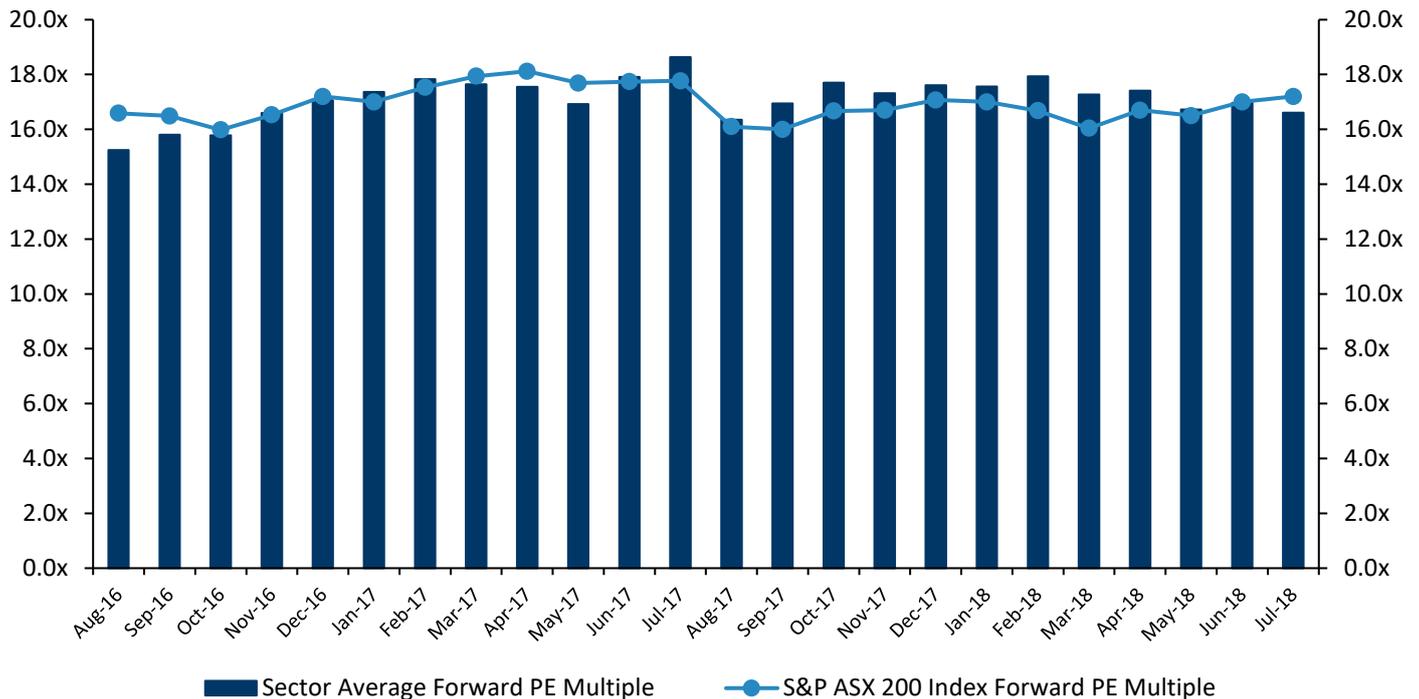


Engineering & Construction

Pricing Multiples

Forward Price Earnings Multiples (monthly to 31.07.18)¹ Source: FactSet Research Systems Inc.

Multiples in the Engineering & Construction (E&C) sector decreased over the period. At the end of July, the E&C sector traded on a forward PE of 16.6x, below the ASX200 of 17.2x.



Average Values and Trading Multiples (as at 20.08.18) Source: FactSet Research Systems Inc.

Subsector	Enterprise Value	EV/EBITDA FY2019	EV/EBIT FY2019	Price / Earnings FY2019
Building Products	6,973	10.2x	11.9x	19.4x
Professional Services	6,549	9.7x	11.4x	16.7x
Freight & Logistics	17,929	10.6x	18.1x	15.9x
Construction Materials	24,059	9.6x	12.4x	15.3x
Engineering & Construction	39,035	6.4x	8.9x	13.5x
Industrial Machinery & Products	24,014	8.9x	13.1x	20.8x
Homebuilding	256	4.0x	5.0x	9.7x

Note: Multiples are based on the forward year of the unreported period, which for the majority of companies in the sector is FY2018. The constituents have been refreshed this month to ensure the sector groups and companies included are current.

