Target Company Statement

In relation to a takeover offer by WSP NZ Acquisition Limited, a wholly owned subsidiary of WSP Global, Inc.

13 September 2017

This is an important document and requires your urgent attention. If you have any questions in respect of the document or the offer, you should seek advice from your financial or legal advisor.

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Chairman's Letter

Dear fellow Opus shareholder

Background

You will have recently received an offer from WSP NZ Acquisition Limited (**WSP**) to acquire all of your shares in Opus International Consultants Limited for $1.78 per share (the **Offer Price**). The offer terms also permit Opus to pay a dividend of up to $0.07 per share.

Opus' response to the Offer has been managed on behalf of the Opus Board by independent directors Keith Watson, Alan Isaac and Sam Knowles operating as an Independent Directors Committee. The Managing Director and the three directors who are associated with UEM Edgenta Berhad (the majority shareholder of Opus) did not sit on the Independent Directors Committee.

Increase in Offer Price

After it finalised and sent you its Offer document, WSP has agreed to allow Opus to declare a dividend of $0.14 per Opus share (plus any available imputation credits). WSP has increased its Offer Price to $1.85 per share, but under the existing terms of the Offer, the Offer Price payable will be adjusted to reflect any additional dividend paid over $0.07 per share. Accordingly, shareholders who sell shares to WSP under the Offer and who hold those shares on the dividend record date will receive $1.92 per share – comprising cash of $1.78 per share from WSP and a dividend of $0.14 per share from Opus (the **Effective Offer Price**).

This increase was announced by WSP on 13 September 2017 and applies to all Opus shares, including any shares owned by shareholders that accepted the Offer prior to the increase in price.

The Independent Directors Committee unanimously recommends that shareholders accept the increased Offer. All members of the Independent Directors Committee intend to accept the Offer from WSP in respect of the Opus shares that they hold or control.

Reasons for recommendation to accept

The reasons for the Independent Directors Committee's recommendation are:

1. The price is within Independent Adviser's valuation range

   The Effective Offer Price of $1.92 per Opus share (including the permitted dividend of $0.14 per Opus share), is within the valuation range assessed by KordaMentha in its Independent Adviser's Report, of $1.85 to $2.15 per Opus share. A copy of the KordaMentha report is included with this Target Company Statement.

2. Attractive premium to trading price

   The Effective Offer Price represents a 94% premium to the trading price on 11 August 2017 (being the last trading day before Opus received WSP's Takeover Notice) of $0.99 per share and a 92% premium to the one month VWAP[1] of $1.00 per share in the month before Opus received WSP's Takeover Notice.

3. Major shareholders have committed to accept

[1] VWAP means the volume weighted average price at which Opus shares have traded on the NZX Main Board for the relevant period. VWAP is calculated by summing the value of all the trades which occurred before the relevant period and dividing that sum by the volume of shares transacted in those trades.

UEM Edgenta Berhad, which holds 61.20% of the Opus shares on issue through its subsidiary Opus International (NZ) Limited, has entered into a lock-up agreement with WSP Global Inc., whereby UEM Edgenta Berhad has agreed to accept, or procure the acceptance of, the Offer for all of its Opus shares.[2] This lock-up was agreed at the initial Offer Price of $1.78 per Opus share, plus the dividend of $0.07 per Opus share (although, like all shareholders who sell Opus shares under the Offer, UEM Edgenta Berhad will receive the Effective Offer Price).

Once UEM Edgenta Berhad accepts the offer under the lock-up agreement, the minimum acceptance condition under the Offer will be satisfied.

The three largest institutional shareholders of Opus have also entered into lock-up agreements in respect of their shareholdings in Opus. ACC (holding 6.06% of Opus shares), Salt Funds Management (holding 2.07% of Opus shares), and Aspiring Asset Management (holding 1.22% of Opus shares) have agreed to sell all their shares in Opus to WSP at the Effective Offer Price.

4. Unlikely to be competing offers

As at 11 September 2017 (being the latest practicable working day before the date of printing of the Target Company Statement), no competing offer has been made for Opus shares.

Further, given that UEM Edgenta Berhad and the institutional shareholders described above (who in aggregate hold or control 70.55% of Opus shares) have agreed to accept the Offer (subject, in the case of UEM Edgenta Berhad, to satisfaction of the shareholder approval condition described above), the Independent Directors Committee believes that there is a disincentive for other potential offerors to proceed with a competing offer.

Acceptances and timing

The Offer period runs until at least 27 November 2017 and the Offer is still subject to conditions. There is no benefit to early acceptance and, once given, acceptances cannot be withdrawn (so you would be unable to sell your Opus shares to any other person once you accept). The Effective Offer Price cannot be reduced. If you accept the Offer, you will not be paid for any Opus shares bought from you by WSP until after the closing date and the Offer becomes unconditional.

The Independent Directors will keep all shareholders informed of the progress of satisfying these conditions and the implications for other shareholders.

Conclusion

In summary, the Independent Directors Committee believes the Effective Offer Price provides an attractive opportunity for shareholders to realise the value of their Opus shares.

The decision whether or not to accept the Offer is an individual decision. The Independent Directors Committee recommends you to read the Target Company Statement, including the Independent Adviser's Report, carefully before making a decision. We also encourage you to seek professional advice in relation to your particular circumstances.

Yours faithfully,

Alan Isaac
Chairman of the Independent Directors Committee

[2] UEM Edgenta Berhad's obligation to procure the acceptance of the Offer is conditional upon satisfaction of approvals required under the listing requirements of the Bursa Malaysia Securities Berhad (the Malaysian Stock Exchange, on which UEM Edgenta Berhad is listed). UEM Group Berhad (the major shareholder in UEM Edgenta Berhad) has irrevocably committed to vote in favour of the approval required by the Bursa Malaysia Securities Berhad.

Takeovers Code disclosures

1. Date

This target company statement (**Target Company Statement**) is dated 13 September 2017.

2. Offer

2.1. This Target Company Statement relates to a full takeover offer (the **Offer**) by WSP NZ Acquisition Limited (**WSP**), a wholly-owned subsidiary of WSP Global Inc., to purchase all of the ordinary shares (**Opus Shares**) in Opus International Consultants Limited (**Opus**) for a purchase price of $1.78 per Opus Share, payable in cash.

2.2. The terms of the Offer permitted Opus to declare and pay a dividend of up to $0.07 per Opus Share prior to the closing of the Offer, without adjustment to the Offer price.

2.3. Under a variation notice dated 13 September 2017 (**Variation Notice**), WSP has agreed to allow Opus to declare an additional cash dividend of $0.07 per Opus Share (plus any available imputation credits) (**Additional Dividend**) and varied its Offer to increase the Offer price from $1.78 to $1.85 per Opus Share.

2.4. On 13 September 2017, the Board of Directors of Opus declared a fully imputed dividend of $0.14 per Opus Share payable to all holders of Opus Shares as at 5:00pm on 28 September 2017 (**Record Date**). This dividend of $0.14 per Opus Share will be paid on 6 October 2017. Shareholders who accept the Offer but do not hold Opus Shares on the Record Date will not receive this dividend.

2.5. In accordance with clause 4.1 of the Offer Document (which provides that the Offer price is reduced by the amount of the Additional Dividend), the $1.85 Offer price payable by WSP to each accepting Shareholder will reduce by $0.07 from $1.85 to $1.78. This means that Shareholders who sell Opus Shares to WSP under the Offer and who held those Opus Shares on the Record Date will receive $1.92 per Opus Share – comprising cash of $1.78 per Opus Share from WSP and a dividend of $0.14 per Opus Share from Opus.

2.6. The terms of the Offer are set out in the offer document dated 30 August 2017 (the **Offer Document**), which has been sent to Shareholders by WSP, as supplemented by the Variation Notice.

3. Target company

The name of the target company is Opus International Consultants Limited.

4. Directors of Opus

The names of the directors of Opus are:

- Robert Keith Hamilton Watson;
- Alan Raymond Isaac;
- Ian Samuel Knowles;

- David James Prentice;
- Dato' Azmir Merican Bin Azmi Merican;
- Elakumari Kantilal; and
- Low Chee Yen.

5. Ownership of equity securities of Opus

5.1. Schedule 1 to this Target Company Statement sets out the number and the percentage of Opus Shares held or controlled by each director or senior officer[1] of Opus (a **Director** or **Senior Officer**, respectively) or their associates.

5.2. Schedule 2 to this Target Company Statement sets out the number and the percentage of Opus Shares held or controlled by any other person holding or controlling 5% or more of the class of equity securities, to the knowledge of Opus.

5.3. Except as set out in Schedule 1 to this Target Company Statement, no other Director or Senior Officer or their associates holds or controls any equity securities of Opus. Except as set out in Schedule 2 to this Target Company Statement, to Opus' knowledge no other person holds or controls more than 5% of a class of equity securities of Opus.

5.4. Schedule 3 to this Target Company Statement sets out the number of equity securities of Opus:

5.4.1. that have, during the two year period ending on the date of this Target Company Statement, been issued to the Directors, Senior Officers or their associates; or

5.4.2. in which the Directors, Senior Officers or their associates have, during the two year period ending on the date of this Target Company Statement, obtained a beneficial interest under any employee share scheme or other remuneration arrangement,

together with the price at which any such equity securities were issued or provided.

6. Trading in Opus equity securities

6.1. None of the Directors, Senior Officers or their associates have acquired or disposed of Opus Shares during the six month period ending on 11 September 2017 (being the latest practicable date before the date of this Target Company Statement).

6.2. Details of the acquisition or disposition of Opus Shares during the six month period ending on 11 September 2017 (being the latest practicable date before the date of this Target Company Statement) by any person holding or controlling 5% or more of the Opus Shares are set out in Schedule 4. Except as set out in Schedule 4, to the knowledge of Opus, no person holding or controlling 5% or more of the equity securities of any class of Opus has acquired or disposed of equity securities of Opus during that six month period.

[1] The Senior Officers of Opus for the purposes of this Target Company Statement are: David Prentice (Chief Executive), Ingrid Shannon-Smith (Director, People & Technical Capital and Strategy), Gordon Davidson (Chief Financial Officer), Alison Swan (Company Secretary and Legal Adviser), Paul Casamento (Group Director, Transportation), Lee Arasu (Group Director, Building), Peter Mathewson (Group Director, Water), Ian Blair (Managing Director, Australia & New Zealand), Arthur Washuta (President, Opus Canada) and Corris Huw Edwards (Managing Director, United Kingdom).

7. Acceptance of Offer

7.1. The Directors and Senior Officers listed in the table below have advised that they (or their associates) intend to accept the Offer in respect of the number of Opus Shares held or controlled by them listed in that table.

Name	Description	Number of Opus Shares
Alan Isaac	Independent Director	55,000[1]
Samuel Knowles	Independent Director	110,000
Keith Watson	Independent Director	40,000[2]
Low Chee Yen[3]	Director	90,511,615
Elakumari Kantilal[3]	Director	90,511,615
Dato' Azmir Merican[3]	Director	90,511,615
David Prentice	Director and Senior Officer	368,669
Gordon Davidson	Senior Officer	22,820
Peter Mathewson	Senior Officer	343,771
Alison Swan	Senior Officer	350,663

Notes to table:

1. 5,000 Opus Shares are held by Mary Isaac, who is Alan Isaac's wife. 50,000 Opus Shares are held by a trust of which Alan Isaac is a trustee and beneficiary. Each of Mary Isaac and the trustees of the trust intend to accept the Offer.
2. The 40,000 Opus Shares controlled by Keith Watson are held through Working Assets Limited, a company of which Keith Watson is the sole director.
3. UEM Edgenta Berhad, an associate of each of Dato' Azmir Merican, Elakumari Kantilal and Low Chee Yen, has entered into a lock-up agreement with WSP Global Inc. dated 14 August 2017 whereby it has agreed to accept, or procure the acceptance of, the Offer in respect of its entire holding of 90,511,615 Opus Shares (comprising 61.2% of the Opus Shares) held through Opus International (NZ) Limited. See paragraph 13A.2 for further information about this lock-up agreement.

8. Ownership of equity securities of WSP

Neither Opus, nor any Director, Senior Officer or any of their associates, holds or controls any equity securities of WSP.

9. Trading in equity securities of WSP

Neither Opus, nor any Director, Senior Officer or any of their associates, has acquired or disposed of any equity securities of WSP during the six month period before 11 September 2017 (being the latest practicable date before the date of this Target Company Statement).

10. Arrangements between WSP and Opus

10.1. Except as set out in paragraphs 10.2 to 10.3 below, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between WSP or any associate of WSP and Opus or any related company of Opus, in connection with, in anticipation of, or in response to, the Offer.

10.2. WSP and Opus entered into a confidentiality agreement of 12 August 2017, under which WSP agreed to keep confidential information disclosed to it by Opus in connection with its proposal to make a takeover offer for Opus and to use that information solely for that purpose.

10.3. Opus and WSP are party to the following arrangements in connection with the Offer:

10.3.1. Opus provided WSP with access to certain non-public information of Opus in order for WSP to undertake due diligence investigations prior to WSP despatching the Offer Document to Shareholders; and

10.3.2. At Opus' request, WSP waived certain conditions in the Offer Document, being:

10.3.2.1. Condition 3.1(e) in relation to the entry into an agreement by Opus to sell a property in Whangarei for $932,000 (exclusive of GST); and

10.3.2.2. Condition 3.1(f) in relation to proposed remuneration payments in excess of $200,000 to be paid to certain employees or certain potential employees of Opus, provided that such remuneration does not exceed $300,000.

11. Relationship between WSP and directors and officers of Opus

11.1. No agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between WSP or any associates of WSP, and any of the Directors or Senior Officers of Opus or of any related company of Opus (including any payment or other benefit proposed to be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office) in connection with, in anticipation of, or in response to, the Offer.

11.2. None of the Directors or Senior Officers of Opus are also directors or senior officers of WSP or any related companies of WSP.

12. Agreement between Opus and directors and officers of Opus

12.1. Except as set out in paragraphs 12.2 and 12.3 below, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between Opus or any related company of Opus and any Directors, Senior Officers or their associates of Opus or its related companies, under which a payment or other benefit may be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office in connection with, in anticipation of, or in response to, the Offer.

12.2. Opus has arranged for its Company Secretary and Legal Adviser, who was scheduled to retire in August 2017, to stay until the end of October 2017. Although she will be working on other Opus matters during this time, the extension arrangement was put in place primarily to ensure that Opus has appropriate resource available to respond to the Offer. At the end of October 2017, she will be entitled to receive a retention incentive payment equal to approximately one and a half months' salary.

12.3. The individual employment agreement between Opus and Opus' Director, People & Technical Capital and Strategy provides that, in the event of a "change of employment due to material change in the ownership of [Opus]", she would be entitled to a severance payment equal to six months' salary, and Opus will pay the cost of relocation from Wellington to Sydney.

13. Interests of directors and officers of Opus in contracts of WSP or related company

Except as set out in paragraph 13A.2 below, no Director, Senior Officer or any of their associates has an interest in any contract to which WSP, or any related company of WSP, is a party.

13A. Interests of Opus' substantial security holders in material contracts of WSP or related company

13A.1 Except as set out in paragraphs 13A.2 and 13A.3 below, no person who, to the knowledge of the Directors or the Senior Officers, holds or controls 5% or more of the Opus Shares has an interest in any material contract to which WSP, or any related company of WSP, is a party.

13A.2 UEM Edgenta Berhad is a major Shareholder through its wholly-owned subsidiary, Opus Group Berhad, which holds Opus Shares through its wholly-owned subsidiary Opus International (NZ) Limited. Opus International (NZ) Limited is a substantial product holder of Opus. UEM Edgenta Berhad has entered into a lock-up agreement with WSP Global Inc. dated 14 August 2017 whereby it has agreed to accept, or procure the acceptance of, the Offer in respect of its entire holding of 90,511,615 Opus Shares (comprising 61.2% of the Opus Shares) held through Opus International (NZ) Limited.

Under the lock-up agreement, UEM Edgenta Berhad's obligation to procure the acceptance of the Offer is conditional on UEM Edgenta Berhad receiving the approval of its shareholders by ordinary resolution at a general meeting convened for that purpose under the listing requirements for the Main Markets issued by the Bursa Malaysia Securities Berhad (the Malaysian Stock Exchange, on which UEM Edgenta Berhad is listed).

Subject to the Offer being made or caused to be made by WSP Global Inc. in accordance with the lock-up agreement, UEM Edgenta Berhad has agreed to accept, or procure the acceptance of, the Offer at the later of the business day after the Offer is sent to Shareholders and the business day after UEM Edgenta Berhad receives the approval of its shareholders as described above.

Pursuant to an irrevocable voting deed dated 14 August 2017, UEM Group Berhad, as UEM Edgenta Berhad's major shareholder, has irrevocably undertaken to vote all of its 69.14% shareholding in UEM Edgenta Berhad in favour of the resolution necessary or desirable to authorise UEM Edgenta Berhad to dispose of its entire equity interest in Opus when presented to a meeting of UEM Edgenta Berhad's shareholders.

Performance by UEM Group Berhad of its obligations under the irrevocable voting deed at a validly called and held meeting should result in the necessary resolutions being passed by UEM Edgenta Berhad's shareholders and, accordingly, to the satisfaction of its obligation under the lock-up agreement to procure the acceptance of the Offer. However, as it is a matter of Malaysian law and Malaysian stock exchange listing rules, Opus cannot comment as to the likelihood of the condition to the lock-up agreement being able to be satisfied.

If the Offer is declared unconditional and completes, the amount payable to UEM Edgenta Berhad by WSP under the Offer at $1.78 per Opus Share will be $161,110,674.70.

13A.3 Accident Compensation Corporation has entered into a lock-up agreement with WSP dated 13 September 2017 whereby it has agreed to accept the Offer in respect of Accident Compensation Corporation's entire holding of Opus Shares (currently 8,965,771 shares comprising 6.06% of the Opus Shares).

Subject to the Offer being varied by WSP to provide a total cash return of $1.92 per Opus Share (comprising dividends of $0.14 per Opus Share and $1.78 from WSP) in accordance with the lock-up agreement, Accident Compensation Corporation has agreed to accept the Offer no later than two business days after the date on which WSP releases the Variation Notice to NZX.

If the Offer is declared unconditional and completes, the amount payable to Accident Compensation Corporation by WSP under the Offer at $1.78 per Opus Share will be $15,959,072.38.

14. Additional information

In the opinion of the Directors, no additional information, within the knowledge of Opus, is required to make the information in the Offer Document correct or not misleading.

15. Recommendation

15.1. The Board of Directors of Opus has appointed a committee of Directors (the **Independent Sub-Committee**) to attend to all matters associated with the Offer. The Independent Sub-Committee comprises Keith Watson, Samuel Knowles and Alan Isaac (Independent Sub-Committee Chairman).

15.2. Dato' Azmir Merican, who is a Director of Opus, is the Managing Director / Chief Executive Officer of UEM Edgenta Berhad. Elakumari Kantilal, who is a Director of Opus, is a director of UEM Edgenta Berhad. Low Chee Yen, who is a Director of Opus, is the Head of Corporate Development, Planning and Strategy at UEM Edgenta Berhad. As representatives of UEM Edgenta Berhad, Dato' Azmir Merican, Elakumari Kantilal and Low Chee Yen have a potential conflict of interest in respect of the Offer and therefore are not members of the Independent Sub-Committee. For this reason they abstain from making any recommendation as to whether to accept or reject the Offer.

15.3. Director David Prentice, being the Chief Executive Officer of Opus, has a potential conflict of interest in respect of the Offer due to his employment by Opus. He is also a former director of Opus International (NZ) Limited, the company which holds UEM Edgenta Berhad's 90,511,615 Opus Shares. David Prentice formerly acted as the New Zealand resident director for Opus International (NZ) Limited but resigned on 7 September 2017. David Prentice is therefore not a member of the Independent Sub-Committee and abstains from making any recommendation as to whether to accept or reject the Offer.

15.4. The Independent Sub-Committee has carefully considered a full range of expert advice available to it (including the Independent Adviser's Report) and unanimously recommends that Shareholders accept the Offer for the reasons set out in the Chairman's Letter.

16. Actions of Opus

16.1. Except for the arrangements summarised in paragraphs 10 and 12, there are no material agreements or arrangements (whether legally enforceable or not) of Opus or any related company of Opus entered into as a consequence of, in response to, or in connection with, the Offer.

16.2. There are no negotiations underway as a consequence of, in response to, or in connection with, the Offer that relate to, or could result in:

16.2.1. an extraordinary transaction, such as a merger, amalgamation or reorganisation, involving Opus or any of its related companies;

16.2.2. the acquisition or disposition of material assets by Opus or any of its related companies;

16.2.3. an acquisition of equity securities by, or of, Opus or any related company of Opus; or

16.2.4. any material change in the issued equity securities of Opus, or the policy of the Board of Directors of Opus relating to distributions, of Opus.

17. Equity securities of Opus

17.1. Opus has 147,884,935 Opus Shares on issue. These are all fully paid. Subject to certain conditions in the constitution of Opus and the NZX Listing Rules, each Opus Share confers upon the holder the right to:

17.1.1. an equal share in dividends authorised by the Board of Directors of Opus;

17.1.2. an equal share in the distribution of surplus assets on liquidation of Opus;

17.1.3. participate in certain further issues of equity securities by Opus; and

17.1.4. cast one vote on a show of hands or the right to cast one vote per share on a poll, at a meeting of Shareholders on any resolution, including a resolution to:

17.1.4.1. appoint or remove a director or auditor;

17.1.4.2. alter Opus' constitution;

17.1.4.3. approve a major transaction by Opus;

17.1.4.4. approve an amalgamation involving Opus (other than an amalgamation of a wholly owned subsidiary); and

17.1.4.5. put Opus into liquidation.

18. Financial information

18.1. Each person to whom the Offer is made is entitled to obtain from Opus a copy of Opus' most recent annual report (being the annual report for the year ended 31 December 2016) by making a written request to:

The Company Secretary
Opus International Consultants Limited
PO Box 12343
9th Floor, Majestic Centre
100 Willis Street
Wellington 6011
New Zealand

18.2. A copy of the annual report is also available on Opus' website at www.opus.co.nz.

18.3. A copy of Opus' most recent half-yearly report since its annual report for the year ended 31 December 2016 (being the half-yearly report for the six months ended 30 June 2017) is included as Appendix 1.

18.4. There have been the following material changes in the financial or trading position, or prospects, of Opus since its 31 December 2016 annual report:

18.4.1. On 14 August 2017, Opus announced its financial results for the six months ended 30 June 2017, which includes the unaudited financial statements for that period and includes the following material changes in the financial and trading position and prospects of Opus (figures presented are NZD$m):

18.4.1.1. Adjusted net profit after taxation was $6.2m, up $5.3m compared to the previous comparative six month period to 30 June 2016. Adjusted net profit after taxation is a measure used by Opus to assist Opus and investors in assessing Opus' key financial indicators. It has been calculated as net surplus / (deficit) after taxation as adjusted for the $24m impairment in the six month period ending 30 June 2016. Further information relating to this impairment can be found at note 9 of Opus' annual report for the year ended 31 December 2016;

18.4.1.2. Operating revenue was $226.8m which fell 4.2% compared to the previous comparative six month period to 30 June 2016, but which was flat on a constant currency basis;

18.4.1.3. Operating EBIT for the six months ended 30 June 2017 rose $8.9m to $11.4m delivering an Operating EBIT margin (being Operating EBIT as a percentage of total revenue) for that period of 5.0%;

18.4.1.4. Cashflow from operations for the six months ended 30 June 2017 was $18.2m, the highest half-year result since Opus listed on NZX Main Board in 2007;

18.4.1.5. Basic and diluted Earnings/(losses) per share for the six months to 30 June 2017 was 4 cents compared to 16 cents loss for the six months to 30 June 2016;

18.4.1.6. New Zealand operating EBIT margin for the six months ended 30 June 2017 was 13.1% or $18.5m, driven principally by activity in the transportation sector. Opus is continuing to provide services to the North Canterbury Transportation Recovery alliance which is tasked with managing the rebuild of the upper South Island after the November 2016 Kaikoura earthquake. The project is planned to be substantially complete by December 2017;

18.4.1.7. Market conditions in Australia continue to be difficult and the business unit reported $21m operating revenue and an operating EBIT loss of $2.2m for the six months ended 30 June 2017. The Australian business will continue to be restructured and refocused on what Opus sees as the key growth sectors of Water, Transportation and Building Asset Management; and

18.4.1.8. The UK business for the six months ended 30 June 2017 had a $0.1m Operating EBIT loss. Operating revenue of $27.3m was down $7.8m on the six months ended 30 June 2016.

18.4.2. Opus sold a property in Whangarei for $932,000 (excluding GST), and entered a 5 year lease agreement with the purchaser for continued use of the laboratory with effect from settlement of the sale (which occurred on 1 September 2017).

18.4.3. The following information about the assets, liabilities, profitability and financial affairs of Opus could reasonably be expected to be material to the making of a decision by Shareholders to accept or reject the Offer:

18.4.4. The UK Hertfordshire County Council is a key client and is party to a material contract to Opus' operations in the UK in relation to road network management. The contract was secured by Opus with JV partner Arup in June 2012 with an initial seven year term to 2019. It is currently one of Opus' largest contracts. The UK Hertfordshire County Council has an option until 31 March 2018 to extend the contract for a further term or terms of up to five years, not to extend beyond 2024.

The retention of the contract is important for Opus' UK operations, equating to approximately 36% (approximately £11.5m) of total UK revenue in 2016.

18.4.5. A change of control of Opus will cause the imputation credit accounts of Opus to be reset to zero.

18.4.6. A change of control of Opus without the prior consent of Opus' banking syndicate will result in an event of review under Opus' bank facility agreement. On and at any time after an event of review, Opus' banking syndicate may require that the parties enter into negotiations with a view to agreeing terms on which the facilities may continue to be made available. If there is no agreement within 60 days, the banking syndicate may take various actions, including requiring repayment of the facilities in full.

18.5. Other than as set out elsewhere in this Target Company Statement, or as contained in the Independent Adviser's Report:

18.5.1. there have been no known material changes in the financial or trading position, or prospects, of Opus since the 31 December 2016 annual report; and

18.5.2. there is no other information about the assets, liabilities, profitability and financial affairs of Opus that could reasonably be expected to be material to the making of a decision by Shareholders to accept or reject the Offer.

19. Independent advice on merits of Offer

KordaMentha is the independent adviser who has provided a report under Rule 21 of the Takeovers Code (the **Independent Adviser's Report**). A copy of the Independent Adviser's Report is attached to this Target Company Statement at Appendix 2.

20. Asset valuations

No information provided in this Target Company Statement refers to a valuation of any asset of Opus.

21. Prospective financial information

21.1. The Independent Adviser's Report contains prospective financial information in relation to Opus. The principal assumptions on which the prospective financial information is based are set out in the Independent Adviser's Report.

21.2. Other than the prospective financial information referred to in paragraph 21.1 above, this Target Company Statement does not refer to any other prospective financial information about Opus.

22. Sales of unquoted equity securities under Offer

There are no unquoted equity securities that are subject of the Offer.

23. Market prices for quoted equity securities under Offer

23.1. The Opus Shares are quoted on NZX Main Board.

23.2. The closing price on NZX Main Board of Opus Shares on:

23.2.1. 11 September 2017, being the latest practicable working day before the date on which this Target Company Statement is sent to Shareholders, was NZ$1.76 on NZX Main Board; and

23.2.2. 11 August 2017, being the last day on which NZX was open for business before the date on which Opus received WSP's Takeover Notice, was NZ$0.99 on NZX Main Board.

