



# Australian Engineering, Contractors & Service Providers

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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	(1.1%)	(5.0%)	(2.3%)	(Australia) 2-year gov bonds	2.02%	(0.03)	0.03	0.27
(Japan) Topix	3.1%	(5.6%)	12.4%	(Australia) 5-year gov bonds	2.33%	(0.04)	(0.02)	0.08
(Singapore) FTSE Strait Times Index	0.2%	0.7%	8.0%	(Australia) 10-year gov bonds	2.60%	(0.06)	(0.08)	(0.11)
(Hong Kong) Hang Seng	(0.7%)	0.6%	23.8%					
(South Korea) Kospi 200	0.7%	(3.1%)	11.7%					
(US) S&P 500	2.0%	(1.2%)	11.5%					
(US) Dow Jones Industrial	2.4%	(2.5%)	16.3%	AUD to USD	0.7678	(0.23%)	(1.60%)	0.50%
(UK) FTSE 100	1.9%	(8.2%)	(4.2%)					

## M&A Rumour and Activity

The Australian market finished the week 1.05% lower with the S&P/ASX200 ending at 5759 points as the big four banks dragged the overall market lower under the pressure of a royal commission into the sector, additionally, threats of a trade war initiated by President Trump impacted stock market trade. The Australian dollar finished the week 0.23% lower to end at US76.78 amid worries that climbing inflation in the US would push the US central bank into tightening monetary policy faster than expected.

**Threat Protect Australia Limited (TPS.AX)** announced on 28 March 2018 that it has completed the acquisition of Security Alarm Monitoring Service Pty Ltd, for a price consideration of c. \$8.0 million, comprising of \$6.4 million in cash and the balance to be paid in cash 12-months post completion subject to a reconciliation of working capital and invoiced revenue.

**Watpac Limited (WTP.AX)** on 28 March 2018 updated the market on its earnings guidance for FY18 with NLBT in the range of \$3 million – \$5 million. The loss was partly attributed to WTP's mining division which underperformed other divisions and failed to secure two major mining projects it had tendered for. As a result, WTP's Board of Directors agreed to conduct a comprehensive review of WTP's Mining business to explore options to maximise and preserve value. The review will include exploring sale options for the business and / or its assets, either in part or in its entirety. Additionally, as indicated in WTP's announcement on 26 Feb 2018, WTP said a proposal was received from BESIX Group SA to acquire 50% of the shares held by each of the other WTP's shareholders for \$0.92 cash per share. WTP expects to shortly lodge a scheme booklet with ASIC including an independent expert report.

The *Australian Financial Review's Street Talk* column reported on 3 April 2018 that Macquarie Group has put on hold the sale of its underground mining services business **MST Global**. It was understood that Odyssey Private Equity had entered a period of exclusive talks which ran out last week.

Also linked is Nicholas Assef's presentation to Mining Investment Asia in Singapore last week. Hopefully you find it interesting : <https://www.slideshare.net/LCCAsiaPacific/mining-investment-asia-conference-deck-march-2018nicholas-assef>

## News Headlines and Key Sector Developments

Ticker	News/Event	Ticker	News/Event
CIM	Secured a \$241 million (US\$185 million) contract from BHP to provide additional mining services at the Mount Arthur Coal operations in the Hunter Valley, Australia	GCS	Announced that its 51% owned division Gallery Facades has executed a formal contract with Brady Constructions Pty Ltd of c. \$38 million for the design, supply and installation of façade to the 2 tower hotel and apartment developments located at 380 Lonsdale St, Melbourne
CIM	Awarded a 3-year \$366 million (US\$280 million) contract extension at the Wahana coal mine in South Kalimantan, Indonesia, to provide coal mining services including overburden removal, pit dewatering and coal hauling to port at Wahana	MIN	Announced it has signed a binding Heads of Agreement (HoA) with Hexagon Resources Limited (HXG.AX) covering the development of Stage 1 of the McIntosh Graphite Project. Under the agreement, HXG and MIN will establish an incorporated JV with HXG and MIN holding a 49% and 51% participating interest, respectively
CIM	The successful implementation of an innovative mining plan by CIM at the Satui coal mine in South Kalimantan has resulted in a \$313 million (US\$240 million) contract extension. CIM will continue to provide mining services at the project's Honaman West pit	MRM	Announced that ConocoPhillips awarded MRM a number of vessel contracts of up to 10 months duration. Additionally, MRM secured a 1-year contract for the "MMA Privilege" with a major independent crude oil and natural gas producer to support a development project in offshore Côte d'Ivoire
CIM	Secured a \$196 million (US\$150 million) contract extension to provide mine services at Arutmin's Senakin coal mine in South Kalimantan, Indonesia. The two-and-a-half-year contract extension will see CIM continue to provide coal mining services across the Arutmin owned, CLS-managed project including overburden removal, coal handling and preparation works	SRG	Announced that it has been selected to deliver the Bolivia Hill Upgrade Project in joint venture with Georgiou Group for Roads and Maritime Services in Bolivia, New South Wales. The contract is valued at \$43.4 million and the project involves the construction of a new 3 span 320-metre long bridge and 2.1 km of new road
CIM	Secured a \$140 million increase to its contract with Glencore for coal mining services at Mt Owen in the Hunter Valley, Australia	WTP	Provided earnings guidance update for FY18 with underlying net loss before tax between \$3 million and \$5 million
GCS	Awarded a 3-year contract with further renewal options from CITIC Pacific Mining to continue to provide scaffolding services for Sino Iron Project		

