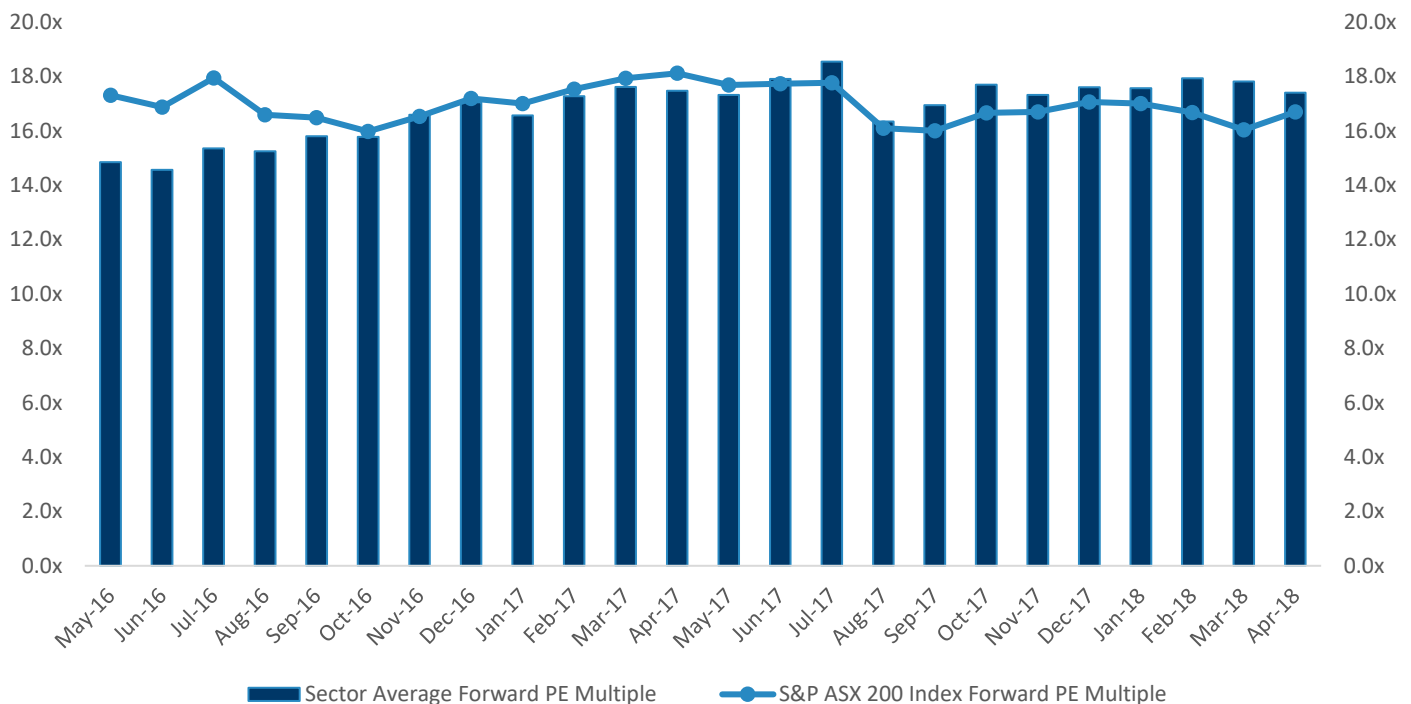


Engineering & Construction

Pricing Multiples

Forward Price Earnings Multiples (monthly to 30.04.18)¹ Source: FactSet Research Systems Inc.

Multiples in the Engineering & Construction (E&C) sector decreased slightly over the period. At the end of April, the E&C sector traded on a forward PE of 17.4x, above the ASX200 multiple of 16.7x.



Average Values and Trading Multiples (as at 21.05.18) Source: FactSet Research Systems Inc.

Subsector	Enterprise Value	EV/EBITDA FY2018	EV/EBIT FY2018	Price / Earnings FY2018
Building Products	6,738	12.3x	14.3x	20.5x
Professional Services	6,501	10.7x	13.0x	20.2x
Freight & Logistics	17,231	10.3x	18.2x	15.5x
Construction Materials	23,325	14.0x	13.6x	16.0x
Engineering & Construction	36,922	8.2x	11.2x	15.4x
Industrial Machinery & Products	23,027	9.4x	15.5x	17.8x
Homebuilding	240	11.6x	N/A	N/A

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...