23.3. The highest and lowest closing market prices of Opus Shares on NZX Main Board (and the relevant dates) during the six months before the Notice Date, were as follows:

23.3.1. the highest closing market price was NZ$1.05 on NZX Main Board (on 17 February 2017); and

23.3.2. the lowest closing market price was NZ$0.95 on NZX Main Board (on 5 April 2017, 4 April 2017, 3 April 2017, 28 March 2017, 27 March 2017 and 24 March 2017).

23.4. During the six month period before the Notice Date, Opus did not issue any equity securities or make any changes to any equity securities on issue which could have affected the market prices of Opus Shares referred to above.

24. Other information

24.1. The following information is considered by the Independent Sub-Committee to be information that could reasonably be expected to be material to the making of a decision by the Shareholders of Opus as to whether to accept or reject the Offer, and the timing of the giving of any acceptance:

24.1.1. the terms of the Offer permit Opus to pay a dividend of up to $0.07 per Opus Share prior to the closing of the Offer, without adjustment to the Offer price. In accordance with the Variation Notice, WSP has agreed to allow an additional dividend of $0.07 per Opus Share for a total permitted dividend of $0.14 per Opus Share;

24.1.2. if you are not a Shareholder on the Record Date but accept the Offer you will only receive $1.78 per Opus Share;

24.1.3. the terms of the Offer state that, once given, acceptances may not be withdrawn unless WSP fails to pay acceptors in accordance with the Takeovers Code;

24.1.4. if WSP increases the Offer price payable by it, WSP must provide the increased price to all Shareholders whose Opus Shares are acquired under the Offer, whether or not the Shareholder accepted the Offer before or after the price was increased; and

24.1.5. payment for Opus Shares in respect of which the Offer is accepted will only be made by WSP within seven days **of the later of** the date on which the relevant acceptance is received by WSP, the date on which the Offer becomes unconditional, or 27 November 2017. Early acceptance of the Offer will therefore not result in payment being made any earlier than the later date described above.

25. Approval of this Target Company Statement

25.1. The contents of this Target Company Statement have been approved by the Independent Sub-Committee, which has been delegated with authority by the Directors of Opus to do so.

25.2. As disclosed in paragraph 15, the other Directors (David Prentice, Dato' Azmir Merican, Elakumari Kantilal and Low Chee Yen) are not members of the Independent Sub-Committee because each of them has a potential conflict of interest in respect of the Offer. As a result, they have not approved this Target Company Statement.[2]

26. Interpretation

26.1. In this Target Company Statement:

Directors means the directors of Opus;

Independent Adviser's Report means the independent adviser's report provided by KordaMentha under Rule 21 of the Takeovers Code and set out at Appendix 2 to this Target Company Statement;

Independent Sub-Committee has the meaning given to it in paragraph 15 of this Target Company Statement;

Notice Date means 14 August 2017;

NZ$ or $ means New Zealand dollars;

NZX Main Board means the main board equity securities exchange operated by NZX;

NZX means NZX Limited;

Offer means the full takeover offer by WSP to purchase all of the Opus Shares for a purchase price of $1.78 per Opus Share, payable in cash;

Offer Document means the offer document dated 30 August 2017;

Opus or the **Company** means Opus International Consultants Limited;

Opus Shares means the ordinary shares in Opus;

Record Date means 28 September 2017;

Shareholders means the holders of Opus Shares which are the subject of the Offer by WSP;

Takeovers Act means the Takeovers Act 1993;

Takeovers Code means the Takeovers Code approved by the Takeovers Code Approval Order 2000 (as amended);

[2] David Prentice has signed this Target Company Statement in his capacity as Chief Executive Officer of Opus, as required by the Takeovers Code.

Takeover Notice means the notice pursuant to rule 41 of the Takeovers Code given to Opus by WSP on the Notice Date;

Variation Notice means the notice of variation of the Offer dated 13 September 2017; and

WSP means WSP NZ Acquisition Limited.

26.2. Words and expressions defined in the Takeovers Act or the Takeovers Code and not otherwise defined in this Target Company Statement have the same meaning when used in this Target Company Statement.

27. Certificate

To the best of our knowledge and belief, after making proper enquiry, the information contained in or accompanying this statement is, in all material respects, true and correct and not misleading, whether by omission of any information or otherwise, and includes all the information required to be disclosed by Opus under the Takeovers Code.

SIGNATURES

Alan Raymond Isaac
Director

Ian Samuel Knowles
Director

David Prentice
Chief Executive Officer

Gordon Davidson
Chief Financial Officer

Schedule 1: Ownership of Opus Shares by Directors and Senior Officers (paragraph 5.1)

Name	Description	Number of Opus Shares held or controlled	Percentage of total Opus Shares
Robert Keith Watson	Director	40,000[1]	0.03%
Alan Raymond Isaac	Director	55,000[2]	0.04%
Ian Samuel Knowles	Director	110,000	0.07%
Low Chee Yen[3]	Director	90,511,615	61.20%
Elakumari Kantilal[3]	Director	90,511,615	61.20%
Dato' Azmir Merican[3]	Director	90,511,615	61.20%
David Prentice	Director and Senior Officer	368,669	0.25%
Gordon Davidson	Senior Officer	22,820	0.02%
Alison Swan	Senior Officer	350,663	0.24%
Peter Mathewson	Senior Officer	343,771	0.23%

Notes:

1. The 40,000 Opus Shares controlled by Keith Watson are held through Working Assets Limited, a company of which Keith Watson is the sole director.
2. 5,000 Opus Shares are held by Mary Isaac, who is Alan Isaac's wife. 50,000 Opus Shares are held by a trust of which Alan Isaac is a trustee and beneficiary.
3. The Opus Shares are held by Opus International (NZ) Limited, a wholly-owned subsidiary of Opus Group Berhad, which is a wholly-owned subsidiary of UEM Edgenta Berhad. Dato' Azmir Merican, Elakumari Kantilal and Low Chee Yen are associated with UEM Edgenta Berhad but have no direct or indirect beneficial interest in Opus Shares in their personal capacity.This information is taken from responses to questionnaires circulated to the above Directors and Senior Officers by Opus after receipt of WSP's Takeover Notice.
4. Percentages have been rounded to two decimal places.

Schedule 2: Holders or controllers of more than 5% of Opus Shares (paragraph 5.2)

Name	Description	Number of Opus Shares held or controlled	Percentage of total Opus Shares
Opus International (NZ) Limited	Holder or controller of more than 5% of the Opus Shares	90,511,615	61.20%
Blair Cooper[1]	Holder or controller of more than 5% of the Opus Shares	9,019,271	6.11%
Blair Tallott[1]	Holder or controller of more than 5% of the Opus Shares	8,994,701	6.10%
Paul Robertshawe[1]	Holder or controller of more than 5% of the Opus Shares	9,035,771	6.11%
Accident Compensation Corporation[1]	Holder or controller of more than 5% of the Opus Shares	8,965,771	6.06%

Notes:

1. Paul Robertshawe, Blair Cooper and Blair Tallott are portfolio managers for the Accident Compensation Corporation. The disclosures made in respect of them include any holdings they own in their own right together with the shares held by the Accident Compensation Corporation over which they have control. The information relating to each of them was provided by or on behalf of them in response to questionnaires circulated by Opus after receipt of WSP's Takeover Notice.
2. This information is based on information known to Opus at 11 September 2017 (being the latest practicable date before the publication of this Target Company Statement).
3. Percentages have been rounded to two decimal places.

Schedule 3: Issues of Opus Shares to Directors or Senior Officers during the previous two years (paragraph 5.4)

Name	Description	Number of Opus Shares	Issue price per Opus Share	Date of issue
Gordon Davidson	Part satisfaction of a performance entitlement under terms of employment[1]	9,183	$1.33	10 May 2016

Notes:

1. By virtue of being issued the Opus Shares, Gordon Davidson also obtained a beneficial interest in the 9,183 Opus Shares issued to him on 10 May 2016. These Opus Shares were issued in part satisfaction of a performance entitlement so are also considered by Opus to be issued in connection with a remuneration arrangement between him and Opus.
2. This information is taken from responses to questionnaires circulated to the above Directors and Officers by Opus after receipt of WSP's Takeover Notice.
3. Percentages have been rounded to two decimal places.

Schedule 4: Trading in Opus Shares during the previous six months (paragraph 6)

Acquisitions or disposals of Opus Shares during the previous six months by persons holding 5% or more of the Opus Shares

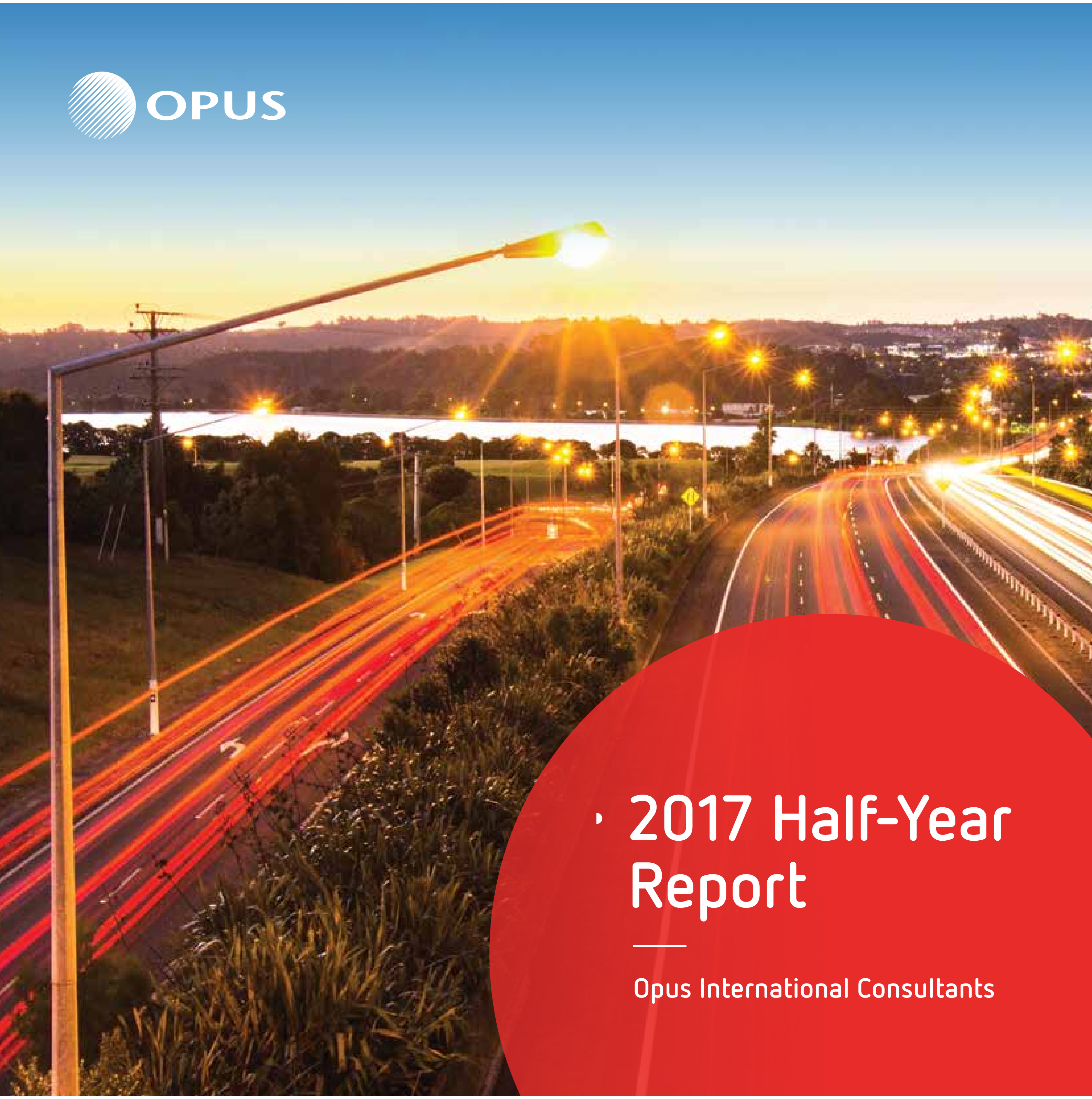
Acquisition or disposal	Number of Opus Shares	Date	Consideration per Opus Share
Accident Compensation Corporation			
Disposal	8,441	10 March 2017	$1.00
Disposal	46,559	Week commencing 24 April 2017	Weighted average consideration per Opus Share of $1.00
Disposal	60,000	25 May 2017	$1.00
Disposal	50,000	13 June 2017	$1.00
Disposal	30,000	7 July 2017	$1.00
Disposal	15,000	11 July 2017	$1.00
Acquisition	695,771	Week commencing 14 August 2017	Weighted average consideration per Opus Share of $1.70
Paul Robertshawe			
Acquisition	30,000	6 April 2017	$0.97
Acquisition	3,900	30 May 2017	$1.01
Acquisition	16,100	6 June 2017	$1.01

Notes:

1. This information is based on information known to Opus at 11 September 2017 (being the latest practicable date before the publication of this Target Company Statement).
2. The information relating to Accident Compensation Corporation and Paul Robertshawe was provided by or on behalf of them in response to questionnaires circulated by Opus after receipt of WSP's Takeover Notice.
3. Prices have been rounded to two decimal places.
4. In the case of multiple acquisitions or disposals in any given week, the total number of securities, and the weighted average consideration per security, acquired or disposed of in that week have been provided.

Appendix 1

2017 Opus Half-Year Report



2017 Half-Year Report

Opus International Consultants

Highlights

OPERATING EBIT

$11.4M

UP $8.9M

ADJUSTED NPAT

$6.2M

UP $5.3M

OPERATING REVENUE

$226.8M

DOWN 4.2%

Overview

Half-year results show Opus' performance is continuing to improve. The results are linked tightly to intensive efforts to implement the new strategy as well as flow-on effects from increased global infrastructure spending.

Net profit after tax (adjusted) was $6.2m, up from $0.9m in the first half-year of 2016, and operating EBIT was $11.4m, up from $2.5m. Group revenue was $226.8m, down 4.2 percent on the first half-year of 2016 but was flat on a constant currency basis. Cash flow from operations, at $18.2m, was the highest half-year result since Opus became a listed company.

A buoyant transport sector underpinned our half-year results, and the New Zealand business continues a strong performance delivering $140.6m in revenue and $18.5m in operating EBIT.

Opus has a solid future pipeline of large-scale projects with prestigious clients. Over the rest of 2017, Opus is forging ahead on new projects, including on the Northern Corridor Improvements Project in Auckland for the NZ Transport Agency, continued work in Kaikoura to restore transport links, asset management for the Hertfordshire Country Council, a new contract for water services in Comox Valley, Canada, and work on phase 2 of a project for the New Zealand Department of Corrections to increase the capacity of their prisons – to name just a few.

Margaret Mahy Family Playground

A buoyant transport sector underpinned our half-year results.

Business in North America is looking stronger, with a record future pipeline for the water sector. It reported $33.6m revenue and, while there was an operating EBIT loss of $0.6m, this was a $5.9m improvement on the prior year period, reflecting management actions to improve operating efficiencies and drive growth in Opus' three global market sectors.

Market conditions in Australia continue to be challenging, with $21.0m revenue and an operating EBIT loss of $2.2m. Further important changes have been made to the local business to improve efficiencies and productivity with operating costs falling 7.9 percent. Ian Blair was recruited as the Managing Director of Australia and New Zealand. He is an experienced financial services leader with a record of delivering strong results across international markets and segments.

Opus' cash position supports a fully imputed interim dividend, however, in view of the latest announcement of a takeover offer, the Directors have deferred declaring an interim dividend. This will enable them to take advice on the offer and the appropriate level of interim dividend to be declared.

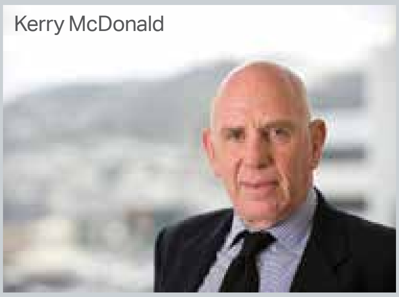
Change of Chairman

Keith Watson, Chair

Keith's appointment took effect on 1 August 2017. He has been on the Opus board for eight years, chairing the Risk and Health and Safety Committee. He was previously a senior executive of Hewlett Packard in North America and Asia, including Managing Director of Hewlett Packard New Zealand.

Kerry McDonald retires

Kerry McDonald retired from the Board on 31 July 2017. He made a significant contribution to Opus as Board Chair over the past nine years, steering the company through difficult market conditions and helping embed the new strategic plan. His leadership, support and wise counsel have been invaluable, and we wish him well.



Health & safety

Putting people at the centre of what we do

Our strategy ensures that people are at the heart of everything we do and, as part of that, health and safety remains of paramount importance. Our health, safety and wellness policies are the most tangible and demonstrable manifestation of our focus on people. Over the past few years, we have made significant progress in implementing these policies and embedding a robust and positive health and safety culture into the business. We focus more on what our people do right, not just what they do wrong, with Safe Behaviour Observations (SBOs) a good example of this.

SBOs are up **100%** on last year, reflecting a culture that recognises and seeks positive action as well as addressing non-compliance. Our rolling Lost Time Injury Frequency Rate (LTIFR) has **halved** to 0.4 (from 0.8 in the first half of 2016), and our Total Recordable Injury Frequency Rate (TRIFR) is consistent with the statistics for 2016, at **3.1** injuries per million hours worked.

Sectors

Water

According to OECD estimates, US$1.3 trillion must be invested in replacing and maintaining water infrastructure in developed countries and emerging markets each year. [1] This presents an enormous opportunity for infrastructure companies with global expertise in water services.

Our business in North America is stronger, with a record future pipeline in the water sector and a significant acceleration of activity prompted by the Canadian Government's Grant Funding Programme. In New Zealand, Opus recently won a position on Christchurch City Council's Three Waters Hybrid Delivery Panel and in Auckland on the Professional Services Panel with Watercare, which, along with our work on Wellington Water's Panel, puts us on three major water panels in New Zealand.

The outlook is positive, with Three Waters planning to spend $20b over the next nine years on 1,200 projects[2] and a substantial capital programme of activity of $4b over the next 10 years by Watercare in Auckland to provide the necessary water related infrastructure to support the forecast 195,000 additional dwellings. In the UK, the government and private entities are forecast to invest £19.7b [3] in water and wastewater over the next five years.

Transportation

Transport accounts for 30 percent of all global infrastructure spending. This figure is projected to grow by around 6 percent per year between now and 2025. [4]

New Zealand's buoyant transport sector presents a raft of opportunities, particularly in Auckland where there is increased infrastructure investment. Our pipeline for 2017 and beyond includes collaboration with a consortium of companies to deliver the set-up phase of the Northern Corridor Improvements Project in Auckland for the NZ Transport Agency; and we will continue working to support the Kaikoura community and restore its transport links, especially State Highway 1.

A growing number of new transport projects on the east coast of Australia also continue to provide opportunities for Opus, and we are well placed to maximise these by continuing to build our brand and capability locally. Rail investment in Canada and the UK is also increasing with LRT projects in Alberta continuing to provide local opportunities for our Canadian team, and we are well placed to bid on new road network management opportunities in the US.

Buildings

Sustainability is increasingly becoming an important feature of new builds. Market analysis has shown that the green building market is anticipated to grow at a compound annual growth rate of 13 percent between 2015 and 2020.[5] Opus is uniquely poised to capitalise on this growing interest through its investment in technology, Building Information Modelling (BIM), seismic sensing, modular construction, cross-laminated timber buildings and renewable energy.

Asset management accounts for about 50 percent of Opus' building sector revenues globally. We are heavily investing in this area with additional people and technology as the margins are typically higher, the contracts are longer term and we can build enduring relationships with clients. We recently won the four-year extension to the Hampshire County Council's Property Services Framework to deliver structural inspections and engineering design for minor capital projects. We also won a major asset management contract with Curtin University in Perth.

Opus' global market sector strategy for buildings focuses on healthcare, education and defence. These are the major areas of growth in New Zealand, UK and Australia due to population growth, increased urbanisation and greater emphasis on national security. We have won significant contracts with University of Queensland, Massey University, Department of Corrections (Mt Eden) and Victoria University, Wellington for building design and project management. By the end of August 2017, Opus will be granted official accreditation by the Building Research Establishment (BRE) for Level 2 BIM in New Zealand, giving it a decided edge over its competitors. In the UK, Opus also has Level 2 BIM accreditation, allowing it to prequalify for the shortlists of central government projects.

1 OECD, Infrastructure to 2030: Telecom, Land Transport, Water and Electricity.

2 See NZ Treasury's Infrastructure Evidence Base: Ten-year Capital Intentions Plan 2016, p12.

3 See the UK Government's National Infrastructure Delivery Plan 2016-2021.

4 PWC, Capital Project and Infrastructure Spending: Outlook to 2025.

5 RNCOS, Global Green Building Market Outlook 2020.

Outlook

Our strategy is driving Opus' improved financial performance during a period of challenging operating conditions. In a competitive global market, focusing on the three market sectors has enabled us to leverage our expertise for clients no matter where they are.

We have become more agile and effective, and continue to leverage our human-centred design capability and innovation, while developing stronger alliances.

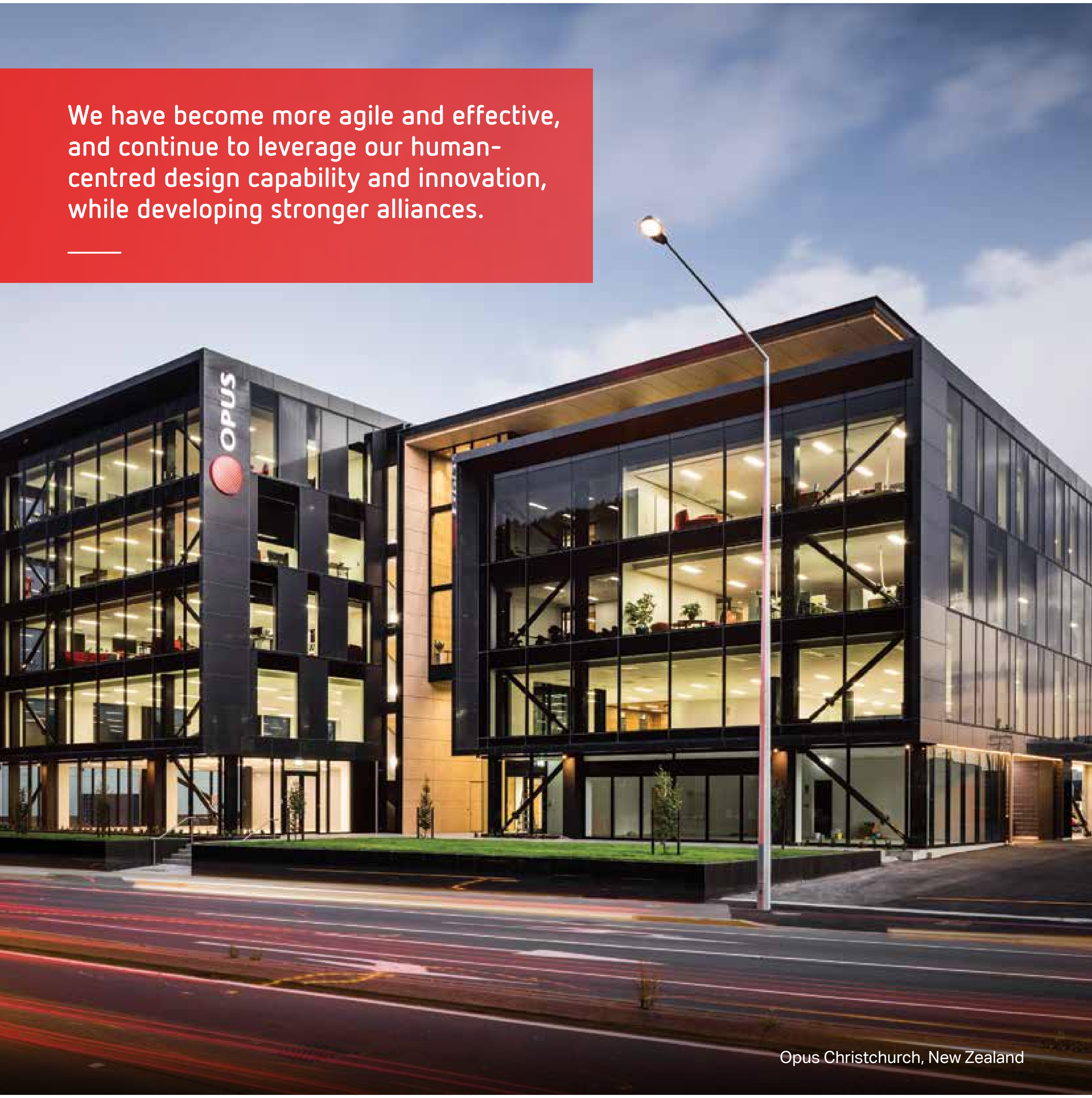
The new strategy will continue to roll out over 2017, bringing important change to the way we do business. It will position Opus as more client-centric, innovative and competitive – necessary strengths in fast-changing market conditions.

The global infrastructure outlook remains positive with governments in New Zealand, Australia, UK and North America allocating additional expenditure to infrastructure.

Our focus on embedding environmental principles in design, our expertise in asset management and our long history of innovation put us in a strategic position to capitalise on these new opportunities.




We have become more agile and effective, and continue to leverage our human-centred design capability and innovation, while developing stronger alliances.



Opus Christchurch, New Zealand

Financials

Interim financial statements
30 June 2017

Contents

Consolidated income statement

For the period ended 30 June 2017 (unaudited)

	Note	(Unaudited) Six Months Ended 30 June 2017 $000	(Unaudited) Six Months Ended 30 June 2016 $000	(Audited) Year Ended 31 December 2016 $000
Operating revenue		226,800	236,791	470,920
Operating expenses	1	(210,853)	(229,044)	(442,891)
Operating surplus		**15,947**	**7,747**	**28,029**
Equity accounted share of surplus of joint ventures		362	73	232
EBITDA		**16,309**	**7,820**	**28,261**
Depreciation and amortisation		(4,875)	(5,289)	(10,569)
Operating EBIT	2	**11,434**	**2,531**	**17,692**
Impairment	5,6	-	(23,973)	(37,563)
EBIT		**11,434**	**(21,442)**	**(19,871)**
Interest revenue		647	955	2,013
Interest expense		(1,095)	(1,696)	(3,351)
Operating surplus / (deficit) before tax		**10,986**	**(22,183)**	**(21,209)**
Less tax expense	3	(4,793)	(873)	(8,660)
Net surplus / (deficit) after tax		**6,193**	**(23,056)**	**(29,869)**
Earnings / (losses) per share (cents)				
Basic and diluted earnings / (losses) per share		0.04	(0.16)	(0.20)

The accompanying Notes on pages 15 to 22 form part of and should be read in conjunction with this statement.