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 FactSet Research Systems Inc.

Digging for Deals...



Value: Not disclosed

Keysight Technologies, a California-based provider of electronic test and measurement equipment, has acquired **Thales Calibration Services**. **Thales** is a commercial calibration facility specializing in dimensional, pressure, mass, and temperature metrology. Located in Melbourne, **Thales** was originally established to provide dimensional support, but expanded its capabilities and accreditation over the past several decades. Following the acquisition, **Keysight** is the largest calibration and support services organization in Australia.



SIGNORINO

MULTIFORM STONE INDUSTRIES

Value: Not disclosed

Queens Lane Capital (QLC), the Australian private equity group, is buying controlling stakes in three Australia-based stone and tile companies **Signorino**, **Dellermay**, and **Multiform**. The combined entity will trade as **Petra Industries** and is expected to begin trading with annual revenue of over \$80m.



Value: \$35.0m, EV/EBITDA 5.8x

Helios Technologies, a Florida-based hydraulics and electronics equipment maker, has acquired **Custom Fluidpower**, an Australian pump, valve and hydraulic equipment maker, for \$35m. **Custom Fluidpower** is Australia's largest independently-owned fluid power solutions and service provider, serving sectors including; mining, material handling, agriculture, construction, energy/oil & gas and others. Headquartered in Newcastle and servicing customers from eight branches across Australia, the company provides total engineered solutions and value-add services, including electronics, innovative complete system solutions, manifolds and intelligent braking systems as well as other products. **Custom Fluidpower** recorded sales of \$62m and an EBITDA margin of 9.7% for FY18, implying an EV/EBITDA of 5.8x.



Value: \$50.5 - \$54.5m

Vossloh AG has signed a contract with **Laing O'Rourke** to acquire Australian rail infrastructure company **Austrak**. **Austrak** is the leading manufacturer of concrete ties in Australia. In the FY2018, **Austrak** generated sales of \$52.3m. It is expected that in the next few years, the Australian market will offer good growth opportunities for **Vossloh**, particularly in view of significant mining projects in Western Australia as well as major infrastructure projects on the East Coast. The purchase price as of the closing date is expected to amount to approximately \$50m, and can increase to a maximum of \$54.5m over the course of the next two years, depending on business development.



Value: \$34.15m and \$10m

Fleetwood has is acquiring Sydney-based modular building company **Modular Building Systems** for \$34.15m, plus a potential earnout. **Modular Building Systems** is a leader in off-site modular construction, site works and installation.

Fleetwood is also acquiring Melbourne-based caravan plumbing parts supplier **Northern RV** for \$10m, plus a potential earnout.



Value: Not Disclosed

AJ Lucas Group is selling the fixed assets of its engineering and construction business to **Spiecapag Australia**. The sale, combined with proceeds from the completion of legacy E&C projects and unwind of working capital associated with these projects, is expected to generate cash proceeds for **AJ Lucas** of over \$25m over the remainder of the year. Due to a combination of challenging market conditions and a lack of scale, the E&C business has struggled to generate satisfactory returns.



Value: \$697.0m, EV/EBITDA 4.2x

Barmenco Holdings, the Australian underground hard-rock mining contractor, is being acquired by **Ausdrill**, the listed mining services group, for an Enterprise Value of \$697.0m, and Equity Value of \$271.5m. **Barmenco** shareholders will own 22.1% of the expanded capital in **Ausdrill**. **Ausdrill** will acquire all of the equity and equity-like instruments in **Barmenco**, and assume **Barmenco's** debt, including USD 350m in Senior Secured Notes. The Enterprise Value represents an FY2018 EV/EBITDA multiple of 4.2x, and an EV/EBIT multiple of 7.6x. **Barmenco** has 1,800 employees.

