



## M&A Rumour and Activity

The Australian market finished the week 0.79% lower with the S&P/ASX200 ending at 5754 points, following fears that the Trump administration may not be able to pass its healthcare reform bill through congress, which raises concerns that the Trump administration may also struggle pass its pro-growth legislations (including the proposed major tax cuts). The Australian dollar decreased 0.99% for the week to end at US76.22 cents, mainly due to strengthening of the US dollar from renewed optimism towards prospective US tax reforms.

On 21 March 2017, **Downer EDI Limited (DOW.AX)** launched a takeover offer to acquire all of the issued share capital of **Spotless Group Holdings Limited (SPO.AX)** not already owned by Downer by way of an off market-takeover for an all cash consideration of \$1.15 per share, representing a 59% premium to Spotless' last closing share price of \$0.725. Downer also announced that it has an interest equivalent to 19.99% in the issued share capital of Spotless (*it was reported by the Australian Financial Review on 20 March 2017 that Downer launched an aftermarket raid on Monday to acquire 15% stake in Spotless, with Downer understood to already own 5% interest in Spotless*).

Downer also announced that it is raising approximately \$1,011 million via a fully underwritten 2 for 5 accelerated renounceable entitlement offer with retail rights trading to fund its acquisition of Spotless at \$5.95 per share (at 19.8% discount to Downer's closing share price of \$7.42 and 15.0% discount to the theoretical ex-rights price of \$7.00). Following the resumption of trading on Friday following a three-day trading halt, Downer's share price closed at \$5.55 per share, down 25.2% from its last traded share price of \$7.42 on Monday.

**Spotless Group Holdings Limited (SPO.AX)**'s Board of Directors on 21 March 2017 advised its shareholders to take no action in relation to Downer's takeover offer of \$1.15 per share until the Board evaluate the offer and provide the shareholders with a recommendation.

*The Australian Financial Review* reported on 27 March 2017 that CHAMP Private Equity is considering sale options for **Golding Contractors**, its civil construction and mining services business. It was reported that the asset could be worth more than \$150 million. The potential divestment of Golding Contractors follows an increasing number of M&A activities in the mining services sector, following a rebound in commodity prices and valuation in the sector.

**Hitachi Construction Machinery Co. Ltd ("Hitachi")** announced on 24 March 2017 that it is extending the offer period for its recommended takeover offer for **Bradken Limited (BKN.AX)** to 7 April 2017. Hitachi also announced that it has a 91.2% interest in Bradken as of 24 March 2017.

On 21 March 2017, **Emeco Holdings Limited (EHL.AX)** launched a fully underwritten \$20 million pro rata renounceable entitlement as part of its recapitalisation and merger with Orionstone and Andy's.

## News Headlines and Key Sector Developments

Ticker	News/Event	Ticker	News/Event
ASB	Announced the award of a cost-plus-fixed-fee modification to a previously awarded contract for Littoral Combat Ship core class services, with a potential value of US\$36.6 million (\$47.8 million)	IMD	Announced its successful appeal against Coretell Pty Ltd
CIM	Awarded the award of contract for the process upgrade and equipment replacement project at the Woodleigh Waterworks by PUB, Singapore's national water agency. The contract is expected to generate revenue of SGD67.5 million (\$63.3 million)	SSM	Announced that it has called an Extraordinary General Meeting of shareholders to be held on 26 April 2017 to consider its proposed acquisition of the TechSafe electrical inspection business
GNG	Announced that it has entered into a conditional letter of intent with Gascoyne Resources Limited (ASX:GCY) for an EPC contract in relation to the Dalgaranga Gold Project's mineral processing facilities		

BGC Contracting Pty Ltd said on 22 March 2017 that it has been awarded a five-year contract, which is valued at more than \$720 million, by the Administrators of Onesteel Manufacturing Pty Ltd (Arrium) at its Iron Knob and South Middleback Ranges iron ore projects in South Australia. The contract, which was previously due to be completed this year, will be replaced by the new contract through to 2022. Under the contract, BGC Contracting will provide a full range of mining services, including drilling, blasting, loading, hauling, dumping and train load-out.

