

20 January 2016

The Manager
Company Announcements Office
ASX Limited
Level 4
20 Bridge Street
Sydney NSW 2000

Dear Sir or Madam

Takeover bid by Ferrovial in relation to Broadspectrum Limited

Ferrovial Services Australia Pty Ltd (ACN 609 542 556) is an indirectly wholly owned subsidiary of Ferrovial, S.A..

In accordance with section 647(3)(b) of the *Corporations Act 2001* (Cth), I attach a Second Supplementary Bidder's Statement dated 20 January 2016, which supplements the Replacement Bidder's Statement dated (and lodged with ASIC) 23 December 2015.

The Second Supplementary Bidder's Statement was also lodged with ASIC today.

Yours faithfully



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Attach

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This document is a supplementary bidder's statement dated 20 January 2016 under section 643 of the *Corporations Act 2001* (Cth) (the **Corporations Act**). This is the second supplementary Bidder's Statement issued by Ferrovial Services Australia Pty Ltd (**Ferrovial**) in relation to its takeover offer for Broadspectrum Limited (ABN 69 000 484 417) (**Broadspectrum**) dated 6 January 2016 (the **Offer**). This supplementary Bidder's Statement (**Second Supplementary Bidder's Statement**) supplements and is to be read together with the replacement Bidder's Statement dated 23 December 2015 (which reflects the original Bidder's Statement dated 7 December 2015 as amended by the first supplementary Bidder's Statement dated 23 December 2015) given by Ferrovial to Broadspectrum (**Replacement Bidder's Statement**) and despatched to Broadspectrum shareholders on 6 January 2016. This Second Supplementary Bidder's Statement will prevail to the extent to any inconsistency with the Replacement Bidder's Statement. A copy of this Second Supplementary Bidder's Statement was lodged with ASIC on 20 January 2016. Neither ASIC nor any of its officers take any responsibility for the contents of this Second Supplementary Bidder's Statement. This Second Supplementary Bidder's Statement has been approved by a resolution passed by the directors of Ferrovial. Words and phrases defined in the Replacement Bidder's Statement have the same meaning in this Second Supplementary Bidder's Statement unless context requires otherwise.

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5 REASONS WHY FERROVIAL'S \$1.35 CASH OFFER FOR BROADSPECTRUM IS EVEN MORE ATTRACTIVE IN THE CURRENT ENVIRONMENT

1. Stock markets and the prices of Broadspectrum's selected listed peers have declined
2. Commodity prices have almost halved in the last 12 months
3. The implied multiple exceeds peer multiples even before adjusting for Broadspectrum's earnings concentration
4. Post 2016 earnings sustainability remains highly uncertain
5. The outlook for the company has changed significantly in the last 12 months

1. Stock markets have declined significantly since the Offer was announced, reflecting worsening outlooks

Since the Offer was announced on 7 December:

- the Shanghai Composite is down 18%¹;
- the S&P 500 is down 9%¹;
- the Nikkei 225 is down 14%¹; and
- the S&P/ASX200 is down 5%².

Selected listed Australian peers of Broadspectrum have declined on average by 10%^{2,3}. This continues the significant falls amongst the selected listed peer group in the last twelve months, reflecting the more challenging outlook.

Ferrovial believes it is highly likely that Broadspectrum's share price would have also declined since December 2015 had Ferrovial's cash Offer not been announced.

2. Commodity prices have almost halved since December 2014

Prices for key commodities such as crude oil and iron ore have declined significantly since December 2014 (crude oil: down 52%⁴; iron ore: down 42%⁵). Many commodity prices have also declined since the Offer was announced (crude oil: down 29%¹). This has been reflected in share prices for major resources and energy companies (some of whom are clients of Broadspectrum). For example, since the Offer was announced, BHP Billiton is down 18%², Rio Tinto is down 12%², Santos is down 30%², Origin Energy is down 25%² and Beach Energy is down 14%².

If Ferrovial's previous indicative proposal price from December 2014 had fallen in-line with the decline in key commodity prices over the same period, it would equate to \$0.96 - \$1.15 per Broadspectrum share currently.

3. The implied multiple exceeds multiples for Broadspectrum's listed peers, EVEN BEFORE adjusting for the earnings concentration issues

The multiple implied by Ferrovial's Offer price materially exceeds multiples for Broadspectrum's listed peers EVEN BEFORE adjusting for Broadspectrum's earnings concentration issues⁶. Ferrovial's Offer implies a FY17 EV/EBIT multiple of 6.9x⁷. The average FY17 EV/EBIT multiple for selected Broadspectrum listed peers is 5.4x⁷. Applying this peer average multiple implies a price of \$0.85 per Broadspectrum share⁸. This reduces to \$0.64 per Broadspectrum share if a higher net debt amount is assumed⁹.

