



Sectorwatch: Construction, Design-Build, and EPC

November 2018

Construction, Design- Build, and EPC

November 2018

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Overview

7MA provides Investment Banking & Advisory Services to the Business Services and Technology Industries globally. We advise on M&A and private capital transactions, and provide market assessments and benchmarking. As a close knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets. We publish our sectorwatch, a review of M&A and operational trends in the industries we focus.

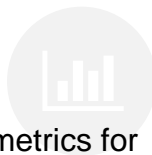
Dashboard

- Summary metrics on the sector
- Commentary on market momentum by comparing the most recent 12-month performance against the last 3-year averages.



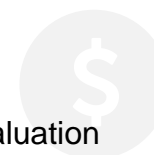
Public Basket Performance

- Summary valuation and operating metrics for a basket of comparable public companies



Valuation Comparison

- Graphical, detailed comparison of valuation multiples for the public basket



Recent Deals

- The most recently announced deals in the sector



Dashboard



Revenue Growth Momentum

↓ -0.02 1 - year revenue growth compared to revenue growth average for last 3 years

Current revenue growth rate is less than the average of the last 3 years, indicating that the market may be flattening or declining

Pricing / Gross Margin Momentum

↓ -0.4% 1 - year gross profit % compared to gross profit % average for last 3 years

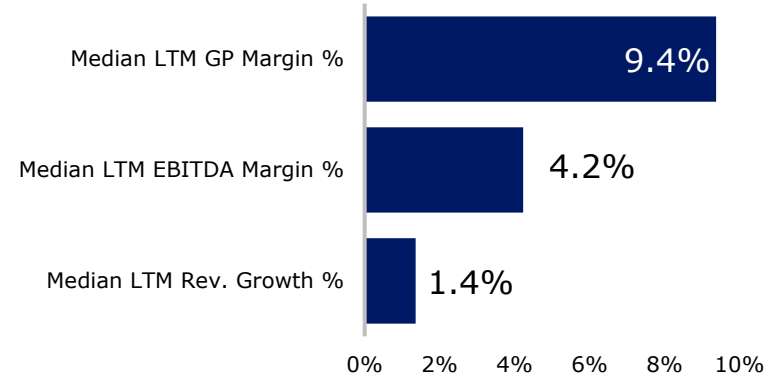
Current gross profit margin is less than the average of the last 3 years gross profit margins, indicating customer pricing power

Profitability Momentum

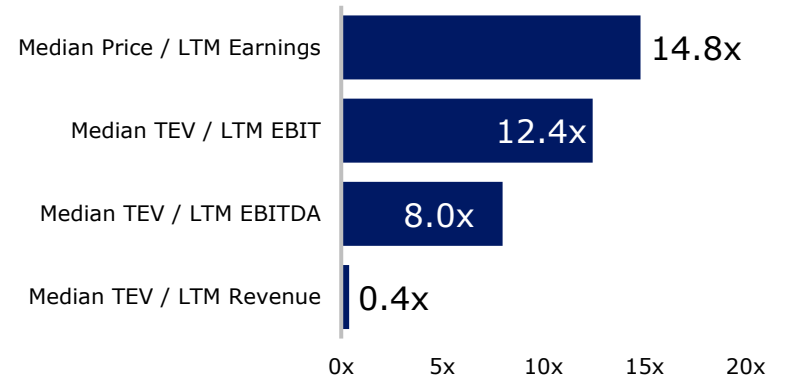
↓ -0.5% 1 - year EBITDA % compared to EBITDA % average for last 3 years

Current EBITDA margin is less than the average of the last 3 years EBITDA margins, which may signal further consolidation

