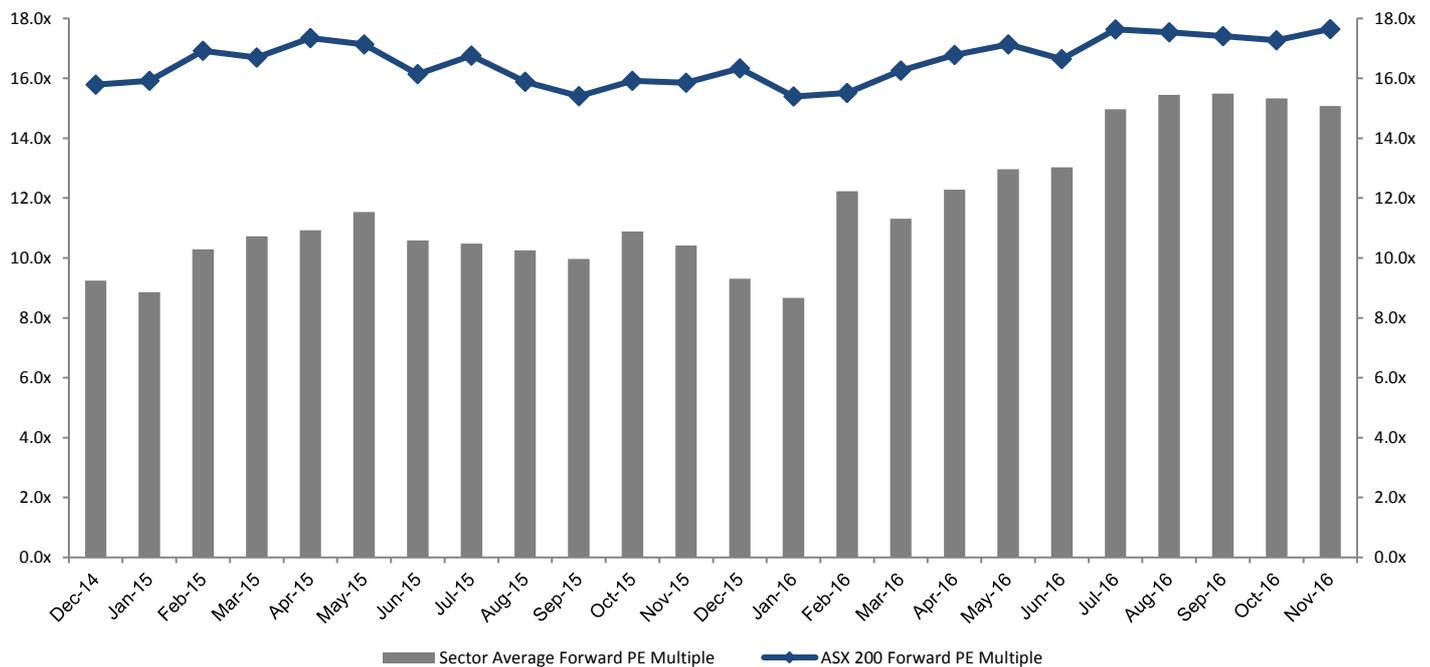


Engineering & Construction

Pricing Multiples

Forward Price Earnings Multiples (monthly to 30.11.16)¹ Source: S&P Capital IQ

Multiples in the Engineering & Construction (E&C) sector have slightly decreased over the period. At the end of November, the E&C sector traded on a forward PE of 15.1x, compared to the ASX200 on 17.6x.



Average Values and Trading Multiples (as at 19.12.16) Source: S&P Capital IQ

Subsector	Enterprise Value	EV/EBITDA FY2017	EV/EBIT FY2017	Price / Earnings FY2017
Construction & Project Delivery	26,861	6.1x	8.7x	13.0x
Manufacturing & Materials	7,623	9.6x	14.9x	16.1x
Mining & Construction Services	18,036	7.9x	13.5x	18.4x
Professional services	3,935	7.4x	12.0x	12.4x

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...

- **UGL's** (ASX:UGL) largest shareholder, Allan Gray, has announced its support for the takeover offer by **CIMIC** (ASX:CIM) and offered its 19.5% shareholding in the engineering firm. Mr Gray called the decision made by the **UGL** board to accept **CIMIC's** hostile takeover offer short-sighted. **CIMIC** has secured 61.3% of **UGL** and required Mr Gray's share to move beyond the 75% threshold to extend the offer for a further two weeks. **CIMIC** may also reach the 90% acceptance that would result in a compulsory acquisition.
- **Simonds Group** (ASX: SIO) and **SR Residential** agreed to terminate the planned acquisition by **SR Residential** of 100% of the issued share capital of **Simonds** not held by the Simonds family for a cash payment of \$0.4 per share.
- **Universal Forest Products** (NASDAQ: UFPI), a Grand Rapids, Michigan-based wood products company, acquired **The UBEECO Group**, an Australian manufacturer of wood packaging. With the acquisition, **Universal** strengthens its foothold in the Australian packaging market, and creates opportunities for synergies between its two Australian manufacturers.
- Creditors have approved the purchase of **JSW Australia**, the Australian drilling business, by **Allegro Funds**. **JSW** was a subsidiary of **Hughes Drilling** (ASX: HDX) and employs 140 staff. The deal size was around \$10 - \$50m.
- **Emeco** (ASX:EHL) has won creditor support for its recapitalisation and three-way merger with **Orionstone** and **Andy's Earthmovers**.
- **MACA** (ASX:MLD) has acquired 60% of mineral processing solutions business **Interquip** for \$8m. There is an option to acquire the remaining 40% of the issued capital of **Interquip** for consideration of approximately \$8m, subject to settlement adjustments.
- **Carnegie Clean Energy's** wholly owned subsidiary **Energy Made Clean** has signed a three-year 50/50 Joint Venture Agreement with **Lendlease**,

Scuttlebutt...

- **Greens Environmentally Friendly Materials**, a Chinese manufacturer of building materials, is in fundraising talks to boost sales of its calcium alginate-based building materials. The company plans to raise around USD 7.5m via a minority stake sale and has engaged in talks with three unnamed local venture capital investors. An Australia-based investor has also made an enquiry about the company's potential sale.
- **Long Pipes**, a private Australian manufacturer of non-steel pipes, is seeking to raise \$10 - \$20m for commercial production, and is in discussions with potential offshore investors. On a raise of \$15m, **Long Pipes** would be valued at around \$150m, giving a new investor a 10% stake.

If you are interested in specific information regarding mergers and acquisitions in the Engineering & Construction sector, please contact 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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