



# Australian Engineering, Contractors & Service Providers

Edition 233 for the week ending 20 Oct 2017 | Published 23 Oct 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	1.6%	4.3%	8.5%	(Australia) 2-year gov bonds	1.94%	0.6	2.9	26.5
(Japan) Topix	1.3%	14.0%	26.3%	(Australia) 5-year gov bonds	2.32%	(0.3)	(0.9)	37.3
(Singapore) FTSE Strait Times Index	0.7%	16.0%	17.5%	(Australia) 10-year gov bonds	2.78%	(1.8)	1.1	47.6
(Hong Kong) Hang Seng	0.0%	29.5%	21.9%					
(South Korea) Kospi 200	0.5%	26.5%	27.3%					
(US) S&P 500	0.9%	15.0%	20.3%					
(US) Dow Jones Industrial	2.0%	18.0%	28.4%					
(UK) FTSE 100	(0.2%)	5.3%	7.1%					
					Rate	Week	YTD	12-months
				AUD to USD	0.7818	(0.9%)	8.4%	2.5%

## M&A Rumour and Activity

The Australian market finished the week 1.60% higher with the S&P/ASX200 ending at 5907 points, after the US Senate approved a budget resolution signalling support for the Trump administration's tax reform plan which gave the bourse a strong enough boost to finish the week in black. The Australian dollar finished the week 0.89% lower to end at US78.18 cents, mainly due to the strengthening of the US Dollar on renewed expectations of job growth and inflation coming from the Trump administrations tax and policy reform.

Over the course of the last 3 months LCC Asia Pacific has also seen an increase in activity around engineering services & mining services companies focussed on the "hard ores" subset of the bulk commodities sector, including from both domestic and international private equity players. This is a far cry from the position of a number of years ago where such players were definitely not in favour from an M & A or Capital Raising perspective.

With both BHP and RIO Tinto providing Q3 Production data over the last week the clear focus of these global leaders continues to be the twin ambitions of driving costs lower whilst increasing overall productivity. For organisations that have a solid track record of servicing such organisations we anticipate that the prospect of corporate opportunities will only improve.

**Lendlease Limited (LLC.AX)** on 17 October 2017 announced the sale of 25% of its Retirement Living business to APG Asset Management N.V. for an undisclosed amount, LLC will retain the remaining 75% share in the business. The transaction is at a small premium to the carrying value as at 30 June 2017 and LLC will be required to write down the value of certain Deferred Tax Assets associated with the Retirement Living business. The overall impact of the transaction including transaction costs will be a net loss after tax of c. \$35 million. The transaction remains subject to conditions precedent that LLC anticipates will be satisfied by 31 December 2017.

## News Headlines and Key Sector Developments

Ticker	News/Event	Ticker	News/Event
GMG	Announced the appointment of Mr. Gregory Goodman as the director of Goodman Logistics (HK) Limited following the retirement of Mr. Philip Fan	NWH	Announced that Gascoyne Resources Limited (GCY.AX) through its 100% owned subsidiary GNT Resources Pty Ltd has selected NWH as the preferred mining contractor for its 100% owned Dalgaranga Gold Project. The estimated contract value is c. \$300 million
GNG	Announced that it has been appointed as the preferred tenderer by Sheffield Resources Limited (SFX.AX) in relation to the design and construction of the 7.5Mtpa Thunderbird Mineral Sands Project	NWH	Announced that its wholly owned subsidiary, Action Drill & Blast Pty Ltd, has recently been awarded mining contracts with a combined value of c. \$57million
LLC	Announced that it has established a joint venture with Softbank Group to develop and own telecom infrastructure assets in the United States. LLC and Softbank have each committed US\$200 million equity to fund identified seed assets of approximately 8,000 rooftops and other telecom sites	RCR	Announced that it has been awarded a contract with PT Kartanegara Energi Perkasa (KEP) to provide a combined cycle addition to KEP's existing open-cycle 92MWe gas-fired power plant in Senipah, Indonesia
MAH	Advised that Mr. José Martins has resigned from his position as Chief Financial Officer of the company. MAH said that Mr. Martin will continue his current role until early 2018 and an announcement regarding his replacement will be made in due course		

