

## PROPOSED ACQUISITION OF AUSTRALIAN TRANSPORT PROJECTS BUSINESS FROM DOWNER EDI WORKS PTY LTD AND VEC CIVIL ENGINEERING PTY LTD

### 1. INTRODUCTION

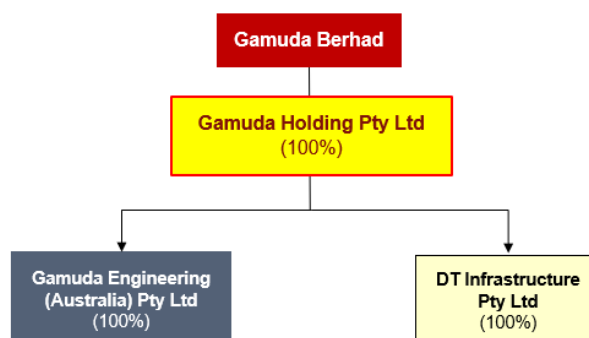
The Board of Directors of Gamuda Berhad (Co. Regn. No. 19760103632 (29579-T)) (“Gamuda” or “Company”) wishes to announce that its wholly owned foreign sub-subsidiary in Australia, DT Infrastructure Pty Ltd [Australian Company No. 665 782 730] (“**DT Infrastructure**”) has on 22 February 2023 executed an asset sale agreement (“**Agreement**”) to acquire the Australian transport projects business [herein referred as Downer Transport Projects (“**DTP**”)] from:

- (a) Downer EDI Works Pty Ltd [Australian Business No. (“**ABN**”) 66 008 709 608] (“**DEW**”); and
  - (b) VEC Civil Engineering Pty Ltd [ABN 42 067 541 879] (“**VEC**”);
- (collectively, “**Downer**”) for an enterprise value of AUD212 million (equivalent to RM636 million) (“**EV**”) (“**Proposed DTP Acquisition**”).

DTP is a distinct business unit under Downer that provides civil construction services in delivering transport projects for its customers, with specialist rail capability.

DTP operates across Australia and primarily generates revenue from government clients, with a smaller share coming from private projects. Its customer base, contacts and geographical exposure are mainly in New South Wales, Western Australia and Victoria. Some of the key projects currently carried out by DTP are in relation to rail line upgrades and duplication, rail extension, rail maintenance, service signalling and communication maintenance, and freeway upgrades.

Upon completion of the Proposed DTP Acquisition, the corporate structure of the engineering and construction arm of the Gamuda group of companies (“**Group**”) in Australia shall be as follows:



## **2. DETAILS OF THE PROPOSED DTP ACQUISITION**

### **2.1 Information on the Proposed DTP Acquisition**

The Proposed DTP Acquisition involves DTP's current projects with a forecast work-in-hand of approximately AUD2 billion, circa AUD30 million of plant and equipment assets, and over 1,000 associated employees across five Australian States, namely New South Wales, Victoria, Queensland, South Australia and Western Australia and one Territory, Northern Territory.

DTP is well-positioned to address a large pipeline of transport projects in Australia focusing on rail, light rail and rail system due to its significant local staffs specialised in rail works such as infra, track, signalling, maintenance and light rail works.

### **2.2 Information On Downer**

#### **2.2.1 Information on DEW and VEC**

DEW and VEC are wholly owned subsidiaries of Downer EDI Limited (ABN 97 003 872 848) ("**Downer EDI**"). Collectively, Downer EDI and its wholly owned subsidiaries are known as the Downer Group.

#### **2.2.2. Information on Downer EDI**

With a history dating back over 150 years, Downer EDI is listed on the Australian Securities Exchange ("**ASX**") under the 'Downer EDI' market call code 3965, with ASX code DOW, and is a foreign exempt issuer on the New Zealand Exchange with the ticker code DOW NZ.

Downer EDI designs, builds and sustains assets, infrastructure and facilities and is a leading provider of integrated services in Australia and New Zealand. Downer EDI has a strong focus on urban services such as transport, utilities, facilities and asset services and helps its customers deal with urbanisation pressures.