Scuttlebutt...

- **Active Crane Hire**, a private Australian supplier of tower cranes, would consider an equity-based strategic partnership with a large industry-related supplier. A potential partner is expected to have synergies with **Active** in so far as it supplies the broader crane hire and sales and maintenance sector in Australia.
- **Famur**, Poland's largest mining machinery manufacturer, and state-run coking coal miner **Jastrzebska Spolka Weglowa** are looking for business partners in Australia.
- **Buckeridge Group of Companies (BGC)**, the Australia-based construction group, is unlikely to be put up for sale until later this year. **BGC** is anticipated to interest private equity players, with **Blackstone**, **The Carlyle Group**, and **KKR** already thought to have looked at the operation. The group could be valued at \$2bn.
- **York Civil**, the South Australia-based construction and engineering business, has entered voluntary administration this month.
- **Amcors** is believed to be planning to offer equity to acquire **Bemis**. Analysts believe that **Amcors** could offer around 450m of its own shares, or nearly 30% of the company, to buy **Bemis**. The item said that both business's Boards are anticipated to recommend the "friendly" deal to their shareholders. The item noted that the companies are likely to tout the deal's potential synergies, which will be especially important to **Amcors** investors.
- **Boyuan Holdings** is in talks with **Quadrant Private Equity**, which is believed to be near concluding a deal to acquire the Australia-based prefabricated housing company. The Australian private equity firm is now in the dataroom, running due diligence on **Boyuan**, which has been listed for two years and supported by Chinese investors.
- **SYPAQ**, a family-owned Australian engineering and technology consulting firm, is in the market for acquisitions and joint ventures in Australia and Asia. The Melbourne-headquartered company is already in discussions with two potential JV partners in Australia.
- **Total Glass & Aluminium**, a Sydney, Australia-based commercial quality window maker, has been put up for sale.
- **St Gobain**, **Corning**, or **Nippon Glass** could be interested in **CSR's** glass business **Viridian**. The overseas players would likely be interested in **Viridian** to expand their presence in Australia.

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.

Contact Details

Name	Position	Phone	Email
Sharon Doyle	Managing Director	(07) 3218 9122	sdoyle@interfinancial.com.au
Chris Munday	Partner	(07) 3218 9100	cmunday@interfinancial.com.au
Mark Steinhardt	Director	(07) 3218 9105	msteinhardt@interfinancial.com.au
Cathy Montesin	Director	(07) 3218 9100	cmontesin@interfinancial.com.au
David Hassum	Director	(07) 3218 9108	dhassum@interfinancial.com.au
Andrew Wheeler	Director	(07) 3218 9107	awheeler@interfinancial.com.au
Simon Douglas	Director	(07) 3218 9100	sdouglas@interfinancial.com.au
Anthony Vago	Associate Director	(07) 3218 9100	avago@interfinancial.com.au
Jake Moyle	Associate	(07) 3218 9113	jmoyle@interfinancial.com.au
Michael Kakanis	Analyst	(07) 3218 9106	mkakanis@interfinancial.com.au

This information has been sourced from the ASX, Mergermarket.com and various other public information sources. Forecasts are consensus forecasts sourced from FactSet Research Systems Inc.

Important Disclaimer – This may affect your legal rights: Because this document has been prepared without consideration of any specific person's financial situation, particular needs and investment objectives, a financial services licensee or investment adviser should be consulted before any investment decision is made. While this document is based on information from sources which are considered reliable, InterFinancial, its directors, employees and consultants do not represent, warrant or guarantee, expressly or impliedly, that the information contained in this document is complete or accurate. Nor does InterFinancial accept any responsibility to inform you of any matter that subsequently comes to notice, which may affect any of the information contained in this document. This document is a private communication to clients and is not intended for public circulation or for the use of any third party, without the prior approval of InterFinancial. This report does not constitute advice to any person.

Disclosure. InterFinancial has no interest in any of the securities mentioned in this publication. However, its directors, executives or consultants may have an interest in some of the securities, directly or indirectly, which are mentioned