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	243	0.36	0.33	0.36	0.31	▼ (9.7%)	■■■	n.m.	n.m.
BOL.AX	Boom Logistics Ltd	92	0.19	0.20	0.19	0.19	— 0.0%	■■■	10.9x	n.m.
BSA.AX	BSA Ltd	144	0.35	0.34	0.34	0.34	— 0.0%	■■■	9.2x	14.4x
CDD.AX	Cardno Ltd	623	1.33	1.30	1.33	1.25	▼ (3.7%)	■■■	13.2x	22.1x
CIM.AX	CIMIC Group Ltd	14,386	44.83	44.47	44.81	44.31	▼ (1.8%)	■■■	8.5x	12.5x
DCG.AX	Decmil Group Ltd	203	1.15	1.17	1.20	1.15	▲ 2.2%	■■■	110.0x	n.m.
DOW.AX	Downer EDI Ltd	3,812	6.44	6.41	6.44	6.37	▼ (1.8%)	■■■	8.6x	17.1x
EGN.AX	Engenco Ltd	150	0.5	0.48	0.48	0.48	▼ (7.7%)	■■■	8.7x	11.3x
FWD.AX	Fleetwood Corp Ltd	174	2.84	2.84	2.77	2.72	▼ (0.7%)	■■■	9.0x	13.8x
GCS.AX	Global Construction Services Ltd	147	0.75	0.70	0.74	0.67	▼ (8.6%)	■■■	4.3x	5.6x
GNG.AX	GR Engineering Services Ltd	213	1.33	1.39	1.35	1.31	▲ 4.9%	■■■	9.3x	10.0x
LCM.AX	LogiCamms Ltd	20	0.23	0.25	0.23	0.23	▲ 11.1%	■■■	n.m.	n.m.
LLC.AX	LendLease Group	10,109	16.82	17.31	17.27	16.82	▲ 1.6%	■■■	12.6x	14.3x
LYL.AX	Lycopodium Ltd	194	4.99	4.88	4.98	4.75	▼ (2.4%)	■■■	4.6x	4.8x
MND.AX	Monadelphous Group Ltd	1,429	15.08	15.20	15.28	14.83	▲ 0.1%	■■■	11.0x	13.0x
OTR.AX	Onterran Ltd	20	0.32	0.32	0.32	0.32	— 0.0%	■■■	n.m.	n.m.
RDG.AX	Resource Development Group Ltd	13	0.02	0.02	0.02	0.02	▲ 5.0%	■■■	n.m.	n.m.
SND.AX	Saunders International Ltd	57	0.57	0.56	0.57	0.56	▼ (1.8%)	■■■	24.4x	52.4x
SSM.AX	Service Stream Ltd	592	1.58	1.62	1.63	1.58	▲ 2.2%	■■■	8.9x	10.4x
SXE.AX	Southern Cross Electrical Engineering Ltd	162	0.67	0.70	0.69	0.67	▲ 4.5%	■■■	8.2x	21.4x
TPP.AX	Tempo Australia Ltd	52	0.20	0.22	0.20	0.19	▲ 10.3%	■■■	n.m.	n.m.
VMG.AX	VDM Group Ltd	18	0.00	0.00	0.00	0.00	▼ (25.0%)	■■■	n.m.	n.m.
VMX.AX	Valmec Ltd	43	0.31	0.35	0.32	0.31	▲ 7.8%	■■■	7.5x	9.0x
VRS.AX	Veris Ltd	67	0.20	0.21	0.20	0.20	▲ 5.1%	■■■	8.2x	88.2x
WOR.AX	WorleyParsons Ltd	3,916	14.49	14.35	14.36	14.15	▼ (1.6%)	■■■	14.0x	18.4x
WTP.AX	Walpac Ltd	140	0.76	0.77	0.76	0.75	▲ 1.3%	■■■	(13.4x)	n.m.
<b>Mining Services</b>										
ASL.AX	Ausdrill Ltd	977	2.55	2.70	2.60	2.55	▲ 4.7%	■■■	8.6x	16.8x
ANG.AX	Austin Engineering Ltd	142	0.24	0.25	0.25	0.24	▲ 2.1%	■■■	8.7x	17.7x