For details of Downer EDI's company information, please visit their Company's website via the link below:

[www.downergroup.com](http://www.downergroup.com)

The Board of Directors of Downer EDI are as follows: -

- a. Mr. Mark Chellew  
Chairman, Independent Non-Executive Director
- b. Mr. Grant Fenn  
Managing Director & Chief Executive Officer
- c. Mr. Peter Tompkins  
Executive Director
- d. Ms. Teresa Handicott  
Independent Non-Executive Director
- e. Ms. Nicole Hollows  
Independent Non-Executive Director
- f. Ms. Adelle Howse  
Independent Non-Executive Director
- g. Mr. Mark Menhinnitt  
Independent Non-Executive Director
- h. Mr. Peter Watson  
Independent Non-Executive Director

For details of their profiles, please click on the link below:

<https://www.downergroup.com/board-of-directors>

As Downer EDI is a publicly listed company, its shares are widely held. The substantial shareholders of Downer EDI as at the most recent public announcements are as follows:

Name	Ordinary Shares Held	% of Issued Shares
L1 Capital	46,696,236	7.0%
Dimensional Funds	40,335,725	6.0%
Yarra Management	35,296,970	5.3%
Vanguard	35,082,734	5.2%
First Sentier	33,760,188	5.0%
Allan Gray	33,743,399	5.0%

## 2.3 Information on DT Infrastructure

DT Infrastructure is a company incorporated in Australia on 16 February 2023 with a total issued share capital of AUD1.00 for the Proposed DTP Acquisition and is a wholly owned subsidiary of Gamuda Holding Pty Ltd [Australian Company No. 665 763 020], an investment holding company incorporated in Australia on 15 February 2023 with a total issued share capital of AUD1.00 (“**GHPL**”). GHPL in turn is a wholly owned foreign subsidiary of Gamuda.

## 2.4 Salient Terms of the Agreement

The salient terms of the Agreement are as follows:

a. Purchase Consideration and Mode of Payment

DTP is valued at EV of AUD212 million.

The total purchase price payable by DT Infrastructure will be the EV, plus or minus customary adjustments for working capital and net cash at transaction completion, as well as adjustments to the purchase price in relation to certain non-transferring client contracts (if any).

b. Conditions Precedent

The Proposed DTP Acquisition is conditional upon the satisfaction of customary conditions for a transaction of this nature, including the approval of the Foreign Investment Review Board of Australia (“**FIRB**”).

c. Completion Date

The last business day of the calendar month in which the last condition precedent is satisfied or waived (unless the last condition precedent is satisfied or waived after the 22<sup>nd</sup> day of the month, in which case the last business day of the following calendar month). These deadlines may be varied by written agreement of the parties.

d. Termination of Agreement

Parties to the Agreement may terminate the Agreement before the Completion Date if the conditions precedent of the Agreement are not satisfied or waived by agreement in writing between the parties.

### **3. BASIS AND JUSTIFICATION FOR THE EV**

The EV, which values DTP at AUD\$212 million was arrived at on a willing-buyer willing-seller basis after negotiations between the parties and taking into consideration the historical performance of DTP and, amongst others, comparable companies' trading multiples, projected profitability, growth, as well as future prospects of the DTP business on the broader Gamuda platform.

The EV was justified based on applying multiples associated with similar recent transactions and comparable companies in the Australian market.

### **4. SOURCE OF FUNDING FOR PROPOSED DTP ACQUISITION**

The Proposed DTP Acquisition shall be satisfied by cash funded from internal generated funds and borrowings.

### **5. LIABILITIES TO BE ASSUMED**

Apart from employee obligations, guarantee for DT Infrastructure's payment obligation, and performance guarantees associated with current projects, there are no liabilities including contingent liabilities and guarantees to be assumed by Gamuda arising from the Proposed DTP Acquisition.

### **6. RATIONALE AND BENEFITS OF PROPOSED DTP ACQUISITION**

The Proposed DTP Acquisition is a strategic move for the Group and is in line with its growth plan of achieving AUD\$3 billion in revenue annually in Australia within the next two to three years.

With the Proposed DTP Acquisition, Gamuda will be tapping into DTP's in-house capabilities and track record namely track infrastructure, light rail, stations, rail overhead lines, signalling, communications & integration, rail maintenance, specialist plant services and road & bridge construction.

The Proposed DTP Acquisition will instantaneously increase Gamuda's customer base, contacts and geographical exposure across Australia, especially in New South Wales, Western Australia and Victoria. There will also be a significant and immediate addition of local staff and skillsets, with specialisation in rail works. DT Infrastructure has a deep and experienced management team with significant infrastructure construction expertise and a proven ability to create value in the business.

