



# Australian Engineering, Contractors & Service Providers

Edition 235 for the week ending 03 Nov 2017 | Published 6 November 2017 WWW.LCCAPAC.COM

## 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	1.0%	5.2%	14.1%	(Australia) 2-year gov bonds	1.78%	(10.3)	(13.5)	14.0
(Japan) Topix	1.3%	18.1%	31.1%	(Australia) 5-year gov bonds	2.18%	(8.6)	(15.2)	24.7
(Singapore) FTSE Strait Times Index	(0.1%)	17.4%	20.7%	(Australia) 10-year gov bonds	2.59%	(20.4)	(18.7)	27.7
(Hong Kong) Hang Seng	0.6%	30.0%	26.1%					
(South Korea) Kospi 200	2.9%	30.3%	34.0%					
(US) S&P 500	0.3%	15.6%	23.9%					
(US) Dow Jones Industrial	0.4%	19.1%	31.3%	AUD to USD	0.7650	(0.3%)	6.0%	(0.4%)
(UK) FTSE 100	0.7%	5.8%	11.3%					

## M&A Rumour and Activity

The Australian market finished the week 0.96% higher with the S&P/ASX200 ending at 5960 points, buoyed by positive local corporate earnings updates, the appointment of Mr Jerome Powell as the new chair of the Federal Reserve (replacing Ms Janet Yellen) and the release of the US tax reform legislation. The Australian dollar finished the week 0.34% lower to end at US76.50 cents, following the release of Australia's September's retail sales report which came in below expectations.

**Emeco Holdings Ltd (EHL.AX)** announced on 1 November 2017 that it has successfully completed its 1-for-6.4 pro rata accelerated non-renounceable institutional entitlement offer to raise \$67 million at \$0.21 per share. EHL is seeking to raise a further \$13 million via a retail entitlement offer. Funds from the \$80 million fundraising will be applied towards EHL's \$69.8 million acquisition of Force Equipment, which was announced on 31 October 2017. EH has entered into a binding agreement to acquire Force Equipment, an equipment rental and maintenance business, at FY17 EV/EBITDA valuation of 2.96x.

*The Australian Financial Review* reported on 1 November 2017 that electrical services company **Rutherford Group** is seeking a new owner. Rutherford Group is an electrical services contractor specialising in the coal mining industry, and generates annual EBITDA of approximately \$6 million.

*The Australian Financial Review* reported on 3 November 2017 that CHAMP Private Equity is the frontrunner to acquire **Jaybro**, a supplier of goods for infrastructure projects, such as temporary fencing, traffic signs and drainage equipment. Jaybro, with earnings of \$20 million, is speculated to have a value of approximately \$175 million.

*The Australian Financial Review* reported on 3 November 2017 that IFM Investors intend to sell more than half its 48.9% stake in **Tandem Corp** under the proposed initial public offering. Tandem Corp, a contractor for the telecommunications sector, is seeking to raise approximately \$155 million at a valuation of 11.5x forecast net profit, with a projected market capitalisation of approximately \$300 million.

Paris-based **Sodexo SA (EXHO.PA)** announced on 2 November 2017 that it has acquired the contracts and certain assets of the Morris Corporation business for an undisclosed value. **Morris Corporation**, which provides catering, facilities management and maintenance services for the mining and oil & gas sector in Australia, was previously partly-owned by PE firm Catalyst Investment Management and partly-owned by a West Australian family.

**Metso Oyj (METSO.HE)** announced on 1 November 2017 that it has acquired **WEARX**, a Newcastle-based mining wear lining solutions provider, for an undisclosed value, but with a solid valuation multiple for sector (in excess of 11x TEV / EBIT based on FY17(A)). **LCC Asia Pacific** acted as sole financial & strategic advisor to WEARX in a process that saw multiple binding proposals brought forward in the final round – all proximate in terms of value to the successful Metso proposal.

