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# Environmental Engineering & Technical Services

Predicted Opportunities In Australia post COVID 19





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**LCC Asia Pacific forecasts that the Environmental Engineering & Technical Services Sector in Australia will undergo Substantial Growth In the period from 2021 to 2025**

**A large part of this will be as a result of COVID 19 Infrastructure Project & Construction spend by Federal & State Governments to maintain jobs and deliver direct economic stimulus**

**15 LCC Asia Pacific – Delivering Specialist Strategy & Corporate Finance Advice**



# Economic Stimulus & Environmental Engineering

LCC Asia Pacific anticipates this Sector is set for a positive period to 2025

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## Key Points

## Key Comments

**1** Discussion of “Exit” from current “hibernation” growing

**2** Why LCC Asia Pacific believes Environmental Engineering will see increased commercial & deal activity

- As governments spend more on urgent response to the COVID-19 virus concern is growing how economies will eventually “kick start”
- **As an example, on Sunday 13<sup>th</sup> April the NSW Treasurer reinforced the State Government’s drive to support and accelerate “shovel ready” & “screwdriver ready” projects in addition to new project spend which would be announced in the coming weeks**
- Added to the pressure for new large scale stimulus will be the current slowdown in construction activity as a result of Social Distancing, Travel Restrictions & general concern on contraction of the virus (*driving absenteeism*)
- COVID 19 has drawn the world’s attention to a variety of issues – from the level of pollution in our skies (*which cleared with manufacturing slowdown*) to the quality of our physical surrounds
- **Large infrastructure, construction & mining developments all require significant environmental planning, investigation and complimentary construction work stream activities in order to ensure regulatory compliance, community acceptance & cost-effective outcomes are achieved**
- Leaders in this wide-ranging specialist sector will be in demand commercially & as acquisition targets

***Tendering begins for 50 km Sydney metro tunnel***

The Construction Index 08042020

***Governments around the world have seized on infrastructure as a tool to push their economies forward through a coronavirus driven recession***