¹ To 18 January 2016. All share price, index and commodity price data sourced from IRESS

² To 19 January 2016

³ Selected peers comprise WorleyParsons, RCR, Downer, Monadelphous, Programmed, UGL and Spotless

⁴ From 22 December 2014 to 18 January 2016

⁵ From 22 December 2014 to 19 January 2016

⁶ This refers to the concentration of earnings derived from the Defence, Social and Property segment, as described on page 8 of the Replacement Bidder's Statement

⁷ Refer Appendix A

⁸ Peer average FY17 EV/EBIT multiple of 5.4x applied to Broadspectrum broker consensus FY17 EBIT of \$169 million. Reported net debt of \$471 million and undiluted shares outstanding of 512.5 million

⁹ Adjusted net debt of \$577 million. Broadspectrum's reported net debt position does not include a number of additional debt like items, including current tax liabilities of \$72 million, receivables financing of \$15 million, unamortised borrowing costs of \$17 million and future finance charges on finance leases of \$3 million. Source: Transfield Services - FY15 Annual Report

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By accepting Ferrovial's \$1.35 cash Offer, Broadspectrum shareholders could divest Broadspectrum for certain cash proceeds and re-invest into alternative stocks at materially lower multiples for similar exposures.

4. Post 2016 earnings sustainability remains highly uncertain

As noted in the Replacement Bidder's Statement, the Defence, Social and Property (**DSP**) segment comprises 107% of Broadspectrum's FY15 Underlying EBIT (pre-corporate costs). The risk remains that the contract with the Department of Immigration and Border Protection, which is due to expire in February 2016, is renewed on terms materially less profitable than the current contract.

The significant earnings uplift required in Broadspectrum's Resources & Industrial, Infrastructure and Americas segments to offset the potential decline in DSP earnings is increasingly challenging in the current commodity price environment. Further, in Ferrovial's view, competition remains significant, pressuring profitability across Broadspectrum's businesses.

5. The outlook for the company has changed in the last 12 months

Some of the above factors reflect the significant change to the outlook for the company since December 2014. For example:

- the earnings concentration of DSP has become evident to investors and the risk that DSP earnings will decline going forward remains;
- prices for key commodities including crude oil and iron ore have almost halved (crude oil: down 52%⁴; iron ore: down 42%⁵), increasing the cost focus and reducing activity levels for a range of Broadspectrum's clients;
- the performance for the non-DSP segments has been loss making. The outlook for these sectors is extremely challenging, which is reflected in stock prices and multiples; and
- the Broadspectrum share price itself had declined by 50%¹⁰ reflecting these risks.

Broadspectrum has suggested the Ferrovial Offer is opportunistic and has referred to the Broadspectrum share price on 5 June 2015. This seems an arbitrary historical point in time and is not reflective of current market conditions. We note the price was \$0.85 on 4 December 2015 and had been as low as \$0.77 in March 2014¹¹ and \$0.69 in June 2013¹².

In light of this environment, Ferrovial believes that the 59% premium implied by the cash Offer of \$1.35 per Broadspectrum share to the last closing share price prior to announcement (4 December 2015) represents even greater value for Broadspectrum shareholders. There is a substantial risk that the Broadspectrum share price may fall should Ferrovial's \$1.35 cash Offer not proceed.

In the current environment where the outlook is highly uncertain, Ferrovial's certain cash Offer of \$1.35 per Broadspectrum share is even more attractive.

Yours sincerely



Santiago Olivares, Director
Signed on behalf of Ferrovial Services Australia Pty Ltd
Dated 20 January 2016

¹⁰ From 22 December 2014 to 4 December 2015 (being the last trading date prior to Ferrovial's cash Offer of \$1.35 per Broadspectrum share)

¹¹ On 12 March 2014

¹² On 25 June 2013

Appendix A

	UGL ¹	RCR ²	Monadelphous ³	WorleyParsons ⁴	Programmed ⁵	Downer ⁶	Spotless ⁷	Peer Average	Broadspectrum Offer ⁸
Share price as at 19 January 2015 (\$)	2.38	1.73	6.61	4.02	2.00	3.21	1.03		1.35
# of shares outstanding (m)	167	140	93	245	249	431	1,098		512
Market capitalisation (\$m)	396	243	618	986	499	1,383	1,126		692
Net debt (\$m)	(34)	12	(187)	785	223	358	564		471
Minorities (\$m)	6	-	-	1	-	-	-		(1)
Enterprise value (\$m)	369	254	431	1,771	722	1,741	1,689		1,162
FY17 Broker consensus average EBIT (\$m)	88	59	88	323	124	287	246		169
Implied FY17 EV / EBIT multiple (x)	4.2	4.3	4.9	5.5	5.8	6.1	6.9	5.4	6.9