Consolidated statement of comprehensive income

For the period ended 30 June 2017 (unaudited)

	(Unaudited) Six Months Ended 30 June 2017	(Unaudited) Six Months Ended 30 June 2016	(Audited) Year Ended 31 December 2016
	$000	$000	$000
Net surplus / (deficit) after tax for the period	6,193	(23,056)	(29,869)
Other comprehensive income that will never be reclassified to profit or loss:			
Actuarial loss on defined benefit plan	-	-	(1,691)
Income tax benefit relating to items that will never be reclassified to profit or loss	-	-	338
	-	-	(1,353)
Items that may be reclassified to profit or loss:			
Exchange (loss) / gain on translation of international subsidiaries	(2,392)	1,441	(4,307)
Income tax effect of translation of international subsidiaries	233	(501)	(236)
Net gain / (loss) on hedge of net investment	2,473	(1,123)	3,823
Income tax effect of hedge of net investment	(703)	317	(1,070)
	(389)	134	(1,790)
Other comprehensive income for the period, net of tax	**(389)**	**134**	**(3,143)**
Total comprehensive income for the period	**5,804**	**(22,922)**	**(33,012)**

The accompanying Notes on pages 15 to 22 form part of and should be read in conjunction with this statement.

Consolidated statement of changes in equity

For the period ended 30 June 2017 (unaudited)

	Note	Ordinary shares	Employee benefits	Foreign currency translation reserve	Retained earnings	Total equity
		$000	$000	$000	$000	$000
At 1 January 2016		**55,561**	**451**	**2,363**	**92,575**	**150,950**
Other comprehensive income, net of tax		-	-	134	-	134
Net deficit for the period		-	-	-	(23,056)	(23,056)
Total comprehensive income for the period		**-**	**-**	**134**	**(23,056)**	**(22,922)**
Equity transactions:						
Shares issued (net of transaction costs)		12	-	-	-	12
Dividends paid	4	-	-	-	(7,287)	(7,287)
Tax credits on supplementary dividends		-	-	-	42	42
At 30 June 2016		**55,573**	**451**	**2,497**	**62,274**	**120,795**
At 1 January 2017		**55,573**	**(902)**	**573**	**52,503**	**107,747**
Other comprehensive income, net of tax		-	-	(389)	-	(389)
Net surplus for the period		-	-	-	6,193	6,193
Total comprehensive income for the period		-	-	**(389)**	**6,193**	**5,804**
Equity transactions:						
Dividends paid	4	-	-	-	(2,973)	(2,973)
Tax credits on supplementary dividends		-	-	-	15	15
At 30 June 2017		**55,573**	**(902)**	**184**	**55,738**	**110,593**

The accompanying Notes on pages 15 to 22 form part of and should be read in conjunction with this statement.

Consolidated statement of financial position

As at 30 June 2017 (unaudited)

	Note	(Unaudited) 30 June 2017 $000	(Unaudited) 30 June 2016 $000	(Audited) 31 December 2016 $000
Non-current assets				
Property, plant and equipment		26,364	30,367	28,202
Investments in joint ventures	6	554	182	767
Goodwill	5	47,400	64,946	48,697
Other intangible assets		2,552	3,421	3,323
Defined benefit pension		-	260	-
Deferred tax		12,780	14,343	12,840
Derivative financial instruments		390	-	-
Total non-current assets		90,040	113,519	93,829
Current assets				
Cash and cash equivalents		45,665	63,644	39,650
Receivables and prepayments		68,578	60,368	76,380
Loans to joint ventures	7	2,981	6,303	3,182
Work in progress		46,069	54,222	42,879
Tax receivable		942	1,927	1,165
Derivative financial instruments		611	3,377	157
Total current assets		164,846	189,841	163,413
Total assets		**254,886**	**303,360**	**257,242**
Non-current liabilities				
Provisions for employee entitlements		5,050	5,732	5,161
Defined benefit pension		1,165	-	1,342
Long term bank borrowings		50,900	91,926	54,382
Finance leases		1,873	2,553	2,323
Deferred tax		476	7	501
Derivative financial instruments		77	104	535
Total non-current liabilities		59,541	100,322	64,244

The accompanying Notes on pages 15 to 22 form part of and should be read in conjunction with this statement.

Current liabilities				
Short term bank borrowings		5,155	12,402	9,578
Finance leases		1,804	2,071	1,809
Creditors, accruals and provisions		32,556	23,048	32,071
Tax payable		2,014	86	3,605
Revenue in advance		19,035	21,111	18,219
Provisions for employee entitlements		23,901	23,096	19,517
Derivative financial instruments		287	429	452
Total current liabilities		84,752	82,243	85,251
Total liabilities		**144,293**	**182,565**	**149,495**
Net assets		**110,593**	**120,795**	**107,747**
Equity				
Ordinary share capital	4	55,573	55,573	55,573
Employee benefits		(902)	451	(902)
Retained earnings		55,738	62,274	52,503
Foreign currency translation reserve		184	2,497	573
Total equity		**110,593**	**120,795**	**107,747**

For and on behalf of the Board, who authorised the issue of these interim financial statements on 14 August 2017.

Chairman

Managing Director

The accompanying Notes on pages 15 to 22 form part of and should be read in conjunction with this statement.

Consolidated statement of cash flows

For the period ended 30 June 2017 (unaudited)

	Note	(Unaudited) Six Months Ended 30 June 2017 $000	(Unaudited) Six Months Ended 30 June 2016 $000	(Audited) Year Ended 31 December 2016 $000
Cash flows from operating activities				
Receipts from customers		222,955	231,829	452,255
Interest received		597	1,067	2,227
Payments to suppliers and employees		(197,699)	(224,733)	(428,240)
Interest paid		(1,039)	(1,587)	(3,455)
Tax paid		(6,647)	(5,745)	(8,387)
Net cash flows from operating activities	8	**18,167**	**831**	**14,400**
Cash flows from investing activities				
Sale of property, plant and equipment		63	22	138
Purchase of property, plant and equipment and intangible assets		(2,002)	(4,096)	(6,901)
Distributions from joint ventures		575	158	1,109
Repayment from joint ventures		131	606	533
Realised (losses) / gains from forward contracts		(122)	453	4,556
Net cash flows from investing activities		**(1,355)**	**(2,857)**	**(565)**
Cash flows from financing activities				
Dividends paid	4	(2,973)	(7,287)	(10,260)
Repayment of finance lease obligations		(951)	(1,249)	(2,461)
Repayment of borrowings		(4,449)	(5,200)	(41,212)
Drawdown of long term borrowings		2,146	7,053	9,699
Net cash flows from financing activities		**(6,227)**	**(6,683)**	**(44,234)**
Net increase / (decrease) in cash held		**10,585**	**(8,709)**	**(30,399)**
Foreign exchange adjustment		(147)	154	674
Cash and cash equivalents at beginning of the period		30,072	59,797	59,797
Cash and cash equivalents at the end of the period		**40,510**	**51,242**	**30,072**
Comprising:				
Cash at bank		45,665	63,644	39,650
Short term bank borrowings		(5,155)	(12,402)	(9,578)
		40,510	**51,242**	**30,072**

The accompanying Notes on pages 15 to 22 form part of and should be read in conjunction with this statement.

Notes to the interim financial statements
(unaudited)

Presentation and accounting policies

The interim financial statements of Opus International Consultants Limited (the "Company") together with its subsidiaries (the "Group") have been prepared in accordance with New Zealand equivalent to International Accounting Standard ("NZ IAS") 34 "Interim Financial Reporting", issued by the External Reporting Board.

The Company is an FMC Reporting Entity for the purposes of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

The functional and presentational currency of Opus International Consultants Limited is the New Zealand Dollar and the financial statements are expressed in New Zealand Dollars.

The interim financial statements of the Group for the six months ended 30 June 2017 have been prepared using the same accounting policies and methods of computation as, and should be read in conjunction with, the financial statements and related notes included in the Group's Annual Report for the year ended 31 December 2016.

There are a number of amendments to accounting standards planned as part of the ongoing improvement process, none of these changes are expected to significantly impact on the Group.

Certain items from 2016 have been reclassified between categories where appropriate to provide more meaningful comparative information.

Significant accounting judgements, estimates and assumptions

The same methodology or approach to deriving significant judgements, estimates and assumptions included in the notes to the Financial Statements in the Group's Annual Report for the year ended 31 December 2016 have been applied to these Interim Financial Statements.

1. Operating expenses

	(Unaudited) Six Months Ended 30 June 2017	(Unaudited) Six Months Ended 30 June 2016	(Audited) Year Ended 31 December 2016
Included in operating expenses are the following items:	$000	$000	$000
Employee remuneration	133,931	139,977	275,842
Severances	472	1,241	2,452
Consultant and sub-contractor	21,307	31,318	54,461
Project materials and services	14,733	10,875	22,479
Premise lease and rental costs	11,420	12,390	23,778
Premise facilities and utilities	2,183	2,220	4,722
(Release) / Recognition of property leases provision for surplus space	(634)	183	2,825
Travel	6,551	8,783	16,338
Training and other employee	3,841	3,994	6,605
Communication and office administration	4,618	5,789	9,900
Information technology	3,596	3,260	6,021
Insurance	1,499	1,517	2,736
Advertising and promotion	693	1,176	1,815
Group auditors – audit fees	274	272	548
Group auditors – other assurance services	10	-	27
Directors' fees	193	189	353
Directors' other	42	43	107
Legal and other consultants' fees	1,971	2,614	4,157
Bad debts	572	148	439
Change in provision for doubtful debts and loans	580	217	2,002
Loss / (gain) on foreign exchange transactions	147	(95)	(215)
Gain on sale of property, plant and equipment	(8)	(40)	(69)
Fair value (gain) / loss	(29)	79	97
Other operating expenses	2,891	2,894	5,471
Total Operating Expenses	**210,853**	**229,044**	**442,891**

2. Segmental reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker (Executive Leadership team). Management allocates resources and assesses the operating performance of the three geographical segments with unallocated corporate costs being included within Other. The Group measures and evaluates the reporting segments based on operating earnings before interest and tax ("Operating EBIT").

Management has merged the operations and leadership for Australia and New Zealand as part of the global restructure at the end of 2016, effective 1 January 2017. During 2017, a Managing Director for Australia and New Zealand was appointed and as such management views both countries as one management segment.

The Group is transitioning from geographical segments to key growth sectors: Water, Buildings and Transportation.

Geographic segment information

For the six months ended 30 June 2017 (unaudited)

	Australia and New Zealand	United Kingdom	North America	Other*	Total
	$000	$000	$000	$000	$000
Operating revenue:					
External customers	161,600	27,271	33,599	4,330	**226,800**
Intersegment revenue	258	260	542	(1,060)	**-**
Segment result (Operating EBIT)	16,313	(140)	(618)	(4,121)	**11,434**
Segment total assets	105,479	37,577	54,486	57,344	**254,886**

*includes unallocated corporate costs, inter-company eliminations, consolidation entries and Opus Research. Opus Research was previously included in the Australia and New Zealand management segment.

For the six months ended 30 June 2016 (unaudited)

	Australia and New Zealand	United Kingdom	North America	Other*	Total
	$000	$000	$000	$000	$000
Operating revenue:					
External customers	163,840	35,101	37,127	672	**236,740**
Intersegment revenue	292	186	676	(1,154)	-
Government grants	51	-	-	-	**51**
Segment result (Operating EBIT)	13,245	1,260	(6,521)	(5,453)	**2,531**
Segment total assets	106,662	43,758	74,273	78,667	**303,360**

*includes unallocated corporate costs, inter-company eliminations and consolidation entries.

2. Segmental reporting (continued)

For the year ended 31 December 2016 (audited)

	Australia and New Zealand	United Kingdom	North America	Other*	Total
	$000	$000	$000	$000	$000
Operating revenue:					
External customers	327,744	61,839	78,972	2,306	**470,861**
Intersegment revenue	622	291	1,486	(2,399)	**-**
Government grants	59	-	-	-	**59**
Segment result (Operating EBIT)	32,146	2,205	(7,310)	(9,349)	**17,692**
Segment total assets	111,018	37,371	63,050	45,803	**257,242**

*includes unallocated corporate costs, inter-company eliminations and consolidation entries.

3. Taxation

The effective tax rate of 43.6% (June 2016: (3.9%); December 2016: (40.8%)) is impacted by the effect of the tax losses not recognised in certain jurisdictions and the application of the relevant local tax rates to profits and losses arising on global activities. The underlying tax rate of profit companies is 31.3% (June 2016: 30.0%; Dec 2016: 30.9%) and the underlying tax rate of loss companies is 24.3% (June 2016: 26.6%; Dec 2016: 27.2%).

4. Equity – ordinary share capital

During the period ended 30 June 2017, the Company had no movement in ordinary share capital.

	Ordinary share capital $000	No. of shares	Accumulated no. of shares
As at 1 January and 30 June 2017	**55,573**	**147,884,935**	**147,884,935**

As at 30 June 2017 the Company holds no Treasury Shares (30 June 2016: 2,220,253; 31 December 2016: nil).

Dividends of $3.0 million were declared and paid during the period ended 30 June 2017 (30 June 2016: $7.3 million; year ended 31 December 2016: $10.3 million) representing 2.0 cents per ordinary share (30 June 2016: 4.9 cents per ordinary share; year ended 31 December 2016: 6.9 cents per ordinary share).

5. Goodwill

Goodwill is allocated and monitored by management across the following cash generating units (CGU):

	United Kingdom	North America Opus	North America Opus Stewart Weir - Engineering	North America Opus Stewart Weir - Geomatics	Australia Opus	Australia Opus Rail	New Zealand	Total
	$000	$000	$000	$000	$000	$000	$000	$000
As at 30 June 2017	11,013	15,750	12,060	-	654	7,508	415	**47,400**
As at 30 June 2016	12,840	16,737	12,817	13,907	660	7,570	415	**64,946**
As at 31 December 2016	11,242	16,354	12,524	-	654	7,508	415	**48,697**

NZ IAS 36 Paragraph 72 requires CGUs to be identified consistently from period to period for the same asset or types of assets. As at 30 June 2017 management has assessed it appropriate to allocate the Australia CGU into separate CGU's: Australia Opus and Australia Opus Rail. The risks profiles of future cash flows are significantly different as the Australia Opus CGU predominantly consists of the Qantec McWilliam acquisition that provides architectural services while the Australia Opus Rail CGU provides rail asset management and development services. Both CGU's are considered on a five year business plan with separate and distinct strategies. Comparative balances of CGU's have been restated accordingly.

6. Investments in joint ventures and joint operations

	(Unaudited) Six Months Ended 30 June	(Unaudited) Six Months Ended 30 June	(Audited) Year Ended 31 December
	2017	2016	2016
	$000	$000	$000
Carrying amount at beginning of period	767	1,543	1,543
Share of surplus	362	73	232
Distributions received	(575)	(158)	(1,109)
Impairment expense	-	(1,373)	(1,373)
Investment deficit transferred as joint venture loan provision	-	-	1,573
Foreign exchange adjustment	-	97	(99)
Carrying amount at end of period	**554**	**182**	**767**

In 2016 due to continued losses incurred and downturn in the oil and gas sector in North America, an impairment of the full asset was recognised relating to Athabaskan Resource Company LP (ARC) of CAD$1.2 million (NZD$1.4 million).

In 2016 investment deficits relating to Opus Consultants DMCC, Opus Middle East LLC and Opus Al-Dauliyyah LLC were transferred to joint venture loans.

7. Related party transactions

Opus International Consultants Limited is a New Zealand incorporated company. The immediate holding company of the majority shareholder (Opus International (NZ) Limited) is Opus Group Bhd, a company incorporated in Malaysia. The ultimate holding company of Opus Group Bhd, and controlling entity, is Khazanah Nasional Berhad, a company incorporated in Malaysia. Opus International Consultants Limited provides and has provided consultancy services to Opus Group Bhd.

Opus International Consultants (UK) Limited provides consultancy services to the HCC joint operation with Arup which provides consultancy services to Hertfordshire County Council (HCC).

Opus International Consultants Limited also provides and has provided consultancy services to its joint ventures and operations: NZ Water and Environment Training Academy, Total Bridge Services, Opus Consultants DMCC, Opus Middle East LLC, Opus Al-Dauliyyah LLC, Marlborough Roads JV, Capital Journeys JV, Jacobs Opus Huntly JV, Bay of Plenty West One Network Maintenance Contract, and Central Waikato Network Outcomes Contract.

Opus Stewart Weir Limited provided consultancy services to Athabaskan Resource Company LP which was placed in trustee voluntary receivership on 14 October 2016.

The Group entered into the following arms-length transactions with related parties:

	(Unaudited) Six Months Ended 30 June 2017 $000	(Unaudited) Six Months Ended 30 June 2016 $000	(Audited) Year Ended 31 December 2016 $000
Operating revenue / (expense)			
Opus Group Bhd	979	122	1,259
Consultancy services to joint ventures and joint operations	16,795	22,952	38,777
Consultancy services from joint ventures	-	(422)	(465)
(Release) / provision for doubtful loans to joint ventures	(36)	-	1,092
Interest income			
Loans to joint ventures	93	153	299
Debtors and loans / (creditors)			
Opus Group Bhd	644	(20)	908
Joint ventures and joint operations debtors	1,399	1,068	856
Loans to joint ventures	2,981	6,303	3,182

Loans to joint ventures

Loans to the joint ventures Opus Consultants DMCC and Athabaskan Resource Company LP, are short term facilities. The loan to Opus Consultants DMCC is subject to market interest rates based on applicable term rates plus a margin and facility fees. No interest has been charged to Athabaskan Resource Company LP from the time the entity was placed into trustee voluntary receivership.

In 2016, $1.6 million of investment deficit in Opus Consultants DMCC was transferred to joint venture loan balances, of which $1.1 million was recognised as a provision against the loan. Due to loan repayments made during the year, provision against the loan has been reduced by $0.04 million.

8. Reconciliation of net surplus after tax with net cash flows from operating activities

	(Unaudited) Six Months Ended 30 June 2017 $000	(Unaudited) Six Months Ended 30 June 2016 $000	(Audited) Year Ended 31 December 2016 $000
Reported net surplus / (deficit) for the period	6,193	(23,056)	(29,869)
Add / (less) non-cash items and non-operating items:			
Depreciation and amortisation	4,875	5,289	10,569
Bad debts written off	572	148	439
Change in provision for doubtful debts and loans	580	217	2,002
Accommodation fit-out incentive	106	(324)	(787)
(Release) / recognition of property leases provision for surplus space	(634)	183	2,825
Foreign exchange loss / (gain)	40	(20)	(132)
Gain on sale of property, plant and equipment	(8)	(40)	(69)
Share of surplus of joint ventures	(362)	(73)	(232)
Deferred tax	(61)	(2,041)	4
Defined benefit pension obligation	-	-	95
Impairment	-	23,973	37,563
Non-cash employee remuneration	-	-	12
Fair value (gain) / loss	(29)	79	97
Movement in working capital:			
Decrease / (increase) in receivables and prepayments	6,239	8,512	(9,916)
(Decrease) / increase in tax receivable / payable	(1,400)	(2,981)	1,288
Increase in work in progress	(3,947)	(13,199)	(3,338)
Increase / (decrease) in creditors, accruals and provisions	640	(4,478)	2,143
Increase in revenue in advance	837	6,622	3,769
Increase / (decrease) in provisions for employee entitlements	4,526	2,020	(2,063)
Net cash flows from operating activities	**18,167**	**831**	**14,400**

9. Commitments and contingencies

There are various capital expenditure items contracted for at balance date totalling $1.2 million (30 June 2016: $0.3 million; 31 December 2016: $0.3 million).

Contingent liabilities

Provisions have been made to cover probable professional indemnity liabilities. The Group has professional indemnity insurance with a maximum excess of $250,000 per claim. Our insurers have been notified of any potential claims against the Group. The provisions include claims for weather tightness, which are not covered by professional indemnity insurance.

There are additional notifications and claims against the Group that the Directors consider to have a remote chance of resulting in any liability. These have not been provided for.

Contingent assets

As at 30 June 2017 the Group has fee claims outstanding for additional services. As negotiations are not in an advanced stage and written evidence of acceptability and amount has not been received, no assets have been recognised in the financial statements (30 June 2016: nil; 31 December 2016: nil).

10. Significant events after balance date

On 14 August 2017, WSP NZ Acquisition Limited (WSP), a wholly owned subsidiary of WSP Global Inc., issued a Takeover Notice under rule 41 of the Takeovers Code of its intention to make a full takeover offer for 100% of the fully paid ordinary shares in Opus. Opus' cash position supports a fully imputed interim dividend, however, in view of the latest announcement of a takeover offer, the Directors have deferred declaring an interim dividend. This will enable them to take advice on the offer and the appropriate level of interim dividend to be declared.

Carterton Events Centre

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Appendix 2

Independent Adviser's Report

Opus International Consultants Limited

Independent Adviser's Report in relation to a full takeover offer for 100% of the shares in Opus International Consultants Limited

September 2017

KordaMentha confirms that it:

(a) has no conflict of interest that could affect its ability to provide an unbiased report; and

(b) has no direct or indirect pecuniary or other interest in the proposed transaction considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

KordaMentha has satisfied the Takeovers Panel, on the basis of the material provided to the Panel, that it is independent under the Takeovers Code for the purposes of preparing this report.

KordaMentha

Contents

1 Terms of the Proposed Transaction

1.1 Introduction

Opus International Consultants Limited (**Opus** or **the Company**) is a New Zealand incorporated company listed on the NZX Main Board. It is a leading multi-disciplinary infrastructure consultancy providing asset development and management services at all phases of the asset lifecycle including concept development, planning, detailed design, procurement, construction, commissioning, operation, maintenance, rehabilitation and upgrading with a focus on the transportation, buildings and water infrastructure sectors.

WSP NZ Acquisition Limited (**WSP**) is a wholly owned subsidiary of WSP Global Inc (**WSP Global**). WSP Global is a multi-national professional services firm, which provides technical expertise and strategic advice to clients in the property and buildings, transportation and infrastructure, environment, industry, resources (including mining, oil and gas) and energy sectors. WSP Global has approximately 37,000 employees spread amongst more than 500 offices. Employees include engineers, advisors, technicians, scientists, architects, planners, surveyors and environmental specialists, as well as other design, programme and construction management professionals.

On 14 August 2017, WSP announced its intention to make a full takeover offer for 100% of the fully paid ordinary shares in Opus (**Opus Shares**) at an offer price of $1.78 cash per Opus share. The offer terms permit the payment of a dividend of up to 7 cents per Opus share prior to the closing of the offer, without adjustment to the offer price.

The Independent Directors of Opus have appointed KordaMentha to prepare an independent adviser's report in accordance with Rule 21 of the Takeovers Code (**the Report**). Our appointment has subsequently been approved by the Takeovers Panel.

After we completed a draft of the Report, on 13 September, WSP announced a notice of variation that will now permit the payment of a dividend of up to 14 cents per Opus share[1] in addition to the offer price of $1.78 per Opus share. WSP also varied the offer price from $1.78 to $1.85 per Opus share, but under the terms of the offer, the price payable will reduce by the amount of any additional dividend paid above 7 cents. As such, assuming a dividend of 14 cents per Opus share is paid, the offer price will reduce to $1.78 per Opus Share (**the Offer**).

This results in an effective price, assuming such a dividend is paid, of $1.92 per Opus share (**the Effective Offer Price**).

The Report has been prepared to assist Opus shareholders to consider the merits of the Offer.

Accepting or rejecting the Offer is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile, liquidity preference, portfolio strategy, tax position and other factors. In particular, taxation consequences will vary widely across shareholders. Shareholders will need to consider these consequences and, if appropriate, consult their own professional adviser.

1.2 The Offer

1.2.1 Lock-Up Agreements

UEM Edgenta Berhad (**UEM**) holds 61.2% of the Opus Shares via a holding company, Opus International (NZ) Limited. UEM has entered a lock-up agreement with WSP, whereby it has agreed to accept the Offer in respect of its entire holding. This acceptance is subject to certain approvals required under the listing requirements of the Malaysian Stock Exchange where UEM is listed. UEM's major shareholder has undertaken to vote its majority shareholding in favour of the necessary resolutions and therefore they will be passed.

[1] All investors will receive a dividend fully imputed at 28%, which may also be subject to 5% resident withholding tax. The implications of the imputation credits and any withholding taxes on individual investors will depend on their personal tax circumstances. Offshore domiciled portfolio investors will receive a supplementary dividend of up to 2.47 cents being 15% of the gross dividend which is paid to fund New Zealand Non-resident withholding tax.

WSP has also entered into lock up agreements (**the Lock-Up Agreements**) with several institutional shareholders, in respect of their entire shareholdings, as described below:

- Accident Compensation Corporation (**ACC**) which holds 6.1% of Opus Shares
- Salt Funds Management Limited (**Salt**) which holds 2.1% of Opus Shares
- Aspiring Funds Management Limited (**Aspiring**) which holds 1.2% of Opus Shares.

As at 13 September, WSP has entered into Lock-Up Agreements with shareholders totalling 70.6% of Opus Shares.

1.2.2 Terms and conditions

The Offer is conditional on WSP receiving sufficient acceptances to take its stake in Opus to more than 50% of the Opus Shares. This condition cannot be waived by Opus. However, given the Lock-Up Agreements this condition is expected to be satisfied.

The Offer is conditional on WSP obtaining regulatory consents required under the Overseas Investment Act 2005.

The Offer is subject to a range of other conditions that are relatively standard in takeover offers. These conditions preclude Opus from paying a dividend or other distribution during the Offer period (above the permitted 14 cents per Opus share) or making any significant purchases or disposals, other than in the ordinary course of business. These other conditions are for the benefit of WSP and may be waived at its discretion.

1.3 Other

The sources of information, to which we have had access and upon which we have relied, are set out in Appendix 1 of the Report.

The Report should be read in conjunction with the statements and declarations set out in Appendix 2 regarding our independence, qualifications, general disclaimer and indemnity and the restrictions upon the use of the Report.

References to '$', dollars or cents are to New Zealand dollars, unless specified otherwise. References to financial years or 'FY' mean Opus' financial year end 31 December, unless specified otherwise.

Please note tables may not add due to rounding.

2 Merits of the Proposed Transaction

The Takeovers Code requires the independent adviser to form an opinion as to the merits of the Offer and in doing so to take into consideration issues wider than just valuation.

The term 'merits' has no definition either in the Takeovers Code itself or in any statute dealing with securities or commercial law in New Zealand. While the Takeovers Code does not prescribe a meaning of the term 'merit', it suggests that merits include both positives and negatives in respect of the Offer.

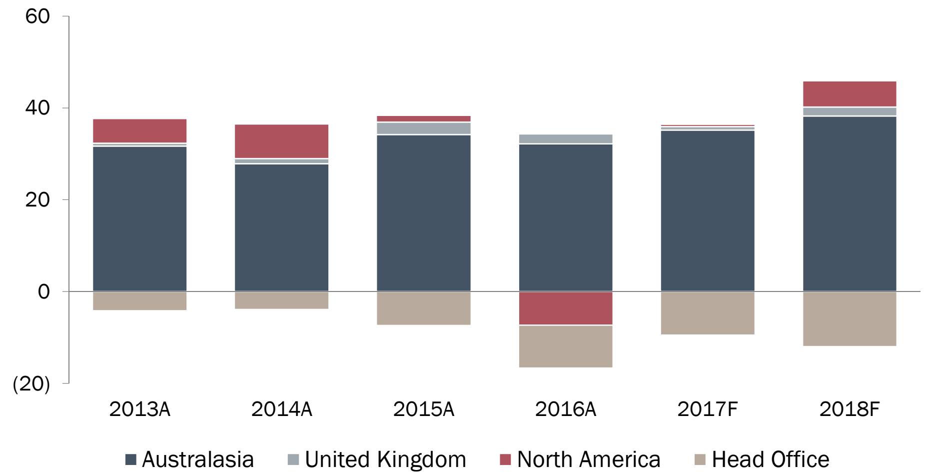
2.1 Opus

Opus' business is underpinned by its New Zealand Operations

While Opus is a global business, employing approximately 2,800 staff and with operations in New Zealand, Australia, North America, and the United Kingdom, as well as smaller operations in the Middle East and Fiji, the business is underpinned by the New Zealand operations. In 2016, 60% of Opus's revenue was generated from its New Zealand operations, albeit this proportion has decreased over the past five years, as Opus has grown its international business. Approximately 60% of full time equivalent (**FTE**) employees are based in New Zealand.

