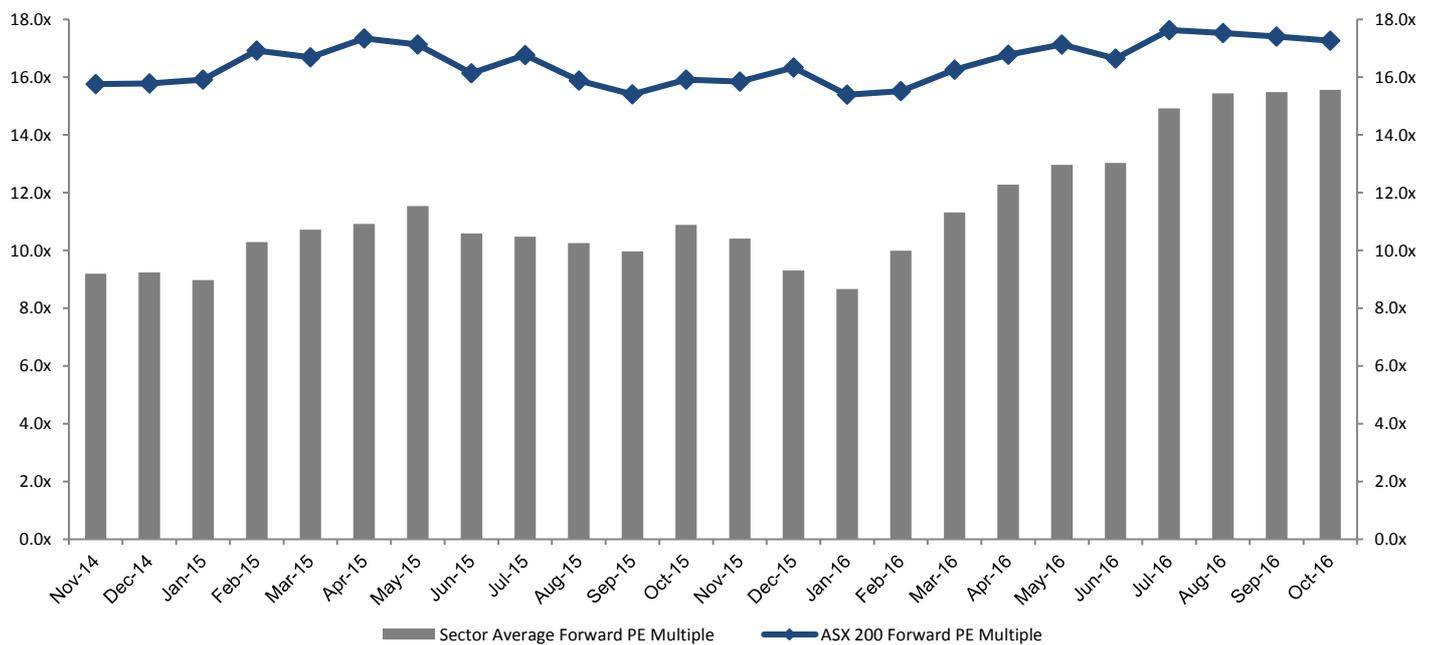


Engineering & Construction

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 increased over the period. At the end of October, the E&C sector traded on a forward PE of 15.6x, compared to the ASX200 on 17.3x.



Average Values and Trading Multiples (as at 22.11.16) Source: S&P Capital IQ

Subsector	Enterprise Value	EV/EBITDA FY2017	EV/EBIT FY2017	Price / Earnings FY2017
Construction & Project Delivery	25,325	5.8x	8.4x	12.5x
Manufacturing & Materials	6,469	8.7x	13.5x	16.8x
Mining & Construction Services	18,150	8.2x	14.0x	19.2x
Professional services	3,722	7.5x	12.1x	12.2x

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...

- **Alimak Group**, a vertical access solution company, has acquired **Façade Access Group**, a global building maintenance unit, for an enterprise value of \$120m. This equates to an EV/EBITDA multiple of 7.7x and an EV/EBIT multiple of 9.2x.
- **Global Construction Services** (ASX:GCS) has completed the sale of its 50% interest in **SmartScaff** for \$10.5m. **GCS** is now in a net cash position which will support the pursuit of its national expansion strategy.
- **Boral** (ASX:BLD), the Australian building and construction materials maker, has agreed to sell its 40% interest in the **Boral CSR** joint venture to **CSR** (ASX:CSR) for a total cash consideration of \$133.9m.
 - **Boral** has also entered into a binding agreement to acquire **Headwaters**, a Utah, US-based building products manufacturer for USD 24.25 per share in cash, coming to a \$3.5bn deal. Combined, the new **Boral USA** is a USD 1.8bn revenue business. **Boral could now become** one of the first Australian companies to capitalise on US president elect Donald Trump's promised infrastructure boom.

Scuttlebutt...

- **Monadelphous Group** (ASX:MND) and **Lycopodium** (ASX:LYL) have formed an incorporated joint venture, **MONDIUM**, to target and deliver engineering, procurement and construction projects in the minerals processing sector.
- **Scott Technology** (NZE:SCT), a New Zealand engineering company, is assessing the prospect of making an acquisition and could ink a deal within the next 12 months. The Dunedin-headquartered company, which specialises in the design and manufacture of automated production and process machinery, is welcoming approaches by advisors.
- **CIMIC** could be planning to list **Ventia**, the Australia-based infrastructure, utilities, and telecommunications group. **CIMIC** owns **Ventia** in partnership with **Apollo**. **CIMIC** could combine parts of **UGL** into **Ventia** and list the new entity. **UGL's** Board recently recommended a \$524m takeover offer from **CIMIC**.
- Plantation owner **TSH Resources** could sell its subsidiary **Ekowood International** as the company looks to consolidate its plantation business. **Ekowood** manufactures and sells downstream wood products. The company recorded sales of USD 10.91m in FY2016 and has a market cap of USD 8.2m.
- **Poles & Underground**, an Australian-based electricity transmission business, is seeking expressions of interest for the business which had a turnover of \$30m last year.
- **Austin Engineering** (ASX:ANG) could interest **Hitachi Construction Machinery** along with **Esco**. **Austin** was once valued at over \$400m but its market capitalisation has fallen to below \$100m.
- **Emeco** (ASX:EHL) is understood to be in talks with two potential acquisition targets in Australia's mining services. Targets could include **McAleese** (ASX:MCS), **MacMahon Holdings** (ASX:MAH), **Fleetco**, **Coates Hire**, or **NPE**.
- **Decmil Group** (ASX:DCG) announced that its subsidiary, **Cut & Fill**, has secured a \$22.1m contract with **VicRoads** for the construction of the Prices Highway duplication in Victoria. The project will commence in late November and is scheduled to be completed in late 2018.
- **Wagners**, the Australia-based building materials business, is seeking buyers for its clinker terminal in Queensland. The asset could sell for between \$100m and \$200m.

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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