



# Australian Engineering, Contractors & Service Providers

Australia

Week Ending  
24 April 2020

Date Published  
27 April 2020

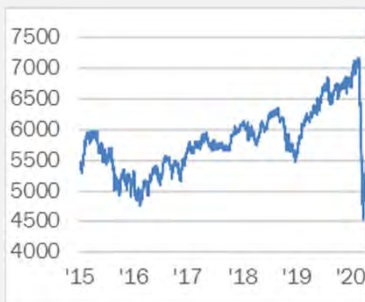
Edition  
355

## Market Performance – Edition 355 – Oil Price Dominates News Flows

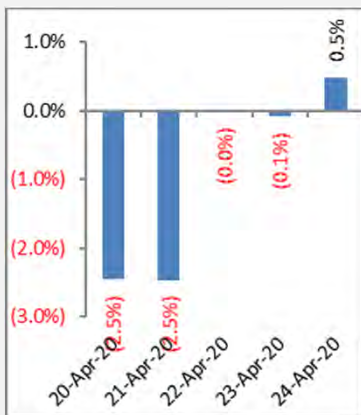
Index	Percentage change			Fixed income	Yield	Change in basis point		
	Week	YTD	12-months			Week	YTD	12-months
(Australia) S&P / ASX200	(4.5%)	(7.2%)	(17.9%)	(Australia) 2-year gov bonds	0.23%	0.00	(1.68)	(1.10)
(Japan) Topix	(1.5%)	(4.9%)	(12.3%)	(Australia) 5-year gov bonds	0.45%	0.01	(1.47)	(0.94)
(Singapore) FTSE Strait Times Index	(3.7%)	(17.9%)	(24.8%)	(Australia) 10-year gov bonds	0.90%	0.02	(1.42)	(0.90)
(Hong Kong) Hang Seng	(2.3%)	(7.8%)	(19.4%)					
(South Korea) Kospi 200	(1.9%)	(4.5%)	(11.5%)					
(US) S&P 500	(1.3%)	13.2%	(3.1%)					
(US) Dow Jones Industrial	(1.9%)	1.9%	(10.2%)					
(UK) FTSE 100	(0.6%)	(14.5%)	(22.6%)					
					Rate	Week	YTD	12-months
				AUD to USD	0.6385	0.3%	(9.5%)	(9.0%)

**A negative week for most Australian Sector constituents.** Oil trade dominated the early part of the week with for the first time in history US futures contracts trading in negative territory – as Sellers ran out of storage capacity to hold excess production. Despite some stabilisation questions remain over near term oil consumption with airline fleets grounded and vehicle traffic reduced. CNBC anticipates global auto sales down 22% in 2020 due to COVID 19 – which echoes BHP discussion on anticipated activity in global steel mills (see link below).

### ASX200 INDEX



### DAILY PERFORMANCE OF ASX200



## M&A Rumour, Industry News and Private Activity

**BHP operational review** released 21 April noted “Production guidance for 2020 financial year remains unchanged for petroleum, iron ore and metallurgical coal.....Energy coal production is under review”. Link here – its interesting to read: <https://www.asx.com.au/asxpdf/20200421/pdf/44h3jd8d76mch.pdf>

We believe the **USA Energy Industry** will be an important one to watch in the coming weeks as bankruptcy questions hang over many producers with high debt – in particular in the Shale Producers many which operate on thin margins

### In Australia this week:

**ACC** notes that **Ventia’s** proposed acquisition of **Broadspectrum** is not opposed. **Ventia** is a 50/50 partnership between **CIMIC Group** and Funds management company **Apollo Global Management**

The ACC also noted : “We are conscious of the impact of the COVID 19 Pandemic on many businesses and transactions, and where possible, we will expedite reviews as we have done in this review”.

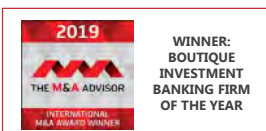
**Downer** entered a new \$500m revolving credit facility with a scheduled maturity of July 2022. **DOW** noted now no debt facility matures in 2020 or 1<sup>st</sup> half of 2021.

**Saunders International** announced a \$20m (approx.) contract win for D & C at Port Botany for 3 new 35 megalitre tanks.

**Aerometrex** enters agreement to acquire Australian aerial imagery company **Spookfish** for \$1.5m on a structured deal over 12 months. Still subject to DD.

