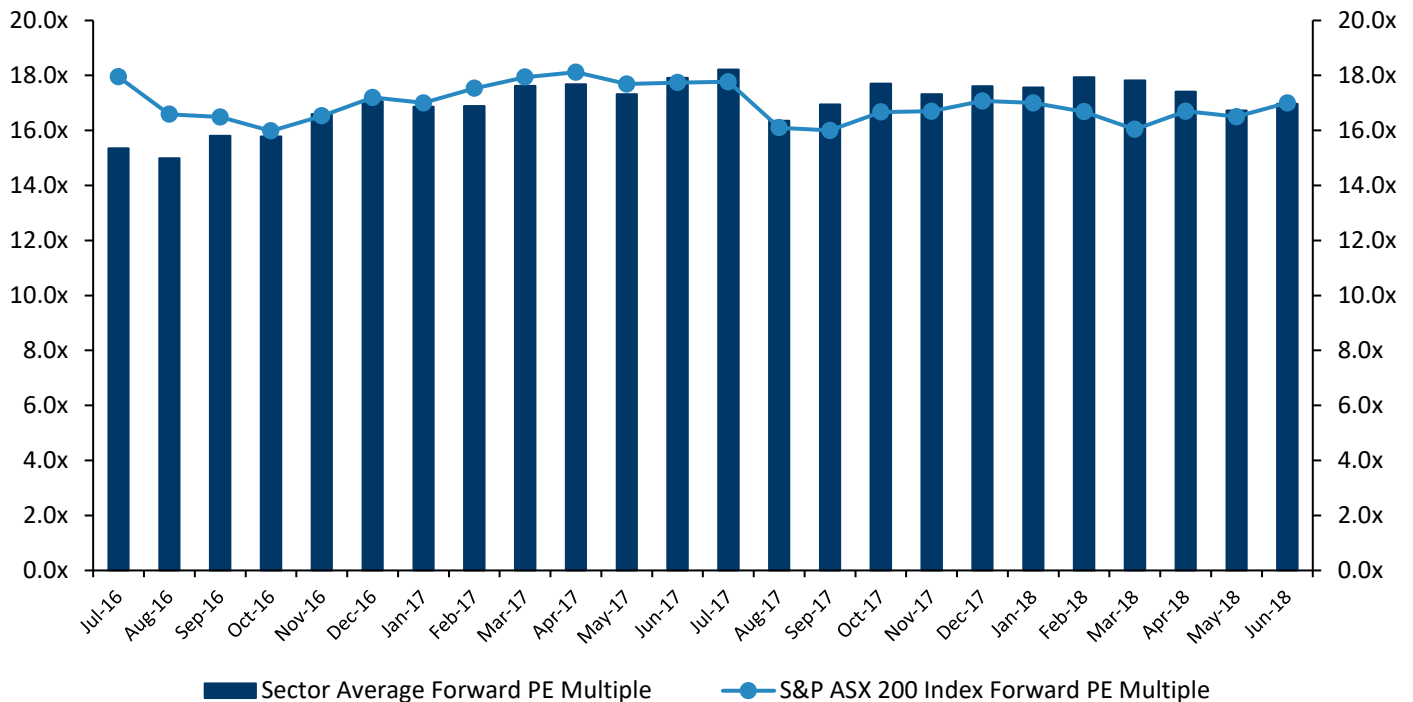


Engineering & Construction

Pricing Multiples

Forward Price Earnings Multiples (monthly to 30.06.18)¹ Source: FactSet Research Systems Inc.

Multiples in the Engineering & Construction (E&C) sector increased over the period. At the end of June, the E&C sector traded on a forward PE of 17.0x, on par with the ASX200.



Average Values and Trading Multiples (as at 18.07.18) Source: FactSet Research Systems Inc.

Subsector	Enterprise Value	EV/EBITDA FY2019	EV/EBIT FY2019	Price / Earnings FY2019
Building Products	6,876	9.8x	11.4x	18.6x
Professional Services	6,335	9.5x	11.3x	15.7x
Freight & Logistics	17,607	10.3x	17.7x	15.3x
Construction Materials	23,960	9.5x	12.4x	15.1x
Engineering & Construction	36,416	6.1x	8.6x	12.7x
Industrial Machinery & Products	23,015	9.0x	13.2x	20.1x
Homebuilding	238	4.9x	6.6x	8.8x

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: ~\$150m

CQMS Razer, the Australian company which designs, develops, manufactures, and manages products for dragline, mobile and fixed plants in mining and materials processing applications, has been acquired by **American Industrial Partners**, the US based private equity firm from **Quadrant Private Equity**. The deal reportedly valued **CQMS** at approximately \$150m.



Value: Not disclosed

Global engineering, project delivery and operations management group, the **DRA Group** has acquired **G&S Engineering Services**. The acquisition provides **DRA** with a significantly expanded footprint in Australia, specifically on the East Coast where **G&S Engineering** has an extensive presence. The value of the transaction sold by **Calibre Group Limited** was not disclosed. **Calibre Group** acquired G&S for \$71.1m in October 2012.

Scuttlebutt...

- **National Tile** owner the Walker family is considering growth options for the business and the possibility of selling a stake to private equity or a trade player. **National Tile** has 37 stores across Australia, and estimated annual EBITDA of \$12m-\$15m.
- **Macquarie Group** is thought to be working on a potential deal to roll up equipment rental businesses into a new entity that will eventually list on the ASX. The transaction could involve **SMS Rental**, the Port Hedland-based equipment rental business, and **Ackroyd Group**.
- ASX-listed **The GO2 People**, a Perth-based provider of vertically integrated recruitment and building services, will consider acquisitions of aligned recruitment businesses in Australia to fast track revenue and profit growth.
- **CIMIC Group** is in a final stage of discussions with **Apollo Global Management** to take the full control of **Ventia**, a 50-50 joint venture, in a deal worth more than \$1bn. The Australian construction contract service company has started sounding out investors in the US Term Loan B market for potential funding to finance the acquisition. **CIMIC** and **Apollo** formed the partnership to merge three services businesses which are **Thiess**, **Leighton Contractors**, and **Visionstream** in December 2014.
- **Daiwa House Industry**, an Osaka, Japan-based real estate construction company, and Tokyo-based **Odakyu Electric Railway** will jointly develop residential housing in Australia. **Daiwa House** will take a 75% stake and **Odakyu** the remaining 25% stake in a housing development company named **DH Box Hill** that will develop land in the suburbs of Sydney to build around 1,500 homes. The total project cost is estimated at around \$600m. Part of the sales of construction of the housing units will be carried out by **Rawson Group**, which was acquired by **Daiwa House** in February.
- ASX-listed **Watpac** has received an offer from a private Australian business for its mining business. The offer has valued the division at around \$50m. **Watpac** released a scheme booklet in April indicating that an independent expert had valued the group's mining and civil division at between \$47m and \$64m and its construction business at between \$60.5m and \$73.5m. **Watpac** was recently subject to an unsuccessful offer by its major shareholder **BESIX** to buy 50% of the company.

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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