



# Australian Engineering, Contractors & Service Providers

Edition 221 for the week ending 28 July 2017 | Published 31 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	(0.3%)	0.7%	2.6%	(Australia) 2-year gov bonds	1.83%	(0.03)	(0.09)	0.29
(Japan) Topix	(0.5%)	6.8%	24.0%	(Australia) 5-year gov bonds	2.20%	(0.03)	(0.13)	0.63
(Singapore) FTSE Strait Times Index	0.5%	15.6%	14.1%	(Australia) 10-year gov bonds	2.70%	(0.02)	(0.08)	0.82
(Hong Kong) Hang Seng	1.0%	22.6%	21.7%					
(South Korea) Kospi 200	(2.4%)	20.8%	24.7%					
(US) S&P 500	(0.0%)	10.4%	13.9%					
(US) Dow Jones Industrial	1.2%	10.5%	18.3%					
(UK) FTSE 100	(1.1%)	3.2%	9.6%					
				AUD to USD	0.7986	0.01	0.08	0.05

## M&A Rumour and Activity

The Australian market finished the week 0.35% lower with the S&P/ASX200 ending at 5703 points, mainly due to profit taking by investors (with heavy selling in the big four banks that dragged the market 1.4% lower on Friday) ahead of next week's reporting season. The Australian dollar finished the week 0.95% higher to end at US79.86 cents, as the US Dollar weakened following the release of the US Federal Reserve's latest monetary policy, which increased investors' concerns that inflation in the US is weaker than previously expected, which may force the US Fed to be more dovish.

**Tempo Australia Limited (ASX: TPP)** announced on 26 July 2017 that it has completed the acquisition of **KP Electric (Australia) Pty Ltd** and the business assets of KP Electric (WA) Pty Ltd ("**KP Electric**") through the purchase of 100% of the issued share capital of 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 **Spotless Group Holdings Limited (SPO.AX)**'s unanimous recommendation to its shareholders to accept **Downer EDI Limited (DOW.AX)** takeover offer of \$1.15 per SPO share, DOW announced on 28 July 2017 that it has a shareholding of 80.3% in the share capital of SPO as at 4:10pm on 28 July 2017. DOW also said that it expects that SPO will be removed from certain S&P / ASX market indices and that it will seek to remove SPO from the Official List of the ASX (if the number of SPO shareholders is less than that required by the ASX to maintain an ASX listing). On 28 July 2017, S&P Dow Jones Indices announced that it will remove SPO from the S&P/ASX 200 on 7 August 2017.

Australian privately-owned conveyor OEM, **Nepean Conveyors Pty Ltd**, announced on 17 July 2017 that it has finalised negotiations to acquire Sandvik's International Conveyor Components and Sandvik's Conveyor Systems business in Finland for an undisclosed value. The acquisition includes 195,000 square metres of world-class manufacturing operations located across Germany, Brazil, Australia, and Finland, and will see around 340 Sandvik staff members join NEPEAN®.

## News Headlines and Key Sector Developments

Ticker	News/Event	Ticker	News/Event
AJL	Announced that its operations in the UK involving the exploration for onshore shale gas resources received a positive step forward with the delivery of the drill rig to the Preston New Road shale gas site in Lancashire	MNS	Reported 1QFY18 results with revenue of SGD 30.5 million (c. \$28.0 million) (down 12% from pcp) and net loss of SGD 3.0 million (c. \$2.7 million) (up 37% from pcp)
ASB	Announced its first ever delivery to South Korea, a 50 metre high speed passenger ferry to Seaspovill from the Austal Philippines shipyard	VEE	Reported its FY17 results ( <i>unaudited</i> ) with normalised PBT of \$6.1 million compared to the prospectus forecast of \$5.9 million
BLY	Announced that it has entered into two new ABL credit facilities as part of the previously announced recapitalisation proposal	RCR	Announced that it has received a notice to proceed from Pilbara Minerals Limited (ASX: PLS) for the construction of the 2Mtpa processing plant at the Pilgangoora Lithium-Tantalum Mine, valued at \$148 million
DCG	Updated that its FY17 revenue will be below previous expectations at c. \$305 million	RUL	Announced that it has launched the Underground Metals Solution, a scheduling solution specifically tailored for underground metals mines
EHL	Reported its 4QFY17 results ( <i>unaudited</i> ) with revenue of \$94.3 million (up 190% compared to 3QFY17) and EBITDA of \$29.5 million (up 143% compared to 3QFY17)	TPS	Reported 4QFY17 results with revenue of \$3.5 million (up 25% compared to 3QFY17) and operating cash flow of \$1.2 million
MND	Announced it is still attempting to negotiate an acceptance agreement in regard to the XEPT transaction	UBN	Announced that it has signed a 5 x 5 year technology license agreement that will see the Urbanise strata platform implemented across the Crocker's strata portfolio of over 900 buildings in New Zealand. UBN is expected to receive cash payments of c. \$900,000 over 5 years

