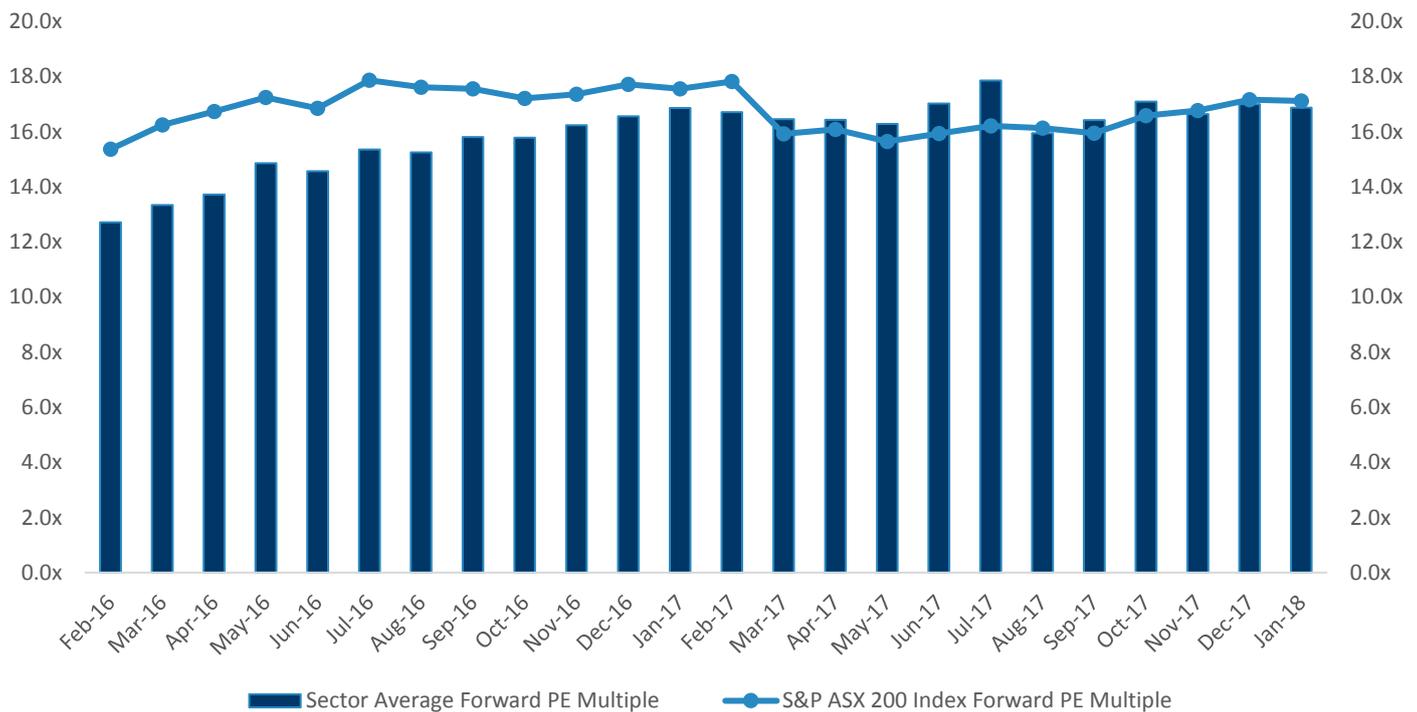


## Engineering & Construction

### Pricing Multiples

#### Forward Price Earnings Multiples (monthly to 31.01.18)<sup>1</sup> Source: FactSet Research Systems Inc.

Multiples in the Engineering & Construction (E&C) sector decreased over the period. At the end of January, the E&C sector traded on a forward PE of 16.9x, just below the ASX200 multiple of 17.1x.



#### Average Values and Trading Multiples (as at 14.02.18) Source: FactSet Research Systems Inc.

Subsector	Enterprise Value	EV/EBITDA FY2018	EV/EBIT FY2018	Price / Earnings FY2018
Building Products	5,953	10.9x	12.9x	18.5x
Professional Services	4,074	8.4x	10.4x	14.9x
Freight & Logistics	17,519	9.8x	17.9x	16.9x
Construction Materials	23,787	10.1x	13.6x	17.3x
Engineering & Construction	17,435	7.3x	10.3x	16.3x
Industrial Machinery & Products	38,215	7.1x	11.4x	16.6x
Homebuilding	270	7.3x	10.8x	16.2x

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.

<sup>1</sup> 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...

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Value: Unknown

NASDAQ-listed **Tetra Tech**, the California-based global provider of consulting and engineering services, is acquiring **Norman Disney & Young (NDY)**, a leader in sustainable infrastructure engineering design in Australia, for an undisclosed amount. Established in 1959, **NDY** has offices throughout Australia, the Asia-Pacific region, the United Kingdom, and Canada. **NDY** incorporates innovative technologies and solutions into designs, helping to create environments that use less energy, recycle water, and provide safe and sustainable infrastructure.



Value: Unknown

**Minnovo**, the Perth-based engineering business, has been acquired by South Africa's **DRA**, the global engineering, project delivery and asset management group. **Minnovo** will expand **DRA's** growing Australian footprint and add further depth to its metallurgical, engineering, procurement, project management, construction and commissioning capabilities in Australia, as well as enhancing on-the-ground resources to clients in the APAC region. Value of the transaction is unknown.



Value: ~\$200m (rumoured)

**Alex Fraser Group**, an Australia-based road base and aggregates producer, has been acquired by **Hanson Australia**. The company was sold by UK-based **Swire**. The deal is in line with **Hanson's** growth strategy, pursuing strategic opportunities in segments with obvious synergies and expansion potential. The deal's value is unknown; however, the business was expected to sell for around \$200m.



Value:

ASX-listed **Macmahon Holdings** has agreed to purchase **TMM Group**, a Brisbane-based group of companies which provide civil construction and operations and maintenance services to the Queensland coal mining industry. **TMM's** current revenue is in the order of \$60m. The acquisition will provide **Macmahon** with additional civil capability that is expected to be an enabler to core mining work through contracts for initial site earthworks and construction services, as well as the ability to target site rehabilitation projects. The value of the deal is unknown.

## Scuttlebutt...

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- ASX-listed **AJ Lucas Group**, the specialist service provider to the energy, mining and infrastructure sectors, is raising \$22.6m via a new share placement to institutional investors, and \$31.2m via an entitlement offer. Proceeds from the capital raising will be used to fund future commitments to the company's UK investments, partially repay debt, and fund working capital.
- Melbourne's **Sincerity Applied Materials Holding Corp** intends to acquire **Jiangsu Xiangli**, a manufacturer of specialty raised flooring systems. **Jiangsu Xiangli** had sales of approximately \$25m and operating profit of \$5m in 2017 with projected sales of \$38m for 2018. The acquisition price has been set at approximately \$15m, comprising 50% cash and 50% stock.
- ASX-listed **Aconex**, an Australian cloud-based solution that manages team collaboration for construction projects, may be acquired by NYSE-listed **Oracle** by way of a Scheme of Arrangement. If completed, the deal will be valued at approximately \$1.56bn.

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 FactSet Research Systems Inc.

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