CREATE 02042020

***Infrastructure projects set to be brought forward in time of coronavirus***

The Examiner (Tasmania) 11042020

***Call for US infrastructure spending could drive iron ore demand***

Stockhead 02042020

***Mining can lead economic surge after pandemic***

The Australian 13042020

***Coronavirus response to be aided by infrastructure projects, Barr says***

Canberra Times 11042020

***NSW to spend \$70m and speed up shovel-ready projects***

Financial Review 02042020

***Trump calls for US\$2 Trillion infrastructure package as a part of coronavirus response***

CNBC 31032020





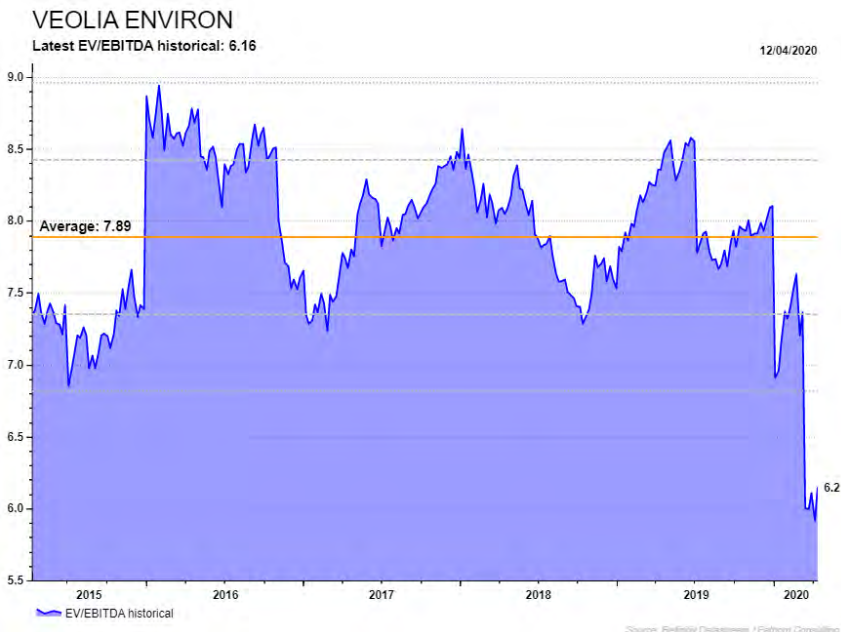




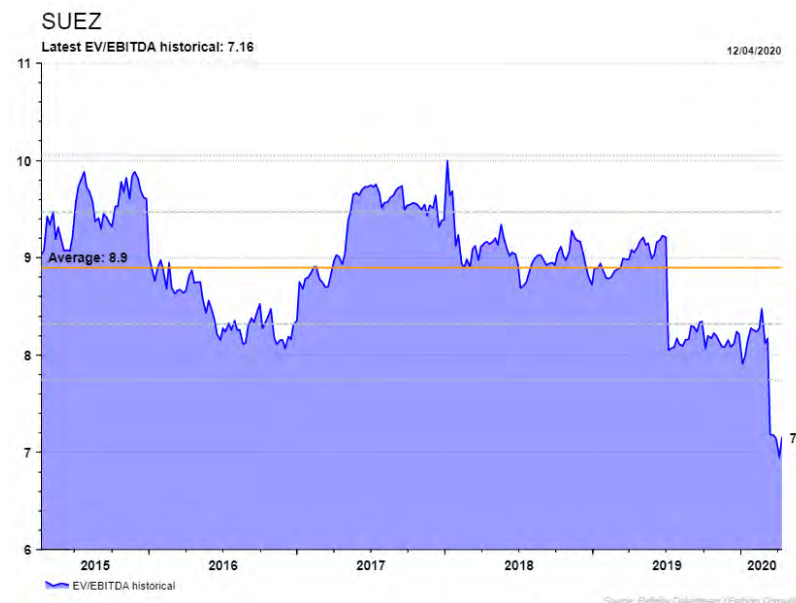
# Observations On Corporate Value Drivers & Sector Valuations

## European Leaders EV / EBITDA Multiple Valuation Over 5 Year Time Horizon

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**Veolia Environnement (VIE.PA)** has had a through a **5 year cycle** average EV / EBITDA (Historic) of **7.89xx**. Last Market Cap was **EUR 10.84B** with an EV / EBITDA (Historic) of **6.16xx**



**Suez Environment (SEVI.PA)** has had a through a **5 year cycle** average EV / EBITDA (Historic) of **8.9x**. Last Market Cap was **EUR 6.19B** with an EV / EBITDA (Historic) of **7.2x**



The COVID 19 Market Shock has impacted both VIE & SEVI – which are both to see a “bounce” as has taken place with the S & P 500 on a comparative zero rebased basis



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## Appendix

Complimentary Macro Data

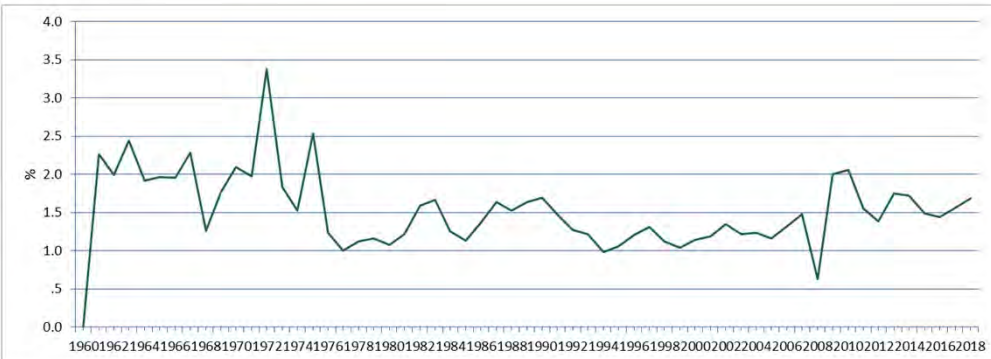


# Australian Population Trends

Infrastructure and major project development will be influenced by demographic trends

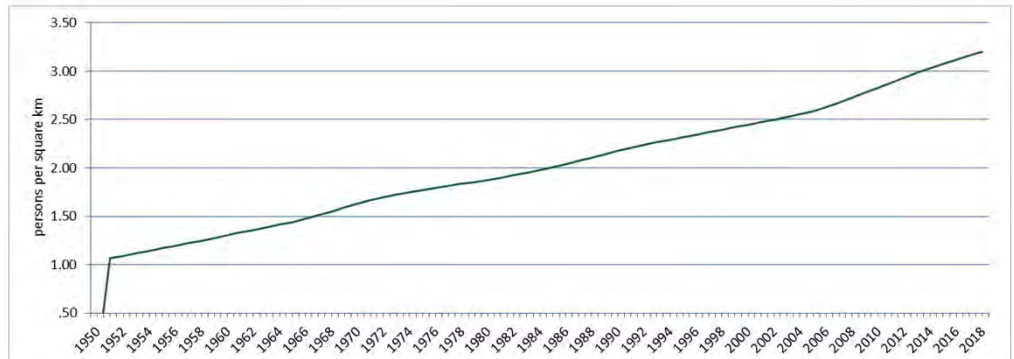
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Australia - Population growth rate



