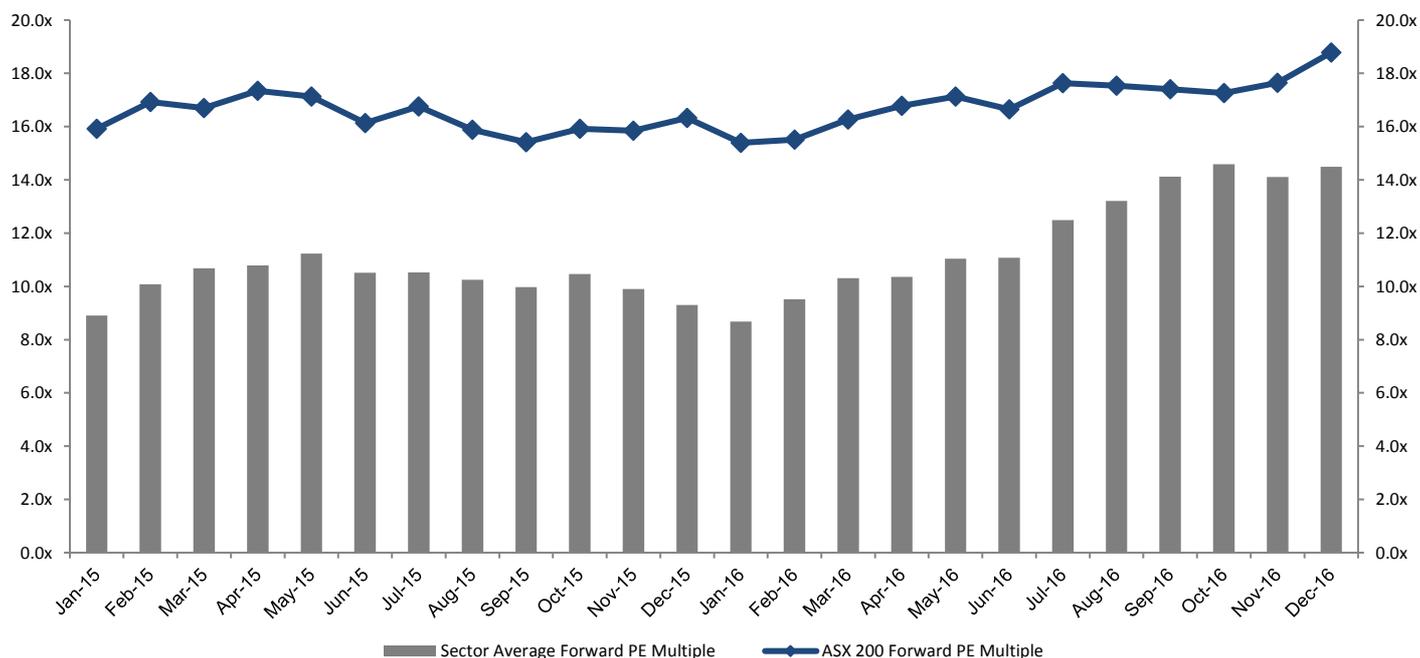


## Engineering & Construction

### Pricing Multiples

#### Forward Price Earnings Multiples (monthly to 31.12.16)<sup>1</sup> Source: S&P Capital IQ

Multiples in the Engineering & Construction (E&C) sector increased over the period. At the end of December, the E&C sector traded on a forward PE of 14.5x, compared to the ASX200 on 18.8x.



#### Average Values and Trading Multiples (as at 20.01.17) Source: S&P Capital IQ

Subsector	Enterprise Value	EV/EBITDA FY2017	EV/EBIT FY2017	Price / Earnings FY2017
Construction & Project Delivery	27,111	6.2x	9.2x	13.6x
Manufacturing & Materials	8,418	10.2x	16.0x	16.7x
Mining & Construction Services	18,270	8.2x	14.0x	19.6x
Professional services	4,041	8.1x	12.9x	13.5x

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

<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 S&P Capital IQ.

