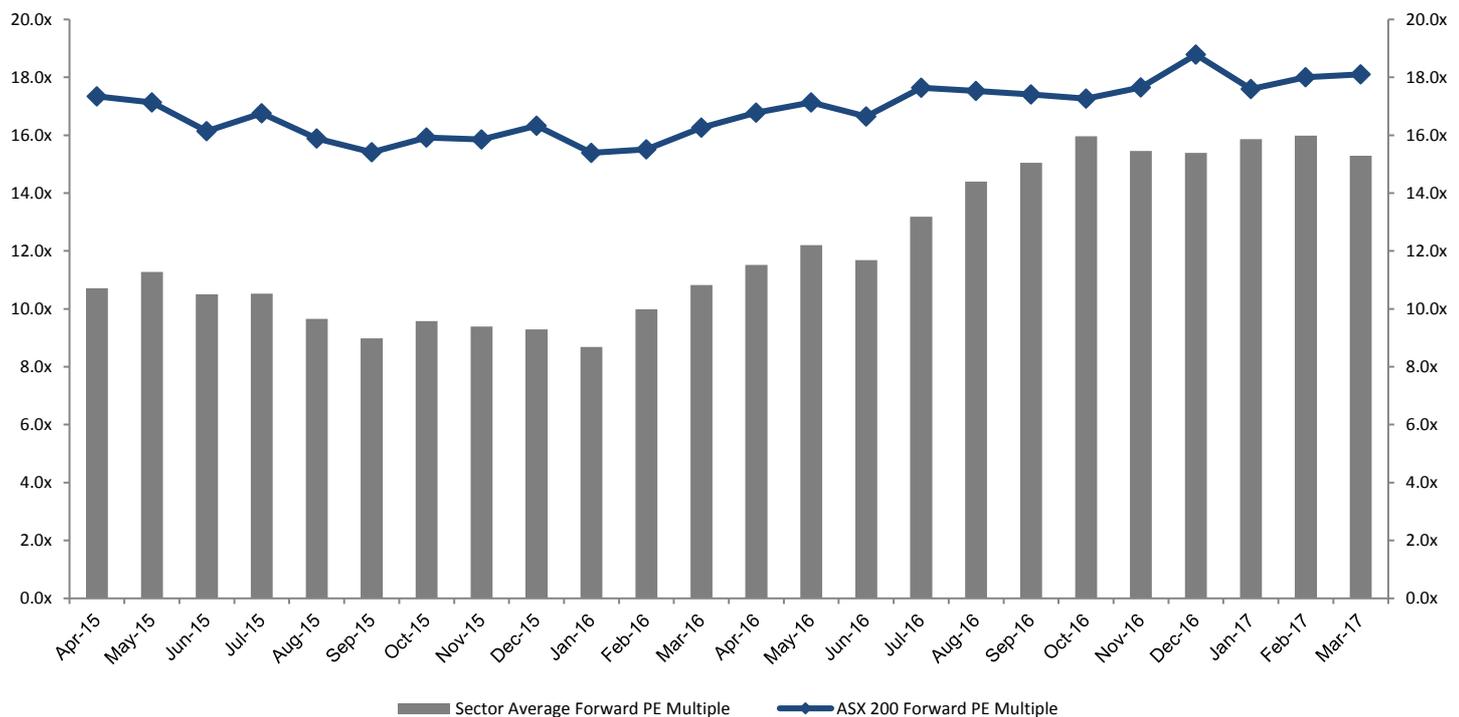


Engineering & Construction

Pricing Multiples

Forward Price Earnings Multiples (monthly to 31.03.17)¹ Source: S&P Capital IQ

Multiples in the Engineering & Construction (E&C) sector decreased over the period. At the end of March, the E&C sector traded on a forward PE of 15.3x, below the ASX200 multiple of 18.1x.



Average Values and Trading Multiples (as at 26.04.17) Source: S&P Capital IQ

Subsector	Enterprise Value	EV/EBITDA FY2017	EV/EBIT FY2017	Price / Earnings FY2017
Construction & Project Delivery	28,744	6.8x	10.5x	14.6x
Manufacturing & Materials	6,751	9.0x	14.5x	19.6x
Mining & Construction Services	18,471	8.0x	13.0x	21.6x
Professional services	4,671	11.6x	17.3x	18.7x

Note: Multiples are based on the forward year of the unreported period, which for the majority of companies in the sector is FY2017.

