Limited based in Sydney, Australia, is the largest construction and mining contractor in that country and has operations in Asia and the Gulf.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moodys.com](http://www.moodys.com) for the most updated credit rating action information and rating history.

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