## News Headlines and Key Sector Developments

Ticker	News/Event	Ticker	News/Event
AEI	Realised its quarterly report, demonstrating positive growth	DOW	Ms Eve Howell will retire as a director
ANG	Mr Peter Pursey has resigned as a director	GCS	Completed the sale of its Equipment Hire Division to Onsite Rental Group on 2 November 2017
ASB	The USNS City of Bismarck, EPF 9, has successfully completed acceptance trials	HIL	On track to achieve a trading profit in 2H18
CIM	Appointed Mr Angel Muriel and Mr Adolfo Valderas as alternate directors	MSV	Average operating rig count increasing by 50% when compared to the previous quarter
CIM	Announced the promotion of Mr Michael Wright to CEO & MD (from Deputy CEO), and the appointment of Mr Ignacio Segura as Deputy CEO and COO. Current CEO Mr Adolfo Valderas has accepted a role with ACS Group	WOR	Appointed Ms Anne Templeman-Jones as a director
CIM	Reported 9M17 results, with revenue of \$9.6b (up 26% yoy), and NPAT of \$401m (up 20% yoy). Confirmed NPAT guidance of \$640m to \$700m	WOR	Completed the acquisition of AFK UK Oil & Gas and completed the retail component of its 1 for 10 entitlement offer