Earnings Before Interest and Tax (**EBIT**) in Australia and North America have deteriorated in recent years. Opus expects these earnings will recover by 2018.

Figure 2.1: Operating EBIT[2] by Geography ($ million)



In 2016, the decline in global oil and gas prices led to a collapse in oil infrastructure investment, which had a significant impact on Opus's Geomatics operations based in Alberta Canada, Opus Stewart Weir (**OSW**). As a result of this downturn, Opus restructured the OSW business to reduce costs, including reducing head count by 268 FTEs (52%) since its acquisition on 1 October 2013. In 2017 the North American operations are forecast to break even as a result of that restructuring.

The Australian operations were also restructured through 2016 and 2017, with unprofitable locations and non-strategic resources discontinued.

[2] Operating EBIT is shown prior to impairments

The forecasts are predicated on a relatively new strategic plan – there is risk around execution and achieving the forecasts

In late 2016, Opus embarked on a new strategy, focussing on its core expertise in the transport, water and buildings sectors, rather than focussing on geographic silos. Resource and expertise are now viewed as global pools, to be matched with project requirements, regardless of where resources and clients are based. Opus has done this in order to make its operations more agile and effective.

Opus believes competitive advantage in these market sectors will be delivered through a focus on:

1. **Innovation:** by leveraging and growing Opus's research and development expertise to deliver new and innovative solutions.
2. **Whole of Life Asset Management services:** by leveraging Opus's asset management expertise to offer higher value services.
3. **Environment:** by positioning Opus as a leader in innovative environmental solutions in its market sectors.

Opus has historically achieved growth in New Zealand organically and through acquisitions offshore, with the latter having mixed results. Future growth is expected to be generated organically, based on the existing footprint and using strategic alliances to reduce risk and maintain quality.

In 2018 and beyond, revenue and EBIT growth is forecast to be generated primarily from the international businesses, which traditionally have not performed as strongly as the New Zealand business.

The strategy is a substantial departure from how the business has been run historically and therefore there is risk around execution of the strategy and achieving the forecast growth in revenue and earnings.

Market fundamentals should be positive for Opus. However, it faces challenges in international markets due to its lack of scale

Governments in New Zealand, Australia, the United Kingdom and North America are allocating additional expenditure to infrastructure, particularly transport, water and social infrastructure.

The New Zealand economy is growing steadily and has a significant infrastructure deficit. Annual real Gross Domestic Product (**GDP**) growth is currently 3.1%. The long term forecast is for real GDP growth to slow to 2.4% in 2021 as interest rates rise and spare capacity in the economy is used up.[3]

As part of the 2017 election campaign in New Zealand the two main political parties, the National Party and Labour Party, have both announced funding for new transport initiatives over the next ten years.

The United Kingdom government is forecasting to spend £297 billion[4] on infrastructure between 2016 and 2021. Transport infrastructure investment in the United Kingdom is projected to increase at an annual rate of about 5% per year to 2025.

Canada and the United States have forecast GDP growth rates of 2.5% and 2.2% respectively for 2017[5]; and 2.0% and 2.3% for 2018. After years of underinvestment, policy makers in Canada and the United States are moving towards using increased public sector infrastructure investment as a strategy for promoting economic growth.

Canada's oil and gas industry is emerging from two years of low oil prices which has led to extensive reductions in capital and operating expenditure and jobs, however industry reports highlight that spending is unlikely to return to the levels seen in 2014 even if there was a recovery in oil prices to say US$75 in 2021.

A higher level of investment globally in transportation, water and social infrastructure (hospitals, prisons, schools etc.) by the public and private sector should result in increased opportunities for Opus over the next five years across all of its key markets.

There are some market trends which have emerged over recent years which could negatively impact on Opus's ability to grow revenue and profitability, such as:

- Globally there is a trend towards lump sum turn-key contracts, for which engineering and construction firms bear the project and cost risk and guarantee operational readiness.

[3] New Zealand Treasury, Budget Economic and Fiscal Update May 2017

[4] National Infrastructure Delivery Plan 2016 to 2021 (March 2016)

[5] HSBC Market Review and Outlook for Canada, July 2017

- Both private and public customers are becoming better informed on what projects actually cost and are benefiting from greater competition.
- Large multinational firms have reduced their cost base and become more competitive and, as local governments become more comfortable working with these larger firms, these firms will increasingly compete for smaller projects.

The likelihood of winning projects and the profitability of those projects is likely to be the highest in New Zealand due to Opus's scale and the relatively lower levels of competition, particularly for smaller projects:

- Projects with spend less than $25 million make up 40% of the value of the National Construction pipeline. Opus expects that large international firms will compete for some of this work, but that companies with a strong local presence such as Opus will be in a strong position to win a larger share of the work.
- The National Construction pipeline includes 2,400 projects expected to start in the year to 31 March 2018, with ten projects valued at more than $100 million[6]. The ten projects valued at over $100 million make up 41% of the total value of the infrastructure pipeline. It is likely that there will be competition from large multi-national engineering firms for the design phase of these projects, but Opus has a history of partnering with such entities to secure major contracts.

International markets are expected to be more challenging, due to:

- The engineering consulting industry in Australia is highly competitive. The large size of projects in Australia means that there are more global firms competing relative to New Zealand. Opus hopes to address this lack of scale by its restructuring completed over the last two years and a change in strategy to focus on key capabilities to serve both local and global markets.
- There are challenges for smaller engineering companies such as Opus to capture a share of the growth in infrastructure spend in the United Kingdom due to:
  - A lack of qualified engineers, which impacts the profit margins of smaller engineering consultancies more than the larger global firms that are likely to be have a broader global resource pool to meet peak project demand.
  - The trend towards lump sum turn-key contracts and greater competition from global engineering consulting firms including from Korea, China and India.
- The oil and gas sector contributes 35% of Opus's North American revenue. The profitability of small engineering and geomatics consulting firms such as Opus in North America depends largely on the profitability of individual contracts. It is likely that due to spare capacity in the oil and gas industry, large oil and gas pipeline projects will be keenly contested.

WSP says it is likely to suspend dividends for the foreseeable future

Opus's dividend policy guidance has historically been in a range of 50% to 70% NPAT (adjusted for non-trading items such as impairment). Its financial performance in 2016 resulted in a significant reduction in dividends to 4 cents per share (compared to between 7.9 cents and 11.0 cents per share in the previous three years). The Offer allows for Opus to make a dividend payment of up to 14.0 cents per share which will be fully imputed.

After the Offer is complete, WSP's shareholding in Opus will be greater than 50%, which will allow it to control dividend policy. WSP has stated it is likely to suspend dividends for the foreseeable future and that it may or may not elect to pay a dividend in each or any year.

Opus expects capital expenditure of approximately $8 million in 2017 and $9 million in 2018 as compared to $8.3 million and $6.9 million in 2015 and 2016 respectively. The forecast includes expenditure on growth opportunities.

Opus management advise that the business has no need, nor plans, to raise capital via either debt or equity.

Synergies

By combining Opus's and WSP's operations, the Merged Group is expected to generate significant benefits. According to WSP, most of those synergies are expected to arise through increased revenues as opposed to cost savings. Specific synergies that are expected to accrue to the combined WSP and Opus businesses include:

- WSP's strong global presence is expected to lead to Opus being able to leverage WSP's customer base and strong international brand equity to significantly bolster its positioning and growth outside of New Zealand.

[6] Total value over the life time of the project rather than project spend in 2017.

- Opus is competing against larger global and/or local players outside of New Zealand. WSP's majority or full ownership is expected to enhance Opus's scale and global presence.

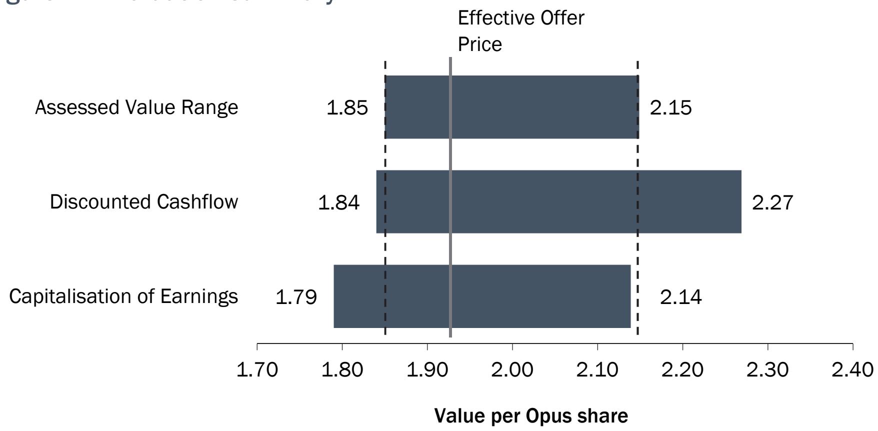
None of the synergies have been quantified by WSP or Opus and they are not included in our valuation analysis.

Opus management estimate the elimination of public company costs such as registry fees, NZX charges, annual reports and shareholder communications would save $500,000 per annum, in the event the Company is taken private.

2.2 Standalone valuation of Opus

Our valuation results are summarised in Figure 2.2.

Figure 2.2: Valuation summary



Source: KordaMentha analysis

We have assessed the value of Opus's equity – on a standalone basis – at between $1.85 and $2.15 per share, with a midpoint of $2.00 per share. This range is our estimate for 100% of Opus and we would not expect minority parcels to trade at this level (in the absence of a takeover offer).

Our range has been determined based on the Discounted Cash Flow (**DCF**) approach, with the capitalisation of earnings approach being used to cross check the valuation range. We have adopted Opus management's long term financial forecasts for the 2017–2021 period for the DCF valuation.

We have assumed a High Case of our DCF valuation range by adopting the Forecast provided to us by Opus, and applying a discount rate of 10.0%, as set out at Appendix 5.

We have modelled the Low Case of our DCF valuation range by: (1) assuming that earnings for the United Kingdom and North America operations achieve the 2018 earnings level, however, growth thereafter is assumed to be only 2.5% per annum; and (2) assuming a discount rate of 10.4%, as set out in Appendix 5.

The capitalisation of earnings approach results in a valuation range of $1.79 per share to $2.14 per share which is similar to the range calculated using the DCF approach. We have adopted an earnings multiple range of 7.6x to 8.6x normalised Earnings before Interest Tax Depreciation and Amortisation (**EBITDA**) to value the Australasian operations, based primarily on broadly comparable acquisition multiples. In particular we note that:

- four transactions where WSP Global was the acquirer have an earnings multiple range of 7.6x to 10.6x EBITDA with a median of 8.6x EBITDA; and
- the median earnings multiple was 8.3x EBITDA for transactions with enterprise values between $50 million and $1 billion.

We have adopted a discount to the 7.6x to 8.6x EBITDA multiple range to value the United Kingdom and North American operations, due to Opus's relatively small size and high degree of customer concentration in these markets. The financial performance of Opus in these geographies has been inconsistent and therefore there is heightened risk around the Company's ability to execute its strategic plan and deliver the anticipated results.

WSP's Effective Offer Price of $1.92 per Opus share is within our valuation range.

Opus's share price has performed poorly between February 2014 and July 2017, with Opus Shares trading in the 12 months prior to the Offer at prices between $0.74 and $1.19. This appears to have been caused by the volatility in the performance of Opus's non-New Zealand operations and resultant reduction in dividends in 2016. In addition, Opus Shares have low liquidity and institutional participation.

The Effective Offer Price represents a premium of 94% to the share price of $0.99, prior to the Offer.

2.3 Potential outcomes of the Offer

2.3.1 The Offer is successful

As a result of the Lock-Up Agreements, the Offer will be successful in achieving the minimum 50% shareholding in Opus, unless a condition to the Offer is not satisfied or the Offer is withdrawn with the consent of the Takeovers Panel.

The certainty that the Offer will succeed does not preclude all other shareholders from participating in the Offer.

WSP will control Opus

Because the Offer will be successful (unless an Offer condition is not satisfied or the Offer is withdrawn with the consent of the Takeover Panel) WSP will be able to control the future direction of Opus.

WSP are seeking to acquire 100% of the shares of Opus. However, the Offer is not conditional on doing so. If WSP achieves a shareholding between 70.6% (the total holdings subject to the Lock-Up Agreements) and 90% then Opus would remain a listed company, albeit controlled by WSP. WSP would have effective control over key decisions put to shareholders and depending on the make-up of the board may have effective control over the day-to-day operations of Opus.

The Companies Act, NZSX Listing Rules and the Independent Directors on Opus's Board provide some level of protection to minority shareholders. However, WSP would be entitled to appoint new directors to the Board of Opus and, as a result of its majority shareholding, would control the outcome of any ordinary resolution put to Opus shareholders. WSP would be prohibited from voting on any ordinary resolution that, if accepted, would result in an increase in its shareholding in Opus.

After the Offer is complete, WSP's shareholding in Opus will be greater than 50%, which will allow it to control dividend policy. WSP has stated it is likely to suspend dividends for the foreseeable future and that it may or may not elect to pay a dividend in each or any year.

If WSP achieves a shareholding less than 75% then the remaining shareholders would still be able to exert influence on certain substantive matters[7] which under the Companies Act require approval by special resolutions (which require a super majority of 75%). However given the Lock-Up Agreements it is likely that WSP will achieve a shareholding greater than 75%.

After 12 months from the closing of the Offer, WSP will be entitled to acquire an additional 5% shareholding in Opus per annum under the 'Creep' provisions of the Takeovers Code.

2.3.2 The Offer fails

Because of the Lock-Up Agreements, the Offer will not fail unless WSP's conditions are not met. However, as noted, the Offer may not achieve a full takeover.

2.4 Share price after the Offer

Partial takeovers are relatively uncommon in the New Zealand market. We have analysed seven recent takeover transactions completed over the 2011 to 2017 period where the offeror ended up with a shareholding between 50.01% and 90%. These transactions are detailed in Table 2.2 below.

[7] This may include matters such as the liquidation of the Company or a transaction with a value in excess of 50% of the Company's assets.

Table 2.2: Historical share price performance following takeover offers

Close Date	Offeror	Target	Offer price	Shareholding Sought	Shareholding Outcome	Post offer price relative to offer price 1 Week	1 Month	3 Months
Mar-17	Zhejiang RIFA	Airwork	5.40	75.0%	75.0%	(7.4%)	(19.3%)	(16.7%)
Apr-16	JBS	Scott Technology	1.39	50.1%	50.1%	16.5%	29.5%	35.3%
Mar-15	Silverlake	Finzsoft	3.00	100.0%	87.9%	6.7%	19.7%	13.3%
Sep-12	Austron	Wakefield	6.00	50.0%	50.0%	(17.1%)	(17.6%)	(29.5%)
Mar-12	BayWa	Turners and Growers	1.85	100.0%	73.1%	(4.9%)	(8.1%)	(13.0%)
Apr-11	Agria	PGG Wrightson	0.60	50.0%	50.0%	(23.3%)	(18.3%)	(20.0%)
Feb-11	Durante	Michael Hill	0.90	50.2%	50.2%	(2.2%)	(3.3%)	4.4%
Median						**(4.9%)**	**(8.1%)**	**(13.0%)**

Source: Capital IQ, Takeovers Panel website, Independent Adviser reports

After the close of a partial takeover, the share price has tended to fall below the Offer price, although in some cases it has risen. This is broadly to be expected given share prices reflect prices for small parcels of minority shares whereas a partial takeover offer would typically include some premium for control.

For these seven successful partial takeovers, the median share price one month after the close of the offer was 8% below the offer price and only two had share prices above the offer. After three months the median share price was 13% below the offer price.

In the event that WSP ends up with a shareholding between 70.6% and 90% and in the absence of any other factors, we consider there is a real prospect that Opus's share price may recede from current levels, following the Offer. We also note that WSP may suspend dividends for the foreseeable future, which is likely to weigh on Opus's share price post the Offer.

2.5 Liquidity

Trading in the twelve months prior to 11 August 2017 is summarised in Table 2.3 and shows that volumes equivalent to approximately 5.3% of the Opus Shares on issue were traded over this period.

Table 2.3: VWAP and volume as at 11 August 2017

	Share Price Low	Share Price High	VWAP	Volume (million)	Proportion of Issued Capital
One month	$0.97	$1.02	$1.00	0.5	0.3%
Three months	$0.97	$1.02	$1.00	1.5	1.0%
Twelve months	$0.74	$1.19	$0.94	7.8	5.3%

Source: Capital IQ

If the Offer results in WSP having a shareholding between 70.6% and 90% then the remaining free float of Opus's shares will decrease. In our view, the Offer is likely to attract acceptances from at least some of Opus's shareholders (apart from the four shareholders subject to the Lock-Up Agreements). Therefore, it is likely that the remaining free float of Opus Shares will decrease following the Offer. This will further limit the liquidity of trading in Opus's shares.

2.6 Likelihood of a full takeover

In the event WSP achieves acceptances from holders of 90% of Opus Shares it would be entitled to enact compulsory acquisition provisions to effect a full takeover of Opus, and has indicated that it intends to do so. The business would then be 100% owned by WSP.

The Offer has already secured 70.6% of Opus Shares including Lock-Up Agreements with UEM, ACC, Salt and Aspiring. The latter three parties represent large institutional shareholders. The acceptances of the three largest institutional shareholders has increased the likelihood of reaching the 90% acceptance threshold, which would enable WSP to compulsorily acquire the remaining Opus Shares.

It is possible that other shareholders may demand a higher price than the Effective Offer Price to accept the Offer, however, given that the three largest institutional investors have already accepted the Offer this is now less likely.

2.7 Likelihood of WSP increasing its Offer price

The likelihood of WSP increasing its price will be driven by whether it is comfortable with a shareholding between 70.6% and 90% and how close acceptances get to 90%.

If WSP is comfortable owning a majority stake in a listed entity and acceptances do not get close to 90% then WSP appears unlikely to increase its Offer price given it has already secured 70.6% of Opus through its Lock-Up Agreement. We note that a shareholding at this level would present governance restrictions on WSP and its ability to set the strategic direction of Opus as it wishes. However, if WSP were to get close to 90% of Opus Shares accepting the Offer and an increase in price would secure a full takeover it may be incentivised to increase its price.

2.8 Follow on offers

Should WSP achieve a shareholding of less than 90% there is potential for follow-on takeover offers. The Takeovers Code allows serial offers without timing or pricing restrictions. WSP would be free to offer more or less than the current Effective Offer Price of $1.92 per Opus share. There is no certainty that any follow-on takeover offers would eventuate.

2.9 Prospect of alternative takeover offers

Once control has been achieved by WSP, any future takeover offer needs the support of WSP to succeed. Given the Lock-Up Agreements, WSP will achieve control.

We consider it unlikely that an alternative offer would be made for Opus as any party wishing to acquire more than 20% of the Opus Shares would either require WSP to sell its newly acquired shareholding or need approval from shareholders, which could be blocked by WSP.

There is no need for shareholders to accept the Offer early and shareholders do not need to do anything in relation to the Offer until close to its closing date.

2.10 Prospect of an investor acquiring a strategic shareholding less than 20%

It is possible that an investor could acquire a strategic shareholding of less than 20% of Opus without making a takeover offer or needing WSP to accept. A shareholding of greater than 10% could be considered a blocking stake because it would prevent another shareholder (WSP) from achieving the 90% shareholding necessary to compulsorily acquire the Company under the Takeovers Code. It is possible that any acquisition of a strategic shareholding could be made at a premium to the Offer price. There is no certainty that any party will acquire a strategic shareholding.

2.11 Summary

Given the existence of the Lock-Up Agreements, the Offer will be successful in achieving a shareholding of at least 70.6% in Opus, unless a condition to the Offer is not satisfied or the Offer is withdrawn with the consent of the Takeovers Panel.

For remaining shareholders deciding whether to accept or reject the Offer, key issues to be considered when assessing the merits of the Offer include:

- The Offer represents a significant premium above the price that Opus's shares have been trading at in advance of the Offer. The Effective Offer Price is a premium of 94% above the share price of $0.99 prior to the Offer.
- The Effective Offer Price of $1.92 per Opus share sits within our assessed standalone valuation range of $1.85 to $2.15 per Opus share. Our valuation analysis relies on forecasts for the Opus business and there are risks to Opus delivering on its growth plans particularly in international markets.

- Our standalone valuation does not include any synergies that may accrue to WSP. However, there is uncertainty as to how any synergies would be realised unless WSP were to effect a full takeover of Opus.
- If holders of more than 10% of Opus's shares reject the Offer, Opus will continue to be listed on the NZX with WSP having majority control. WSP will be able to control key decisions facing Opus, including dividend policy. WSP has stated it is likely to suspend dividends for the foreseeable future and that it may or may not elect to pay a dividend in each or any year. WSP has stated it has no current intentions to make any material changes to the business of Opus or its subsidiaries, but reserves the right to do so after completion of the Offer, once it has undertaken a detailed review of Opus. Our analysis suggests, in the absence of any other factors, there is a real prospect that Opus's share price may recede from current levels following the Offer. In the New Zealand market, following the close of a partial takeover, the target companies' share price has tended to fall below the Offer price. This is broadly to be expected given share prices reflect prices for small parcels of minority shares whereas a partial takeover offer would typically include some premium for control.
- In our view, the positives of accepting the Offer outweigh the negatives. The Effective Offer Price is within our assessed valuation range and that valuation relies on forecasts for the Opus business which are uncertain, particular in international markets. Rejecting the Offer could result in shareholders having a minority interest in Opus, which will be controlled by WSP. Minority shareholders would have a very uncertain dividend stream and face a high likelihood of a share price lower than the Effective Offer Price, in the short term at least.
- The closing date for the Offer is 27 November 2017, unless extended in accordance with the Takeovers Code.

Acceptance or rejection of the Offer

Acceptance or rejection of the Offer is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile, liquidity preference, portfolio strategy, tax position and other factors. In particular, taxation consequences will vary widely across shareholders and we note the Effective Offer Price will vary between shareholders given their respective tax position. Shareholders will need to consider these consequences and, if appropriate, consult their own professional adviser.

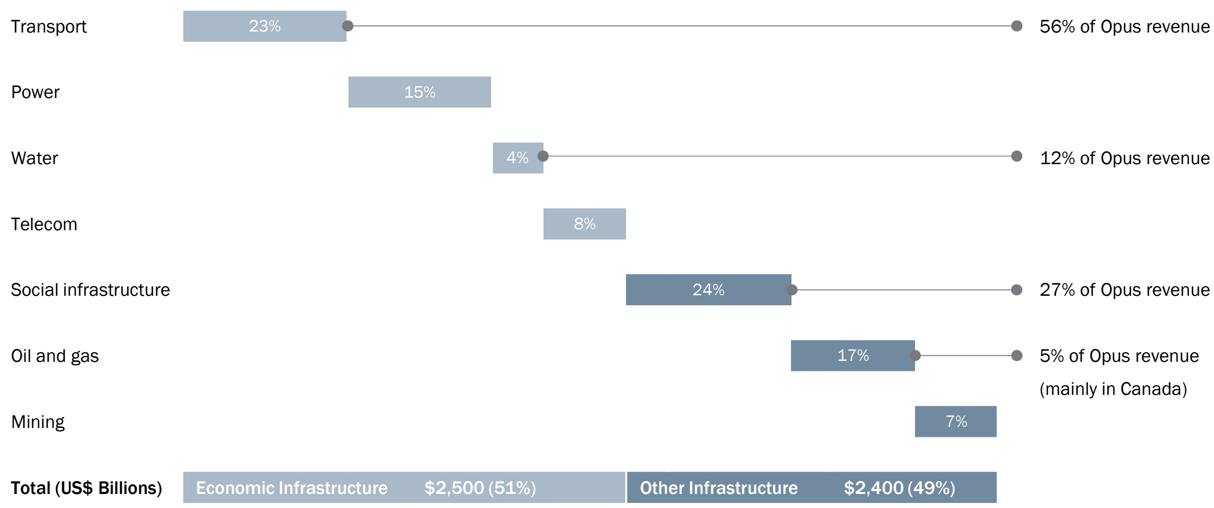
3 Industry Overview

Engineering consulting firms such as Opus typically generate revenue by providing consultancy and project management services to infrastructure and building projects. Engineering consulting firms also provide asset management services, which are longer dated agreements to manage existing assets. Both public and private clients provide significant work to engineering firms.

Global infrastructure spend is expected to increase. A study in 2016[8] by the McKinsey Global Institute estimated that the global spend on economic infrastructure[9] was US$2.5 trillion in 2016 and needs to average US$3.3 trillion per annum through to 2030 to support current economic growth projections. This study highlighted increased traffic congestion, bottle-necked ports, power black outs, deteriorating dams and tainted water supplies as signs that the world's infrastructure needs cannot be deferred indefinitely.

Opus operates in the transport, water, buildings[10] and oil and gas sectors. Figure 3.1 shows the relative size of these various sectors, and the proportion of revenue which Opus derives from these sectors.

Figure 3.1: Global Infrastructure Spend by sector, 2016 (US$ billions, nominal at market exchange rates)



Source: Estimates based on data from McKinsey Global Institute; Opus revenue based on H1, 2017

Governments in New Zealand, Australia, the United Kingdom and North America are allocating additional expenditure to infrastructure, particularly transport, water and social infrastructure. Opus generates a high proportion of its income from the transport sector (56% of Opus's revenue is generated from the transport sector). The global transport sector is forecast to grow at 5% per annum over the years to 2025[11], with roads expected to be the largest area of investment within the transport sector. Most of this growth is expected to occur in developing countries. The infrastructure sector is expected to grow in these regions due to continued population growth and urbanisation, and ageing population needing healthcare and an increased focus on national defence and security.

The growth in infrastructure spend is not necessarily going to translate to increased profitability for engineering consulting firms. Industry research[12] indicates that:

- Globally there is a trend towards lump sum turn-key contracts, for which engineering and construction firms bear the project and cost risk and guarantee operational readiness. Also, both private and public sector customers are becoming better informed on what projects actually cost and are benefiting from greater competition.
- Large multinational firms have reduced their cost base and become more competitive and, as local governments become more comfortable working with these larger firms, these firms will increasingly compete for smaller projects. This introduces additional competition for companies such as Opus, which could negatively impact on planned workload and

[8] McKinsey Global Institute, Bridging Global Infrastructure Gaps, June 2016

[9] Economic infrastructure is defined as transport, water, power and telecom systems

[10] Social infrastructure such as hospitals, schools and prisons make up a significant portion of non-residential buildings

[11] Assessing the global transport infrastructure market: Outlook to 2025, (2015)

[12] Strategy&: 2017 Engineering and Construction Trends: Survival of the biggest

margins. Competition from multinationals is likely to be higher in Australia, the United Kingdom and North America compared to New Zealand due to the relative market sizes.

- A number of European firms entered the Australasian market post the 2009 Global Financial Crisis but the market has remained resilient with profit margins remaining fairly consistent at historical levels. There may be increased competition from engineering firms in Korea, China and India, as growth eases in their home markets. This may result in firms from these countries competing more often for large projects in developed markets.

