Update on strategic review of BICC

CIMIC Group today announced that it has completed an extensive strategic review of its financial investment of a non-controlling 45% interest in BIC Contracting (BICC), a company operating in the Middle East region.

As a part of this review, CIMIC initiated a confidential M&A process in respect of its financial investment in BICC. Discussions continue with a shortlist of potential acquirers for all or part of BICC.

In addition, in the context of an accelerated deterioration of local market conditions, BICC is engaging in confidential discussions with its lenders, creditors, clients and other stakeholders.

After thorough evaluation of all available options, CIMIC has decided to exit the region and to focus its resources and capital allocation on growth opportunities in its main core markets and geographies (Australia, New Zealand and Asia Pacific).

Financial impact

In this context, CIMIC has reassessed its financial exposure to BICC, mainly shareholder loans and financial guarantees.

CIMIC will recognise a one-off post-tax impact of around $1.8 billion in its 2019 financial statements, representing all of CIMIC’s exposure in relation to BICC.

The aforementioned impact includes an expected cash outlay net of tax of around $700 million during 2020, as CIMIC’s financial guarantees of certain BICC liabilities materialise. CIMIC has committed facilities and cash available to meet all obligations as required.

Consequently, CIMIC will not declare a final dividend for 2019.

2019 guidance

Excluding the BICC impact, CIMIC expects to report NPAT for 2019 of around $800 million, in line with its 2019 guidance. CIMIC expects to announce its 2019 financial results on 4 February 2020.

ENDS

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CIMIC Group (ASX:CIM) is an engineering-led construction, mining, services and public private partnerships leader working across the lifecycle of assets, infrastructure and resources projects. CIMIC Group comprises our construction business CPB Contractors, including Leighton Asia and Broad, our mining and mineral processing companies Thiess and Sedgman, our services specialist UGL and our public private partnerships arm Pacific Partnerships — all supported by our in-house engineering consultancy EIC Activities. Our mission is to generate sustainable shareholder returns by delivering innovative and competitive solutions for clients.
and safe, fulfilling careers for our people. With a history since 1899, and around 43,000 people in 20 countries, we strive to be known for our principles of Integrity, Accountability, Innovation and Delivery, underpinned by Safety. CIMIC is a member of the S&P/ASX 100 index, the Dow Jones Sustainability Australia Index and FTSE4Good.