

21 January 2016

## Broadspectrum Directors recommend shareholders REJECT Ferrovia's Offer; Independent Expert's Report concludes Offer is not fair and not reasonable

- **Broadspectrum lodges Target's Statement with ASX**
- **Directors unanimously recommend shareholders REJECT Ferrovia's Offer**
- **Ferrovia's highly conditional Offer significantly undervalues Broadspectrum's shares**
- **Independent expert (Ernst & Young Transaction Advisory Services Limited) values shares between \$1.71 and \$1.98**
- **Company continues to perform well, upgrading guidance for FY2016 and with a solid outlook for FY2017**

Broadspectrum today lodged its Target's Statement with the Australian Securities Exchange in response to Ferrovia Services (Australia) Pty Limited's highly conditional takeover Offer for 100% of Broadspectrum's shares.

The Directors of Broadspectrum have unanimously recommended that shareholders reject Ferrovia's Offer, as it significantly undervalues Broadspectrum's shares.

The Target's Statement includes an Independent Expert's Report, prepared by Ernst & Young Transaction Advisory Services Limited, which concludes that the Offer is not fair and not reasonable. The report values each Broadspectrum Share at between \$1.71 and \$1.98, which confirms that Broadspectrum's shares are worth considerably more than Ferrovia's current Offer. The Offer represents a 27% discount to the mid-point (\$1.845) of this valuation range.

In a letter to shareholders contained in the Target's Statement, Broadspectrum Chairman, Diane Smith-Gander, said "Your Broadspectrum Shares are worth a lot more than Ferrovia is offering.

"Do not surrender your Broadspectrum Shares at the current Offer Price. Rejecting the Offer will enable Broadspectrum to continue to execute on its proven strategy for the benefit of our shareholders," she said.

Broadspectrum's Managing Director and CEO, Mr Graeme Hunt, said the Company continued to perform strongly and was well positioned for future growth.

"We're stronger now than we were in December 2014 when Ferrovial was prepared to pay \$2.00 per share," Mr Hunt said.

"Our work in hand now exceeds \$10 billion (vs \$8.7 billion when Ferrovial made its \$2.00 per share offer), and we have over \$12 billion in contracted, shortlisted and preferred revenue (vs \$10.4 billion).

"We have further strengthened our balance sheet and reduced net debt to \$459 million at 31 December 2015, continuing a strong downward trajectory in net debt. We have now reduced net debt by \$182 million since 31 December 2012.

"As a result of our continued strong performance, we recently upgraded our guidance for FY2016 Underlying EBITDA to between \$265 million to \$285 million.

Mr Hunt said the Company's outlook for FY2017 is positive, with \$2.3 billion in contracted revenue already in hand as at 31 Dec 2015 (vs \$2.1 billion for FY2016 at 31 Dec 2014).

"We are well placed to benefit from significant opportunities ahead as a result of: further outsourcing from governments; further growth in the telecommunications sector in Australia and New Zealand; scope expansions on existing contracts and leveraged work for existing clients; increased activity in the US refining and petrochemicals sector, and; increased opportunities in the energy sector due to completion of gas-based energy projects in Australia.

"The portfolio approach we introduced in 2012 has enabled us to successfully manage the cyclical nature of individual sectors, such as energy, mining and construction.

"The relative contribution of different sectors changes over time and this is the strength of a portfolio approach. It's part of what makes us a potential target for Ferrovial," he said.

The Target's Statement notes that the Offer is opportunistic, and seeks to take advantage of the disconnect between the recent weakness in Broadspectrum's share price and the recent performance of Broadspectrum's business.

The Offer compares poorly to the long-term trading prices of Broadspectrum's shares, representing a 16% discount to share price at 5 June 2015 (\$1.60) and a 32.5% discount to Ferrovial's previous offer from December 2014 of \$2.00.

The Offer also compares poorly to comparable transaction multiples\*<sup>1</sup>. The EV implied by the Offer represents a 6.9x multiple of Broadspectrum's FY2015 Underlying EBIT, a 30% discount to the average multiple of comparable domestic transactions which resulted in a change of control (9.9x) and a 55% discount to comparable overseas transactions (15.2x).

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\*<sup>1</sup> See section 2.1 of the Target's Statement for details of how these multiples have been calculated.

Ferrovial's offer is highly conditional, containing over 25 individual conditions, the breach of any of which will allow Ferrovial to let the Offer lapse. The Offer is subject to a number of third party approvals and consents which are outside the control of both Broadpectrum and Ferrovial, including regulatory approvals from Australia's Foreign Investment Review Board and New Zealand's Overseas Investment Office.

Mr Hunt noted Ferrovial's Second Supplementary Bidder's Statement lodged with the ASX yesterday.

"We are confident our Target's Statement provides a comprehensive response to the Ferrovial Offer including any matters raised in their Second Supplementary Bidder's Statement," he said.

A printed version of The Target's Statement will be sent to shareholders next week. The Directors of Broadpectrum urge shareholders to read the Target's Statement, including the Independent Expert Report contained in it, in full.

**A Shareholder Information Line has been established to address any specific queries in relation to the Offer. The phone number for the Shareholder Information Line is 1300 361 735 (for calls from within Australia) and +61 1300 361 735 (for calls made from outside Australia). Updates in relation to the Offer will also be posted on Broadpectrum's website ([www.broadpectrum.com](http://www.broadpectrum.com)).**

ENDS.

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