3.1 New Zealand

Opus generated approximately 63% of its revenue from its New Zealand operations in the first half of 2017.

The New Zealand economy is growing steadily and has a significant infrastructure deficit. Annual real Gross Domestic Product (**GDP**) growth is currently 3.1%[13]. The long term forecast is for real GDP growth to slow to 2.4% in 2021 as interest rates rise and spare capacity in the economy is used up.

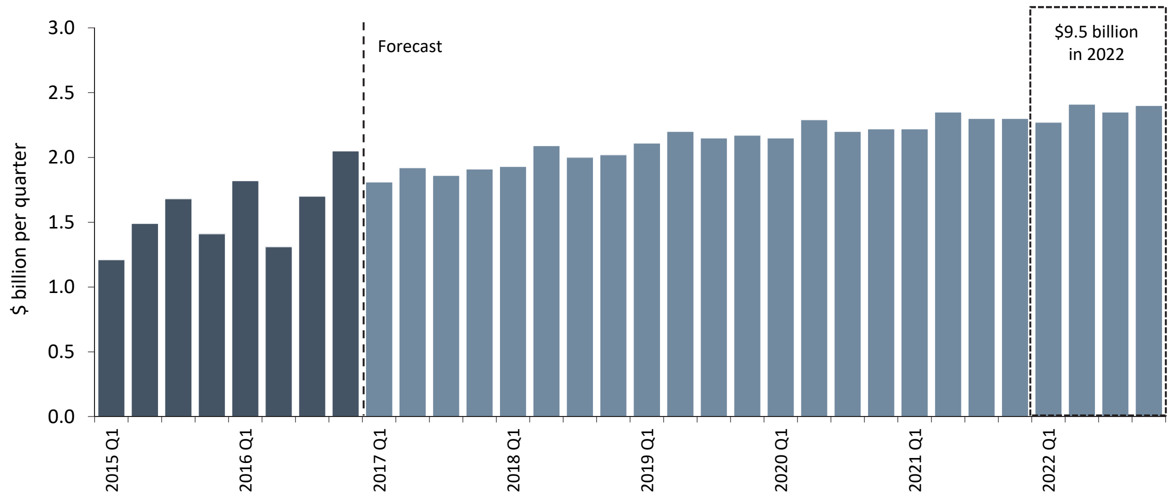
Key drivers of GDP growth over the next four years include:

- Higher net inward migration which will further increase demand for social and transport infrastructure and accommodation
- Infrastructure construction including the Kaikoura rebuild and other transportation projects
- Higher exports, including tourism which places further demand on transport infrastructure and tourist accommodation
- Low interest rates, which may assist with financing projects
- Public policies such as the family incomes package
- Ageing population needing health care.

Transportation and Water

The National Construction report[14] forecasts infrastructure spend in New Zealand to increase steadily at an average of 4.5% per year to reach $9.5 billion in 2022 as shown in Figure 3.2 below:

Figure 3.2: Infrastructure construction pipeline for New Zealand as at July 2017



Source: National Construction Pipeline Report 2017

The National Construction pipeline includes 2,400 projects expected to start in the year to 31 March 2018, with ten projects valued at $100 million and over[15]. The ten projects valued at over $100 million makes up 41% of the total value of the infrastructure pipeline. It is likely that there will be competition from large multi-national engineering firms for the design phase of these projects, but Opus has a history of partnering with such entities to secure major contracts.

[13] New Zealand Treasury, Budget Economic and Fiscal Update May 2017

[14] National Construction Pipeline Report 2017. Infrastructure as defined in this report does not include social infrastructure.

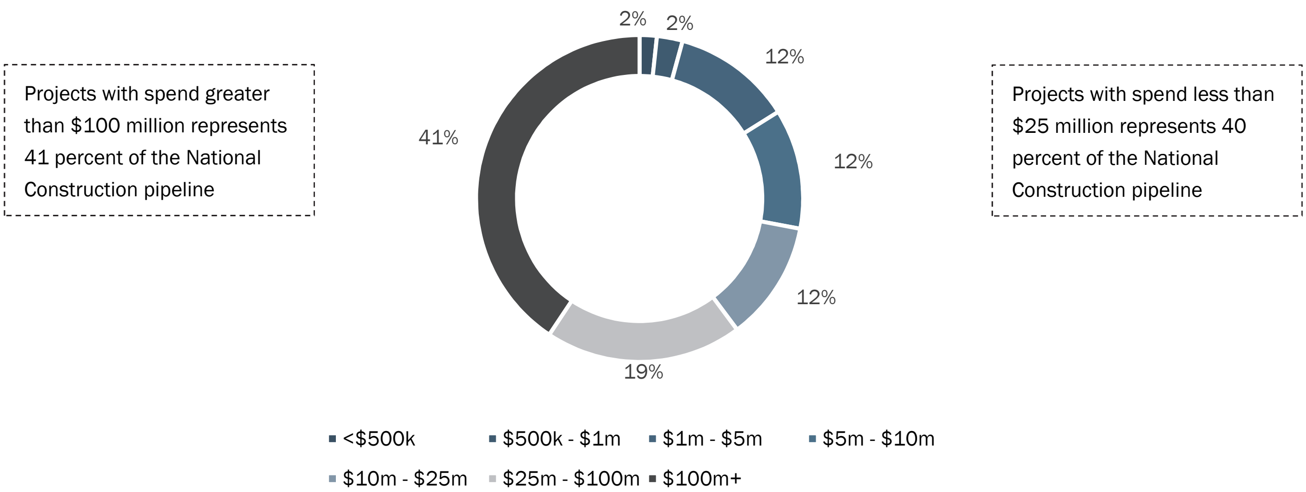
[15] Total value over the life time of the project rather than project spend in 2017.

There is a worldwide trend towards Contractor lead projects, such as

- Design and Build
- Public Private Partnerships.

Figure 3.3 shows that projects with spend less than $25 million make up 40% of the value of the National Construction pipeline. Opus expects that large international firms will compete for some of this work, but that companies with a strong local presence will be in a strong position to win a larger share of the work.

Figure 3.3: Infrastructure projects by value bands (projects starting in 2017)



Source: National Construction Pipeline Report 2017

Large transport projects expected to start in 2017 valued at over $100 million include:

- The Roads of National Significance programme which is made of projects such as the Northern Corridor Improvement project and Peka Peka to Otaki Expressway project. Opus has been awarded commissions on both these projects.
- City Rail Link projects including projects related to the construction of stations and tunnels and the setup of related systems
- Grafton Downs Civil Works.

Other large projects such as the restoration of State Highway One in Kaikoura are ongoing projects started in 2016.

As part of the 2017 election campaign in New Zealand the two main political parties, the National Party and Labour Party, have both announced funding for new transport initiatives over the next ten years. These are typically funded from the fuel excise duty and road user changes which are inflation adjusted and linked to increasing travel demand.

In addition to these large projects, there are a range of smaller projects such as bridge construction and maintenance which will provide Opus with opportunities for revenue growth in the transport sector.

Expenditure on water supply and waste water projects is driven by local government spend in New Zealand. Opus is currently on the water panel for city councils in Auckland, Christchurch and Wellington. The New Zealand Treasury[16] capital intentions report estimates that over the 2016 to 2025 period approximately $21 billion will be spent on approximately 1,400 water and waste water projects. This includes capital spend of approximately $4 billion over the next 10 years by Watercare, the Auckland Council owned water utility company.

[16] NZ Treasury Infrastructure Evidence Base: Ten year Capital Intentions Plan, 2016

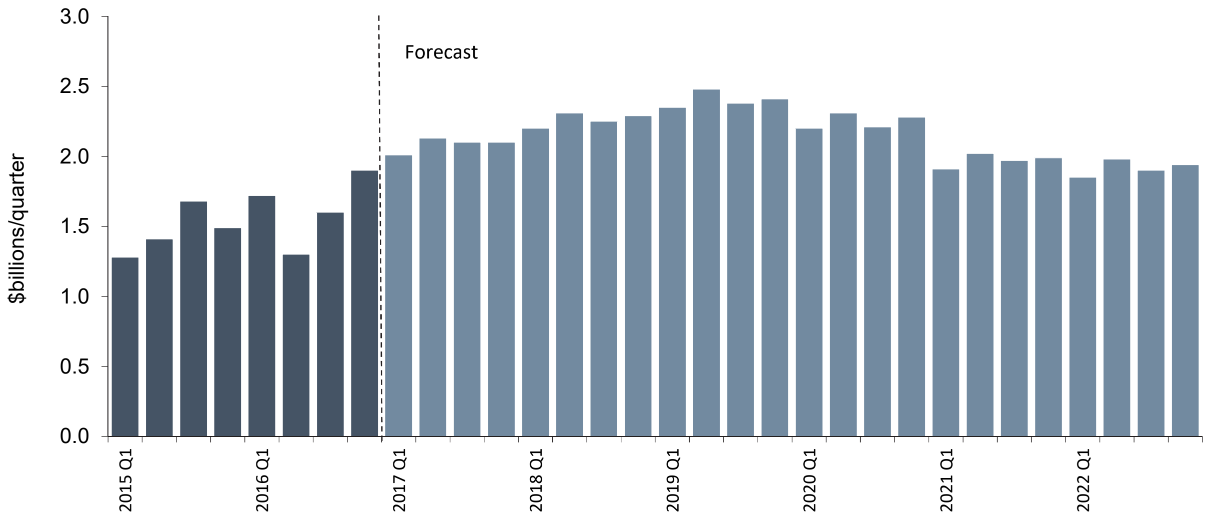
Buildings

The buildings sector includes both social infrastructure such as schools, hospitals and prisons and other private sector buildings.

Social infrastructure is provided by the central government in New Zealand. The New Zealand Treasury capital intentions report estimates that over the 2016 to 2025 period approximately $39 billion will be spent on social infrastructure.

Non-residential building project spend (which includes social infrastructure and other private sector buildings) is forecast to peak during the 2018 to 2020 period and then gradually decline as shown by Figure 3.4 below:

Figure 3.4: Non-residential building activity nationally, as at July 2017



Source: National Construction Pipeline Report 2017

Key central government led social infrastructure programmes include:

- The Department of Corrections Community Corrections Facilities programme
- The Ministry of Education's schools and Kura programme
- Housing New Zealand social housing programme
- The NZ Ministry of Defence undertaking an extensive 10-year asset renewal programme.

Other private sector projects include:

- Canterbury rebuild and earthquake strengthening
- Mixed use developments
- Industrial buildings
- Construction of offices, retail and tourist accommodation.

Opus generates revenue through both the upfront design of buildings and through a range of asset management services. Asset management services, including the structural inspections, compliance services and design for ongoing maintenance projects, account for about 35% of Opus's building sector revenues globally.

Sustainability has become increasingly important in the building sector, with the green building market forecast to grow at 13% per annum globally between 2015 and 2020[17]. This is also the case in New Zealand, with prominent new buildings being certified as green buildings such as the Christchurch Civic Building, The Deloitte Centre in Auckland and the Meridian Building in Wellington. Opus has invested in developing expertise in relation to the design of green buildings, and expects to win new

[17] Global Green Building Market Outlook 2020

work in this area. In addition, Opus has developed a Seismic Monitoring Asset Reporting Tool (**SMART**) and has award winning expertise in the design of landmark resilient buildings.

Competitive Landscape in New Zealand

There are a large number of engineering consultancy firms in New Zealand. The majority of these firms are small localised businesses with a few employees, with the largest local competitor being Beca. As well as Opus and Beca, the larger firms are typically branches of global firms, and include Aurecon, AECOM and Jacobs and Australian firms such as Worley Parsons and GHD[18]. IbisWorld estimates engineering consulting industry EBIT margin is 10.1% in New Zealand[19] which compares to Opus's EBIT margin of 13.1% in 2016.

Summary

Increased investment in transportation, water, social infrastructure and buildings by the public and private sector in New Zealand should result in a strong pipeline of opportunities for Opus over the next five years.

New Zealand has a relatively high number of smaller projects (i.e. with a total project spend below $25 million) and these smaller projects might be less attractive to global competitors which do not have an existing significant local presence. This means firms like Opus and Beca, which have a strong local presence, are well placed to gain a high share of the design work related to the National Construction pipeline.

3.2 Australia

Opus generated 9% of its revenue from its Australian operations in the first half of 2017.

The Australian economy has slowed over the last five years, following a period of strong expansion, due to a decline in the resource sector. Real GDP growth is currently at 2.8% and is forecast to increase to 3% by 2019[20].

Engineering consulting revenue across the industry fell at an annualised rate of 2.4% per year[21] over the five years to 2017, due to the decline in commodity prices, a decline in new investment in mining and a decline in public sector spending. Engineering consulting firms have responded by introducing cost cutting measures, consolidating firms and offering additional services.

Research from IbisWorld projects that the engineering consulting industry revenue trend will reverse due to an expected increase in public sector expenditure on infrastructure projects. Industry revenue is expected to grow at 3.4% per year over the five years through to 2022. The Australian government is projecting to invest A$75 billion for a range of transportation projects, mainly related to rail and road investments between 2017 and 2027. Other significant projects include A$5.3 billion to develop the Western Sydney Airport, which is expected to commence in late 2018.

The engineering consulting industry in Australia has a high level of competition due to the entry of large scale global consultancy firms and the entry and exit of small scale regional consultants. The relatively large size of projects in Australia means that there are more global firms competing relative to New Zealand; this reduces the opportunities for smaller firms such as Opus. IbisWorld estimates that the engineering consultancy industry EBIT margin is 8.9% in Australia[22] which is lower than in New Zealand.

[18] A more detailed description of these firms are set out in Appendix 4.

[19] IbisWorld Engineering Consulting in New Zealand, April 2017

[20] The Commonwealth of Australia, Australian Budget Overview May 2017

[21] IbisWorld Engineering Consulting in Australia, February 2017

[22] IbisWorld Engineering Consulting in Australia, February 2017

3.3 United Kingdom

Opus generated 12% of its revenue from the United Kingdom in the first half of 2017.

The United Kingdom's GDP growth has decreased from 3% in 2014 to under 1.8% in 2016[23]. The Office of Budget Responsibility projects GDP to grow at 2% in 2017 and for GDP growth to then decrease to 1.6% in 2018. The medium term forecast is for the GDP growth rate to gradually increase back to 2% by 2021[24]. However, a key risk is the uncertainty around the United Kingdom's trade with the European Union, following its 2019 exit from the European Union (**Brexit**). This uncertainty is expected to hamper private sector investment over the next two years.

The United Kingdom government is forecasting to spend £297 billion[25] on infrastructure between 2016 and 2021 as part of the National Infrastructure Delivery Plan, of which £240 billion relates to economic infrastructure and £57 billion relates to social infrastructure. Economic infrastructure includes almost £90 billion on transport and £20 billion on water related projects. During the first half of 2017 65% of Opus's revenue from the United Kingdom was generated from the transport sector. Transport infrastructure investment in the United Kingdom is projected to increase at an annual rate of about 5% per year to 2025[26] which will assist Opus's growth prospects in the United Kingdom.

There are challenges for smaller engineering companies such as Opus to capture a share of the growth in infrastructure spend in the United Kingdom due to:

- Challenges in appropriately resourcing new projects due to a lack of qualified engineers which is shown in a report by Engineering UK that highlights that there is an annual shortfall of 20,000 engineering graduates[27]. Resourcing challenges impact the profit margins of smaller engineering consultancies more than the larger global firms that are likely to be have a broader global resource pool to meet peak project demand.
- The trend towards lump sum turn-key contracts and greater competition from global engineering consulting firms including from Korea, China and India.

3.4 North America

Opus generated 15% of its revenue from its North American operations in the first half of 2017.

Canada and the United States have forecast GDP growth rates of 2.5% and 2.2% respectively for 2017[28]; and 2.0% and 2.3% for 2018.

After years of underinvestment, policy makers in Canada and the United States are moving towards using increased public sector infrastructure investment as a strategy for promoting economic growth. This includes large transportation infrastructure projects[29] such as:

- The California High Speed Rail at cost of US$64 billion to provide new connections between the major cities in California;
- The Gateway Programme, which is a programme upgrading the rail system in New York at cost of US$23.9 billion; and
- A range of other highway, bridge and rail construction projects across the United States and Canada.

Increased public sector spending on infrastructure is likely to provide opportunities for engineering consulting firms particularly in the transport and water sectors. However, as noted earlier, there is a global trend towards greater competition and lump sum turn-key contracts which may disadvantage smaller firms such as Opus, who can only complete parts of the design phase.

[23] OECD Economic Outlook for the United Kingdom (June 2017)
[24] Office of Budget Responsibility (OBR) forecasts as at March 2017
[25] National Infrastructure Delivery Plan 2016 to 2021 (March 2016)
[26] PwC/Oxford Economics Press Release October 2015
[27] Engineering UK report for 2017
[28] HSBC Market Review and Outlook for Canada, July 2017
[29] 2017 Strategic 100: North American Infrastructure Report

The 2014 New Building Canada Fund[30] includes significant spend of $20.1 billion for public transport and $9.2 billion for green infrastructure, including:

- Climate change mitigation
- Adaption, resilience and disaster mitigation, and
- Environmental quality – building healthier communities through investments in clean, safe drinking water and sewerage treatment.

The oil and gas sector contributes 35% of Opus's North American revenue. Canada's oil and gas industry is emerging from two years of low oil prices which has led to extensive reductions in capital and operating expenditure and jobs. Total spending in the oil and gas sector in Canada is estimated to have declined from approximately C$125 billion per annum in 2014 to approximately C$75 billion in 2016, with a reduction in workforce of 25% over the two years[31]. Industry reports highlight that spending is unlikely to return to the levels seen in 2014 even if there was a recovery in oil prices to say US$75 in 2021.

The profitability of small engineering and geomatics consulting firms such as Opus in North America depends largely on the profitability of individual contracts. It is likely that due to spare capacity in the oil and gas industry, large oil and gas pipeline projects will be keenly contested. The timing of these projects is uncertain and can be subject to delays at short notice.

3.5 Summary

A higher level of investment globally in transportation, water and social infrastructure by the public and private sector should result in increased opportunities for Opus over the next five years across all markets. The likelihood of winning projects and the profitability of those contracts is likely to be the highest in New Zealand due to Opus's scale and the relatively lower level of competition, particularly for smaller projects.

Engineering consulting spend in Australia is expected to increase, which will be a reversal on recent years and presents an opportunity for Opus.

Similarly, public spending in the United Kingdom on economic infrastructure is expected to increase, albeit there is a degree of uncertainty for private sector investment, due to the possible impact from Brexit.

Increased public sector spending on infrastructure in North America is likely to provide opportunities for engineering consulting firms, particularly in the transport and water sectors. Opus is likely to face a challenging market in the oil and gas sector in Canada; with its actual performance likely to be impacted by the profitability of a few large contracts.

[30] http://www.infrastructure.gc.ca/index-eng.html

[31] Labour Market Outlook 2017 to 2021 for Canada's Oil and Gas Industry, March 2017

4 Opus Profile

4.1 Background

Opus is a leading multi-disciplinary infrastructure consultancy firm providing asset development and management services at all phases of the asset lifecycle including concept development, planning, detailed design, procurement, construction, commissioning, operation, maintenance, rehabilitation and upgrading with a focus on the transportation, buildings and water infrastructure sectors.

Opus originated from the Ministry of Works and Development, a former New Zealand government ministry which was responsible for delivering large public works schemes.

Figure 4.1: Timeline of key events in Opus's formation

- **1870** Department of Public Works
- **1988** Works and Development Services Corporation formed as a new State-owned enterprise from the Commercial Division of Ministry of Works and Development
- **1989** Consultancy division formed
- **1991** Consultancy subsidiary formed called Works Consultancy Services Limited (WCS)
- **1996** WCS sold to Kinta Kellas Plc of Malaysia (part of UEM group)
- **1997** WCS rebrand and name changed to Opus
- **2007** IPO and listing on NZX. UEM retains 66% of shareholding
- **2013** Opus acquires Stewart Weir & Co.

Today Opus is a global business, employing approximately 2,800 staff and with operations in New Zealand, Australia, North America, and the United Kingdom with minor operations in Fiji and the Middle East.

4.2 Business Operations

Figure 4.2 and 4.3 show that Opus's operations have a strong focus on New Zealand. In 2016, 60% Opus's revenue was from its New Zealand operations, albeit this proportion has decreased over the past five years, as Opus has grown its international business via acquisitions. Opus also has approximately 60% of its full time equivalent (**FTE**) employees based in New Zealand.

Figure 4.2: 2016 revenue by geography ($ million)

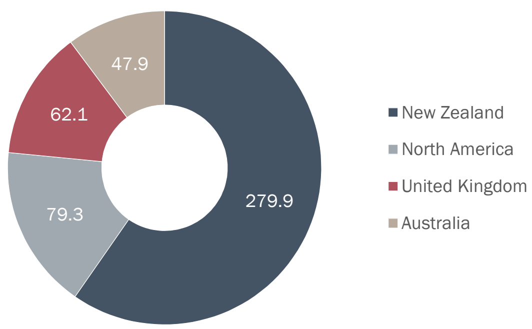
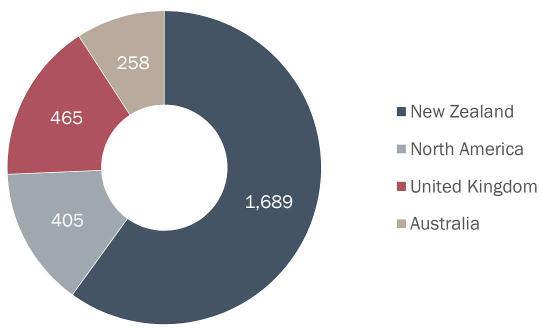


Figure 4.3: June 2017 employees by geography (FTE)



In late 2016, Opus embarked on a new strategy, focussing on its core expertise in the transport, water and buildings sectors, rather than focussing on geographic silos. Resource and expertise are now viewed as global pools, to be matched with project requirements, regardless of where resources and clients are based. Opus has done this to make its operations more agile and effective.

Opus considers competitive advantage in these market sectors will be delivered through a focus on:

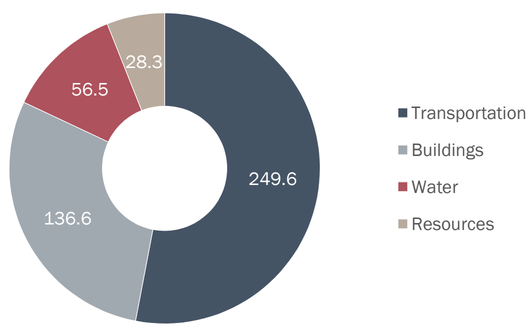
- **Innovation:** leverage and grow Opus's research and development expertise to deliver new and innovative solutions
- **Whole of Life Asset Management services:** leverage Opus's asset management expertise to offer higher value services
- **Environment:** position Opus as a leader in innovative environmental solutions in its market sectors.

Opus has historically achieved growth in New Zealand organically and through acquisitions offshore, with mixed results. Future growth is expected to be generated organically, leveraging the existing footprint and using strategic alliances to reduce risk and maintain quality.

In line with global infrastructure trends, Opus is moving from a traditional business model, charging billed hours for professional services, to one that partners with clients, serves as ongoing advisors and charges for value creation.

Figure 4.4 shows that the transport and buildings sectors generate more than 80% of Opus's revenue. Water generates 12% of Opus's revenue. Resources generates 6% of Opus's revenue and is primarily infrastructure for oil, gas and minerals business in Canada.

Figure 4.4: 2016 revenue by sector ($ million)



Asset management services underpin Opus's operations and accounted for 40% of total revenue in 2016, largely via annuity contracts. This means the outcomes from future contract renewal processes can have a material impact on Opus's earnings.

In terms of its largest key contracts Opus advises:

- The 10 NZ Transport Agency contracts have a weighted average term to run of 5.7 years. These contracts are typically for terms of 5 years with a right of renewal for a further two years. Historically, Asset Management contracts have typically been renewed before expiry
- Its contract with Hertfordshire County Council (**HCC**) contract, which accounts for approximately 36%–39% of Opus's UK revenue, matures on 30 September 2019. This may be renewed before maturity
- The West Roads Bay of Plenty contract matures in 31 Oct 2021. This may be renewed before maturity

Transportation

New Zealand's buoyant transport sector represents a significant opportunity for Opus, particularly in Auckland. The Company's work pipeline for 2017 includes collaboration with a consortium of companies to deliver the set-up phase of the Northern Corridor Improvements Project in Auckland for the NZ Transport Agency and restoration of transport links to Kaikoura.

Buildings

Approximately half of Opus's global buildings sector revenue comes from asset management services. Opus is heavily invested in this area, both in terms of people and technology, as margins are generally higher and contracts longer term than some of Opus's other operations. Sustainability is becoming increasingly important due to cost savings for building owners. Opus considers itself well placed to capitalise on this growing interest in green buildings through its investment in asset management and new technology.

Opus focuses on healthcare, education and defence within the buildings sector. These are the major areas of growth in New Zealand, UK and Australia, due to population growth, increased urbanisation and greater emphasis on national security. Opus has won significant contracts with University of Queensland, Massey University, Department of Corrections (Mt Eden) and Victoria University (Wellington) for asset management, building design and project management.

Opus was granted official accreditation by the Building Research Establishment (**BRE**) for Level 2 Building Information Modelling (**BIM**) in New Zealand, which it considers will give it a competitive edge when tendering for new work. Opus already has Level 2 BIM accreditation in the UK, allowing it to prequalify for the shortlists of central government projects.

Water

Opus management consider the outlook for water projects to be positive, particularly in key geographies. In New Zealand, Opus recently won a position on Christchurch City Council's Three Waters Hybrid Delivery Panel and in Auckland on the Professional Services Panel with Watercare, which, along with its work on Wellington Water's Panel, puts Opus on three major long term water panels in New Zealand.

Three Waters is planning to spend $20 billion over the next nine years on 1,200 projects[32] and a substantial capital programme of activity of $4.9 billion over the next 10 years by Watercare in Auckland to provide water related infrastructure to support the forecast 195,000 additional dwellings. In the UK, the government and private entities are forecast to invest £19.7 billion in water and wastewater over the next five years. Opus advises that in North America it has a record future pipeline for the water sector and there has been a significant acceleration of activity prompted by the Canadian Government's Grant Funding Programme.

4.3 Financial Performance

Table 4.1 summarises the Group financial performance for Opus. The 2017 forecast includes actual results for the seven months to July 2017.