**Boart Longyear** provided a Q1 2020 update with Adjusted EBITDA down 61%

**Incitec Pivot** announces cancels strategic review commenced September 2019 for **Incitec Pivot Fertilisers** – will retain the business operations





## News Headlines and Key Sector Developments

Ticker	News/ Event	Ticker	News/ Event
<b>CIM</b>	Ventia acquisition not opposed by ACCC	<b>ANG</b>	Provides Business Update on impact COVID 19
<b>DOW</b>	Downer completes \$500m financing	<b>BLY</b>	<b>Q1 2020 results. Adjusted EBITDA down 61%</b>
<b>SND</b>	Provides COVID 19 Update – notes “turning off non essential capital spend & discretionary spend”	<b>IPL</b>	Cancels Strategic Review commenced September for Fertilisers Business
<b>SND</b>	Awarded \$20m design & construct contract for 3 tanks at Port Botany	<b>MIN</b>	Releases quarterly activities report
<b>SRG</b>	Shares released from Escrow	<b>MSV</b>	Nathan Mitchell (Director) acquires 225,000 shares
<b>TPP</b>	Announces issue of (subject shareholder approval) 17.1 million Loan Funded Shares to Dr Paul Dalgleish and 3.0 million shares to Mr William Howard	<b>MYE</b>	Maintains market guidance at lower end – Revenue \$295 - \$315m and EBITDA \$27m to \$31m
<b>BLY</b>	Perrenial Value Management reduces shareholding from 12.09% to 10.44%	<b>AEI</b>	Appoints new director
<b>AMX</b>	<b>To acquire Spookfish Australia for \$1.5m</b>	<b>TPS</b>	First Samuel reduces shares from 31.59% to 30.39%

### Offshore & Oilfield Oil & Gas Services News – Australia & Abroad

- **BHP** notes that “no exploration and appraisal wells were drilled during the March 2020 quarter in their operational update : <https://www.asx.com.au/asxpdf/20200421/pdf/44h3jd8d76mcvh.pdf>
- The offshore environment not immune from COVID 19 impact with **Tap Oil & Mubadala Petroleum** implementing protocols to reduce risk of the Virus spreading amongst personnel involved in activities offshore Thailand
- **Maersk Drilling** reported as starting talks on North Sea layoffs and stacking rigs as drilling activity impacted by current oil price environment
- UK subsea well decommissioning specialist **Well Safe Solutions** awarded a 3 year contract to **Fugro** to supply ROV services, rig positioning and remote operations.

### LCC’s Sector Association Involvement



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We are driven to improve our technical knowledge of the Resource Services, Oilfield Services, Electrical Services, Infrastructure Services, Engineering and Resources Sectors, and seek to be an active member within key industry peak bodies.

Not only does this strategy reinforce our fundamental enjoyment and drive to better service clients within these Sectors, but it allows us to continually build deep operational and business knowledge of both broad and niche industries.

This differentiates LCC from other Advisory Firms as we deliver much more to the Client Leadership Team and Board of Directors than “commoditised” transactional experience and “general advice”

Sources: Thomson Reuters Eikon, Company Announcements, LCC research





## LCC Australian Contractors & Service Providers Index® (LCCACSPI)

Market Data Since 2011



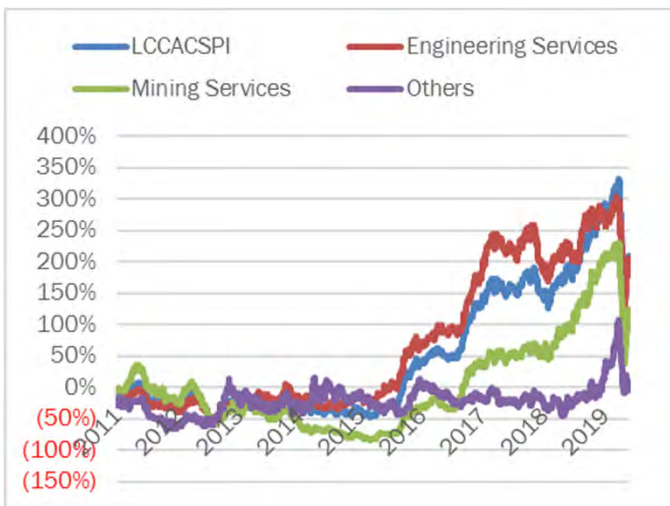
The LCCACSPI Index shows the damage done in this rout vs the ASX 200 over the long term