Source: ABS, Knoema

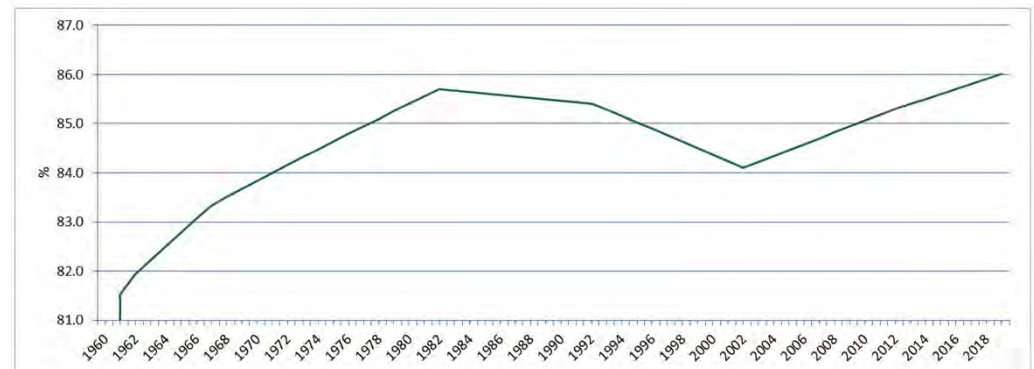
Australia - Population density



Source: ABS / Knoema

1. Australian population growth rate has fluctuated, but the long-term trend is growth of 1.6% with 2018 at 1.8%
2. Population density – being people per square km, has also gradually increased to the 2018 data point of 3.24 persons
3. Most importantly the percentage of Australian’s living in urban areas continues to maintain 86% of total population – which supports the business case for both additional in Metro infrastructure development and major “connection” infrastructure in road (*upgrades*) and rail construction projects
  - Continued urbanization also places continued strain on existing infrastructure and environmental conditions

Australia - Urban population as a share of total population

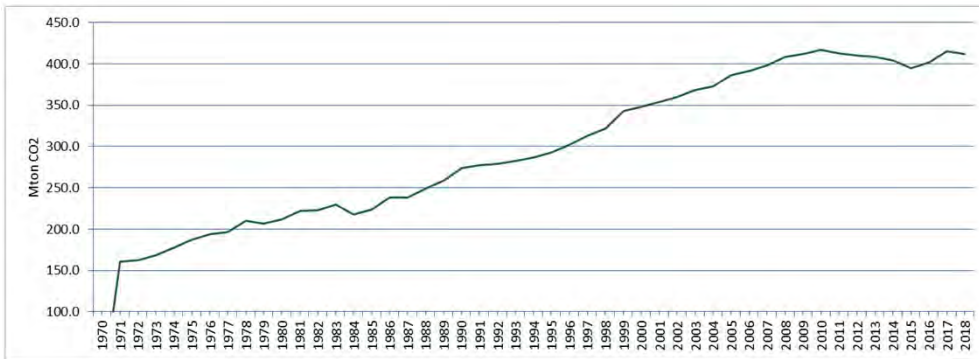


# CO2 Production & Water Infrastructure

Any fresh investment in infrastructure can have knock on impacts in areas such as CO2 production & water quality

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Australia - CO2 emissions

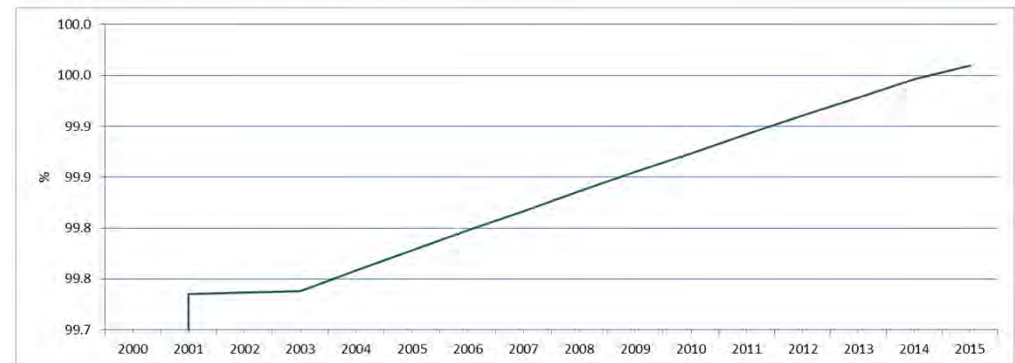


Source: WHO / Global GHG & CO@ Emissions

Australia continues to have high CO2 emissions although a flattening of volume has been experienced since 2009

Given the production of CO2 from industries such as cement manufacture, any fresh infrastructure push would need to be cautious in fresh “spikes” in CO2 emission – which would likely give rise to consulting & monitoring environmental consulting directly increasing

Australia - Proportion of total population served with improved water



Source: WHO / UNICEF Water Statistics

Australia enjoys an exceptionally high level of water penetration which as of 2015 was recorded as 100% of connectable regions. But interconnection of areas with water pipeline remains a key policy area such as the “Pipeline to the Sea” in the Murray Darling Basin

With such a sprawling population the requirement for ongoing water remediation, treatment & maintenance service will remain high



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