



# Australian Engineering, Contractors & Service Providers

Edition 220 for the week ending 21 July 2017 | Published 24 July 2017

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## Market Performance - Overview

Index	Percentage change			Fixed Income	Yield	Change in basis points		
	Week	YTD	12 months			Week	YTD	12 months
(Australia) S&P / ASX200	(0.7%)	1.0%	3.8%	(Australia) 2-year gov bonds	1.86%	0.01	(0.06)	0.32
(Japan) Topix	0.3%	7.3%	21.7%	(Australia) 5-year gov bonds	2.23%	0.00	(0.10)	0.65
(Singapore) FTSE Strait Times Index	0.8%	15.0%	12.7%	(Australia) 10-year gov bonds	2.72%	(0.01)	(0.06)	0.79
(Hong Kong) Hang Seng	1.2%	21.4%	21.4%					
(South Korea) Kospi 200	1.4%	23.8%	28.5%					
(US) S&P 500	0.5%	10.4%	14.2%					
(US) Dow Jones Industrial	(0.3%)	9.2%	16.5%					
(UK) FTSE 100	1.0%	4.3%	11.2%					
				AUD to USD	0.7911	0.01	0.07	0.04

## M&A Rumour and Activity

The Australian market finished the week 0.73% lower with the S&P/ASX200 ending at 5723 points, weighed down by worsening global sentiment following news that the US probe into Russian meddling in the 2016 presidential election has widened to include President Donald Trump's business transactions. The Australian dollar finished the week 1.06% higher to end at US79.11 cents following the release of Reserve Bank of Australia's July policy meeting minutes, which offered an upbeat assessment of Australia's economy and pegging 3.5% as the 'new normal' for the cash rate, equivalent to eight rate hikes above the current level.

**Tempo Australia Limited (ASX: TPP)** announced on 24 July 2017 that it has entered into an agreement to acquire KP Electric (Australia) Pty Ltd and the business assets of KP Electric (WA) Pty Ltd ("**KP Electric**"). KP Electric is an Australia-wide provider of electrical service, maintenance, and compliance of existing electrical assets. The acquisition comprises an upfront cash consideration of approximately \$6.8 million (on a cash free, debt free basis), equating to an EBITDA multiple of 2.5x current earnings, as well as potential deferred consideration totalling approximately \$3.3 million over 2 years.

Following a careful reconsideration of its previous recommendations to shareholders and in the context of the changed circumstances facing the company, **Spotless Group Holdings Limited (SPO.AX)** on 18 July 2017 unanimously recommended its shareholders to accept **Downer EDI Limited (DOW.AX)**'s takeover offer of \$1.15 per SPO share. This follows SPO's announcement regarding the changes in the composition of its Board of Directors to reflect DOW's majority ownership interest in SPO. DOW nominated four directors to join the SPO Board, while three current non-executive directors of Spotless have decided to retire from the SPO Board. These changes will be effective from 19 July 2017. DOW had a controlling interest of 67.3% in the issued share capital of SPO as at 7.00 pm on 17 July 2017.

*The Australian Financial Review* reported on 20 July 2017 that Carlyle Group, Metrics Credit Partners and Varde Partners have taken control of mine site trucking business **Bis Industries**. The three investors took a lion share of Bis Industries' equity as part of a debt-for-equity swap, which saw private equity firm KRR retaining a small stake in the company.

*The Australian Financial Review* reported on 19 July 2017 that Mark Ackroyd has secured funding from hedge fund OCP Asia to buy out the assets of National Plant & Equipment out of voluntary administration to form Ackroyd Group. Singapore and Hong Kong-based OCP Asia has tipped in \$100 million, which included an initial \$60 million investment and a further \$40 million to fund more equipment purchases.