Source: Thomson Reuters, Company Announcements, LCC research



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# Australian Engineering, Contractors & Service Providers

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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	98	0.23	0.25	0.28	0.23	▲ 2.0%	■ ■ ■	28.0x	n.m.
BOL.AX	Boom Logistics Ltd	55	0.12	0.12	0.12	0.11	▼ (8.0%)	■ - -	12.1x	n.m.
BSA.AX	BSA Ltd	159	0.38	0.38	0.38	0.37	— 0.0%	■ - - -	19.6x	108.8x
BYL.AX	Brierty Ltd	13	0.10	0.10	0.10	0.10	▼ (4.8%)	■ - - -	n.m.	n.m.
CDD.AX	Cardno Ltd	566	1.15	1.18	1.18	1.15	▲ 2.6%	■ - - -	42.1x	n.m.
CIM.AX	CIMIC Group Ltd	11,679	36.45	36.00	36.26	35.57	▼ -0.02	■ - - -	11.3x	17.0x
DCG.AX	Decmil Group Ltd	162	0.94	0.95	0.95	0.93	▲ 0.5%	■ - - -	72.6x	n.m.
DOW.AX	Downer EDI Ltd	3,301	7.07	5.55	6.97	5.35	▼ (21.1%)	■ - - ■	6.8x	12.5x
EAL.AX	E&A Ltd	8	0.06	0.06	0.06	0.06	▼ (1.8%)	■ ■ - -	n.m.	n.m.
EGN.AX	Engenco Ltd	73	0.18	0.235	0.22	0.18	▲ 30.6%	■ - - ■	7.5x	13.9x
GCS.AX	Global Construction Services Ltd	114	0.60	0.57	0.60	0.56	▼ (5.0%)	■ - - -	3.2x	4.4x
GNG.AX	GR Engineering Services Ltd	245	1.50	1.60	1.56	1.50	▲ 7.0%	■ - - -	8.6x	9.2x
LCM.AX	LogiCamms Ltd	30	0.36	0.37	0.37	0.36	▲ 2.8%	■ - - -	n.m.	n.m.
LLC.AX	LendLease Group	8,949	15.52	15.35	15.43	15.04	▼ -0.02	■ - - -	11.7x	13.1x
LYL.AX	Lycopodium Ltd	130	3.13	3.26	3.25	3.11	▲ 0.6%	■ - - ■	2.5x	2.7x
MCE.AX	Matrix Composites & Engineerin	48	0.52	0.51	0.56	0.53	▲ 0.9%	■ - - -	5.8x	n.m.
MND.AX	Monadelphous Group Ltd	1,162	12.61	12.38	12.68	12.27	▼ (3.7%)	■ - - -	9.3x	11.6x
OTR.AX	Onterran Ltd	20	0.32	0.32	0.32	0.32	— 0.0%	■ - - -	n.m.	n.m.
RCR.AX	RCR Tomlinson Ltd	451	3.34	3.22	3.24	3.18	▼ (3.0%)	■ - - ■	18.1x	71.0x
RDG.AX	Resource Development Group L	15	0.02	0.02	0.02	0.02	▲ 4.5%	■ - - ■	0.3x	0.4x
SND.AX	Saunders International Ltd	40	0.54	0.50	0.54	0.49	▼ (7.5%)	■ - - ■	9.7x	12.6x
SSM.AX	Service Stream Ltd	422	1.13	1.16	1.17	1.12	▲ 4.1%	■ - - -	9.1x	11.0x
SWL.AX	Seymour Whyte Ltd	114	1.32	1.30	1.30	1.26	▼ (1.1%)	■ - - -	15.9x	79.8x
SXE.AX	Southern Cross Electrical Engine	80	0.54	0.50	0.53	0.50	▼ (6.5%)	■ - - -	11.3x	n.m.
STS.AX	SRG Ltd	96	1.47	1.50	1.49	1.47	▲ 3.4%	■ - - -	5.3x	7.9x
TPP.AX	Tempo Australia Ltd	53	0.22	0.22	0.22	0.21	▼ (4.3%)	■ - - -	4.3x	4.4x
VMG.AX	VDM Group Ltd	5	0.00	0.00	0.00	0.00	— 0.0%	■ - - -	n.m.	n.m.
VRS.AX	Veris Ltd	54	0.17	0.17	0.17	0.14	— 0.0%	■ - - -	4.7x	11.3x
WOR.AX	WorleyParsons Ltd	2,565	10.34	10.39	10.35	10.29	— 0.0%	■ - - -	9.8x	13.0x