## Digging for Deals...

---

- **SGS** has acquired **BF Machinery** and **CBF Engineering**, both based in Melbourne, Australia and with operations in Sydney. The businesses provide testing, repair, engineering and maintenance services for pumps, valves, hydraulics and plastics systems. Their primary markets include manufacturing, water, utilities, waste management, mining and oil & gas.
- **DUET Group's** Board has recommended the \$7.4bn acquisition proposal by way of schemes of arrangement and a trust scheme from **Cheung Kong Infrastructure Holdings**. **DUET** security holders will receive total cash proceeds of \$3.03 per stapled security comprising the proposed acquisition consideration payable by the consortium of up to \$3.00 per stapled security plus a special distribution from **DUET** of at least \$0.03 per stapled security. This represents a 27.5% premium to the 3 month VWAP of **DUET's** securities and a 13.1x EV/EBITDA multiple.
- **EnerMech**, the engineering services specialist, has made its first entry in to the electrical and instrumentation sector with the acquisition of **EPS Group** in Australia and the Americas for an undisclosed consideration. **EnerMech** has 2,300 staff working across its global business and the **EPS Group** acquisition paves the way for providing a more focussed integrated services offering ideally suited to the downstream, infrastructure, offshore and defence industries.
- **Imdex**, the Australian mining and construction services firm, has executed the sale of its oil and gas businesses to **Vautron Holdings** for \$3.5m. The sale of the entities is in line with the **Imdex's** strategy of focusing on sustainable earnings growth via their minerals businesses.

## Scuttlebutt...

---

- **Ozcon**, the Australia-based industrial services business, is seeking buyers for the business. The company offers a comprehensive supply of threaded and perforated steel pipe and fittings with highly qualified processing, metal engineering services, specialised welding fabrication and yard management services.
- **SMT Scharf**, a German supplier and manufacturer of rail systems and transport, plans to make additional buys after acquiring **Nowilan** in August 2016, CEO Hans Joachim Theiss said. Australia, North and South America and Africa were noted as interesting expansion areas.
- **The Broens Group**, which specialises in the design and manufacturing of ground support equipment, special purpose machines, automation, composite tooling equipment and precision components machining, is seeking expressions of interest to acquire the business after falling into Voluntary Administration.
- **CIMIC** has reached contractual close with **Transurban Queensland** to design and construct the \$512m Logan Enhancement project in Qld.
- **Downer EDI** has been awarded a contract by **Fotowatio Renewable Ventures** with an approximate value of \$190m. The contract includes the engineering, procurement and construction as well as two year operations and maintenance for the Clare Solar Farm.
- **RCR Tomlinson** has been awarded a \$155m contract to engineer, procure and construct a large scale solar farm in Townsville for **Sun Metals**.
- **Downer EDI** was awarded a \$200m contract to deliver design and construction services in relation to the **NBN Co's** Fibre to the Curb Technology.
- **RCR Tomlinson** has been awarded a \$138m contract with **Pilbara Minerals** for the procurement and construction of a processing plant.

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

## Contact Details

Name	Position	Phone	Email
Paul Keehan	Chairman	(07) 3218 9100	<a href="mailto:pkeehan@interfinancial.com.au">pkeehan@interfinancial.com.au</a>
Sharon Doyle	Managing Director	(07) 3218 9122	<a href="mailto:sdoyle@interfinancial.com.au">sdoyle@interfinancial.com.au</a>
David Hassum	Director	(07) 3218 9108	<a href="mailto:dhassum@interfinancial.com.au">dhassum@interfinancial.com.au</a>
Ted Marchant	Director	(07) 3218 9100	<a href="mailto:tmarchant@interfinancial.com.au">tmarchant@interfinancial.com.au</a>
Andrew Wheeler	Director	(07) 3218 9107	<a href="mailto:awheeler@interfinancial.com.au">awheeler@interfinancial.com.au</a>
Mark Steinhardt	Director	(07) 3218 9105	<a href="mailto:msteinhardt@interfinancial.com.au">msteinhardt@interfinancial.com.au</a>
Hyun-ju Johnson	Director	(07) 3218 9109	<a href="mailto:hjohnson@interfinancial.com.au">hjohnson@interfinancial.com.au</a>
John Crossland	Director	(07) 3218 9100	<a href="mailto:jcrossland@interfinancial.com.au">jcrossland@interfinancial.com.au</a>
Simon Campbell	Associate Director	(07) 3218 9106	<a href="mailto:scampbell@interfinancial.com.au">scampbell@interfinancial.com.au</a>
Jake Moyle	Associate	(07) 3218 9112	<a href="mailto:jmoyle@interfinancial.com.au">jmoyle@interfinancial.com.au</a>

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.

**Important Disclaimer – This may affect your legal rights:** Because this document has been prepared without consideration of any specific persons 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