Table 4.1: Group Financial Performance ($ million)

	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Forecast	2018 Forecast
Operating Revenue	459.7	539.6	505.2	470.9	468.9	529.7
Operating EBITDA	40.4	42.1	41.1	28.3	36.7	43.4
Operating EBIT	33.5	32.6	30.9	17.7	27.0	34.0
Operating Margin	7.3%	6.0%	6.1%	3.8%	5.8%	6.4%

Source: Opus management

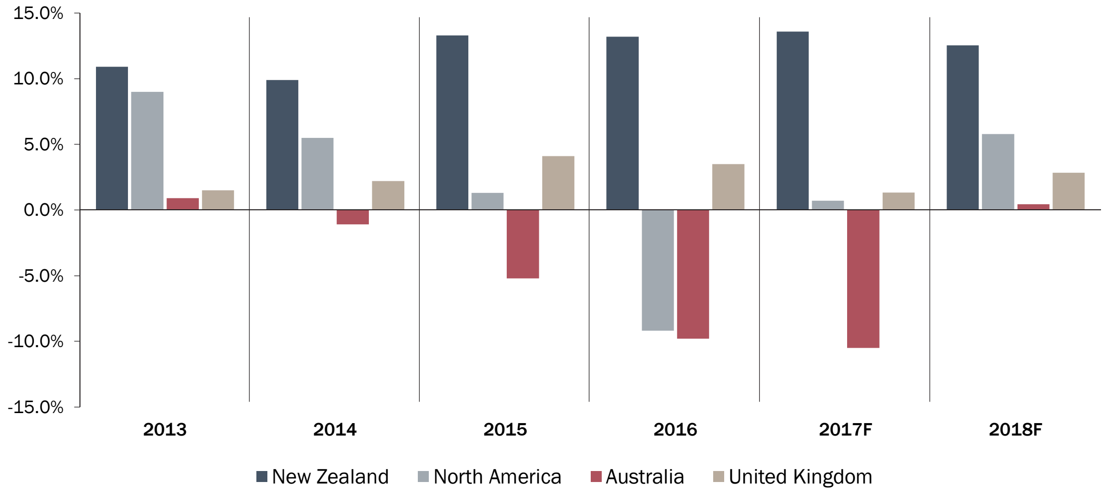
Opus has forecast its 2017 revenue to be consistent with 2016. Operating EBIT is forecast to be $27.0 million, which is 53% higher than in 2016, primarily due to a turnaround in Opus's profitability in North America (refer Section 4.3.2).

In 2018, operating revenue is forecast to increase by $60.8 million (13%), this increase is expected from a range of initiatives focused on improving the performance of the Australian, United Kingdom and North American operations.

Opus's financial performance has historically been underpinned by its New Zealand operations, which have consistently delivered the majority of group earnings. Figure 4.5 shows that operating margins in Australia and North America have deteriorated in recent years. Opus expects these margins will recover in 2018.

[32] NZ Treasury's Infrastructure Evidence Base: Ten-year Capital Intentions Plan 2016

Figure 4.5: Operating Margin by Geography



4.3.1 Australasia

Table 4.2: Financial Performance Summary –Australasia ($ million)

	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Forecast	2018 Forecast
Operating Revenue	361.6	353.0	328.5	329.5	340.2	362.3
Operating EBITDA	35.3	31.8	39.6	38.2	40.8	43.5
Operating EBIT	31.7	27.8	34.2	32.1	35.1	38.2
Operating Margin	8.8%	7.9%	10.5%	9.8%	10.3%	10.5%
Employees (FTEs)	2,111	1,979	1,911	1,934	1,937	1,964
Revenue per FTE (avg. $000s)		172.6	168.9	171.4	175.8	185.7

Source: Opus management

The Australasian business is primarily based in New Zealand and Australia, and also includes a small operation in Fiji.

Australasian Performance

Opus's Australasian operations have performed strongly over the five years to 2017. However, this business has been affected by strong performance in New Zealand, offset by declining performance in Australia.

Opus Australasian operations experienced a drop in revenue in 2015, which was more than offset by a significant improvement in operation margin (following a large project loss in 2014). A key focus of management over recent years has been to improve efficiency of non-chargeable labour and indirect cost management. The forecast improvement in financial performance for 2017 is underpinned by transportation sector activity including Kaikoura Earthquake response activities.

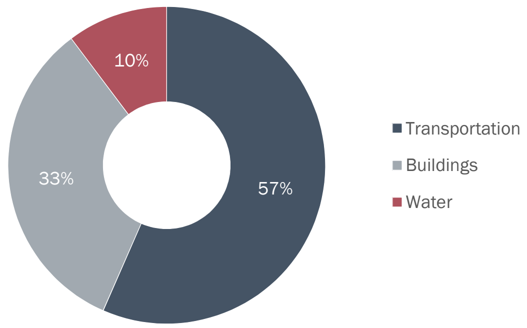
Australasian operations have been negatively affected by Australia in 2016 and 2017. Australia contributed an EBIT loss of $4.7 million in 2016, and management expect a similar loss contribution in 2017. In response to this, Opus has been restructuring its Australian operations, this has included closing unprofitable offices/segments and reducing headcount, to better align operations to its core competencies. In particular, the Australian operations are now focused primarily on transport (roads, bridges and rail).

The Australasian operations are also seeking to increase the amount of work sharing between New Zealand and Australia. This is intended to make Opus more agile improve labour utilisation. Opus anticipates the closure of underperforming non-strategic business units, combined with the increase in work sharing will result in an improvement in revenue per FTE for the Australasian business.

The 2018 EBIT Forecast of $38.2 million is an improvement on $35.1 million in 2017. This is largely based on Opus remedying the poor performance in Australia, rather than growth in New Zealand.

The Australasian business operates primarily in the transportation and buildings sectors. A material part of this business is generated through long term contracts. Recently renewals have been at reduced margins indicating potential margin pressure on the business in the future.

Figure 4.6: Australasia 2016 Revenue by Sector



Australasian Opportunities

Opus's largest customer is the New Zealand Transport Agency (**NZTA**). Opus has secured 10 out of the 19 contracts NZTA uses to manage and maintain its road network throughout New Zealand, which have a weighted average term of 5.7 years remaining.

Transportation opportunities in Australia include the ARTC Inland Rail between Melbourne and Brisbane. Opus has a relatively minor presence in the Australian water sector with the majority of its water activity centred in Parramatta where it has two service contracts with Sydney Water.

As at 22 August 2017, secured work in hand represented 87% of the forecast revenue for the remainder of 2017.

4.3.2 North America

Table 4.3: Financial Performance Summary – North America ($ million)

	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Forecast	2018 Forecast
Operating Revenue	58.9	137.3	112.4	79.3	70.9	98.7
Operating EBITDA	6.3	10.3	4.5	(4.9)	1.7	7.6
Operating EBIT	5.3	7.5	1.5	(7.3)	(0.1)	5.7
Operating Margin	9.0%	5.5%	1.3%	-9.2%	0%	5.8%
Employees (FTEs)	643	667	569	440	427	500
Revenue per FTE (avg. $000s)		209.6	181.9	157.2	163.6	212.9

Source: Opus management

The increase in revenue between 2013 and 2014 was largely the result of Opus acquiring Canadian engineering consulting business OSW in September 2013.

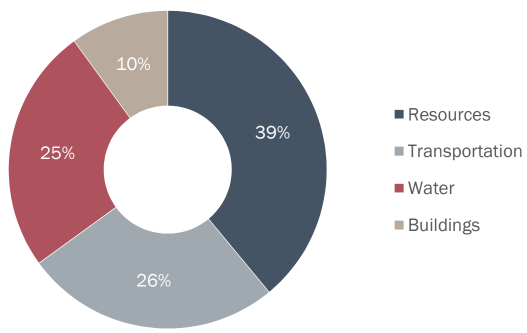
2016 was a challenging year for the North American business. The decline in oil and gas prices led to a collapse in oil infrastructure investment, which had a significant impact on Opus's Geomatics operations based in Alberta Canada. OSW's revenue fell by $31.5 million or 36.6%. As a result of this downturn, Opus restructured the OSW business to reduce costs, including reducing head count by 268 FTEs (52%) since its acquisition on 1 October 2013. Opus has impaired (net of deferred consideration) a total of $26.2 million of the purchase price of OSW Geomatics.

At 22 August 2017, secured work in hand represented 91% of forecast revenue for the remainder of 2017.

Opus is bidding for design work on 'Spread 1' of the Trans Mountain pipeline as a sub-contractor (with the client being Kinder Morgan, a large energy infrastructure company). Opus management have informed us that they consider Opus is the preferred bidder for Spread 1. There are seven Spreads to Trans Mountain pipeline, four of which have significant value, and the Forecast assumes Opus will win two of the seven Spreads. The Trans Mountain pipeline has not commenced and the head contract has not been awarded. The two Spread wins included in the Forecast underpin approximately $4.6 million of the forecast EBITDA for North America in 2018.

The resources sector accounted for 39% of North American revenues in 2016.

Figure 4.7: North America 2016 Revenue by Sector



Opus has forecast lower revenue and a nil EBIT profit for its North American business in 2017, following the restructure of the OSW business in 2016.

Opus expects its North American water and transportation business to improve in 2018. Its water business has a strong future pipeline due to significant acceleration of activity prompted by the Canadian Government's Grant Funding programme. This means performance will largely depend on delivering work in hand, scaling up the existing operations and attracting key specialist water capability.

Current operations are largely located in British Columbia and Alberta with opportunities presenting for a lower risk entry to the large population base in Ontario.

4.3.3 United Kingdom

Table 4.4: Financial Performance Summary – United Kingdom ($ million)

	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Forecast	2018 Forecast
Operating Revenue	39.2	49.3	64.3	62.1	57.8	68.7
Operating EBITDA	1.0	1.7	3.5	3.1	1.6	3.0
Operating EBIT	0.6	1.1	2.7	2.2	0.7	2.0
Operating Margin	1.5%	2.2%	4.2%	3.5%	1.2%	2.9%
Employees (FTEs)	354	398	434	458	465	515
Revenue per FTE (avg. $000s)		131.1	154.6	139.2	125.2	140.2

Source: Opus management

Opus's UK revenue increased in 2016 by 8.4% in local currency terms, however fell by 3.4% in NZD terms due to a weaker GBP.

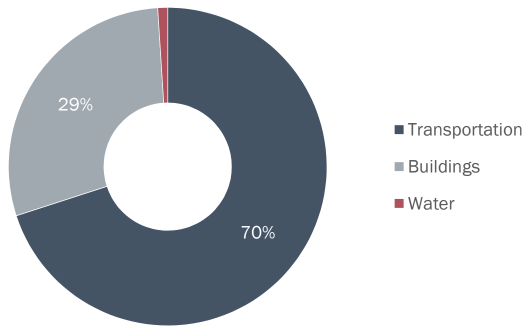
Opus's UK revenue and margins have been squeezed in the current year to date, reflecting a very competitive environment and some uncertainty around the impact of Brexit on infrastructure spend. Opus advises that revenue from two large customers is lower than anticipated.

Forecast revenue in 2018 is based on Opus being awarded key Asset Management projects which it has or is in the process of tendering for; therefore, performance will depend on what contracts are actually awarded. In addition, Opus is seeking to grow profitability back to levels similar to 2016 by leveraging its competencies in Transportation, Water and Buildings sectors.

As at 22 August 2017, work in hand represents 76% of forecast revenue for the remainder of FY17.

Figure 4.8 shows 70% of Opus's UK revenue is earned from transportation projects. Opus advises the order book was impacted by a reduction in client spend on transportation projects.

Figure 4.8: United Kingdom 2016 Revenue by Sector



4.4 Financial Position

Table 4.5 summarises the financial position of Opus.

Table 4.5: Financial Position ($000)

	June 2017
Receivables and prepayments	68,578
Work in progress	46,069
Creditors, accruals and provisions	(56,457)
Revenue in advance	(19,035)
Net tax payable	(1,072)
Net working capital (excl. financing)	**38,083**
Property, plant and equipment	26,364
Goodwill	47,400
Other intangible assets	2,552
Deferred tax	12,304
Non-current liabilities	(6,215)
Net operating assets	**120,488**
Cash and cash equivalents	45,665
Loans to joint ventures	2,981
Bank borrowings	(56,055)
Finance leases and derivatives	(3,040)
Net cash/(debt)	**(10,449)**
Investment in associate and joint ventures	554
Net assets	**110,593**

Source: Half year unaudited accounts

Key points which should be considered when reviewing the balance sheet include:

- Opus has a positive net working capital balance, with accounts receivable and work in progress only partly offset by accounts payable and revenue received in advance. Work in progress represents unbilled work completed at balance date and revenue received in advance is for timing differences on client deposits.
- Property, plant and equipment is primarily leasehold improvements ($10.6 million), plant and vehicles ($4.9 million), with other assets including computer equipment, survey equipment, land and buildings.
- As at 30 June 2017, Opus had $10.4 million net debt (including finance leases and derivatives).
- 13% of trade debtors are overdue 90 days and over. This has improved progressively over the past several months and management are of the view that credit provisioning is adequate.
- The net assets of the business units at 30 June 2017, excluding goodwill is summarised in Table 4.6 below:

Table 4.6: Financial Position ($ thousand)

	Australasia	North America	United Kingdom	Other	Total
Total assets excl. goodwill	96,902	26,676	26,564	57,344	207,486
Total liabilities	(73,556)	(8,985)	(10,278)	(51,474)	(144,293)
Net assets excl. goodwill	**23,346**	**17,691**	**16,286**	**5,870**	**63,193**

4.5 Cash Flow

4.5.1 Capex

Table 4.7 shows Opus's historical capital expenditure and depreciation.

Table 4.7: Capital expenditure and depreciation ($ thousand)

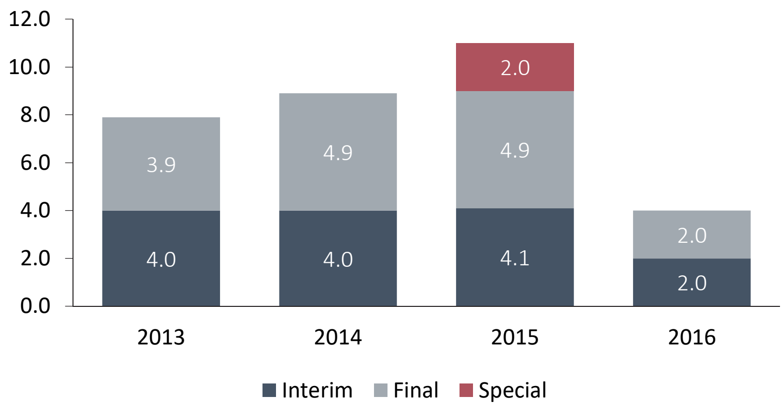
	2013 Actual	2014 Actual	2015 Actual	2016 Actual
Purchase of fixed assets and intangible assets	13,317	13,392	8,287	6,901
Depreciation and amortisation	6,953	9,540	10,214	10,569
Expenditure as proportion of depreciation and amortisation.	192%	140%	81%	65%

Opus expects capital expenditure of approximately $8 million in 2017 and $9 million in 2018, albeit this includes expenditure on growth opportunities.

4.5.2 Dividends

Opus's dividend policy guidance is a range of 50% to 70% NPAT (adjusted for non-trading items such as impairment). Its financial performance in 2016 resulted in a significant reduction in dividends to 4 cents per share (compared to between 7.9 cents and 11.0 cents per share in the previous three years) as shown in Figure 4.9.

Figure 4.9: Opus dividends (cents per share)



The Directors have deferred declaring an interim dividend in light of the announcement of the Offer. The Offer allows for Opus to make an interim dividend of up to 14.0 cents per share, which will be fully imputed.

4.6 Capital Structure and Ownership

Opus has 147,884,935 ordinary shares on issue; and as at 29 August 2017, there were more than 2,500 registered shareholders. The top 20 shareholders accounted for 75.6% of the ordinary shares on issue.

Table 4.8: Share register as at 29 August 2017

Shareholder	Investor type	Shares	Percentage
Opus International (NZ) Ltd.	Corporate Investor	90,511,615	61.2%
Accident Compensation Corp.	Institution	8,965,771	6.1%
Salt Funds Management Ltd.	Institution	3,054,678	2.1%
Aspiring Asset Management Ltd.	Institution	1,808,547	1.2%
MM Asset Management, Inc.	Institution	991,001	0.7%
Craigs Investment Partners (private wealth)	Retail Investor	627,287	0.4%
First NZ Capital (private wealth)	Retail Investor	570,515	0.4%
Kevin and Anne Thompson	Retail Investor	558,315	0.4%
Kennerley Investments Ltd. (W A Kennerley)	Retail Investor	530,613	0.4%
Jie Han	Retail Investor	431,677	0.3%
Forsyth Barr (private wealth)	Retail Investor	416,765	0.3%
William Darnell	Retail Investor	406,545	0.3%
Alec Webster	Employee	401,000	0.3%
Duet Alternative Investments (USA) Ltd.	Institution	389,789	0.3%
Heather-Anne Wanden	Retail Investor	378,465	0.3%
David Prentice	Employee and Director	368,669	0.2%
Alison Swan	Employee	350,663	0.2%
Peter Mathewson	Employee	343,771	0.2%
Richard Croad	Retail Investor	330,000	0.2%
John Vessey	Employee	324,192	0.2%
Top 20 shareholders		**111,759,878**	**75.6%**
Remaining shareholders		36,125,057	24.4%
Total		**147,884,935**	**100.0%**

The major shareholder is Opus International (NZ) Limited, which holds shares on behalf of UEM. UEM is therefore the beneficial owner of these shares. As noted previously the shares owned by UEM, ACC, Salt and Aspiring representing 70.6% of Opus Shares are subject to Lock-Up Agreements, and will be acquired by WSP[33]

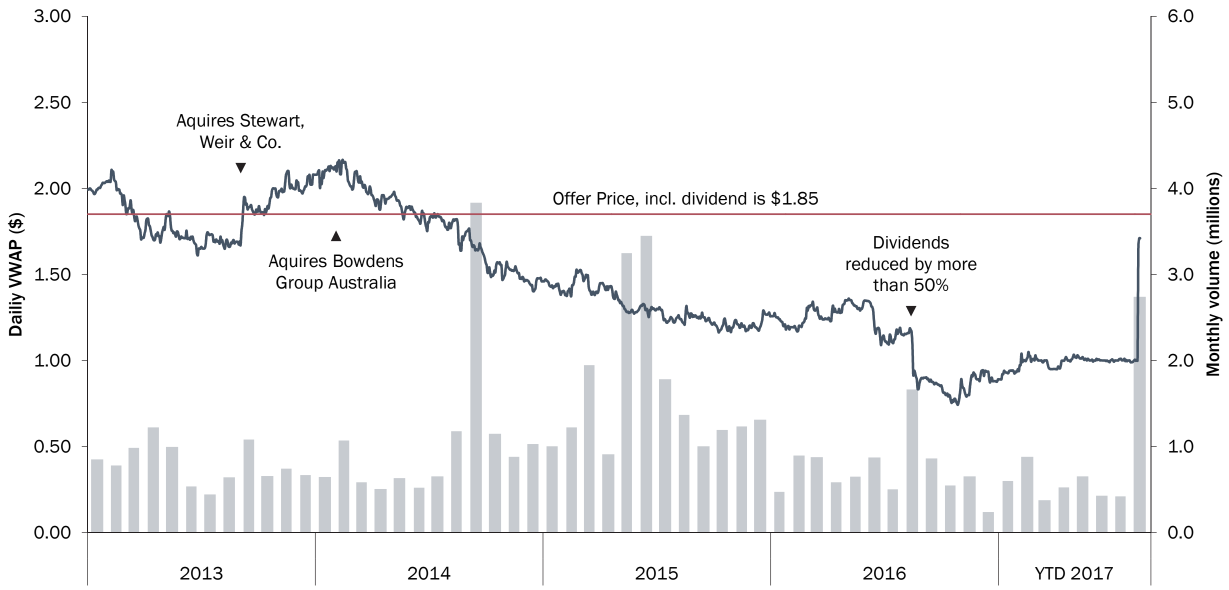
Other than a high concentration with Opus International (NZ) Limited, the Opus Shares are relatively widely held.

Five of Opus employees are within the top 20 shareholders, including Opus's CEO, David Prentice.

4.7 Share Price Performance

Figure 4.10 illustrates the share price and volume for Opus Shares since 2013.

Figure 4.10: Opus's share price and volume on NZX Main Board



Source: Capital IQ

Opus's share price has performed poorly between February 2014 and July 2017. This appears to have been caused by the volatility in the performance of Opus's international operations and resultant reduction in dividends in 2016. In addition, Opus Shares have low liquidity and institutional participation.

Table 4.9: VWAP and volume as at 11 August 2017

	Share Price Low	Share Price High	VWAP	Volume (million)	Proportion of Issued Capital
One month	$0.97	$1.02	$1.00	0.5	0.3%
Three months	$0.97	$1.02	$1.00	1.5	1.0%
Twelve months	$0.74	$1.19	$0.94	7.8	5.3%

Source: Capital IQ

Approximately 7.8 million Opus Shares traded in the 12 months prior to the Offer, at prices between $0.74 and $1.19. The Effective Offer Price of $1.92 per share (including dividend) represents a:

- premium of 94% to the share price of $0.99, prior to the Offer;
- premium of 92% to the VWAP of $1.00 in the one month and three months prior to the Offer; and
- premium of 104% to the VWAP of $0.94 in the twelve months prior to the Offer.

[33] This assumes all conditions are met or waived, and the takeover offer is completed as anticipated.

5 Valuation

5.1 Approach

There are four methodologies commonly used for valuing businesses:

- Discounted Cash Flow (**DCF**) analysis;
- Capitalisation of earnings;
- Estimate of proceeds from an orderly realisation of assets; and
- Industry rules of thumb.

Each of these valuation methodologies is appropriate in different circumstances. A key factor in determining which methodology is appropriate is the actual practice commonly adopted by purchasers of the type of businesses involved. These valuation methodologies are detailed at Appendix 3.

We have adopted the DCF approach as the primary methodology to estimate the market value of Opus. We have taken this approach because:

- The DCF methodology is appropriate where current earnings are not representative of reasonable expectations of future earnings. Opus's financial performance deteriorated in 2016 and 2017, due to adverse effects which Opus management do not expect to continue indefinitely. Therefore, basing value solely on these years may undervalue Opus.
- Opus management has prepared long term financial forecasts for the period 2017–2021 (**Forecast**). The Forecast has been prepared by management based on the Board approved five year business plan, updated for 2017 trading to date and changing market conditions, having reviewed key projects and sector strategy plans.
- There are no listed companies in New Zealand, or recently acquired in New Zealand, which represent strong valuation benchmarks. Therefore, any multiple based valuation will necessarily need to use less comparable valuation multiples from other markets.

We have cross checked the result of the DCF methodology against the Capitalisation of Earnings approach where Opus's operations are valued based on a multiple of its normalised earnings.

Any valuation, by its very nature, must attribute a current value that reflects the expected future financial performance of the subject business. Consequently, information regarding the expected future performance, such as financial projections, is vital to the valuation exercise. We have relied on financial forecasts prepared by Opus management.

5.2 Discounted Cash Flow

5.2.1 Key valuation parameters

Valuation date: 30 June 2017

Forecast period: The DCF valuation is based on Opus's financial forecast to 31 December 2021. This includes five months of forecast financials for the current year (1 August 2017 to 31 December 2017) plus a further four years of forecast financials. The principal assumptions underpinning the Forecast are discussed at Section 5.2.2.

Capital expenditure: Capital expenditure is forecast to average $9.3 million over the forecast period. We have set capital expenditure to $9.6 million in the terminal year, which is equal to depreciation in the final year of the Forecast.

Net Working Capital changes: The Forecast allows for net working capital requirements to increase broadly in line with revenue increases between 2018 and 2021.

Terminal value assumptions: Terminal value is calculated by assuming terminal year unlevered free cash flows grow in perpetuity at the terminal growth rate. We have adopted a terminal growth rate of 2.5% per annum. This estimate is broadly supported by research from Oxford Economics[34] which shows that:

[34] Oxford Economics, Global Infrastructure Outlook to 2040, July 2017.

- The GDP growth forecast across New Zealand, Australia, the United Kingdom and North America is expected to be between 1.3% and 2.5% per annum, in real terms, over the 2016 to 2040 period (with New Zealand and Australia being at the upper end of the range).
- To meet the global need for infrastructure, the proportion of GDP invested in infrastructure spending needs to increase from 3.0% to 3.5% over the 2016–2040 period. This suggests that growth in infrastructure spending will be higher than GDP growth. The infrastructure gap exists in North America, Australia, United Kingdom and New Zealand, albeit to a lesser degree than developing countries.
- The infrastructure gap is the greatest for road and rail, and Opus has a high exposure to this sector.

Exchange rate: The Forecast is based on the following exchange rates:

	2018	2019	2020	2021
NZD:AUD	0.94	0.94	0.94	0.94
NZD:CAD	0.89	0.88	0.87	0.85
NZD:GBP	0.53	0.52	0.51	0.50

Source: Opus estimates

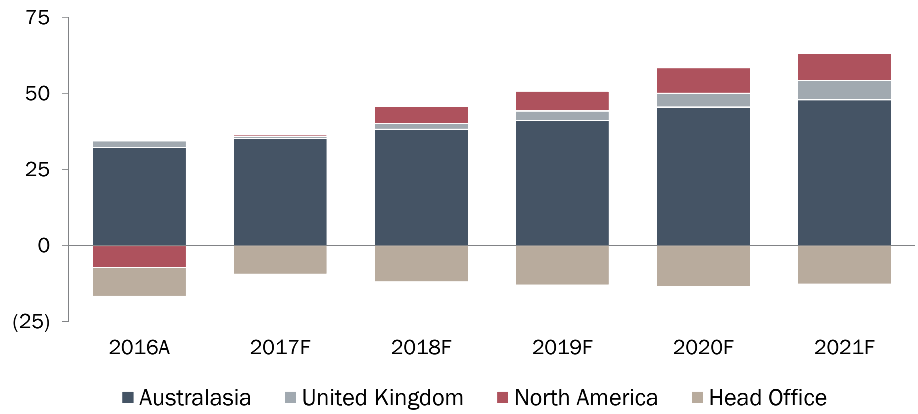
Weighted Average Cost of Capital: We have estimated Opus's post-tax, nominal Weighted Average Cost of Capital (**WACC**) to apply to New Zealand Dollar denominated cashflows within a range of 10.0% and 10.4%. We have set out our calculation of WACC in Appendix 5.

5.2.2 Principal assumptions underpinning the Forecast

Opus has refocused its business around its core areas of expertise, in the transport, water and buildings sectors. This means some of Opus's geographical business units undertake work for clients in other regions.

Figure 5.1 illustrates Opus's projections, with EBIT increasing from $27.0 million to $50.5 million between 2017 and 2021.

Figure 5.1: Forecast EBIT ($ million)



Source: Opus Forecast

The increase in earnings is expected to come from a reversal of the recent poor performance in North America and Australia, combined with organic growth across all business units, but most significantly in North America and the United Kingdom. Opus plans to increase its employee numbers by 3% per annum over the forecast period.

Opus is focused on increasing its 'whole of life' asset management services. It is easier to predict employee requirements for these projects, which makes them a good baseload to ensure employees time is utilised efficiently. This allows Opus to operate more efficiently.

The rationale behind the various geographic divisions' Forecast operating performance is summarised below:

Geography	Key Issues and Outlook
Australasia	EBIT increasing in 2018, which is largely due to stable earnings in New Zealand, combined with the closure of loss making service lines and reduced headcount in Australia. Increase in earnings in each of 2019 and 2020, resulting from strong opportunities in transport, partly offset by a slowdown in Kaikoura. Focus on increasing building asset management revenue in New Zealand. Expected success in water sector from expertise and knowledge which has been developed. Increased international work sharing to smooth work flows and improve efficiencies. The Australian business lacks scale and as such the strategy shift to grow the business through investments in capabilities that support both local and global sector clients in Opus's key sectors of water, building asset management and transportation in addition to supporting the New Zealand market. Opus has delayed hiring of additional staff to support this strategy shift until there is clarity around the future ownership structure.
United Kingdom	Opus expects to win two transport asset management contracts by 2021, of a similar scale to the Hertfordshire County Council (**HCC**) contract which Opus won in 2012. This is expected to result in 90 additional FTEs being employed in the UK. Some loss making service lines are closed. Growth is forecast from engineering and design work in the transport sector in line with increased public sector investment in this area.
North America	Opus expects to win two additional engagements related to the Trans Mountain pipeline as a sub-contractor to the client Kinder Morgan. Develop rail and road design centres of excellence and expand current asset management centres of excellence in Fredericton and Vancouver. Develop a building sector centre of excellence in Ontario based around services to a key building project.