Rolling 1 Year Market Data



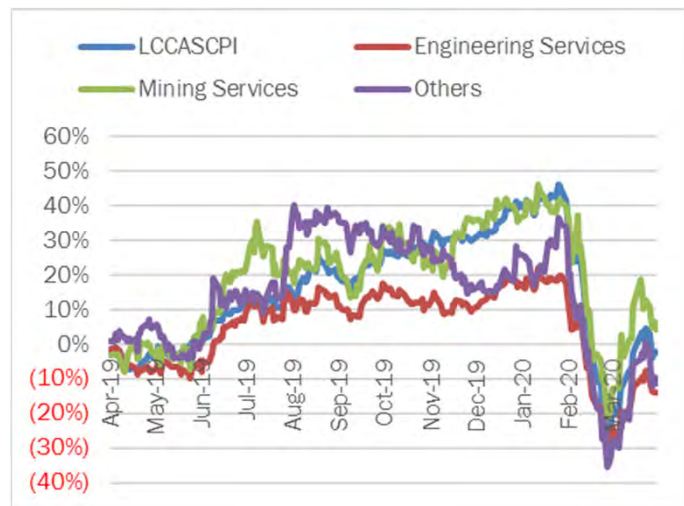
Volatility over the last 2 trading months now becoming apparent

Market Data Since 2011



All sectors tracking negative – and will likely continue to do so as Macros commodity themes now dominate discussion

Rolling 1 Year Market Data



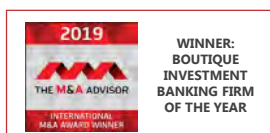
Sharp recovery from March lows now in question of being a false dawn – will March be retested ?