Source: Thomson Reuters, Company Announcements, LCC research



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**BOUTIQUE INVESTMENT BANKING FIRM OF THE YEAR**  
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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	137	0.26	0.24	0.27	0.24	▼ (7.8%)	■ ■ ■ ■	33.5x	n.m.
BOL.AX	Boom Logistics Ltd	50	0.10	0.11	0.11	0.10	▲ 5.0%	■ - - -	11.5x	n.m.
BSA.AX	BSA Ltd	146	0.34	0.35	0.35	0.33	▲ 1.5%	■ ■ ■ ■	17.7x	98.3x
BYL.AX	Brierty Ltd	10	0.08	0.08	0.08	0.08	— 0.0%	■ - -	n.m.	n.m.
CDD.AX	Cardno Ltd	607	1.23	1.27	1.26	1.23	▲ 2.8%	- - ■ ■	45.1x	n.m.
CIM.AX	CIMIC Group Ltd	13,376	40.14	41.37	41.87	40.14	▲ 1.5%	- ■ ■ ■	10.0x	15.1x
DCG.AX	Decmil Group Ltd	131	0.91	0.76	0.92	0.76	▼ (16.3%)	- ■ ■ ■	57.5x	n.m.
DOW.AX	Downer EDI Ltd	3,735	6.18	6.28	6.38	6.11	▲ 1.8%	- ■ ■ ■	7.6x	14.0x
EAL.AX	E&A Ltd	6	0.05	0.05	0.05	0.05	— 0.0%	- - -	n.m.	n.m.
EGN.AX	Engenco Ltd	72	0.19	0.23	0.20	0.19	▲ 21.1%	- - ■	7.4x	13.7x
GCS.AX	Global Construction Services Ltd	113	0.54	0.54	0.54	0.53	— 0.0%	■ - - -	3.2x	4.4x
GNG.AX	GR Engineering Services Ltd	236	1.44	1.54	1.48	1.43	▲ 7.7%	■ ■ ■ ■	8.2x	8.8x
LCM.AX	LogiCamms Ltd	16	0.18	0.19	0.18	0.17	▲ 11.8%	- ■ ■ -	n.m.	n.m.
LLC.AX	LendLease Group	9,936	17.00	17.03	17.22	16.90	▼ (0.8%)	- - ■ ■	12.8x	14.4x
LYL.AX	Lycopodium Ltd	127	3.25	3.20	3.25	3.17	▲ 0.9%	■ - ■ ■	2.4x	2.5x
MND.AX	Monadelphous Group Ltd	1,426	14.66	15.18	15.25	14.56	▲ 2.9%	- - ■ -	11.9x	14.8x
OTR.AX	Onterran Ltd	20	0.32	0.32	0.32	0.32	— 0.0%	- - -	n.m.	n.m.
RCR.AX	RCR Tomlinson Ltd	523	3.67	3.74	3.72	3.60	▲ 2.5%	- ■ ■ -	20.7x	81.0x
RDG.AX	Resource Development Group L	13	0.02	0.02	0.02	0.02	— 0.0%	- - -	0.0x	0.0x
SND.AX	Saunders International Ltd	46	0.54	0.54	0.54	0.53	— 0.0%	- - ■	12.1x	15.7x
SSM.AX	Service Stream Ltd	489	1.33	1.34	1.33	1.32	▲ 1.1%	- ■ - ■	10.8x	12.9x
SWL.AX	Seymour Whyte Ltd	119	1.35	1.35	1.35	1.35	▲ 0.4%	■ - ■ ■	16.7x	83.7x
SXE.AX	Southern Cross Electrical Engine	90	0.57	0.57	0.57	0.56	▼ (1.7%)	- - ■ -	13.6x	n.m.
STS.AX	SRG Ltd	78	1.26	1.22	1.25	1.22	▼ (3.9%)	■ - ■ -	4.0x	6.1x
TPP.AX	Tempo Australia Ltd	44	0.19	0.19	0.20	0.19	▲ 2.8%	■ ■ - -	3.0x	3.1x
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	— 0.0%	■ - -	5.9x	11.5x
VRS.AX	Veris Ltd	47	0.14	0.15	0.14	0.14	▲ 3.6%	- ■ - ■	4.2x	9.9x