## News Headlines and Key Sector Developments

Ticker	News/Event	Ticker	News/Event
CIM	Reported 1HFY17 results with revenue of \$6.3 billion (up 28% yoy) and NPAT of \$323 million (up 22% yoy)	SWL	Announced that it has raised a provision against its Green Square project which is being delivered as part of the Drying Green Alliance
CIM	Announced that CPB Contractors has been selected by the Victorian Government as the preferred proponent, with Bombardier Transportation, to deliver the Metro Tunnel Project Rail Systems Alliance with the Melbourne Metro Rail Authority and Metro Trains Melbourne	VAL	Reported FY17 results (unaudited) with revenue of c. \$72 million (up 40% yoy) and EBITDA of \$4.0 million
LCM	Signed a Memorandum of Understanding with Dassault Systèmes to jointly pursue technical and business opportunities in the natural resources, energy and utilities, and life sciences industries	VEE	Reported its unaudited FY17 results with normalised profit before tax of \$6.14 million compared to the prospectus forecast of \$5.86 million
MND	Announced that it has been awarded a number of new work packages with a combined value of approximately \$55 million. Contracts include work with Oyu Tolgoi LLC, Technip Oceania Pty Ltd and Australian Wind Technology Pty Ltd	WOR	Awarded the project management and front end engineering and design services for the offshore oil and gas facilities portion and the onshore upstream and downstream pipelines portion of Saudi Aramco's Marjan Oil Field Development Program
RUL	Completed its unmarketable parcel minimum holding buy-back	ZGL	Announced that its wholly-owned subsidiary Zicom MedTacc Pte Ltd, jointly with SPRING Singapore, agreed to a total investment of \$1.86 million (S\$2.0 million) in a growth phase medical imaging software solutions company, Pellucid Networks Pte Ltd

