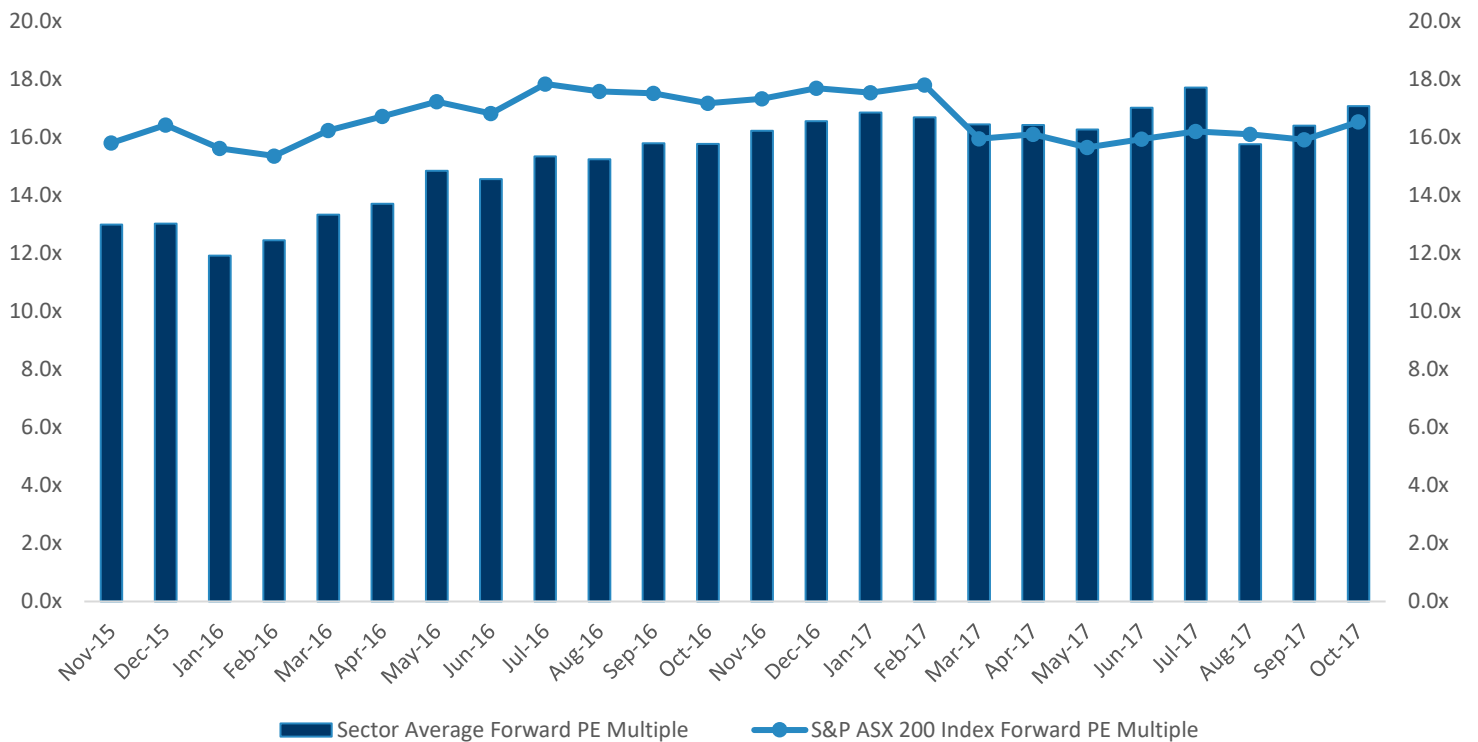


Engineering & Construction

Pricing Multiples

Forward Price Earnings Multiples (monthly to 31.10.17)¹ Source: FactSet Research Systems Inc.

Multiples in the Engineering & Construction (E&C) sector increased over the period. At the end of October, the E&C sector traded on a forward PE of 17.1x, above the ASX200 multiple of 16.5x.



Average Values and Trading Multiples (as at 23.11.17) Source: FactSet Research Systems Inc.

Subsector	Enterprise Value	EV/EBITDA FY2018	EV/EBIT FY2018	Price / Earnings FY2018
Building Products	5,824	11.0x	13.0x	18.8x
Professional Services	4,604	9.6x	12.5x	17.9x
Freight & Logistics	18,558	9.9x	18.0x	16.4x
Construction Materials	23,386	9.9x	13.3x	16.8x
Engineering & Construction	19,829	8.8x	12.2x	18.3x
Industrial Machinery & Products	40,080	7.0x	10.7x	14.7x
Homebuilding	266	6.2x	8.7x	13.0x

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: ~\$719m



James Hardie Industries has entered into a definitive agreement to acquire Germany-based **XI (DL) Holdings** and its subsidiaries including **Fermacell** from **Xella International** in an all-cash transaction valued at about \$719m. The acquisition is expected to close in 4Q2018. **Fermacell** has a 70% share of Europe's fibre gypsum board market, which complements **James Hardie's** fibre cement business and its affluent European market.



Value: ~\$170m

Jaybro, an Australian-based construction and infrastructure project supply business, has been acquired by **CHAMP Private Equity** for around \$170m. **CHAMP** is thought to be eyeing five more acquisitions that could be combined with **Jaybro**.