WOR.AX	WorleyParsons Ltd	2,866	11.36	11.60	11.78	11.28	▲ 0.1%	■ - - ■	10.7x	14.1x
<b>Mining Services</b>										
ASL.AX	Ausdrill Ltd	625	1.95	2.00	1.99	1.87	▲ 2.6%	- - ■ ■	6.7x	13.9x
ANG.AX	Austin Engineering Ltd	130	0.22	0.23	0.22	0.22	▲ 4.7%	- - ■ -	n.m.	n.m.
BLY.AX	Boart Longyear Ltd	57	0.03	0.06	0.05	0.03	▲ 130.8%	- - - ■	32.9x	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	329	0.14	0.14	0.14	0.12	▲ 1.9%	■ - - -	10.2x	208.2x
IMD.AX	Imdex Ltd	265	0.72	0.72	0.71	0.67	▼ (0.7%)	- ■ - -	13.6x	33.0x
MAH.AX	Macmahon Holdings Ltd	210	0.18	0.18	0.17	0.17	— 0.0%	- ■ ■ ■	6.7x	n.m.
MIN.AX	Mineral Resources Ltd	2,244	11.80	11.98	12.05	11.68	— 0.0%	- ■ ■ -	5.1x	7.7x
MLD.AX	MACA Ltd	395	1.62	1.69	1.66	1.62	▲ 2.1%	- ■ - -	4.3x	14.7x
MSV.AX	Mitchell Services Ltd	62	0.04	0.04	0.04	0.04	— 0.0%	■ - - -	25.0x	n.m.
MYE.AX	Mastermyne Group Ltd	43	0.43	0.47	0.46	0.43	▲ 11.9%	- ■ - -	39.6x	n.m.
NWH.AX	NRW Holdings Ltd	217	0.63	0.68	0.65	0.62	▲ 7.1%	■ ■ - -	4.8x	9.4x
RUL.AX	RPMGlobal Holdings Ltd	129	0.59	0.61	0.62	0.58	▲ 3.4%	- - ■ ■	n.m.	n.m.
SWK.AX	Swick Mining Services Ltd	72	0.30	0.31	0.30	0.30	▲ 1.6%	- ■ - -	6.4x	n.m.
<b>Marine Services</b>										
ASB.AX	Austal Ltd	624	1.76	1.79	1.77	1.72	▲ 2.3%	- - ■ -	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	41	0.43	0.44	0.44	0.43	▼ (2.2%)	■ ■ ■	n.m.	n.m.
MRM.AX	MMA Offshore Ltd	65	0.18	0.175	0.18	0.17	▲ 2.9%	- - ■ ■	32.3x	n.m.
NMS.AX	Neptune Marine Services Ltd	55	0.805	0.9	0.90	0.81	▲ 5.9%	- - - ■	n.m.	n.m.
VEE.AX	VEEM Ltd	84	0.6	0.65	0.65	0.58	▲ 8.3%	- ■ ■ -	9.9x	12.3x
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	40	0.27	0.26	0.26	0.26	▼ (3.8%)	■ - -	n.m.	n.m.
GMG.AX	Goodman Group Pty Ltd	14,170	7.83	7.92	7.92	7.81	▲ 0.3%	■ ■ ■ ■	50.4x	50.4x
HIL.AX	Hills Ltd	42	0.20	0.18	0.19	0.18	▼ (2.7%)	■ ■ - -	7.6x	37.6x
MIL.AX	Millennium Services Group Ltd	68	1.43	1.48	1.52	1.43	▲ 3.5%	- - - ■	10.3x	12.9x
PRG.AX	Programmed Maintenance Serv	765	2.97	2.97	2.97	2.97	— 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	1,264	1.15	1.15	1.15	1.15	— 0.0%	- - - ■	7.5x	12.5x
TPS.AX	Threat Protect Australia Ltd	20	0.03	0.03	0.03	0.02	▲ 3.8%	- - ■ -	25.4x	51.6x
UBN.AX	Urbanise com Ltd	32	0.09	0.09	0.09	0.08	— 0.0%	- - - ■	n.m.	n.m.

Source: Thomson Reuters, LCC research



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