Source: Thomson Reuters, Company Announcements, LCC research



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BOUTIQUE INVESTMENT BANKING  
FIRM OF THE YEAR

BUSINESS AWARDS  
2017 REGIONAL FINALIST  
FINALIST EXCELLENCE IN SMALL BUSINESS

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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	159	0.24	0.27	0.27	0.24	▲ 14.9%	■■■■	n.m.	n.m.
BOL.AX	Boom Logistics Ltd	98	0.20	0.21	0.20	0.20	▲ 2.5%	■■■■	11.1x	n.m.
BSA.AX	BSA Ltd	146	0.34	0.35	0.33	0.33	▲ 1.5%	■■■■	10.0x	16.1x
BYL.AX	Brierty Ltd	10	0.08	0.08	0.08	0.08	— 0.0%	■■■■	n.m.	n.m.
CDD.AX	Cardno Ltd	635	1.33	1.33	1.33	1.28	▼ (1.1%)	■■■■	21.3x	94.1x
CIM.AX	CIMIC Group Ltd	15,225	46.36	46.59	46.84	45.38	▲ 0.6%	■■■■	11.4x	17.2x
DCG.AX	Decmil Group Ltd	222	1.41	1.28	1.39	1.24	▼ (8.6%)	■■■■	152.1x	n.m.
DOW.AX	Downer EDI Ltd	4,210	6.94	7.08	7.00	6.90	▲ 2.0%	■■■■	10.5x	18.3x
EGN.AX	Engenco Ltd	103	0.32	0.33	0.33	0.32	— 0.0%	■■■■	7.6x	10.9x
GCS.AX	Global Construction Services Ltd	169	0.83	0.80	0.81	0.79	▼ (3.6%)	■■■■	5.5x	7.1x
GNG.AX	GR Engineering Services Ltd	202	1.28	1.32	1.31	1.28	▲ 3.1%	■■■■	9.9x	10.8x
LCM.AX	LogiCams Ltd	25	0.31	0.31	0.31	0.30	— 0.0%	■■■■	n.m.	n.m.
LLC.AX	LendLease Group	9,782	18.55	16.75	18.50	16.22	▼ (9.6%)	■■■■	12.1x	13.6x
LYL.AX	Lycopodium Ltd	164	4.21	4.14	4.20	3.79	▼ (2.4%)	■■■■	3.4x	3.6x
MND.AX	Monadelphous Group Ltd	1,547	16.05	16.46	16.34	16.05	▲ 2.7%	■■■■	13.4x	16.4x
OTR.AX	Onterran Ltd	20	0.32	0.32	0.32	0.32	— 0.0%	■■■■	n.m.	n.m.
RCR.AX	RCR Tomlinson Ltd	706	4.35	4.27	4.27	4.15	▼ (0.9%)	■■■■	13.3x	21.0x
RDG.AX	Resource Development Group L	11	0.02	0.02	0.02	0.02	▼ (5.6%)	■■■■	n.m.	n.m.
SND.AX	Saunders International Ltd	58	0.60	0.56	0.58	0.54	▼ (5.1%)	■■■■	34.4x	70.0x
SSM.AX	Service Stream Ltd	511	1.33	1.40	1.40	1.33	▲ 3.3%	■■■■	9.5x	11.2x
SWL.AX	Seymour Whyte Ltd	82	0.94	0.93	0.92	0.92	— 0.0%	■■■■	19.6x	n.m.
SXE.AX	Southern Cross Electrical Engine	135	0.74	0.75	0.75	0.73	▲ 1.4%	■■■■	21.9x	n.m.
STS.AX	SRG Ltd	96	1.39	1.45	1.44	1.38	▲ 5.1%	■■■■	4.7x	6.7x
TPP.AX	Tempo Australia Ltd	46	0.18	0.19	0.19	0.18	▲ 8.6%	■■■■	12.0x	13.6x
VMG.AX	VDM Group Ltd	8	0.00	0.00	0.00	0.00	— 0.0%	■■■■	n.m.	n.m.
VRS.AX	Veris Ltd	60	0.18	0.18	0.19	0.17	▲ 2.9%	■■■■	5.9x	44.6x
WOR.AX	WorleyParsons Ltd	3,855	14.40	14.18	14.35	13.95	▼ (1.0%)	■■■■	14.2x	18.7x