Value: \$69.8m

Emeco Holdings is acquiring **Force Equipment**, the mining and construction hire service for an enterprise value of \$69.8m, and will finance the deal with an entitlement offer to raise approximately \$80m. The acquisition represents an FY17 EV / operating EBITDA multiple of 2.96x (pre synergies and transaction costs) and will reduce Emeco's pro-forma net debt / FY17 run rate operating EBITDA from 3.9x to 3.2x.



Value: Unknown



Bapcor's industrial waste services operation **Contract Resources** has been acquired by **Anchorage Capital Partners**. **Bapcor** announced the sale of **Contract** along with the divestment of its two New Zealand show chains, **Hannahs** and **Number 1 Shoes**. The value of the deal is unknown.



Value: ~\$425

ASX-listed **Lendlease Group**, an Australian property development and construction firm, has announced sale of a 25% stake in its Retirement Living business to **APG Asset Management**. The deal value was not disclosed; however, it is estimated to be slightly more than \$425m.

Lendlease also announced a joint venture with **Softbank Group** to develop and own telecom infrastructure assets in the United States. **Lendlease** and **Softbank** have each committed USD 200m equity to fund identified seed assets.



Value: \$13.5m



ASX-listed **Schaffer Corporation** has agreed to sell its **Urbanstone** paving, masonry and natural stone manufacturing and distribution business to **Brickworks** for \$13.5m. The land and buildings from which **Urbanstone** currently operates were not sold in the transaction and will be leased to **Brickworks** on a long-term lease arrangement.



Value: \$83m



VINCI Construction, a subsidiary of French-listed concessions and construction group **VINCI** has announced that it has finalized the acquisition of the Queensland, Australia-based construction engineering firm **Seymour Whyte**. The ASX-listed company employs 475 people and generated revenue of \$433m in the fiscal year ended on 30 June 2017. Founded in 1987, **Seymour Whyte** is a well-known Australian company operating in the fields of civil engineering, earthworks and utilities, notably for the construction of roads, bridges and water and pipeline infrastructure. The acquisition represents an FY16 EV / EBITDA multiple of 6.7x.



Value: \$11m

Giken, the Kochi, Japan-based manufacturer of industrial machines, will acquire a 50.10% stake in Australia-based producer/retailer of construction use steel materials company **J Steel Group**. **Giken** will spend \$11m to acquire the stake from Australian companies **Bertrams Trading** and **PAKEFX**, current holders of respective stakes of 41.25% and 17.50% in **J Steel Group**.

Scuttlebutt...

- **Brickworks**, an ASX-listed building products manufacturer, is mulling a divestment of its timber business. The Sydney-based company, with a market capitalisation of \$2bn, has found it difficult to further invest in **Auswest Timbers**, its timber business due to the tough supply situation. **Auswest Timbers** generated sales revenue of \$46.6m for FY17, down 11.4% from the previous year.
- **Fletcher Building** could offload Australian businesses following a strategic review by the group's incoming chief executive. Australian operations such as the plumbing and fixtures chain **Tradelink** and the **Iplex Pipelines** business have been under increased scrutiny as **Fletcher** implemented turnaround efforts.
- Singapore Exchange-listed **Civmec**, the integrated heavy engineering and construction provider, is evaluating options for dual listing on the ASX. The company is based predominantly in Australia, and has a market capitalization of USD 215m.
- **First Reserve** could sell **Calibre Group**, an engineering and mining services business, of which **First Reserve** owns a 65% stake. The minority investors of **First Reserve** and **Calibre** de-listed the business two years ago and have since expanded away from the group's traditional background in mining services.
- **Geo40**, a New-Zealand based silica extraction business, is planning to list next year. **Geo40** has just raised \$11m in a private placement. The funds will be used to develop two silica extraction plants.
- **Structural Monitoring Systems**, an Australian developer of technology used to detect stress in industrial products, plans to acquire **Anodyne Electronics Manufacturing Corp**, which designs and manufactures aircraft audio systems. The planned acquisition will be financed with an equity raising of \$11m.
- **AJ Lucas** is selling its engineering and construction division, with major construction businesses such as **Downer EDI**, **CIMIC** or **Lendlease** likely to be interested in the sale. **AJ Lucas** is considering funding options to speed up exploration at its UK-based shale gas assets.
- The Dutch fund **Gran Fondo Capital** has been eyeing an exit of its 14.9% stake in Australian crane and travel tower services provider **Boom Logistics**. **Boom Logistics** recorded a loss of \$1.3m in FY2017 and a loss of \$9.4m in FY16.
- **Raubex Group**, a South African heavy construction company, is close to finalising an acquisition of a civil construction company which operates in Western Australia. The group will fund the acquisition using their cash reserves of \$100m. **Raubex** wants to diversify into more developed international markets due to weak growth prospects in the South African construction sector.
- **Crescent Capital Partners** is looking to sell **Steel-Line**, the Australia-based garage door business. **Crescent** is thought to be seeking more than \$100m for the business, which has branches and manufacturing sites across Australia and annual earnings of around \$15m to \$20m. **Crescent** has owned **Steel-Line** since 2007.

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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