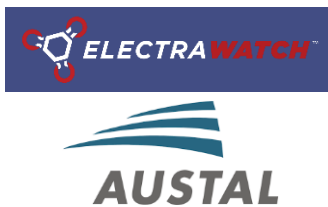
Value: Not disclosed

DSI Underground Australia, a subsidiary of the **Triton Fund III** company **DSI Underground**, is acquiring **Fero Group** from the Franco family of Perth. **Fero Group** is a fully integrated steel manufacturing and anti-corrosion service company and a leading provider of products and services to the oil & gas, mining, civil, marine, commercial, industrial and residential industries. The transaction is conditional on approval from the ACCC.



Value: \$80.0m

ASX-listed **Emeco** has acquired **Matilda Equipment**, the Queensland-based equipment rental business, for \$80m. The acquisition by **Emeco** was funded by a \$90m entitlement offer. The implied acquisition multiple was reported as 3.3x 3Q18 operating annualised EBITDA of \$24m. **Matilda Equipment** specialises in individual rentals of high demand, low-hour, late model mining ancillary equipment.



Value: ~\$9.1m

ASX-listed **Austral** is acquiring **ElectraWatch**, the Virginia based aluminium technology business, for approximately \$9.1m. The purchase reflects **Austral's** commitment to using advanced technology in its shipbuilding operations. **ElectraWatch** has developed and deployed a unique portable system for the non-destructive testing of aluminum used in demanding environments. **ElectraWatch** is expected to earn CY18 revenue of \$2.5m-\$4.0m and is expected to continue to expand rapidly. The acquisition is expected to be earnings accretive in CY18.



Value: ~\$1.94bn

Reece Australia is acquiring **MORSCO Inc.** from **Advent International** and other co-owners for an all cash enterprise value of approximately \$1.94bn, to be funded by a combination of debt and new equity. The acquisition is expected to be partly funded by an underwritten \$1.5bn, 7-year senior secured credit facility from the US institutional term loan market. **Reece** will also raise \$600 in an equity raising. **MORSCO** is a leading U.S. distributor of commercial and residential plumbing, waterworks and HVAC.



Value: ~\$170m

ASX-listed **Boral** is selling its **Concrete & Quarries business** in Colorado to **Brannan Sand and Gravel Company** for approximately \$170m. The sale price represents a trailing 12-month EV/EBITDA multiple of around 8 to 9 times. On completion, **Boral** expects to recognise a pre-tax profit on sale of around \$60m subject to customary completion adjustments. Proceeds from the sale will be used to reduce debt.

Scuttlebutt...

- NZE and ASX-listed **Fletcher Building** has appointed an adviser to sell its laminates business **Formica**. Mid-market private equity players in the US are considered the most likely buyers. Trade players are also expected to take a look at **Formica**, which could be valued at around \$1bn.
- ASX-listed **Downer** could soon divest its mining services division. Improved conditions in the mining services space could enable the group to sell the business for a good price. The mining services division could be valued between \$200m and \$300m, based on an assumption of \$40m in annual earnings and a multiple of 5x to 7x earnings.
- **YCH Group**, a Singapore-headquartered supply-chain and logistics company, is considering a potential acquisition target in Australia, as the company looks to penetrate deeper into its existing operating markets throughout Asia-Pacific.
- ASX-listed **GWA Group** is actively looking for technology-based acquisitions for its Bathrooms & Kitchens division and in initial talks with targets. The company is particularly interested in technologies for water flow management and control. Around \$200m would be the upper limit for what **GWA** could spend on acquisitions. The company has a market cap of approximately \$1bn.

- **Primero**, the Australia-based engineering services business, is preparing to list on the ASX. The business, which has around 320 employees, has started to meet with investors ahead of a potential IPO. **Primero** is anticipated to raise \$30m at \$0.50 per share to list with an equity value of \$63m. The company has forecast revenue of \$80m and EBITDA of \$8.6m for the year to 30 June.
- **Maptex**, a Sydney-based mining-technology developer, could pursue acquisitions to boost its product and services portfolio. The family-owned company, which books annual sales of more than \$30m, is seeking to improve the software used to design and operate mines and would consider acquiring a solution if it offers synergies with its existing portfolio.
- **Clough** is reportedly close to making a small acquisition in the US. The company hopes to complete a deal by the end of calendar year 2018.

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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