Sources:

Share price – IRESS as at 19 January 2016

Number of shares outstanding, net debt and minorities – company filings

1. UGL broker consensus FY17 EBIT of \$88 million. Broker consensus based on the earnings published by 4 brokers in the most recent broker reports available to Ferrovial prior to 20 January 2016, being the date of this Second Supplementary Bidder's Statement. The broker reports date from 24 August 2015 to 28 October 2015. Broker FY17 EBIT numbers range from \$77 million to \$97 million, with an average of \$88 million. Reported net cash as at 30 June 2015 of \$34 million. Undiluted UGL shares outstanding of 166.5 million
2. RCR Tomlinson broker consensus FY17 EBIT of \$59 million. Broker consensus based on the earnings published by 5 brokers in the most recent broker reports available to Ferrovial prior to 20 January 2016, being the date of this Second Supplementary Bidder's Statement. The broker reports date from 20 August 2015 to 1 December 2015. Broker FY17 EBIT numbers range from \$58 million to \$61 million, with an average of \$59 million. Reported net debt as at 30 June 2015 of \$12 million. Undiluted RCR shares outstanding of 140.2 million
3. Monadelphous broker consensus FY17 EBIT of \$88 million. Broker consensus based on the earnings published by 5 brokers in the most recent broker reports available to Ferrovial prior to 20 January 2016, being the date of this Second Supplementary Bidder's Statement. The broker reports date from 18 August 2015 to 9 December 2015. Broker FY17 EBIT numbers range from \$81 million to \$97 million, with an average of \$88 million. Enterprise value includes reported net cash as at 30 June 2015 of \$187 million. Undiluted Monadelphous shares outstanding of 93.5 million
4. WorleyParsons broker consensus FY17 EBIT of \$323 million. Broker consensus based on the earnings published by 6 brokers in the most recent broker reports available to Ferrovial prior to 20 January 2016, being the date of this Second Supplementary Bidder's Statement. The broker reports date from 26 August 2015 to 27 October 2015. Broker FY17 EBIT numbers range from \$292 million to \$363 million, with an average of \$323 million. Enterprise value includes reported net debt as at 30 June 2015 of \$785 million. Undiluted WorleyParsons shares outstanding of 245.3 million
5. Programmed broker consensus FY17 EBIT of \$124 million (calendarised to 30 June year-end). Broker consensus based on the earnings published by 6 brokers in the most recent broker reports available to Ferrovial prior to 20 January 2016, being the date of this Second Supplementary Bidder's Statement. The broker reports date from 6 November 2015 to 19 November 2015. Broker FY17 EBIT numbers range from \$116 million to \$128 million, with an average of \$122 million (\$124 million calendarised). Pro forma net debt of \$223 million as reported in the Skilled Group Explanatory Memorandum dated 21 August 2015. Undiluted Programmed shares outstanding of 249.3 million

6. Downer broker consensus FY17 EBIT of \$287 million. Broker consensus based on the earnings published by 6 brokers in the most recent broker reports available to Ferrovial prior to 20 January 2016, being the date of this Second Supplementary Bidder's Statement. The broker reports date from 6 August 2015 to 4 November 2015. Broker FY17 EBIT numbers range from \$274 million to \$306 million, with an average of \$287 million. Enterprise value includes reported net debt as at 30 June 2015 of \$179 million and the Redeemable Optionally Adjustable Distributing Securities of \$179 million. Undiluted Downer shares outstanding of 430.9 million
7. Spotless broker consensus FY17 EBIT of \$246 million. Broker consensus based on the earnings published by 4 brokers in the most recent broker reports available to Ferrovial prior to 20 January 2016, being the date of this Second Supplementary Bidder's Statement. The broker reports date from 25 August 2015 to 23 December 2015. Broker FY17 EBIT numbers range from \$226 million to \$284 million, with an average of \$246 million. Reported net debt as at 30 June 2015 of \$564 million. Undiluted Spotless shares outstanding of 1,098.3 million
8. Share price reflects Ferrovial's Offer price of \$1.35 per Broadspectrum share. Broker consensus based on the earnings published by 5 brokers in the most recent broker reports available to Ferrovial prior to 20 January 2016, being the date of this Second Supplementary Bidder's Statement. The broker reports date from 27 August 2015 to 22 December 2015. Broker FY17 EBIT numbers range from \$157 million to \$181 million, with an average of \$169 million. Reported net debt as at 30 June 2015 of \$471 million. Undiluted Broadspectrum shares outstanding of 512.5 million