The consolidated capability and additional construction pipeline from DT Infrastructure across Australia will reinforce Gamuda's position as we expand our market reach in Australia by venturing into wider rail disciplines. Gamuda will be well positioned to participate in a larger pipeline of transport projects focusing on Rail, Light Rail and Rail Systems, with an established network of subcontractors.

## 7. PROSPECTS

The Proposed DTP Acquisition is a significant step for Gamuda as it has set its sight on growing its business regionally. Gamuda believe there are positive growth opportunities in Australia, and this move enables Gamuda to expand not only the volume of projects undertaken by Gamuda but also participate in different segments of the transport infrastructure market with these new capabilities from this acquisition, from complex and large multi-disciplinary projects to rail infrastructure and system projects. This will increase Gamuda's presence within the Australian market and fast-track Gamuda's expansion plans.

Noting with the Proposed DTP Acquisition, Gamuda can augment and build on DTP's long-term relationships with various public and private stakeholders, particularly the Government, public transport authorities and the community. Gamuda would be leveraging this strong stakeholder relationship with a focused increase on stakeholder exposure, networks, and resources.

## 8. RISK FACTORS

The key risks in relation to the Proposed DTP Acquisition are as follows:-

a. FIRB Approval

The Proposed DTP Acquisition is subject to approval under the Foreign Acquisitions and Takeovers Act 1975 (Cth) ("FATA") in Australia. FIRB's approval may take time.

To expedite the process for the Proposed DTP Acquisition, Gamuda has appointed an experienced Australian local counsel to assist on the application.

b. Operations

Increasing execution risk may impact projected growth. Potential compounding in execution risk given the increasing difficulties alongside project scale.

Varying, unfamiliar and tough operating conditions overseas, coupled with high inflationary outlook on supply chain in foreseeable future, poses further (and not insubstantial) execution risks.

c. Employment of DTP's existing staffs

Prior to completion, DT Infrastructure will offer to employ all DTP's existing staff subsequent to the Completion Date.

Given that DTP's staff are integral to the business, if significant proportion of staff do not agree to the transfer, it would pose a risk to DT Infrastructure. DT Infrastructure is addressing this risk by clear and consistent communication with affected staff and ensuring the transfer is on terms no less favourable than currently enjoyed by the staff.

d. Counterparty

As is typical for transactions of this nature, the Proposed DTP Acquisition will require the consent of various counterparties to novate, assign or subcontract various contracts that form part of and are critical to the business. Noting that Gamuda has no control over the giving of such consents or that they will be forthcoming, the parties have developed a strategy to actively and promptly engage with counterparties to minimise this risk.

If any of the material risks above (apart from FIRB and Operational risk) arises prior to the Completion Date, Gamuda would have the ability to address such risks adequately with Downer to its satisfaction to continue with the transaction and only in the rare event that no consensus can be reached, Gamuda can abort the transaction.

## **9. EFFECTS OF THE PROPOSED DTP ACQUISITION**

The Proposed DTP Acquisition is not expected to have any material effect on the share capital and substantial shareholders' direct and/or indirect shareholding of Gamuda, earnings per share, net assets per share and gearing of the Group for the financial year ("FY") ending 31 July 2023. The Proposed DTP Acquisition is expected to contribute positively to Gamuda earnings from FY2024 onwards.

## **10. APPROVALS REQUIRED**

The Proposed DTP Acquisition is not subject to the approval of the shareholders of Gamuda but is subject to the approval of the FIRB.

The highest percentage ratio applicable for the Proposed DTP Acquisition pursuant to Chapter 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 6.42%.

## **11. ESTIMATED TIMEFRAME FOR COMPLETION**

The Proposed DTP Acquisition is expected to be completed by the end of the second quarter of 2023.

## **12. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST**

None of the Directors, major shareholders, and persons connected to them has any interest, direct or indirect, in the Proposed DTP Acquisition.

### **13. STATEMENT BY THE BOARD OF DIRECTORS**

The Board of Directors of Gamuda, after having considered all aspects of the Proposed DTP Acquisition is of the opinion that the Proposed DTP Acquisition is in the interests of Gamuda and in line with Gamuda's strategic planning of expanding its business regionally.

This announcement is dated 22 February 2023.