Source: Thomson Reuters, Company Announcements, LCC research



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Ticker	Company Name	Market Cap (A\$ m)	Open Price (A\$)	Close Price (A\$)	Week High (A\$)	Week Low (A\$)	Weekly change (%)	Volume Trend	EV/ EBITDA	EV/ EBIT
<b>Engineering Services</b>										
AJL.AX	AJ Lucas Group Ltd	149	0.27	0.26	0.27	0.25	▼ (5.6%)	■ ■ ■	35.1x	n.m.
BOL.AX	Boom Logistics Ltd	47	0.12	0.10	0.12	0.10	▼ (13.0%)	■ ■ ■	11.3x	n.m.
BSA.AX	BSA Ltd	144	0.32	0.34	0.33	0.31	▲ 6.3%	■ ■ ■ ■	17.4x	96.6x
BYL.AX	Brierty Ltd	10	0.08	0.08	0.08	0.07	▼ (2.6%)	■ ■ ■	n.m.	n.m.
CDD.AX	Cardno Ltd	590	1.23	1.23	1.23	1.22	▼ (0.8%)	■ ■ ■ ■	43.9x	n.m.
CIM.AX	CIMIC Group Ltd	13,213	37.91	40.75	40.49	37.72	▲ 7.0%	■ ■ ■ ■	9.9x	14.9x
DCG.AX	Decmil Group Ltd	156	0.92	0.91	0.91	0.89	▼ (3.5%)	■ ■ ■ ■	69.6x	n.m.
DOW.AX	Downer EDI Ltd	3,669	6.17	6.17	6.26	6.15	▼ (0.6%)	■ ■ ■ ■	7.5x	13.8x
EAL.AX	E&A Ltd	6	0.05	0.05	0.05	0.05	— 0.0%	■ ■ ■	n.m.	n.m.
EGN.AX	Engenco Ltd	60	0.19	0.19	0.19	0.19	— 0.0%	■ ■ ■	5.9x	10.9x
GCS.AX	Global Construction Services Ltd	114	0.54	0.54	0.53	0.53	— 0.0%	■ ■ ■	3.2x	4.4x
GNG.AX	GR Engineering Services Ltd	219	1.45	1.43	1.45	1.43	▼ (0.7%)	■ ■ ■ ■	7.5x	8.1x
LCM.AX	LogiCamms Ltd	14	0.17	0.17	0.17	0.16	— 0.0%	■ ■ ■ ■	n.m.	n.m.
LLC.AX	LendLease Group	10,012	17.24	17.16	17.19	17.03	▼ (1.1%)	■ ■ ■ ■	12.9x	14.5x
LYL.AX	Lycopodium Ltd	126	3.30	3.17	3.18	3.17	▼ (0.3%)	■ ■ ■	2.3x	2.5x
MND.AX	Monadelphous Group Ltd	1,385	14.87	14.75	14.84	14.68	▼ (0.2%)	■ ■ ■ ■	11.5x	14.3x
OTR.AX	Onterran Ltd	20	0.32	0.32	0.32	0.32	— 0.0%	■ ■ ■	n.m.	n.m.
RCR.AX	RCR Tomlinson Ltd	511	3.75	3.65	3.64	3.56	▼ (2.7%)	■ ■ ■ ■	20.3x	79.3x
RDG.AX	Resource Development Group L	13	0.02	0.02	0.02	0.02	▲ 5.3%	■ ■ ■	0.0x	0.0x
SND.AX	Saunders International Ltd	46	0.54	0.54	0.54	0.53	▲ 0.9%	■ ■ ■	12.1x	15.7x
SSM.AX	Service Stream Ltd	484	1.34	1.33	1.33	1.31	▼ (0.7%)	■ ■ ■ ■	10.6x	12.8x
SWL.AX	Seymour Whyte Ltd	118	1.35	1.35	1.35	1.34	— 0.0%	■ ■ ■ ■	16.7x	83.3x
SXE.AX	Southern Cross Electrical Engine	92	0.56	0.58	0.58	0.56	▲ 2.7%	■ ■ ■ ■	14.0x	n.m.
STS.AX	SRG Ltd	82	1.25	1.27	1.27	1.23	▲ 2.4%	■ ■ ■ ■	4.3x	6.4x
TPP.AX	Tempo Australia Ltd	43	0.18	0.18	0.19	0.18	— 0.0%	■ ■ ■	2.8x	2.9x
VMG.AX	VDM Group Ltd	5	0.00	0.00	0.00	0.00	— 0.0%	■ ■ ■	n.m.	n.m.
VMX.AX	Valmec Ltd	11	0.13	0.13	0.13	0.13	▲ 30.0%	■ ■ ■	5.9x	11.5x
VRS.AX	Veris Ltd	46	0.14	0.14	0.14	0.13	— 0.0%	■ ■ ■ ■	4.0x	9.6x
WOR.AX	WorleyParsons Ltd	2,864	11.26	11.59	11.48	11.26	▲ 2.3%	■ ■ ■ ■	10.6x	14.1x
<b>Mining Services</b>										