Sources: 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	158	0.27	0.27	0.28	0.26	▲ 1.9%	█	n.m.	n.m.
BOL.AX	Boom Logistics Ltd	77	0.18	0.16	0.18	0.16	▼ (8.6%)	█	9.4x	n.m.
BSA.AX	BSA Ltd	156	0.35	0.37	0.37	0.35	▲ 8.8%	█	10.8x	17.4x
BYL.AX	Brierty Ltd	10	0.08	0.08	0.08	0.08	— 0.0%	█	n.m.	n.m.
CDD.AX	Cardno Ltd	664	1.37	1.39	1.36	1.31	▼ (0.4%)	█	22.3x	98.3x
CIM.AX	CIMIC Group Ltd	16,593	47.90	50.76	49.16	47.53	▲ 6.3%	█	12.4x	18.6x
DCG.AX	Decmil Group Ltd	221	1.26	1.28	1.27	1.25	▲ 0.8%	█	151.5x	n.m.
DOW.AX	Downer EDI Ltd	4,246	6.85	7.14	7.06	6.80	▲ 4.5%	█	10.6x	18.4x
EGN.AX	Engenco Ltd	103	0.33	0.33	0.33	0.31	▼ (1.5%)	█	7.6x	10.9x
GCS.AX	Global Construction Services Ltd	181	0.84	0.86	0.85	0.83	▲ 4.9%	█	5.9x	7.6x
GNG.AX	GR Engineering Services Ltd	208	1.33	1.36	1.36	1.31	▲ 0.7%	█	10.3x	11.2x
LCM.AX	LogiCamms Ltd	25	0.32	0.31	0.32	0.30	▼ (1.6%)	█	n.m.	n.m.
LLC.AX	LendLease Group	9,566	16.68	16.38	16.35	16.02	▼ (1.8%)	█	11.8x	13.3x
LYL.AX	Lycopodium Ltd	171	4.38	4.30	4.23	4.10	▼ (1.8%)	█	3.7x	3.9x
MND.AX	Monadelphous Group Ltd	1,660	16.36	17.66	17.38	16.35	▲ 7.9%	█	14.5x	17.8x
OTR.AX	Onterran Ltd	20	0.32	0.32	0.32	0.32	— 0.0%	█	n.m.	n.m.
RCR.AX	RCR Tomlinson Ltd	678	4.20	4.10	4.20	4.00	▼ (2.6%)	█	12.8x	20.2x
RDG.AX	Resource Development Group Ltd	11	0.02	0.02	0.02	0.02	— 0.0%	█	n.m.	n.m.
SND.AX	Saunders International Ltd	55	0.53	0.54	0.54	0.53	▲ 0.9%	█	33.0x	67.1x
SSM.AX	Service Stream Ltd	537	1.48	1.47	1.44	1.40	▼ (0.7%)	█	10.0x	11.8x
SWL.AX	Seymour Whyte Ltd	81	0.94	0.93	0.92	0.92	— 0.0%	█	19.4x	n.m.
SXE.AX	Southern Cross Electrical Engin	142	0.74	0.79	0.78	0.74	▲ 8.2%	█	23.6x	n.m.
STS.AX	SRG Ltd	96	1.46	1.46	1.46	1.44	▼ (0.7%)	█	4.7x	6.7x
TPP.AX	Tempo Australia Ltd	53	0.18	0.22	0.20	0.18	▲ 22.2%	█	15.9x	18.0x
VMG.AX	VDM Group Ltd	6	0.00	0.00	0.00	0.00	— 0.0%	█	n.m.	n.m.
VRS.AX	Veris Ltd	56	0.17	0.17	0.17	0.17	— 0.0%	█	5.6x	42.0x
WOR.AX	WorleyParsons Ltd	4,003	13.95	14.68	14.65	13.77	▲ 6.8%	█	14.6x	19.3x
<b>Mining Services</b>										
ASL.AX	Ausdrill Ltd	892	2.21	2.48	2.40	2.15	▲ 12.7%	█	9.4x	19.8x
ANG.AX	Austin Engineering Ltd	162	0.27	0.28	0.27	0.27	▲ 5.7%	█	14.5x	67.2x
BLY.AX	Boart Longyear Ltd	315	0.01	0.01	0.01	0.01	▲ 9.1%	█	31.8x	n.m.
EHL.AX	Emeco Holdings Ltd	733	0.23	0.26	0.26	0.23	▲ 10.2%	█	21.9x	696.2x
IMD.AX	Imdex Ltd	353	0.97	0.96	0.96	0.95	▼ (0.5%)	█	9.1x	12.9x
MAH.AX	Macmahon Holdings Ltd	532	0.23	0.25	0.24	0.23	▲ 4.3%	█	20.9x	n.m.
MIN.AX	Mineral Resources Ltd	3,445	18.31	18.37	18.05	17.13	▲ 1.4%	█	7.3x	11.2x
MLD.AX	MACA Ltd	602	2.11	2.25	2.18	2.05	▲ 7.1%	█	7.0x	21.2x
MSV.AX	Mitchell Services Ltd	77	0.04	0.04	0.04	0.04	▲ 15.8%	█	40.4x	n.m.
MYE.AX	Mastermyne Group Ltd	81	0.84	0.80	0.83	0.79	▼ (3.6%)	█	16.8x	n.m.
NWH.AX	NRW Holdings Ltd	510	1.19	1.40	1.36	1.19	▲ 16.7%	█	9.3x	17.9x
RUL.AX	RPMGlobal Holdings Ltd	162	0.78	0.76	0.77	0.76	▼ (1.3%)	█	30.9x	79.9x
SWK.AX	Swick Mining Services Ltd	66	0.29	0.29	0.29	0.27	▼ (1.7%)	█	7.1x	n.m.
<b>Marine Services</b>										
ASB.AX	Austal Ltd	609	1.73	1.73	1.75	1.70	▲ 0.3%	█	7.26	11.21
MBO.AX	Mobilarm Ltd	10	0.02	0.02	0.02	0.02	▼ (13.0%)	█	n.m.	n.m.
MCE.AX	Matrix Composites & Engineerin	44	0.49	0.47	0.49	0.47	▼ (5.1%)	█	n.m.	n.m.
MRM.AX	MMA Offshore Ltd	73	0.19	0.20	0.21	0.18	▲ 8.3%	█	17.2x	n.m.
NMS.AX	Neptune Marine Services Ltd	56	0.85	0.90	0.85	0.85	— 0.0%	█	n.m.	n.m.
VEE.AX	VEEM Ltd	70	0.53	0.54	0.54	0.52	▲ 0.9%	█	10.1x	12.4x
ZGL.AX	Zicom Group Ltd	27	0.14	0.13	0.14	0.13	▼ (16.7%)	█	n.m.	n.m.
<b>Facilities Management</b>										
AEI.AX	Aeris Environmental Ltd	41	0.27	0.26	0.27	0.24	▼ (7.1%)	█	n.m.	n.m.
GMG.AX	Goodman Group Pty Ltd	15,198	8.39	8.44	8.37	8.25	▲ 1.1%	█	57.6x	59.4x
HIL.AX	Hills Ltd	48	0.18	0.21	0.17	0.17	▲ 17.1%	█	n.m.	n.m.
MIL.AX	Millennium Services Group Ltd	75	1.63	1.62	1.62	1.58	▼ (2.1%)	█	6.1x	9.5x
SPO.AX	Spotless Group Holdings Ltd	1,200	1.08	1.08	1.08	1.07	— 0.0%	█	8.8x	17.4x
TPS.AX	Threat Protect Australia Ltd	21	0.03	0.03	0.03	0.03	▼ (3.4%)	█	8.3x	11.5x
UBN.AX	Urbanise com Ltd	14	0.04	0.04	0.04	0.04	▼ (9.1%)	█	n.m.	n.m.

Source: Thomson Reuters, LCC research



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