<b>Mining Services</b>										
ASL.AX	Ausdrill Ltd	758	2.08	2.11	2.10	2.06	▼ (0.5%)	■■■■	8.3x	17.4x
ANG.AX	Austin Engineering Ltd	142	0.23	0.25	0.25	0.23	▲ 6.5%	■■■■	15.5x	210.3x
BLY.AX	Boart Longyear Ltd	368	0.02	0.01	0.01	0.01	▼ (6.7%)	■■■■	33.2x	n.m.
EHL.AX	Emeco Holdings Ltd	597	0.24	0.25	0.25	0.24	▲ 4.3%	■■■■	19.4x	615.5x
IMD.AX	Imdex Ltd	355	0.96	0.97	1.02	0.92	▲ 1.0%	■■■■	9.1x	13.0x
MAH.AX	Macmahon Holdings Ltd	489	0.25	0.23	0.25	0.22	▼ (10.0%)	■■■■	19.0x	n.m.
MIN.AX	Mineral Resources Ltd	3,316	18.45	17.70	18.38	17.54	▼ (1.8%)	■■■■	7.0x	10.8x
MLD.AX	MACA Ltd	565	2.28	2.11	2.23	2.09	▼ (6.2%)	■■■■	6.5x	19.8x
MSV.AX	Mitchell Services Ltd	73	0.04	0.04	0.04	0.04	▼ (4.5%)	■■■■	38.9x	n.m.
MYE.AX	Mastermyne Group Ltd	73	0.70	0.72	0.72	0.70	▲ 3.6%	■■■■	15.3x	n.m.
NWH.AX	NRW Holdings Ltd	443	1.22	1.21	1.23	1.16	— 0.0%	■■■■	8.1x	15.7x
RUL.AX	RPMGlobal Holdings Ltd	164	0.78	0.77	0.77	0.76	▼ (0.6%)	■■■■	31.1x	80.6x
SWK.AX	Swick Mining Services Ltd	61	0.30	0.27	0.29	0.26	▼ (8.6%)	■■■■	6.7x	n.m.
<b>Marine Services</b>										
ASB.AX	Austal Ltd	618	1.74	1.76	1.74	1.73	▲ 1.2%	■■■■	7.36	11.37
MBO.AX	Mobilarm Ltd	12	0.02	0.03	0.03	0.02	— 0.0%	■■■■	n.m.	n.m.
MCE.AX	Matrix Composites & Engineerin	45	0.49	0.48	0.49	0.47	▼ (5.0%)	■■■■	n.m.	n.m.
MRM.AX	MMA Offshore Ltd	65	0.18	0.18	0.18	0.18	— 0.0%	■■■■	16.9x	n.m.
NMS.AX	Neptune Marine Services Ltd	58	0.93	0.93	0.93	0.93	— 0.0%	■■■■	n.m.	n.m.
VEE.AX	VEEM Ltd	71	0.56	0.54	0.56	0.54	▼ (3.6%)	■■■■	10.2x	12.5x
ZGL.AX	Zicom Group Ltd	33	0.14	0.15	0.14	0.14	— 0.0%	■■■■	n.m.	n.m.
<b>Facilities Management</b>										
AEI.AX	Aeris Environmental Ltd	41	0.28	0.26	0.28	0.26	▼ (3.7%)	■■■■	n.m.	n.m.
GMG.AX	Goodman Group Pty Ltd	15,126	8.39	8.40	8.36	8.22	▲ 0.5%	■■■■	57.3x	59.1x
HIL.AX	Hills Ltd	41	0.19	0.18	0.18	0.18	▼ (5.4%)	■■■■	n.m.	n.m.
MIL.AX	Millennium Services Group Ltd	77	1.68	1.67	1.69	1.65	▼ (0.6%)	■■■■	6.2x	9.8x
PRG.AX	Programmed Maintenance Serv	753	2.85	2.85	2.85	2.85	— 0.0%	■■■■	9.9x	14.4x
SPO.AX	Spotless Group Holdings Ltd	1,200	1.08	1.08	1.08	1.07	▲ 0.5%	■■■■	8.8x	17.5x
TPS.AX	Threat Protect Australia Ltd	20	0.03	0.03	0.03	0.03	— 0.0%	■■■■	8.0x	11.2x
UBN.AX	Urbanise com Ltd	17	0.05	0.05	0.05	0.04	▼ (2.1%)	■■■■	n.m.	n.m.

Source: Thomson Reuters, LCC research



2017



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