While the global infrastructure outlook is positive for Opus there are key risks or challenges which could impact actual performance, including:

- **Strategy execution:** The strategy underpinning the Forecast has been designed to address the key risks and challenges. It is key to turning around the poor performance in Australia and North America and achieving sustainable growth. The strategy is transformative against where the Company has been, and is untested. Therefore there is heightened risk around the Company's ability to execute the plan and deliver the anticipated results.
- **Competition:** Weaker Australian activity coupled with the Christchurch Earthquake rebuild and strong Auckland outlook has lifted the level of competition in New Zealand, with a greater number of Australian engineering firms bidding for engineering work in New Zealand[35]. The higher level of competition impacts the probability of winning work, contract pricing and potentially the cost of engineering resources.
- **Contract renewals:** As noted in Section 4, a significant portion of Opus's business is based on medium term asset management contracts. Renewal of these contracts can materially impact on revenue and profitability, particularly as clients become more cost conscious and traditional transportation and building management services become commoditised.
- **Poor contract execution:** Poor execution by a head contractor or subcontractor can expose Opus to penalties and/or cost overruns, particularly as the international trend is towards more fixed price turn-key solutions.
- **Customers deferring projects:** This was particularly prevalent during the downturn in the oil and gas sector in Canada.
- **Disruptive change in key market sectors:** Technologies such as electric and self-driving cars are expected to significantly change infrastructure requirements. This will likely present both an opportunity and a risk; however, firms that do not adapt will likely perform worse over the medium to long term.
- **Inability to attract and retain expertise:** As noted in Section 3, there is increasing competition for engineering resource, globally.
- **Foreign exchange rates:** Adverse movements in foreign exchange rates from those assumed in the forecast.

[35] Forsyth Barr Research Insights 6 February 2017

5.2.3 DCF Valuation Summary

Our DCF valuation of Opus, as summarised at Table 5.1, results in a valuation range of $1.84 to $2.27 per share, with a mid-point of $2.06 per share.

Table 5.1: Summary of DCF valuation

	Low	High
Enterprise Value	283,296	345,590
Cash/(Net Debt)	(10,449)	(10,449)
Equity value	**272,847**	**335,141**
Shares on issue (thousand)	147,885	147,885
Value per share	**$1.84**	**$2.27**

Source: Management accounts, KordaMentha analysis

Our High Case and Low Case are based on the following assumptions:

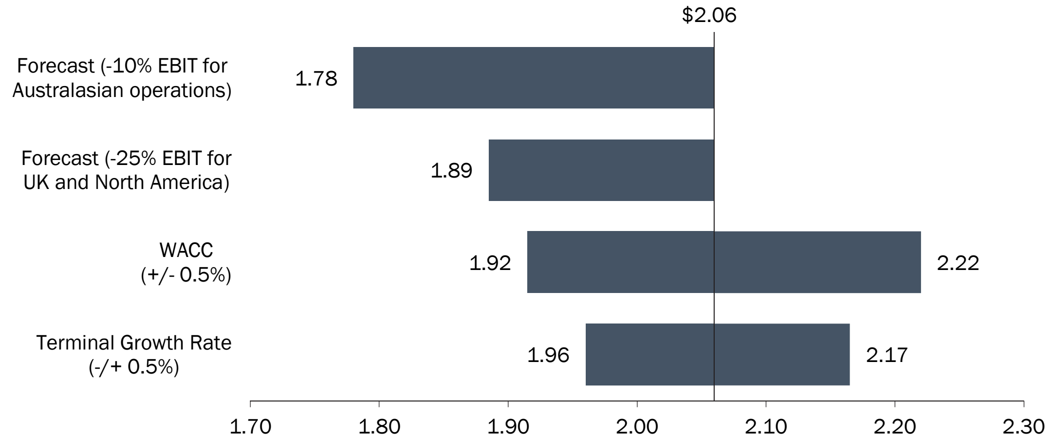
- The High Case is based on:
  - Opus management's forecast, adopted with no adjustments
  - a WACC of 10.0%.
- The Low Case is based on:
  - Opus management's forecast, adopted for the remainder of 2017 and 2018
  - the projections for the 2019 to 2021 period are based on the 2018 Forecast EBIT for the United Kingdom and North American business operations increasing at 2.5% per annum. Opus's performance in the United Kingdom and North America has been inconsistent. We recognise that the Company's strategy is transformative against where it has been, but nevertheless it is untested and as such we consider this adjustment to be prudent as a Low Case.
  - the Forecast is adopted for the Australasia business for the 2017 to 2021 period
  - a WACC of 10.4%
  - no other adjustments to Opus's net working capital requirements or capital expenditure have been made.

Under the Low Case, our valuation implies value for the United Kingdom and North American businesses at approximately 1.5x Net Tangible Assets of those businesses (or goodwill of approximately $20 million).

5.2.4 DCF Sensitivity

Figure 5.2 shows the impact[36] of changes in key valuation parameters against the mid-point of our DCF valuation range.

Figure 5.2: DCF Sensitivity Analysis – based on mid-point



We have presented four possible impacts in Figure 5.2 which are set out below:

1. The impact of a 10% reduction in Australasian EBIT reduces the mid-point of our value range from $2.06 to $1.78 per share.
2. The impact of a 25% reduction in EBIT from North America and the United Kingdom from 2018 onwards reduces the mid-point of our value range from $2.06 to $1.89 per share.
3. The WACC is assumed to be 10% in our High Case and 10.4% in our Low Case. Should these amounts be increased/reduced by 0.5%, the mid-point of our valuation range would lie between $1.92 and $2.22 per share.
4. The terminal growth rate is assumed to be 2.5%. Should the terminal growth rate be reduced/increased by 0.5%, the mid-point of our valuation range would lie between $1.96 and $2.17 per share.

5.3 Capitalisation of Earnings

5.3.1 Earnings Multiple

To undertake a capitalisation of earnings valuation, it is necessary to determine an appropriate earnings multiple, which is then applied to an estimate of earnings.

Comparable earnings multiples are generally derived by benchmarking the entity being valued using the transaction evidence available for comparable companies. Transaction evidence is typically sourced from:

- Earnings multiples based on the current share price of comparable listed companies.
- Earnings multiples based upon recent acquisitions of comparable companies.

Observed trading multiples need to be adjusted for various factors such as relative size, growth, profitability, and risk. Also, observed transactions for listed entities are generally for small parcels of shares, and therefore typically exclude a premium for control that would normally apply to a 100% shareholding.

The majority of the listed engineering and construction companies are much larger than Opus, offer a broader range of engineering services and operate across a different mix of geographies. Therefore, we have placed greater reliance on the earnings multiples implied by the recent acquisition of engineering consulting firms.

[36] The sensitivity analysis shows the impact of a change in one variable whilst holding all other variables constant.

We have applied our adopted earnings multiple to Opus's business operations split by:

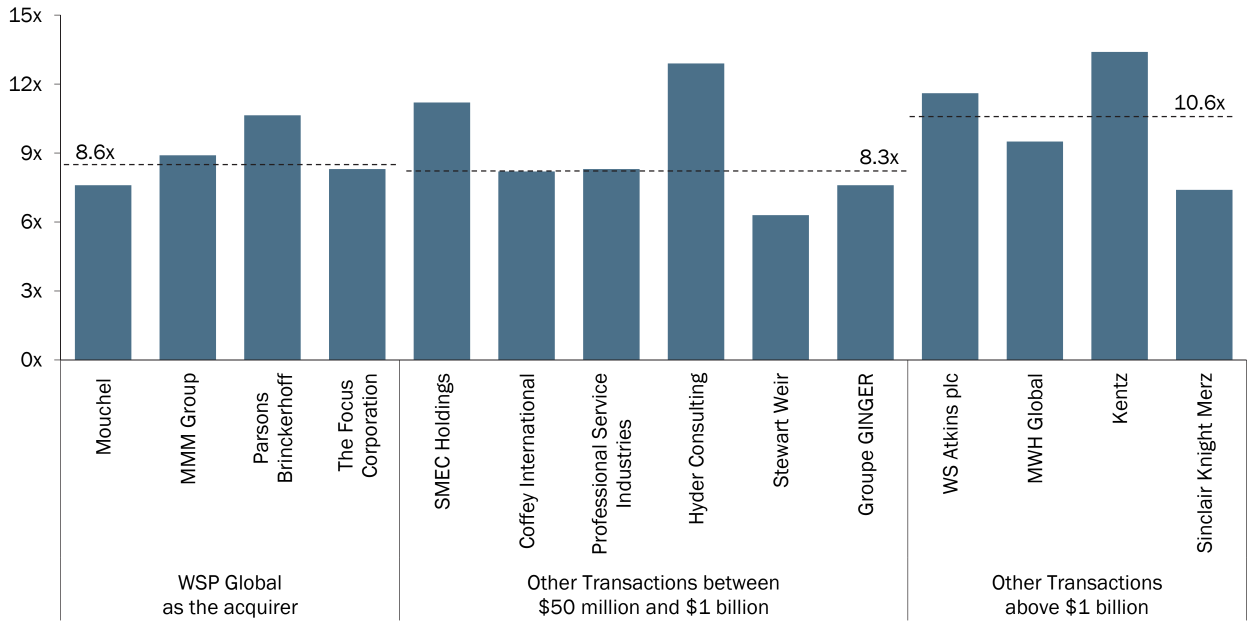
- **Australasia:** The Australasian business includes Australia, New Zealand and Fiji and is managed by a single Managing Director with resource shared across these geographies. As such we have viewed the combined business as a single entity.
- **United Kingdom:** Opus manages a large asset management contract at the HCC which underpins the profitability of the United Kingdom business.
- **North America:** The North American business has grown through the acquisition of other engineering consulting businesses, most notably OSW, which derives revenue from geomatics services and engineering consulting.

Comparable acquisition multiples

Figure 5.3 illustrates the earnings multiples of transactions of comparable engineering consulting businesses since 2013 (a description of the transactions is also set out in full in Appendix 4). These transactions have been selected based on the following criteria:

- the target company primary business is providing engineering consulting services (not construction services)
- the engineering consulting services provided by the target company are broadly similar to Opus and as such companies with specialised focus on sectors such as defence and energy have been excluded
- the target company is based in either North America, Australasia or Europe, with the majority of its revenue being generated from these geographies
- the target company has an enterprise value above $50 million
- the acquirer held 100% of the target company on completion of the transaction.

Figure 5.3: Acquisitions of engineering consulting companies – EBITDA multiples[37]



Source: Capital IQ and KordaMentha estimates

The following factors are relevant when considering acquisition multiples:

- Acquisition multiples typically include a premium for control, which usually reflects expected synergies, as well as the prevailing economic environment and other non-quantifiable factors.
- The acquisition multiples shown in Figure 5.3 are historical multiples, based on the companies' earnings in the most recently available 12 months prior to the transaction, with some of the earnings having been normalised by the companies

[37] Companies ordered by increasing EBITDA, converted to New Zealand dollars using exchange rates from the time of the transactions.

involved in the transactions. Typically, assuming business earnings are increasing, forecast earnings multiples are lower than historical earnings multiples.

- The comparable transactions have earnings multiples in a wide range between 7.4x to 13.4x EBITDA; with an overall median of 8.6x EBITDA.
- The four transactions where WSP Global was the acquirer have an earnings multiple range of 7.6x to 10.6x EBITDA with a median of 8.6x EBITDA. We note the upper end of the range is based on the Parsons Brinckerhoff transaction which where the target company had an enterprise value of over $1.6 billion. In our view, these transactions are a useful indicator of the value attributable to Opus. WSP acquired:
  - Mouchel Limited (**Mouchel**), an engineering consulting and asset management firm based in the United Kingdom, in October 2016. Mouchel reported revenues of £125 million and EBITDA of £9.8 million for the year ended 30 June 2016.
  - MMM Group Limited (**MMM Group**), an engineering consulting and geomatics service provider based in Canada, in October 2015. The MMM Group reported revenues of C$269 million and EBITDA of approximately C$46 million for the year ended 30 June 2015.
  - Parsons Brinckerhoff Group Inc. (**Parsons Brinckerhoff**), an engineering consulting firm specialising in the transport and building sectors based in the United States, in October 2014. Parsons Brinckerhoff generated EBITDA of US$117 million for the year ended June 2014.
  - Focus Corporation Limited (**Focus**), an engineering consulting and geomatics service provider, in April 2014. Focus reported revenues of C$284 million and EBITDA of approximately C$41 million for the year ended February 2014.
- Excluding those transactions in which WSP was the acquirer, the median earnings multiple was 8.3x EBITDA for transactions with enterprise values between $50 million and $1 billion; and 10.6x EBITDA for transactions with enterprise values over $1 billion.

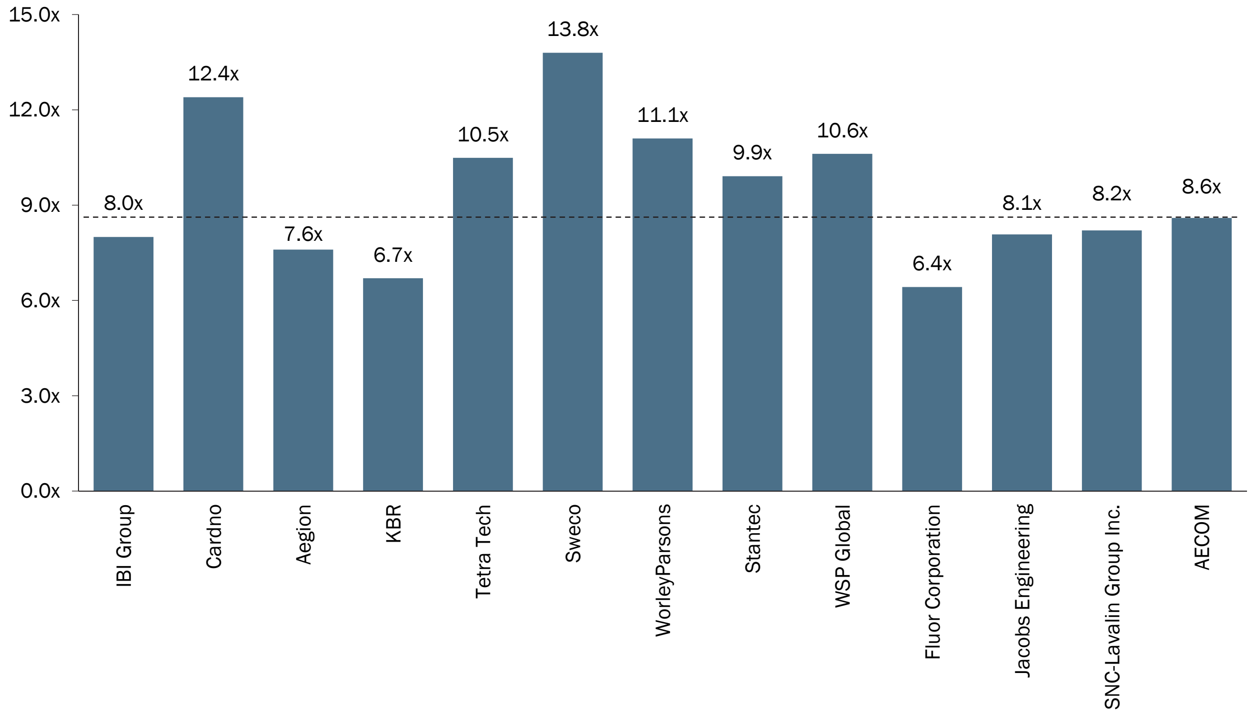
Comparable trading multiples

We have selected comparable listed companies based on the following criteria:

- **Geography:** Companies in countries that Opus has some revenue exposure (notably countries in Europe, North America, and Australia). This is because these companies are likely to be impacted by the same macro-economic trends such as public sector spending on infrastructure projects as Opus.
- **Industry:** Engineering and construction companies that primarily engage in professional engineering consulting rather than construction have been selected. Typically professional engineering consulting firms trade at higher earnings multiples than construction firms due to the higher margins generally earned by the engineering consulting firms.
- **Size:** Listed companies with an enterprise value above $50 million have been selected.
- **Going concern:** We have excluded those entities which appear to be financially distressed (based on having materially more debt than equity). This is because such entities' reported values of debt and equity cannot be relied upon.

Figure 5.4 illustrates the earnings multiples based on forecast earnings over the next twelve months for the listed engineering consulting companies, as at 30 August 2017 (we have set out our analysis in full in Appendix 4):

Figure 5.4: Listed engineering consulting companies – Forecast EBITDA multiples[38]



Source: Capital IQ and the companies' financial accounts

There are a number of fundamental differences between Opus's operations and those of the comparable companies, including infrastructure sector mix; the mix of construction versus design services provided; growth prospects; and most notably size. Only Cardno (with an enterprise value of $751 million) and IBI Group (with an enterprise value of $369 million) are comparable in terms of size, as the other companies shown in Figure 5.4 have enterprise values in excess of $1 billion. The IBI Group, with an enterprise value of approximately $370 million, is the most comparable with Opus in terms of size and trades at 8.0x NTM EBITDA. We note that Cardno reported a loss in 2016 and its earnings multiple likely reflects an expectation that earnings will increase over the next few years (its earnings in the immediate future are not representative of the long term). While this is similar to some of Opus's operations, it nevertheless makes the Cardno earnings multiple less reliable, as it will depend on exactly how depressed its current earnings are now relative to future expectations.

Selection of earnings multiple range

We have assessed an earnings multiple for Opus's normalised EBITDA for the purposes of cross checking our DCF valuation, after taking into account:

- Australasian business operations generated approximately 90% of the EBITDA for 2017 and is projected to generate approximately 74% of the EBITDA for 2021. These operations could be seen as being comparable to many of the transactions detailed above. We have adopted an earnings multiple range of 7.6x to 8.6x normalised EBITDA to value the Australasian business operations:
  - The low end of 7.6x EBITDA is based on (1) the acquisition of Mouchel by WSP Global at a 7.6x historical EBITDA multiple; and (2) the median earnings multiple for transactions involving engineering consulting firms with an enterprise value of between $50 million and $1 billion, which was 8.3x historical EBITDA.
  - The high end of 8.6x EBITDA is based on (1) the median earnings multiple paid by WSP Global for the acquisition of four engineering consulting firms over the last three years. Three out of four of the target companies have an enterprise value that is within the $100 million to $500 million range and is thus broadly comparable; and (2) Opus earns a higher proportion of its revenue from the transport sector than many of the target companies. Transport

[38] Companies ordered by increasing EBITDA, converted to New Zealand dollars using current exchange rates.

infrastructure spend is forecast[39] to increase at a greater rate than the overall infrastructure market and in particular face less challenges than firms with a greater exposure to the oil and gas and mining sectors.

- The United Kingdom business is projected to grow if it is successful in winning county council asset management contracts and through winning other road and rail engineering work. The HCC contract, which is a contract related to the management of roading assets in the Hertfordshire County, generated approximately 36% and 39% of Opus's revenue in the United Kingdom in 2016 and 2017 respectively. This contract has a seven year term to 2019 with the option of a five year extension at the election of the client. In our view, given the relatively small size of Opus in the United Kingdom and its relatively high reliance on a single customer, a discount for size and customer concentration is appropriate. We also note that economic uncertainty is higher in the United Kingdom relative to New Zealand and Australia due to the Brexit negotiations and its potential impact on private sector investment in infrastructure. We have assessed an earnings multiple of between 4.0x and 5.0x normalised EBITDA for the United Kingdom business.
- The North American business has significant exposure to the oil and gas sector, with 35% of its revenue generated from this sector and 65% of its revenue being generated from the transport, buildings and water sectors. As set out in Section 3 of this report the oil and gas sector continues to experience significant challenges. However, positive factors influencing the North American business include: (1) North America has an infrastructure gap and both Canada and United States are projected to increase infrastructure investment to 2040[40]; and (2) having an assembled workforce of over 400 engineers in North America may present a bolt-on acquisition opportunity for larger engineering firms such as WSP which is likely to underpin value. On balance we have assessed an earnings multiple of between 5.0x and 6.0x normalised EBITDA. We note that the top end of the range is approximately equal to the 5.9x[41] historical EBITDA multiple paid by Opus for Stewart Weir in 2013.
- The corporate centre represents unallocated overhead that is needed for Opus to fulfil its governance and management requirements. We have assessed a blended earnings multiple range of 7.4x to 8.1x normalised EBITDA, based on the weighted average of the earnings multiples for the Australasian, United Kingdom and North American operations.

5.3.2 Normalised Earnings

We have assessed the level of normalised earnings for Opus as summarised below in Table 5.2:

Table 5.2: Normalised EBITDA ($ thousand)

	Low	High
Australasia	42,000	43,500
United Kingdom	1,600	3,000
North America	2,000	5,000
Corporate overhead	(7,300)	(10,600)
Normalised EBITDA	**38,300**	**40,900**

Source: Management accounts, KordaMentha analysis

We have set out the assumptions underpinning the normalised earnings assessments:

- **Australasia:** The New Zealand operations are projected to generate EBITDA of $43.9 million and $42.0 million for 2017 and 2018, respectively. The Australian operations are projected to generate an EBITDA loss of $3.0 million in 2017 and EBITDA of $1.5 million in 2018. At the low end we have assumed the normalised level of EBITDA at $42 million which is based on the 2018 forecast for New Zealand and nil EBITDA for Australia (which assumes that Australian resource are employed on projects in New Zealand or Australia such that the costs of the business are covered). We note that the $3.0 million EBITDA loss in 2017 included approximately $1.0 million of one off redundancy and lease provision costs. At the high end we have assumed that Opus will meet its 2018 forecast.
- **United Kingdom:** The United Kingdom operations are projected to generate EBITDA of $1.6 million and $3.0 million for 2017 and 2018. Opus management advice is that EBITDA will return to a more normal level in 2018.

[39] Assessing the global transport infrastructure market: Outlook to 2025, (2015)

[40] Oxford Economics, Global Infrastructure Outlook to 2040, July 2017

[41] The Stewart Weir transaction multiple includes the actual earn-out component paid to the owners which was lower than the maximum consideration announced at the completion date (underlying information provided by Opus management).

- **North America:** The North American operations are projected to generate EBITDA of $1.7 million and $7.6 million for 2017 and 2018. In 2014, the North American operations delivered EBITDA levels that were in excess of $7.6 million. However, this was prior to the collapse in oil prices and the deferral of major oil and gas investment projects. The outlook for infrastructure investment (not related to the oil and gas sector in North America) is promising, as set out in Section 3 and the Opus Forecast sets out a relatively high year on year EBITDA growth path for the North American operations. In our view there is high execution risk in achieving this growth path given the recent performance of the North American business. Furthermore the volume of secured work is relatively short dated and only underpins the forecast EBITDA level for 2017. The EBITDA forecast for 2018 and beyond relies on winning large new contracts on profitable terms (there is inherent uncertainty as to whether Opus can win these contracts and the profitability of these arrangements, which are often as a sub-contractor to a larger firm). We have adopted a normalised EBITDA range of $2.0 million to $5.0 million, with the Low end based on the forecast EBITDA for 2017 (which has a relatively high level of certainty) and an EBITDA uplift of $3.0 million from new contract wins at the High end.
- **Corporate overhead:** The corporate overhead which Opus management cannot allocate to business units is projected to be $7.3 million in 2017 and $10.6 million in 2018. We understand a large part of the forecast increase relates to supporting client experience, improving project profitability and commercial outcomes. We have adopted a Low end of $7.3 million and a High end of $10.6 million, in line with the Forecast for 2017 and 2018.

5.3.3 Summary of Capitalisation of Earnings valuation

The equity value under the capitalisation of earnings methodology is the enterprise value, which is based on the normalised earnings multiplied by selected earnings multiples, plus adjustments for net debt and the low level of working capital as at June 2017. Our capitalisation of earnings valuation of Opus, as summarised at Table 5.3, results in a valuation range of $1.79 to $2.14 per Opus share, with a mid-point of $1.97 per Opus share. This compares to an Effective Offer Price of $1.92 per Opus share.

The calculation is set out in Table 5.3 below:

Table 5.3: Capitalisation of Earnings valuation

	EBITDA		Multiple		Value	
	Low	**High**	**Low**	**High**	**Low**	**High**
Australasia	42,000	43,500	7.6x	8.6x	319,200	374,100
United Kingdom	1,600	3,000	4.0x	5.0x	6,400	15,000
North America	2,000	5,000	5.0x	6.0x	10,000	30,000
Corporate overhead	(7,300)	(10,600)	7.4x	8.1x	(53,700)	(86,200)
Enterprise Value	**38,300**	**40,900**	**7.4x**	**8.1x**	**281,900**	**332,900**
Cash/ (Net Debt)					(10,449)	(10,449)
NWC adjustment					(6,400)	(6,400)
Equity value					**265,100**	**316,100**
Shares on issue (thousand)					147,885	147,885
Value per share					**$1.79**	**$2.14**

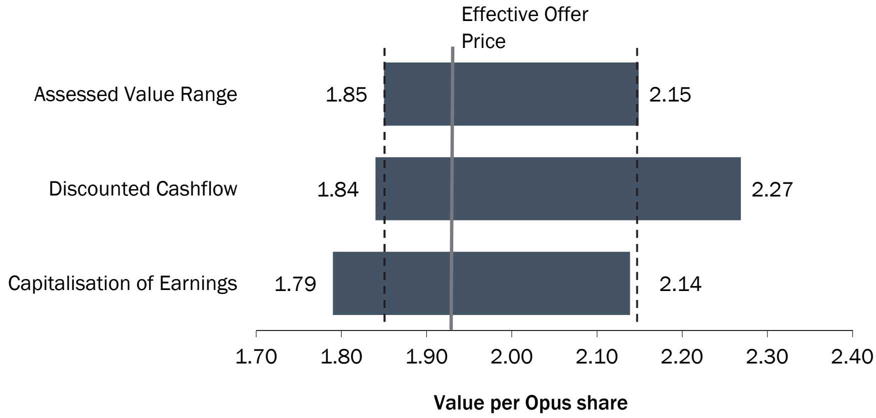
Source: Management accounts, KordaMentha analysis

Opus's net working capital as at 30 June 2017 was $38 million (refer to Table 4.5), this is approximately $6.4 million below the average net working capital over the 12 months to 30 June 2017, based on month end balances. We have adjusted the value to reflect that the net working capital in the business is less than average.

5.4 Valuation Summary

We have assessed a valuation range of between $1.85 per Opus share and $2.15 per Opus share, with a mid-point of $2.00 per Opus share. The mid-point of our valuation range lies approximately 4% above the Effective Offer Price of $1.92 per Opus share. As discussed in Section 2 of our report we have not assessed the value of potential synergies that may be available to WSP from this acquisition and the value of any such synergies would be in addition to our assessed valuation.

