

## Media/ASX and NZX Release

23 June 2017

### Downer increases its stake in Spotless to 40.44%

Downer EDI Limited (**Downer**) refers to its takeover offer (**Offer**) for Spotless Group Holdings Limited (**Spotless**).<sup>1</sup>

- 1) Downer now owns 40.44% of Spotless<sup>2</sup> and is its largest shareholder**
- 2) Spotless shareholders should not believe Spotless will turn the business around and deliver improved value**

The Spotless Board has not provided a directors' valuation of its shares, nor has it obtained an independent expert's report valuing its shares. Why?

Spotless' own guidance for FY17 and FY18 NPAT<sup>3</sup> is materially below the NPAT Spotless achieved in FY16.<sup>4</sup> Even if these highly caveated figures are met, the business will still be performing at levels that are 31-39% lower in FY17<sup>5</sup> and 24-35% lower in FY18<sup>5</sup> than was delivered in FY16.

Spotless remains highly geared and its own target debt levels do not result in a meaningful reduction in its net leverage ratio. As at 31 December 2016, Spotless' net leverage ratio was 2.7x<sup>6</sup>, with Spotless stating a target net leverage ratio of c.2.5x by June 2018.<sup>7</sup>

- 3) The Downer offer represents compelling and certain value, namely:**
  - a 59% premium** to \$0.725, the last closing price of Spotless shares on 20 March 2017, the last trading day prior to the announcement of the Offer; and
  - a 45% premium** to \$0.791, the VWAP of Spotless shares for the period from 28 February 2017, when Spotless announced a material profit downgrade, to 20 March 2017.<sup>8</sup> Shares amounting to c.24% of Spotless' register traded over that period.<sup>9</sup>
- 4) Downer Services' Offer Price of \$1.15 is final and will not be increased in the absence of a superior proposal**
- 5) Spotless has confirmed that there are no superior proposals to the Offer, despite the Spotless Board having undertaken an active process to obtain one**
- 6) Accept the Offer as soon as possible to realise a certain cash premium for your shares**

The Offer Period closes at **7.00pm (Sydney time) on Thursday, 29 June 2017**.<sup>10</sup>

Downer Services encourages Spotless shareholders to accept the Offer as soon as possible. Full details on how to accept the Offer are contained in section 7.3 of the Bidder's Statement.

<sup>1</sup> Downer's takeover offer through wholly-owned subsidiary Downer EDI Services Pty Ltd (**Downer Services**) for all of the issued shares in Spotless Group Holdings Limited that it does not already own, announced on 21 March 2017.

<sup>2</sup> Downer Services' relevant interest in the issued share capital of Spotless.

<sup>3</sup> Net profit after tax (pre-exceptional items). References to "FY17" and "FY18" in this announcement refer to the 12 month forecast period ending 30 June 2017 and 30 June 2018 respectively. References to "FY16" refer to the 12 month period ended 30 June 2016.

<sup>4</sup> FY16 NPAT of \$131m, per Spotless' FY16 financial statements and results presentation, released to the ASX on 24 August 2016.

<sup>5</sup> FY17 NPAT guidance of \$80-90 million and FY18 NPAT guidance of \$85-100m, per Spotless Target's Statement released to the ASX on 27 April 2017 (page 45).

<sup>6</sup> Spotless' results presentation for the 6 month period ended 31 December 2016 (**1H17**) released to the ASX on 28 February 2017 (page 12). Net leverage ratio is defined by Spotless as net debt / EBITDA and excluding exceptional items.

<sup>7</sup> Spotless' 1H17 results released to the ASX on 28 February 2017 (page 12).

<sup>8</sup> Weighted average price is calculated based on cumulative value traded on ASX and CHI-X divided by cumulative volume traded on ASX and CHI-X. VWAP calculated from 28 February 2017 – 20 March 2017 (inclusive). Excludes acquisition of approximately 163 million shares by Downer after-market on 20 March 2017. Source: IRESS.

<sup>9</sup> Based on Spotless shares on issue of 1,098.29 million. Shares traded from 28 February 2017 – 20 March 2017 (inclusive). Excludes acquisition of approximately 163 million shares by Downer after-market on 20 March 2017. Source: IRESS.

<sup>10</sup> Unless further extended.



Downer Services has introduced accelerated payment terms such that all Spotless shareholders who accept the Offer will be paid within 7 business days of Downer Services receiving a valid acceptance from the shareholder in accordance with the terms of the Offer.

For further information regarding the Offer, please refer to the Bidder's Statement which was sent to Spotless shareholders and is available on the ASX. Please call the Offer Information Line on 1300 048 144 (within Australia) or +61 3 9415 4662 (from outside Australia) if you require further information or assistance.

### **About Downer**

Downer EDI Limited ("**Downer**") is a leading provider of services to customers in markets including: Transport Services; Rail; Mining; Utilities Services; Technology and Communications Services; and Engineering, Construction & Maintenance. We build strong relationships of trust with our customers, truly understanding and predicting their needs and bringing them world leading insights and solutions. Downer employs about 19,000 people across more than 200 sites and projects, mostly in Australia and New Zealand, but also in the Asia-Pacific region, South America and Southern Africa. For more on Downer, visit: [www.downergroup.com](http://www.downergroup.com).

### **For further information please contact:**

Michael Sharp, Group Head of Corporate Affairs and Investor Relations

+61 439 470 145