

12 August 2013

UGL announces intention to pursue a demerger

Sydney: UGL Limited (ASX: UGL) today announced its intention to pursue a demerger to create two standalone ASX-listed companies, one focused on global property services (“DTZ”) and the other on engineering, construction and maintenance services in Australia, New Zealand and Asia (“Engineering”).

The decision to pursue a demerger follows the completion of the corporate structure review (the “Review”) announced by UGL on 26 March 2013. The Review included a detailed evaluation of the issues, costs and benefits of various alternatives including maintaining the current corporate structure, industry opportunity, the Company’s M&A strategy and a structural separation of DTZ and Engineering.

The Review concluded that a structural separation of DTZ and Engineering via demerger provides the optimal corporate structure for both businesses. A demerger recognises that the two businesses operate in fundamentally different markets and have different geographic focuses and strategic requirements going forward. The Board expects that a demerger will deliver the best long term sustainable outcome for all UGL stakeholders.

Rationale for a demerger

UGL’s Board of Directors believes that a demerger of DTZ and Engineering will maximise long term value for UGL shareholders by:

- Enhancing the focus of each of DTZ and Engineering on their distinct business strategies, core competencies and growth opportunities, while providing greater flexibility to pursue their individual strategic objectives
- Allowing DTZ and Engineering to adopt independent capital structures and dividend policies appropriate for their operational and financial requirements
- Providing greater investor choice through the creation of two companies each with a single industry focus
- Increasing clarity thereby allowing investors to independently value DTZ and Engineering
- Ensuring the long term interests and future opportunities for employees in both DTZ and Engineering are maximised.

UGL Chairman, Trevor Rowe said: “We believe a demerger will enhance shareholder value over the short and long term and prove beneficial to our clients and our people.

“Over the past decade, UGL has successfully grown its property services and engineering businesses to become sizeable businesses which are leaders in their respective markets. As both businesses enter their next phase of growth, the operational and strategic priorities of each business, and the associated management and financial requirements are starting to diverge. As a result, we believe a demerger is the next logical step which will allow each business to pursue their own strategic priorities and opportunities for growth.

“A demerger will also create two meaningful, independent ASX-listed companies and provide investors with the opportunity to better manage the diversification of their investments by providing a choice of investing in a global property services company as well as a market leading Australasian engineering, construction and maintenance services company.”

UGL Managing Director & CEO, Richard Leupen said: “Following the establishment of the global headquarters for DTZ in the United States, UGL is increasingly seeing the benefits of operationally separating DTZ and Engineering. A demerger will recognise the fundamentally different markets, geographic focus and strategic requirements of the two businesses and we believe that further benefits will result from a complete separation.”

Overview of DTZ and Engineering

DTZ is a leading global integrated property services company with operations in 52 countries, 45,000 people worldwide and annual revenues in excess of \$2.0 billion. DTZ has a strong recurring revenue base generated by its expertise in integrated facilities management services and an attractive growth outlook. Following a demerger, DTZ is expected to qualify for inclusion in the S&P/ASX200.

Engineering is a market leader in engineering, construction and maintenance services in Australia, New Zealand and Asia. Engineering has a diversified end-market exposure across rail, resources and infrastructure projects balanced by a leading operations and maintenance capability delivering a material recurring revenue base. The Engineering business employs 8,000 people with annual revenue in excess of \$2.3 billion. Following a demerger, Engineering is expected to qualify for inclusion in the S&P/ASX200.

Transaction steps and timetable

UGL will proceed as quickly as possible to prepare DTZ and Engineering to operate on a standalone basis. This will require independent corporate and financial structures to be established across both businesses, including separate Boards of Directors and management teams and separate capital structures and dividend policies. Further, the global integration of DTZ and the build-out of DTZ’s global headquarters in the United States will be completed prior to a demerger.

Importantly, UGL will focus on actively reducing gearing over the next 12 to 18 months to ensure once separated, DTZ and Engineering will have sustainable capital structures which will allow each business to achieve their strategic objectives and pursue growth opportunities as they arise.

“While we will proceed as quickly as possible to prepare the businesses for a demerger, during the preparation phase, we will remain focussed on executing the respective growth strategies for each business. It is business as usual for both DTZ and Engineering and we will work to ensure no disruption to clients, employees, suppliers or other stakeholders,” Richard Leupen said.

While the timing of a demerger will be dependent on the timeframe required to prepare DTZ and Engineering to operate on a standalone basis, as well as prevailing market conditions, UGL aims to complete a demerger in FY2015, subject to regulatory and statutory approvals, including shareholder approval.

“The Board proposes that Richard Leupen will continue to lead the company during the initial demerger preparation phase and, subject to agreement for an extension of his contract on suitable terms, through to completion of a demerger,” Trevor Rowe said.

ENDS

FOR FURTHER INFORMATION CONTACT:

Rebecca Hill

Group Investor Relations & Corporate Affairs Manager
UGL Limited
+61 2 9492 1431
rebecca.a.hill@ugllimited.com

Richard Leupen

Managing Director & CEO
UGL Limited
+61 2 9492 8803
richard.leupen@ugllimited.com

Media please contact: Ben Jarvis +61 413 150 448

About UGL Limited ABN 85 009 180 287

UGL Limited (ASX: UGL) is a global diversified services company delivering critical assets and essential services that sustain and enhance the environment in which we live. UGL comprises two business units – DTZ and Engineering - which provide whole of life cycle solutions to clients across the property, rail, transport systems, power, water, transport systems and defence sectors. Headquartered in Sydney, Australia, UGL operates worldwide across 52 countries employing 53,000 people.