<b>Mining Services</b>										
ASL.AX	Ausdrill Ltd	465	1.39	1.49	1.45	1.39	▲ 9.2%	■ - - -	5.4x	11.2x
ANG.AX	Austin Engineering Ltd	98	0.18	0.17	0.18	0.17	▼ (5.6%)	■ - - -	n.m.	n.m.
BLY.AX	Boart Longyear Ltd	85	0.09	0.09	0.09	0.09	▼ (1.1%)	■ - - -	33.8x	n.m.
BKN.AX	Bradken Ltd	676	3.24	3.24	3.24	3.15	▼ (0.3%)	■ - - -	8.0x	8.0x
DSB.AX	Delta SBD Ltd	11	0.20	0.20	0.20	0.20	— 0.0%	■ - - -	92.5x	n.m.
EHL.AX	Emeco Holdings Ltd	69	0.07	0.09	0.09	0.07	▲ 22.2%	■ - - -	6.3x	128.8x
IMD.AX	Imdex Ltd	246	0.65	0.67	0.66	0.65	▲ 2.3%	■ - - -	12.7x	30.7x
MAH.AX	Macmahon Holdings Ltd	180	0.15	0.15	0.15	0.15	— 0.0%	■ - - -	5.4x	n.m.
MIN.AX	Mineral Resources Ltd	2,005	11.05	10.72	11.02	10.67	▼ (2.8%)	■ - - -	4.5x	6.9x
MLD.AX	MACA Ltd	382	1.81	1.63	1.73	1.63	▼ (11.4%)	■ - - -	4.1x	14.2x
MSV.AX	Mitchell Services Ltd	40	0.03	0.03	0.03	0.03	— 0.0%	■ - - -	17.6x	n.m.
MYE.AX	Mastermyne Group Ltd	27	0.31	0.30	0.30	0.28	— 0.0%	■ - - -	28.2x	n.m.
NWH.AX	NRW Holdings Ltd	227	0.77	0.71	0.74	0.71	▼ (8.4%)	■ - - -	5.0x	9.7x
RUL.AX	Rungepincockminarco Ltd	130	0.62	0.61	0.62	0.61	▼ (1.6%)	■ - - -	n.m.	n.m.
SWK.AX	Swick Mining Services Ltd	57	0.26	0.27	0.27	0.26	▲ 3.8%	■ - - -	5.3x	n.m.
<b>Marine Services</b>										
ASB.AX	Austal Ltd	580	1.63	1.66	1.64	1.63	▲ 0.02	■ - - -	n.m.	n.m.
MBO.AX	Mobilarm Ltd	12	0.02	0.03	0.02	0.02	— 0.0%	■ - - -	62.0x	n.m.
MRM.AX	MMA Offshore Ltd	80	0.23	0.215	0.22	0.22	— 0.0%	■ - - -	33.4x	n.m.
NMS.AX	Neptune Marine Services Ltd	61	1	1	1.00	1.00	— 0.0%	■ - - -	104.2x	n.m.
VEE.AX	VEEM Ltd	83	0.65	0.635	0.65	0.64	▼ (2.3%)	■ - - -	9.7x	12.0x
ZGL.AX	Zicom Group Ltd	30	0.14	0.14	0.14	0.14	— 0.0%	■ - - -	n.m.	n.m.
<b>Facilities Management</b>										
AEI.AX	Aeris Environmental Ltd	52	0.33	0.33	0.33	0.33	— 0.00	■ - - -	n.m.	n.m.
GMG.AX	Goodman Group Pty Ltd	13,812	7.75	7.72	7.72	7.47	▼ 0.00	■ - - -	49.3x	49.3x
HIL.AX	Hills Ltd	51	0.23	0.22	0.22	0.22	▼ -0.02	■ - - -	8.8x	43.2x
MIL.AX	Millennium Services Group Ltd	75	1.54	1.63	1.63	1.52	▲ 0.06	■ - - -	11.1x	13.9x
PRG.AX	Programmed Maintenance Serv	485	1.87	1.89	1.89	1.86	▲ 0.01	■ - - -	7.3x	11.2x
SKS.AX	Stokes Ltd	10	0.33	0.33	0.33	0.33	▼ -0.03	■ - - -	21.6x	28.2x
SPO.AX	Spotless Group Holdings Ltd	1,164	0.71	1.06	1.04	0.71	▲ 0.46	■ - - -	7.2x	11.9x
TPS.AX	Threat Protect Australia Ltd	18	0.02	0.03	0.03	0.02	▲ 0.09	■ - - -	23.4x	47.6x
UBN.AX	Urbanise com Ltd	32	0.10	0.10	0.10	0.10	— 0.00	■ - - -	n.m.	n.m.

Source: Thomson Reuters, LCC research



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