BLY.AX	Boart Longyear Ltd	263	0.01	0.01	0.01	0.01	— 0.0%	■■■	18.2x	n.m.
EHL.AX	Emeco Holdings Ltd	817	0.30	0.29	0.29	0.29	▼ (1.7%)	■■■	78.2x	n.m.
IMD.AX	Imdex Ltd	436	1.16	1.18	1.20	1.16	— 0.0%	■■■	11.2x	16.8x
MAH.AX	Macmahon Holdings Ltd	462	0.21	0.22	0.22	0.21	— 0.0%	■■■	7.0x	56.9x
MIN.AX	Mineral Resources Ltd	3,189	17.20	16.99	17.30	16.87	▼ (2.9%)	■■■	7.3x	11.0x
MLD.AX	MACA Ltd	356	1.31	1.33	1.30	1.28	▲ 2.3%	■■■	4.1x	17.9x
MSV.AX	Mitchell Services Ltd	64	0.04	0.04	0.04	0.04	▼ (2.6%)	■■■	35.5x	n.m.
MYE.AX	Mastermyne Group Ltd	97	0.97	0.97	0.97	0.94	▼ (0.5%)	■■■	10.6x	33.1x
NWH.AX	NRW Holdings Ltd	489	1.37	1.32	1.37	1.18	▼ (6.4%)	■■■	7.7x	15.2x
RUL.AX	RPMGlobal Holdings Ltd	138	0.66	0.64	0.66	0.63	— 0.0%	■■■	74.3x	n.m.
SRG.AX	SRG Ltd	114	1.70	1.72	1.70	1.67	▲ 1.2%	■■■	6.1x	9.4x
SWK.AX	Swick Mining Services Ltd	50	0.23	0.22	0.23	0.22	▼ (6.5%)	■■■	6.2x	n.m.
<b>Marine Services</b>										
ASB.AX	Austal Ltd	635	1.80	1.82	1.79	1.75	▲ 0.8%	■■■	8.00	12.87
MBO.AX	Mobilarm Ltd	9	0.02	0.02	0.02	0.02	— 0.0%	■■■	n.m.	n.m.
MCE.AX	Matrix Composites & Engineering Ltd	40	0.46	0.43	0.45	0.43	▼ (6.5%)	■■■	n.m.	n.m.
MRM.AX	MMA Offshore Ltd	210	0.24	0.245	0.24	0.22	▲ 2.1%	■■■	15.6x	n.m.
NMS.AX	Neptune Marine Services Ltd	43	0.7	0.7	0.70	0.70	— 0.0%	■■■	n.m.	n.m.
VEE.AX	VEEM Ltd	61	0.47	0.47	0.47	0.46	— 0.0%	■■■	10.3x	13.2x
ZGL.AX	Zicom Group Ltd	27	0.12	0.13	0.12	0.12	▲ 8.7%	■■■	n.m.	n.m.
<b>Facilities Management &amp; Services</b>										
AEI.AX	Aeris Environmental Ltd	34	0.23	0.22	0.22	0.19	▼ (6.5%)	■■■	n.m.	n.m.
ALQ.AX	ALS Ltd	3,639	7.41	7.42	7.48	7.32	▼ (1.5%)	■■■	19.2x	31.4x
GMG.AX	Goodman Group Pty Ltd	15,180	8.21	8.43	8.42	8.21	▲ 1.7%	■■■	51.5x	51.5x
HIL.AX	Hills Ltd	53	0.22	0.23	0.23	0.21	▲ 7.0%	■■■	13.3x	n.m.
MIL.AX	Millennium Services Group Ltd	42	0.93	0.92	0.93	0.89	▼ (1.1%)	■■■	4.6x	8.7x
SKS.AX	Stokes Ltd	8	0.18	0.18	0.18	0.18	▲ 5.9%	■■■	n.m.	n.m.
TPS.AX	Threat Protect Australia Ltd	21	0.20	0.20	0.20	0.20	— 0.0%	■■■	13.8x	37.5x
UBN.AX	Urbanise com Ltd	13	0.03	0.03	0.03	0.03	▼ (16.7%)	■■■	n.m.	n.m.

Source: Thomson Reuters, LCC research



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