**ASX-Listed Companies – as at close Friday 24 April 2020**

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>										
ACF.AX	Acrow Formwork and Construction Services	52	0.24	0.24	0.26	0.24	▼ (5.9%)		8.3x	19.8x
AJL.AX	AJ Lucas Group Ltd	67	0.06	0.06	0.06	0.05	▼ (6.7%)		8.1x	12.9x
BOL.AX	Boom Logistics Ltd	37	0.09	0.09	0.09	0.09	▼ (9.5%)		4.7x	n.m.
BPP.AX	Babylon Pump & Power Ltd	13	0.01	0.02	0.02	0.01	▲ 7.1%		11.3x	n.m.
BSA.AX	BSA Ltd	134	0.31	0.31	0.31	0.28	– 0.0%		3.7x	4.8x
CDD.AX	Cardno Ltd	107	0.29	0.24	0.25	0.22	▼ (4.0%)		4.2x	9.4x
CIM.AX	CIMIC Group Ltd	7,070	23.50	21.84	23.07	21.01	▼ (8.2%)		3.6x	6.3x
CVL.AX	Civmec Ltd	201	0.38	0.40	0.40	0.38	– 0.0%		11.6x	18.4x
DCG.AX	Decmil Group Ltd	32	0.14	0.14	0.13	0.12	– 0.0%		n.m.	n.m.
DOW.AX	Downer EDI Ltd	2,094	3.85	3.53	3.72	3.35	▼ (7.1%)		5.6x	12.0x
EGN.AX	Engenco Ltd	131	0.39	0.42	0.42	0.39	– 0.0%		10.2x	16.8x
FWD.AX	Fleetwood Corp Ltd	135	1.50	1.43	1.50	1.38	▼ (4.3%)		3.5x	7.6x
GNG.AX	GR Engineering Services Ltd	107	0.71	0.70	0.71	0.70	▼ (0.7%)		n.m.	n.m.
JLG.AX	Johns Lyng Group Ltd	530	2.50	2.39	2.43	2.25	▼ (2.8%)		17.3x	20.9x
LCM.AX	LogiCamms Ltd	28	0.14	0.14	0.14	0.14	▲ 3.7%		5.1x	6.9x
LLC.AX	LendLease Group	5,797	11.82	10.29	11.16	10.20	▼ (13.9%)		11.1x	13.3x
LYL.AX	Lycopodium Ltd	155	4.20	3.91	4.18	3.80	▼ (6.9%)		1.4x	1.6x
MCE.AX	Matrix Composites & Engineering Ltd	20	0.21	0.20	0.21	0.19	▼ (11.4%)		14.6x	n.m.
MND.AX	Monadelphous Group Ltd	939	11.44	9.96	11.13	9.58	▼ (13.2%)		8.8x	11.8x
PGX.AX	Primero Group Ltd	31	0.20	0.18	0.20	0.17	– 0.0%		3.9x	4.7x
RDG.AX	Resource Development Group Ltd	15	0.03	0.02	0.03	0.02	▼ (7.7%)		3.5x	n.m.
SND.AX	Saunders International Ltd	45	0.42	0.44	0.46	0.41	▲ 4.8%		n.m.	n.m.
SRG.AX	SRG Global Ltd	122	0.27	0.28	0.28	0.25	– 0.0%		8.3x	n.m.
SSM.AX	Service Stream Ltd	757	1.95	1.86	1.92	1.82	▼ (4.1%)		7.1x	9.5x
SXE.AX	Southern Cross Electrical Engineering Ltd	101	0.43	0.41	0.40	0.39	▼ (4.7%)		2.2x	2.7x
SOP.AX	SML Corporation Ltd	6	0.03	0.03	0.03	0.03	– 0.0%		n.m.	n.m.
TPP.AX	Tempo Australia Ltd	11	0.03	0.03	0.03	0.03	▲ 3.3%		n.m.	n.m.
VMG.AX	VDM Group Ltd	10	0.00	0.00	0.00	0.00	▼ (25.0%)		n.m.	n.m.
VMX.AX	Valmec Ltd	20	0.17	0.16	0.17	0.15	▼ (5.9%)		2.5x	3.4x
VRS.AX	Veris Ltd	7	0.02	0.02	0.02	0.02	▼ (20.8%)		8.0x	n.m.
WOR.AX	WorleyParsons Ltd	3,582	7.33	6.90	6.86	6.38	▼ (6.0%)		8.2x	10.5x
ZGL.AX	Zicom Group Ltd	13	0.06	0.06	0.06	0.06	– 0.0%		n.m.	n.m.
<b>Mining Services</b>										
AMX.AX	Aerometrex Ltd	138	1.40	1.47	1.30	1.21	▲ 4.6%		29.1x	49.1x
ALQ.AX	ALS Ltd	2,940	6.39	6.11	6.29	5.75	▼ (5.9%)		10.5x	13.4x
ANG.AX	Austin Engineering Ltd	72	0.14	0.13	0.15	0.13	▲ 4.2%		6.7x	19.2x
BLY.AX	Boart Longyear Ltd	56	0.62	0.64	0.67	0.62	▼ (5.9%)		10.5x	21.9x
EHL.AX	Emeco Holdings Ltd	408	1.11	1.11	1.07	0.94	▲ 0.5%		4.0x	7.6x
IMD.AX	Imdex Ltd	327	0.96	0.85	0.96	0.80	▼ (10.6%)		5.8x	8.6x
IPL.AX	Incitec Pivot Ltd	3,348	2.14	2.08	2.09	2.03	▼ (4.6%)		10.4x	24.5x
MAH.AX	Macmahon Holdings Ltd	430	0.22	0.20	0.21	0.20	▼ (9.1%)		2.8x	7.6x
MIN.AX	Mineral Resources Ltd	2,985	16.65	15.84	16.40	15.66	▼ (6.4%)		4.5x	5.9x
MLD.AX	MACA Ltd	191	0.81	0.72	0.77	0.70	▼ (12.3%)		4.1x	39.8x
MSV.AX	Mitchell Services Ltd	74	0.46	0.37	0.41	0.36	▼ (20.4%)		5.1x	10.6x
MYE.AX	Mastermyne Group Ltd	70	0.69	0.69	0.70	0.68	– 0.0%		3.4x	5.7x
NWH.AX	NRW Holdings Ltd	681	1.92	1.60	1.79	1.46	▼ (14.4%)		5.4x	10.5x
ORI.AX	Orica Ltd	6,749	16.98	16.68	16.73	16.11	▼ (3.0%)		9.9x	14.8x
PPK.AX	PPK Group Ltd	253	3.30	2.97	3.30	2.91	▼ (8.6%)		109.1x	341.5x
PRN.AX	Perenti Global Ltd	526	0.85	0.77	0.79	0.67	▼ (8.4%)		2.8x	7.4x
RUL.AX	RPMGlobal Holdings Ltd	209	1.00	0.94	0.96	0.89	▼ (4.6%)		20.5x	46.9x
SWK.AX	Swick Mining Services Ltd	38	0.14	0.13	0.13	0.13	▼ (3.8%)		2.9x	n.m.
<b>Facilities Management &amp; Services</b>										
AEI.AX	Aeris Environmental Ltd	138	0.59	0.57	0.57	0.50	▼ (1.3%)		n.m.	n.m.
ALQ.AX	ALS Ltd	2,940	6.39	6.11	6.29	5.75	▼ (5.9%)		10.5x	13.4x
HIL.AX	Hills Ltd	43	0.22	0.19	0.21	0.19	▼ (14.0%)		7.6x	31.4x
MIL.AX	Millennium Services Group Ltd	13	0.28	0.28	0.29	0.28	– 0.0%		10.8x	n.m.
ENE.AX	Enevis Ltd	3	0.05	0.04	0.05	0.04	▼ (18.9%)		n.m.	n.m.
TPS.AX	Threat Protect Australia Ltd	13	0.06	0.05	0.06	0.05	▼ (5.3%)		12.0x	n.m.





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