Figure 5.4: Valuation Summary



Appendix 1: Sources of Information

Documents relied upon

Key information which was used and relied upon, without independent verification, in preparing this report includes the following:

- Opus 5 Year Business Plan
- Opus 5 Year management forecast from 2017 to 2021
- Opus historical financial accounts for 2014, 2015 and 2016
- Opus investor updates for 2016 and 2017
- Opus performance report for July 2017
- Opus results presentation for H1, 2017
- Opus's share register and trading information
- Broker reports prepared by Credit Suisse, Forsyth Barr and First NZ Capital
- McKinsey Global Institute, Bridging Global Infrastructure Gaps report, June 2016
- Oxford Economics, Global Infrastructure Outlook to 2040, July 2017
- Assessing the global transport infrastructure market: Outlook to 2025, (2015)
- Strategy&: 2017 Engineering and Construction Trends: Survival of the biggest
- National Construction Pipeline Report 2017 by Ministry of Business Innovation and Employment (July 2017)
- NZ Treasury Infrastructure Evidence Base: Ten year Capital Intentions Plan, 2016
- IbisWorld Engineering Consulting Industry Report for New Zealand, April 2017
- IbisWorld Engineering Consulting Industry Report for Australia, February 2017
- National Infrastructure Delivery Plan 2016 to 2021 for the United Kingdom (March 2016)
- Engineering UK report for 2017
- 2017 Strategic 100: North American Infrastructure Report
- Labour Market Outlook 2017 to 2021 for Canada's Oil and Gas Industry, March 2017
- Data sourced from the Reserve Bank of New Zealand's website (rbnz.govt.nz).

We have also had discussions with Opus's management in relation to the nature of Opus's business operations, and the known risks and opportunities for the foreseeable future.

Reliance upon information

In forming our opinion we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by Opus and its advisers. We have no reason to believe any material facts have been withheld.

We have evaluated that information through analysis, enquiry and examination for the purposes of forming our opinion but we have not verified the accuracy or completeness of any such information. We have not carried out any form of due diligence or audited the accounting or other records of Opus. We do not warrant that our enquiries would reveal any matter that an audit, due diligence review or extensive examination might disclose.

Appendix 2: Qualifications and declarations

Qualifications

KordaMentha is an independent New Zealand Chartered Accounting practice, internationally affiliated with the KordaMentha group. The firm has established its name nationally through its provision of professional financial consultancy services with a corporate advisory and insolvency emphasis, and because it has no business advisory, audit or tax divisions, avoids any potential conflicts of interest which may otherwise arise. This places the firm in a position to act as an independent adviser and prepare independent reports.

The persons responsible for preparing and issuing this report are Grant Graham (BCom, CA); Pravin Bhana (BCom, CA); Shane Bongard (BCom (Hons)); and Suresh Yahanpath (MAppFin, BCom, BSc). All have significant experience in providing corporate finance advice on mergers, acquisitions and divestments, advising on the value of shares and undertaking financial investigations.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of KordaMentha's opinion as to merits of the proposed transaction. KordaMentha expressly disclaims any liability to any Opus equity security holder that relies or purports to rely on the Report for any other purpose and to any other party who relies or purports to rely on the Report for any purpose.

This report has been prepared by KordaMentha with care and diligence and the statements and opinions given by KordaMentha in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by KordaMentha or any of its officers or employees for errors or omissions however arising (including as a result of negligence) in the preparation of this report, provided that this shall not absolve KordaMentha from liability arising from an opinion expressed recklessly or in bad faith.

Indemnity

Opus has agreed that, to the extent permitted by law, it will indemnify KordaMentha and its partners, employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of this report. This indemnity does not apply in respect of any negligence, misconduct or breach of law. Opus has also agreed to indemnify KordaMentha and its partners, employees and officers for time incurred and any costs in relation to any inquiry or proceeding initiated by any person except where KordaMentha or its partners, employees and officers are guilty of negligence, misconduct or breach of law in which case KordaMentha shall reimburse such costs.

Independence

KordaMentha does not have at the date of this report, and has not had, any shareholding in, or other relationship, or conflict of interest with Opus that could affect its ability to provide an unbiased opinion in relation to this transaction. KordaMentha will receive a fee for the preparation of this report. This fee is not contingent on the success or implementation of the proposed transaction or any transaction complementary to it. KordaMentha has no direct or indirect pecuniary interest or other interest in this transaction. We note for completeness that a draft of this report was provided to Opus and its advisers, solely for the purpose of verifying the factual matters contained in the Report. While minor changes were made to the drafting, no material alteration to any part of the substance of this report, including the methodology or conclusions, were made as a result of issuing the draft.

Consent

KordaMentha consents to the issuing of this report, in the form and context in which it is included, in the information to be sent to Opus shareholders. Neither the whole nor any part of this report, nor any reference thereto may be included in any other document without the prior written consent of KordaMentha as to the form and context in which it appears.

Appendix 3: Valuation Methodologies

There are four methodologies commonly used for valuing businesses:

- Discounted Cash Flow (**DCF**) analysis;
- Capitalisation of earnings;
- Estimate of proceeds from an orderly realisation of assets; and
- Industry rules of thumb.

Each of these valuation methodologies is appropriate in different circumstances. A key factor in determining which methodology is appropriate is the actual practice commonly adopted by purchasers of the type of businesses involved.

Discounted cash flow

It is a fundamental principle that the value of an asset or business is represented by its expected future cash flows, discounted to present value at a rate which reflects the risk inherent in those cash flows. This approach, referred to as the DCF methodology, is particularly suited to situations where a business is in a growth phase or requires significant additional investment to achieve its projected earnings.

The DCF methodology requires considerable judgement in estimating future cash flows and the valuer generally places significant reliance on medium to long term projections prepared by management. The DCF valuation methodology can also be very sensitive to changes in underlying assumptions. Notwithstanding these limitations, DCF valuations are appropriate where current earnings are not representative of reasonable expectations of future earnings.

Capitalisation of earnings

The capitalisation of earnings methodology requires an assessment of the maintainable earnings of the business and the selection of an appropriate capitalisation rate, or earnings multiple. This methodology is most appropriate where there is a long history of relatively stable returns and capital expenditure requirements are neither large nor irregular. In practice, it is often difficult to obtain accurate forecasts of future cash flows and therefore the capitalisation of earnings methodology is often used as a surrogate for the DCF methodology.

Realisation of assets

The realisation of assets approach is based on an estimate of the proceeds from an orderly sale of assets. This methodology is more commonly applied to businesses that are not going concerns. The valuation result reflects liquidation values and typically attributes no value to any goodwill associated with on-going trading.

Industry rules of thumb

In some industries, businesses are valued using well established 'rules of thumb'. Generally these rules of thumb are used as a cross-check for other valuation methodologies.

Appendix 4: Valuation Evidence

Comparable Transactions

Table A4.1 shows EBITDA multiples for completed transactions involving engineering consulting companies in Europe, North America and Australia within the last five years, where a shareholding of 100% has been sought by the acquirer. We have shown five transactions with transaction values above $1 billion and nine transactions between $50 million and $1 billion. The completed transactions include four transactions completed by WSP Global which are highlighted in Table A4.1.

Table A4.1: Comparable engineering company transactions

Completed Date	Target	Acquirer	Primary Target Location	Enterprise Value $ millions	EBITDA multiple (Historical[42])
Transactions with WSP Global as the acquirer					
Oct 2016	Mouchel	WSP Global	United Kingdom	130	7.6x
Oct 2015	MMM Group	WSP Global	United States	491	8.9x
Sep 2014	Parsons Brinckerhoff	WSP Global	United States	1,626	10.6x
Apr 2014	The Focus Corporation	WSP Global	Canada	388	8.3x
Median (Transactions with WSP Global as the acquirer)					***8.6x***
Other Transactions above $1 billion					
July 2017	WS Atkins plc	SNC Lavalin	United Kingdom	4,317	11.6x
May 2016	MWH Global	Stantec	United States	1,167	9.5x
Aug 2014	Kentz	SNC Lavalin	Europe	2,195	13.4x
Dec 2013	Sinclair Knight Merz	Jacobs	Australia	1,529	7.4x
Median (Transactions above $1 billion)					***10.5x***
Other Transactions between $50 million and $1 billion					
Aug 2016	SMEC Holdings	Surbana Jurong	Australia	483	11.2x
Feb 2016	Coffey International	Tetra Tech	Australia	215	8.2x
Nov 2015	Professional Service Industries	Intertek Group	United States	487	8.3x
Oct 2014	Hyder Consulting	Arcadis NV	United Kingdom	582	12.9x
Sep 2013	Stewart Weir	Opus	Canada	108	5.9x[43]
Sep 2013	Groupe GINGER	Groupe Siparex	France	119	7.6x
Median (Transactions below $1 billion)					***8.3x***
Median					**8.6x**

Source: Capital IQ, financial statements and announcements and research reports

The comparable transactions are described below.

Mouchel – WSP Global

WSP Global agreed to acquire a 100% shareholding in Mouchel Limited (Mouchel) in October 2016. Mouchel reported revenues of £125 million and EBITDA of £9.8 million for the year ended 30 June 2016.

Mouchel provides infrastructure engineering services including consulting, planning, advising, design, supervision/contract management and asset management. The company offers services across the energy, transportation and water sectors in the United Kingdom, Australia and the Middle East. Mouchel was founded in 1888 and is based in London, United Kingdom.

[42] Historical earnings estimates are in most cases based on the LTM. However, in some instances are as the last quarterly or half yearly financial reporting date. The transaction multiples exclude synergies.

[43] Based on the actual earn-out paid to the vendors over three years (underlying information provided by Opus management).

MMM Group – WSP Global

WSP Global agreed to acquire a 100% shareholding in MMM Group Limited (MMM Group) in October 2015. The MMM Group reported revenues of C$269 million and EBITDA of approximately C$46 million for the year ended 30 June 2015.

MMM Group Limited provides a range of professional services including engineering, planning, geomatics and public-private partnership (P3) program management across a range of sectors, including health care, transportation, hospitality, infrastructure, and environment, primarily in Canada and the United States. MMM Group Limited was founded in 1952 and is based in Thornhill, Canada.

Parsons Brinckerhoff – WSP Global

WSP Global agreed to acquire a 100% shareholding in Parsons Brinckerhoff Group Inc. (Parsons Brinckerhoff) in October 2014. Parsons Brinckerhoff generated EBITDA of US$117 million for the year ended June 2014.

Parsons Brinckerhoff operates as an engineering consulting company. It offers property and building services across many sectors and integrated transport and infrastructure services for aviation, bridge, municipal/urban infrastructure, rail and transit, road and highway, ports, and underground construction projects. Parsons Brinckerhoff serves customers globally with the United States being its primary market. The company was founded in 1885 and is based in New York.

The Focus Corporation – WSP Global

WSP Global agreed to acquire a 100% shareholding in Focus Corporation Limited (Focus) in April 2014. Focus reported revenues of C$284 million and EBITDA of approximately C$41 million for the year ended February 2014.

Focus is a consulting company that specialise in providing geomatics, facilities engineering, transportation, pipelines, and land development services in Western Canada. The company also provides construction management and resource roads, as well as transportation engineering, planning, and structures services and water resources engineering services. Focus was founded in 1977 and is based in Calgary, Canada.

WS Atkins – SNC-Lavalin

SNC-Lavalin agreed to acquire a 100% shareholding in WS Atkins plc (WS Atkins) in July 2017. WS Atkins reported revenues of £2,082 million and EBITDA of £187 million in the year ended 31 March 2017.

WS Atkins provides design, engineering, and project management consultancy services. The company offers technical advice, design, and engineering services together with project management services to clients in public and private sectors in the United Kingdom and Europe with focus on rail and highways infrastructure markets. It also provides design, engineering, and project management services for infrastructure projects for local government clients, federal agencies, and private businesses in North America; and design, engineering, and project management services for transportation, property, and other infrastructure programs in the Middle East. WS Atkins was founded in 1938 and is based in Epsom, the United Kingdom.

MWH Global – Stantec

Stantec agreed to acquire a 100% shareholding in MWH Global in May 2016. MWH Global reported revenues of US$1,270 million and EBITDA of US$81 million in the year ended 31 December 2015.

MWH Global engages in the engineering, construction, and management of water, hydropower, mining, and transportation projects for municipalities, governments, and multi-national private corporations worldwide. It offers program management, management consulting, analytics and research, engineering and design, sustainability and climate change, and construction and construction management, as well as environmental, health, and safety management. MWH Global was founded in 1820 and is headquartered in Broomfield, Colorado.

Kentz – SNC-Lavalin

SNC-Lavalin agreed to acquire a 100% shareholding in Kentz Corporation Limited (Kentz) in August 2014. Kentz reported revenues of £1,001 million and EBITDA of £75 million for the year ended 31 December 2013.

Kentz provides engineering, procurement, construction and technical support services. Its technical support services include front end and detailed engineering, project and construction management, completions, and commissioning services, as well as asset enhancement services, such as brownfield engineering, maintenance, shutdowns and turnarounds, and operations support. Kentz operates across the oil and gas, mining, water, energy and infrastructure sectors primarily in the Middle East, the Far East, Africa, Australasia and the Americas. Kentz was founded in 1919 and is based in St Helier, the Channel Islands.

Sinclair Knight Merz – Jacobs

Jacobs agreed to acquire a 100% shareholding in Sinclair Knight Merz Management Pty Limited (Sinclair Knight Merz) in December 2013. Sinclair Knight Merz reported revenues of AU$1,289 million and EBITDA of AU$180 million for the year ended 31 December 2012.

Sinclair Knight Merz provides engineering, design, procurement, construction, and project management services across the mining and metals, building and infrastructure, water and environment, and power and energy industries. It has operations in Australia, Asia, South America, and the United Kingdom. Sinclair Knight Merz was founded in 1964 and is based in Sydney, Australia.

SMEC – Surbana Jurong

Surbana Jurong Private Limited (Surbana Jurong), a privately owned Singaporean engineering company, agreed to acquire a 100% shareholding in SMEC Holdings Pty Limited (SMEC) in August 2016. SMEC reported revenues of AU$373 million and EBITDA of AU$38 million for the year ended 30 June 2015.

SMEC provides engineering consultancy services to private organizations and government agencies in Australia, New Zealand, the Asia Pacific, South Asia, the Middle East, Africa, and the Americas. SMEC specialise in the areas of urban planning, infrastructure development, and management advisory. Its activities include initial concept, feasibility studies, planning and design, construction, commissioning, and operation and maintenance. SMEC serves customers in transportation, water, energy, resources and education sectors. SMEC was founded in 1949 and is based in Brisbane, Australia.

Coffey International – Tetra Tech

Tetra Tech agreed to acquire a 100% shareholding in Coffey International Limited (Coffey International) in January 2016. Coffey International reported revenues of AU$556 million and EBITDA of AU$21 million for the year ended 30 June 2015.

Coffey International provides a range of engineering consulting services including geotechnical engineering services, building information modelling and project planning and management services in Australia to a lesser degree globally. Coffey International was founded in 1959 and is headquartered in Melbourne, Australia.

Professional Service Industries – Intertek

Intertek Group Plc (Intertek), a firm that specialises in providing quality and safety solutions worldwide, agreed to acquire a 100% shareholding in Professional Service Industries, Inc (Professional Service Industries) in November 2015. Professional Service Industries reported revenues of US$254 million and EBITDA of US$40 million for the year ended 31 December 2014.

Professional Service Industries provides engineering consulting and testing services in the United States. The company offers environmental consulting, geotechnical engineering, construction materials testing and engineering, facilities and roof consulting and a range of testing services. Professional Service Industries was founded in 1881 and is headquartered in Oakbrook Terrace, Illinois.

Hyder Consulting – Arcadis

Arcadis NV (Arcadis), a global design and consultancy firm, agreed to acquire a 100% shareholding in Hyder Consulting plc (Hyder) in October 2014. Hyder reported revenues of £297 million and EBITDA of approximately £22 million for the year ended 31 March 2014.

Hyder is a design and engineering consultancy company which provides infrastructure, property, and environmental solutions. It serves the transportation, water and environment, energy, industry, resources, property and technology market sectors in Asia, Australia, the Middle East, Germany, and the United Kingdom. Hyder was incorporated in 1963 and is headquartered in London, the United Kingdom.

OSW – Opus

Opus agreed to acquire a 100% shareholding in OSW in September 2013. OSW reported revenues of C$91 million and EBITDA of approximately C$11 million for the year ended 31 January 2013.

OSW is a consulting company that offers surveying, geomatics, and engineering services to the industrial, municipal, transportation, oil and gas, and land development sectors. OSW was founded in 1912 and is based in Sherwood Park, Canada.

Groupe GINGER – Groupe Siparex (and management)

Groupe Siparex, a principal investment firm, along with management agreed to acquire a 100% shareholding in Groupe GINGER in September 2013. Groupe GINGER reported revenues of €110 million and EBITDA of approximately €9.3 million for the year ended 31 December 2012.

Groupe GINGER operates as an engineering company in France and with some international clients. It provides technical and scientific services for the construction process, including surveys, testing, verification, assessments, expertise studies, diagnostics, recommendations, and construction engineering services for structures, facades, plumbing, medical and special fluids as well as providing maintenance services. Groupe GINGER was founded in 1997 and is based in Paris, France.

Comparable Companies

Table A4.2 shows EBITDA multiples for publically listed companies that specialise in providing professional engineering consulting services within the engineering and construction industry in North America, Europe and Australasia as at 22 August 2017. These companies are multi-disciplinary companies who operate across multiple geographies and sectors and are generally much larger than Opus, with the exception of Cardno and IBI Group. The IBI Group which is highlighted below is the most comparable in terms of size to Opus.

Table A4.2: Comparable engineering companies

Company	Primary location	Enterprise Value $ millions[44]	EBITDA multiples	
			LTM[45]	NTM[46]
AECOM	United States	11,507	8.9x	8.6x
SNC-Lavalin Group Inc.	Canada	9,908	16.8x	8.2x
Jacobs Engineering	United States	8,234	9.3x	8.1x
Fluor Corporation	United States	6,974	9.0x	6.4x
WSP Global	Canada	6,768	12.2x	10.6x
Stantec	Canada	4,877	11.8x	9.9x
WorleyParsons	Australia	4,649	18.8x	11.1x
Sweco	Sweden	4,431	14.3x	13.8x
Tetra Tech	United States	3,464	11.6x	10.5x
KBR	United States	3,020	27.8x	6.7x
Aegion	United States	1,316	7.5x	7.6x
Cardno	Australia	751	NM	12.4x
IBI Group	Canada	369	7.8x	8.0x
Median			**11.7x**	**8.6x**

Source: Capital IQ, financial statements and announcements and research reports

[44] Enterprise value converted to New Zealand Dollars.
[45] Last Twelve Months – based on available financial accounts and Capital IQ.
[46] Next Twelve Months – based on broker forecasts sourced from Capital IQ.

The comparable companies are described below.

AECOM

AECOM, is large global multi-disciplinary engineering company, which together with its subsidiaries, engages in designing, building, financing and operating infrastructure assets. AECOM operates through three segments: Design and Consulting Services (DCS), Construction Services (CS), and Management Services (MS). The DCS segment provides planning, consulting, architectural and engineering design, program management, and construction management services for private and public sector clients, across many sectors. The CS segment offers building construction, as well as energy, infrastructure and industrial construction services. The MS segment provides program and facilities management and other related services primarily for agencies of the U.S. government and other national governments.

AECOM was founded in 1980 and is headquartered in Los Angeles, California.

SNC-Lavalin

SNC-Lavalin Group Inc. (SNC–Lavalin) provides engineering and construction, and operations and maintenance services worldwide. The company operates across the Mining & Metallurgy, Oil & Gas, Power, Infrastructure, and Capital sectors. The Infrastructure segment undertakes infrastructure and construction projects related to hospitals, mass transit, heavy rail, roads, bridges, airports, ports and harbors, facilities architecture and engineering, industrial and geotechnical engineering, and materials testing, as well as water infrastructure and treatment facilities.

SNC-Lavalin was founded in 1911 and is headquartered in Montreal, Canada.

Jacobs Engineering

Jacobs Engineering Group Inc. (Jacobs) provides technical, professional, and construction services across 200 offices located in North America, South America, Europe, the Middle East, Australia, Africa, and Asia. It offers project services that include engineering, architectural, interiors, and design, planning, and related services across many sectors globally.

Jacobs was founded in 1947 and is headquartered in Dallas, Texas.

Fluor Corporation

Fluor Corporation, through its subsidiaries, provides engineering, procurement, construction, fabrication and modularization, commissioning and maintenance, and project management services worldwide. It operates through four segments: Energy, Chemicals & Mining; Industrial, Infrastructure & Power; Maintenance, Modification & Asset Integrity and Government.

Fluor Corporation was founded in 1912 and is headquartered in Irving, Texas.

WSP Global

WSP Global operates as a global engineering consulting company. It operates across Property and Buildings, Transportation and Infrastructure, Environment, Industry, Resources and Power and Energy sectors.

WSP Global provides technical and management consultancy services, such as structural and mechanical, electrical, and plumbing engineering; and a range of specialist services, including green building design to the Property and Buildings sector. Its services in the Transportation & Infrastructure segment includes planning, analysing, designing, and managing rail, transit, aviation, bridge, tunnel, highway, port, road, and urban infrastructure projects for public and private clients, and partners.

WSP Global was founded in 1959 and is headquartered in Montreal, Canada.

Stantec

Stantec Inc. (Stantec) provides engineering consulting services in the area of infrastructure and facilities for clients in the public and private sectors in Canada, the United States, and internationally. It operates through four segments: Consulting Services – Canada, Consulting Services – United States, Consulting Services – Global, and Construction Services. Stantec provides consulting services in engineering, architecture, interior design, landscape architecture, surveying, environmental services, project management, and project economics; and construction management services. It undertakes projects across a range of industries and customer groups including commercial, healthcare, education, industrial, airports and aviation, civic, science and technology, waterpower and dam, power, oil and gas, mining, water, building, power transportation, community development, and transportation.

Stantec was founded in 1954 and is headquartered in Edmonton, Canada.

Sweco

Sweco AB (Sweco) provides engineering consulting, environmental technology, and architecture services worldwide.

The company undertakes projects in the building and social infrastructure sector such as urban development, offices, retail and commercial premises, lighting design, leisure and sports, landscape, visualization, education, healthcare, housing, infrastructure, and interior architecture. It also offers a range of asset management services including building monitoring and inspection.

Sweco also offer a range of services to the transportation sector such as such as bridge and tunnel engineering, cargo and logistics, geotechnical engineering, intelligent transportation and traffic systems, measurement technology, port and marina engineering, public transportation, railway engineering, road, street and land planning. It also offers roads and rail-bound traffic operations and maintenance services.

Sweco was founded in 1889 and is based in Stockholm, Sweden.

Worley Parsons

WorleyParsons Limited (Worley Parsons) provides professional services to the resources, energy, and industrial sectors globally with a strong presence in Australia. The company provides engineering design and project delivery services, including providing maintenance, reliability support services, and advisory services. It operates through Hydrocarbons; Minerals, Metals & Chemicals; and Infrastructure segments. WorleyParsons also offers infrastructure business support services for resource and urban infrastructure markets, including environmental and restoration services, development of water gathering and processing facilities, rail and port assets, and power generation and transmission.

WorleyParsons was founded in 1971 and is based in North Sydney, Australia.

Tetra Tech

Tetra Tech, Inc. (Tetra Tech) provides consulting and engineering services worldwide.

It operates through two segments, Water, Environment and Infrastructure (WEI) and Resource Management and Energy (RME). The WEI segment offers early data collection and monitoring, data analysis and information technology, science and engineering applied research, engineering design, construction management, and operations and maintenance services. It serves a range of public and private sector clients.

The RME segment provides early data collection and monitoring, data analysis and information technology, feasibility studies and assessments, science and engineering applied research, engineering design, construction management, and operations and maintenance services. This segment serves a range of industrial and commercial clients, U.S. federal agencies in large scale remediation, and international development agencies.

Tetra Tech was founded in 1966 and is headquartered in Pasadena, California.

KBR

KBR, Inc. (KBR) provides professional services and technologies across the asset and program life-cycle within the government services and oil and gas industries worldwide.

The company operates through three segments: Government Services, Technology & Consulting, and Engineering & Construction. The Government Services segment offers life-cycle support solutions for government agencies in the United States, the United Kingdom, and Australia. The Technology & Consulting and Engineering and Construction segment service offerings are targeted at the oil and gas industry.

KBR was founded in 1901 and is headquartered in Houston, Texas.

Aegion

Aegion Corporation (Aegion) provides engineering solutions and technologies to maintain, rehabilitate, and strengthen infrastructure worldwide.

The company offers various solutions for rehabilitating and maintaining aging or deteriorating infrastructure; protecting new infrastructure from corrosion; and providing integrated professional services in engineering, procurement, construction and maintenance. Its solutions include rehabilitation of water and wastewater pipelines; fusible polyvinyl chloride products for rehabilitation; fibre reinforced polymer systems for rehabilitation and strengthening; cathodic protection for corrosion engineering control and infrastructure rehabilitation; pipe coatings for corrosion and thermal control and prevention; high-density polyethylene pipe lining for corrosion control, abrasion protection, and pipeline rehabilitation; and construction and maintenance of oil and gas facilities. Aegion serves municipal, state, and federal governments, as well as corporate customers.

Aegion was founded in 1980 and is headquartered in St. Louis, Missouri.

Cardno

Cardno Limited (Cardno) is a professional infrastructure and environmental services company that specialises in the development and improvement of physical and social infrastructure for communities worldwide.

Cardno offers technical and economic feasibility services; planning services, such as statutory planning, urban development, master planning and design, mapping and surveying, and transportation planning; environmental consulting services, and engineering design services for various structures, spaces, and systems. It also provides software and technology solutions that aid planning and design for engineers in various industries. In addition, Cardno offers asset management, condition assessment, facilities management, infrastructure, and software implementation services.

Cardno was founded in 1945 and is headquartered in Brisbane, Australia.

IBI Group

IBI Group Inc. (IBI) provides various engineering and professional services related to the buildings and infrastructure sector which includes planning, design, implementation, analysis of operations, and other consulting services.

IBI also provides brownfield development, civil engineering, electrical engineering, geomatics and surveying services; and industrial and process engineering services to clients in Canada, the United States and to a lesser degree globally.

IBI was founded in 1974 and is headquartered in Toronto, Canada.

Appendix 5: Weighted Average Cost of Capital

We have estimated the post-tax, nominal Weighted Average Cost of Capital (**WACC**) for Opus to be within a range of 10.0% and 10.4%.

The WACC has been determined as follows:

$$WACC = R_d(1 - T_c)\frac{D}{D+E} + R_e\frac{E}{D+E}$$

where:

- R_d = Pre-tax cost of debt = 4.8%, based on a credit margin for the group estimated by Opus management
- T_c = Marginal corporate tax rate = 28%
- D / (D + E) = Target gearing (where E represents market capitalisation) = 20% based on Opus target debt to equity and comparable companies[47]
- R_e = Cost of equity = 11.3% to 11.8%

We have determined the cost of equity using the Brennan-Lally specification of the Capital Asset Pricing Model, which uses the following formula:

$$R_e = R_f(1 - T_i) + \beta_e[R_m - R_f(1 - T_i)] + SCRP$$

where:

- R_f = Risk free rate = 3.2%, based on the yields of long term government bonds
- T_i = Investors' effective tax rate on interest, dividends and capital gains = 28%
- β_a = Asset Beta = a range of 1.00 to 1.05, based upon a review of the betas of comparable companies
- β_e = Equity Beta = β_a (1+D/E) = 1.20 to 1.26
- R_m - R_f (1- T_i) = Expected excess return, after investor taxes, on the market portfolio of equity investments = 7.5%
- SCRP = Small company risk premium = 0.0% (Opus has an enterprise value in excess of $250 million and therefore a SCRP has not been added).

[47] The comparable companies are those companies outlined in Appendix 4 where an equity beta can be measured with a reasonable degree of statistical accuracy. The asset beta estimates are based on these companies.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