¹ The InterFinancial E&C Index set is an unweighted index comprising E&C related companies trading on the Australian Securities Exchange (ASX). Estimates are sourced from S&P Capital IQ.

Digging for Deals...

- **Global Construction Services** has signed a conditional offer to acquire Melbourne-based **Summit Formwork** and **Summit Investment Services** for \$18.4m. The acquisition of **Summit** is part of **GCS**'s ongoing strategy to expand and diversify its operations outside of the Western Australian market and increase exposure to the commercial construction sector on the east coast of Australia. The consideration comprises \$7.4m in cash up front and \$5.5m in **GCS** scrip, with the balance subject to a cash earn-out based on achieving EBITDA targets over the next three years.
- **Hitachi Construction Machinery** has commenced the process of compulsorily acquiring the remaining **Bradken** Shares following final acceptances reaching approximately 92.8%.
- **Dar Group**, a Dubai-based company, has acquired an additional 15.3m of **WorleyParsons** to raise its stake in the Australian engineering company to 19.9% at \$11.50 per share for an aggregated value of about \$175m. **Dar Group** previously had a 13.45% stake in **WorleyParsons**.
- **Downer** has acquired **ITS Pipetech**, an innovative pipeline rehabilitation solutions to the water and wastewater industry, local government and industrial markets, with more than 130 employees across Australia.
- **Komatsu**, the Japanese manufacturer of construction machinery, has acquired **MineWare**, an Australian provider of solutions for mining equipment, for an undisclosed consideration. **Komatsu** is now positioned to incorporate **MineWare**'s solutions into its line of offerings, offer them and make further contributions for its customers by optimizing their mining operations.

Scuttlebutt...

- **Big River Industries**, an Australia-based supplier of building materials, is seeking to raise \$17m in an IPO. The indicative market capitalization on the completion of the offer will be \$76.8m. The company is looking to make more bolt-on acquisitions in Australia and New Zealand after the IPO. Potential targets will be able to benefit from the scale as a result of becoming part of **Big River's** strategic sourcing, and also be able to add to the product mix of **Big River**.
- **Newlake**, a Korean private equity firm, is believed to be competing with **Liberty House** and **Simec** on a bid for **Arrium Australia**, a mining operator and steel materials supplier. The bid is to acquire **Arrium Australia's** steelwork operations on Australia's east coast and South Australia.
- **PlantMiner**, an Australian online marketplace for equipment hire, may need to raise capital in the next 12-24 months to scale the business and help its overseas expansion, said co-founder and co-CEO Mike Davis. **PlantMiner** has had prior interest from a US-based company looking at a potential takeover but remains focused on its own growth for the time being. Its next round is expected to be larger than its previous \$5.3m round in January.
- Investment banks are believed to be pitching **Fletcher Building** to potential buyers. At least three banks are believed to be looking for a potential buyer following a major earnings downgrade by the business last month and negative sentiment among fund managers. Though the company is trading at a 25% discount to its listed rivals, buyers may need to pay up \$8.5bn to buy **Fletcher** and as such could be more interesting to an overseas building materials business.
- **Spotless** is currently the subject of an off-market takeover bid from **Downer EDI Services**. Following discussions with the Takeover Panel and ASIC, **Downer** has agreed to provide additional disclosure in a replacement bidder's statement, in particular in relation to clarifying the operation of withdrawal rights for accepting **Spotless** shareholders while the bid is conditional. **Coltrane Asset Management** has a relevant interest in 10.37% of shares on issue in **Spotless** through cash-settled equity swaps and an expectation to be delivered upon request the ordinary shares the subject of those swaps.

If you are interested in specific information regarding mergers and acquisitions in the Engineering & Construction sector, please contact Chris Munday, Sharon Doyle or Mark Steinhardt.

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This information has been sourced from the ASX, Mergermarket.com and various other public information sources. Forecasts are consensus forecasts sourced from S&P Capital IQ.

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