ASL.AX	Ausdrill Ltd	609	1.81	1.95	1.90	1.81	▲ 7.1%	■ ■ ■ ■	6.5x	13.7x
ANG.AX	Austin Engineering Ltd	124	0.23	0.22	0.22	0.22	▼ (4.4%)	■ ■ ■ ■	n.m.	n.m.
BLY.AX	Boart Longyear Ltd	25	0.03	0.03	0.03	0.03	— 0.0%	■ ■ ■ ■	31.8x	n.m.
BKN.AX	Bradken Ltd	676	3.21	3.24	3.21	3.21	— 0.0%	■ ■ ■ ■	n.m.	n.m.
DSB.AX	Delta SBD Ltd	8	0.14	0.14	0.14	0.14	— 0.0%	■ ■ ■ ■	72.6x	n.m.
EHL.AX	Emeco Holdings Ltd	323	0.13	0.13	0.14	0.13	▲ 10.4%	■ ■ ■ ■	10.1x	206.4x
IMD.AX	Imdex Ltd	266	0.71	0.73	0.71	0.67	▲ 0.7%	■ ■ ■ ■	13.7x	33.3x
MAH.AX	Macmahon Holdings Ltd	210	0.19	0.18	0.18	0.17	▼ (2.8%)	■ ■ ■ ■	6.7x	n.m.
MIN.AX	Mineral Resources Ltd	2,244	11.95	11.98	11.90	11.54	▼ (0.8%)	■ ■ ■ ■	5.1x	7.7x
MLD.AX	MACA Ltd	387	1.67	1.65	1.67	1.61	▼ (1.2%)	■ ■ ■ ■	4.1x	14.4x
MSV.AX	Mitchell Services Ltd	62	0.04	0.04	0.04	0.04	▲ 7.7%	■ ■ ■ ■	25.0x	n.m.
MYE.AX	Mastermyne Group Ltd	38	0.39	0.42	0.44	0.35	▲ 5.0%	■ ■ ■ ■	36.2x	n.m.
NWH.AX	NRW Holdings Ltd	203	0.63	0.63	0.63	0.61	▲ 0.8%	■ ■ ■ ■	4.6x	8.8x
RUL.AX	RPMGlobal Holdings Ltd	125	0.62	0.59	0.62	0.58	▼ (6.3%)	■ ■ ■ ■	n.m.	n.m.
SWK.AX	Swick Mining Services Ltd	71	0.31	0.31	0.31	0.30	▼ (1.6%)	■ ■ ■ ■	6.3x	n.m.
<b>Marine Services</b>										
ASB.AX	Austal Ltd	612	1.83	1.75	1.81	1.74	▼ (3.8%)	■ ■ ■ ■	n.m.	n.m.
MBO.AX	Mobilarm Ltd	12	0.02	0.03	0.02	0.02	— 0.0%	■ ■ ■ ■	62.0x	n.m.
MCE.AX	Matrix Composites & Engineerin	42	0.47	0.45	0.46	0.45	▼ (1.1%)	■ ■ ■ ■	n.m.	n.m.
MRM.AX	MMA Offshore Ltd	63	0.19	0.17	0.18	0.17	▼ (5.6%)	■ ■ ■ ■	32.1x	n.m.
NMS.AX	Neptune Marine Services Ltd	52	0.805	0.85	0.81	0.76	▲ 5.6%	■ ■ ■	n.m.	n.m.
VEE.AX	VEEM Ltd	78	0.63	0.6	0.63	0.60	▼ (4.8%)	■ ■ ■	9.1x	11.3x
ZGL.AX	Zicom Group Ltd	26	0.12	0.12	0.12	0.12	— 0.0%	■ ■ ■	n.m.	n.m.
<b>Facilities Management</b>										
AEI.AX	Aeris Environmental Ltd	42	0.27	0.27	0.27	0.27	▼ (1.9%)	■ ■ ■	n.m.	n.m.
GMG.AX	Goodman Group Pty Ltd	14,134	7.89	7.90	8.00	7.89	— 0.0%	■ ■ ■ ■	50.3x	50.3x
HIL.AX	Hills Ltd	43	0.16	0.19	0.19	0.16	▲ 19.4%	■ ■ ■ ■	7.8x	38.3x
MIL.AX	Millennium Services Group Ltd	66	1.46	1.43	1.46	1.37	▼ (2.1%)	■ ■ ■ ■	10.0x	12.6x
PRG.AX	Programmed Maintenance Serv	765	2.97	2.97	2.97	2.96	— 0.0%	■ ■ ■ ■	10.0x	14.6x
SKS.AX	Stokes Ltd	12	0.30	0.30	0.30	0.30	— 0.0%	■ ■ ■	24.8x	32.3x
SPO.AX	Spotless Group Holdings Ltd	1,268	1.15	1.15	1.15	1.15	▼ (0.9%)	■ ■ ■ ■	7.5x	12.5x
TPS.AX	Threat Protect Australia Ltd	19	0.03	0.03	0.03	0.03	— 0.0%	■ ■ ■	24.5x	49.8x
UBN.AX	Urbanise com Ltd	32	0.07	0.09	0.09	0.07	▲ 28.6%	■ ■ ■ ■	n.m.	n.m.

Source: Thomson Reuters, LCC research



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