

United Group expands services business with acquisition of KFPW

Leading diversified services, manufacturing and construction company, United Group Limited, today announced it is expanding its services capability through the purchase of business process outsourcing (BPO) company, KFPW.

The purchase involves an up-front payment of \$68.0 million and a further potential performance-based payment of up to \$24 million over the next two years. United Group's existing resources and debt funding will finance the purchase.

KFPW is a market leader in property and procurement business process outsourcing. Based in Melbourne, it provides services to State and Federal Government departments and private enterprise. Customers include ANZ, Bunnings, Department of Defence, Department of Foreign Affairs, Law Courts, MBF, Medicare, National Australia Bank and Telstra, usually under long term contracts. The business employs more than 500 people, and has offices throughout Australia and in the UK, and employees located on customer sites around the world under a contract with the Federal Government.

KFPW's BPO services include facilities management, capital works management, lease administration of commercial, retail and industrial property, management of finance and accounting processes for real estate, contractor sourcing, payment processing, call centre operations and procurement programs.

On behalf of its customers, KFPW manages 7 million square metres of real estate space across 25,000 properties, the procurement of A\$4 billion per year in goods and services, 10,000 contractors and suppliers, and 100,000 financial transactions per month.

KFPW was previously owned by PricewaterhouseCoopers. In 2002, KFPW had earnings before interest and tax of approximately \$9.2m. The purchase price represents an EBIT multiple of 7.4. The business is viewed as having strong growth prospects and is expected to make a positive contribution to earnings per share before goodwill amortisation in fiscal 2003.

United Group Managing Director and CEO Richard Leupen said: "This is a major step in the growth of United Group. KFPW complements the group's existing service operations and is in line with our strategy of building more recurring income from long-term contracts with customers, many of them "blue chip".

"This acquisition puts United Group on the map as Australia's only integrated Business Process Outsource service provider. No other Australian owned business can offer customers such a broad range of services, giving us unrivalled leadership and a major strategic advantage in property and procurement business process outsourcing.

"This also marks the emergence of United Group's fourth business – United KFPW. We will extract synergies and cross selling potential by combining United KFPW's capabilities with those of United KG's and United Gooder's facilities management operations. We will now be able to offer a far broader range of services across the customer value chain.

"Providing customers with an end-to-end service that encompasses every process from lease administration through to facilities services and procurement management will give

us a significant advantage when bidding for new contracts or renewing existing business. Customers will also benefit from reduced administration costs and streamlined operations through the integration and delivery of services by a single source.

KFPW's Managing Director, Allen Edwards, will become Managing Director of United KFPW. "Allen and his team will add significant value to United Group's existing operations through their skills in technology, exposure to a broad base of federal government and blue chip corporate customers, and geographic diversity," Mr Leupen said.

Chief Executive Officer of PricewaterhouseCoopers Mr Tony Harrington said: "This is an exceptionally good fit both strategically and culturally. It provides our clients and employees with guaranteed opportunities because of the complementary nature of United's existing business and the KFPW business."

Further information:

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Editor's note: Mr Richard Leupen will brief analysts and media on the acquisition of KFPW:

The Wentworth Hotel, 61 Phillip Street, Sydney, Tuesday August 27th 5.00pm

United Group (ASX - UGL) is a diversified services, manufacturing and construction company specialising in industrial maintenance, facilities management, manufacturing, fabrication and construction. The group consists of three businesses: United Goninan, a leader in railway manufacturing, maintenance and engineering; United KG, an integrated facilities management, industrial maintenance and engineering construction business; United Gooder, a multi-disciplinary engineering and construction business in New Zealand. The group has nearly 3,800 employees, facilities in 25 locations and 60 site operations throughout Australia, New Zealand and Southeast Asia. It partners with customers to deliver solutions in the following sectors: power supply and distribution; water and waste management processes; mining and mineral processing; oil, gas and LNG; telecommunications; commercial buildings; heavy haulage railway and commuter transport equipment. Go to: www.unitedgroup.com.au