Operating Metrics



Valuation



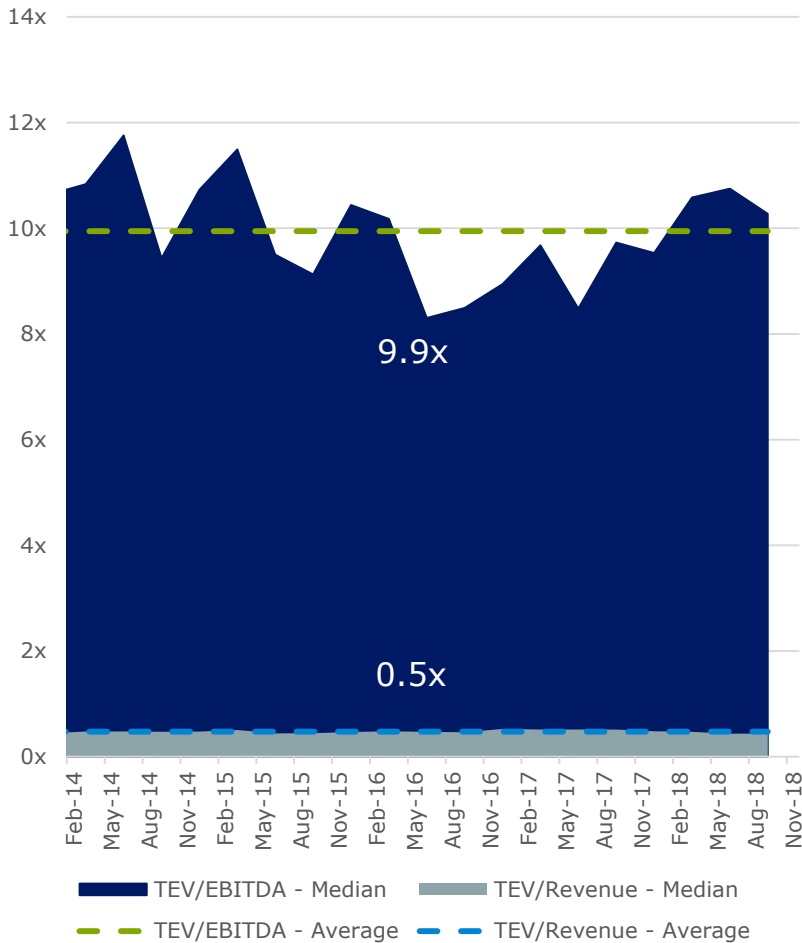
Public Basket



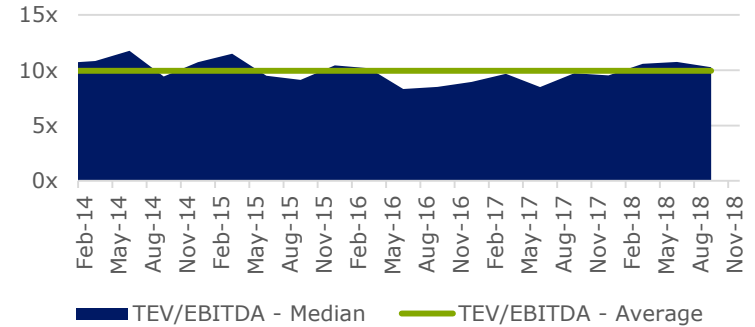
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Tutor Perini Corporation	1,436	4,541	-8%	10%	5%	0.3	7.0	10,061	451
Granite Construction Incorporated	2,082	3,227	13%	12%	7%	0.6	9.0	1,900	1,699
Balfour Beatty plc	2,469	8,698	-8%	5%	2%	0.3	13.2	20,238	430
Kajima Corporation	5,358	16,662	1%	13%	9%	0.3	3.6	17,730	940
Fluor Corporation	6,182	19,677	2%	4%	4%	0.3	8.0	56,706	347
Skanska AB (publ)	6,597	18,116	9%	8%	3%	0.4	10.6	40,400	448
Obayashi Corporation	7,022	17,132	-1%	12%	8%	0.4	5.3	14,359	1,193
AECOM	7,946	19,706	12%	3%	4%	0.4	9.5	87,000	227
LendLease Group	7,944	12,246	-1%	9%	4%	0.7	14.6	13,000	942
HOCHTIEF Aktiengesellschaft	12,500	26,620	6%	27%	5%	0.5	8.0	53,890	494
Average	5,954	14,662	3%	10%	5%	0.4	8.9	31,528	717
Median	6,390	16,897	1%	9%	4%	0.4	8.5	18,984	473

share price as of 01Nov18

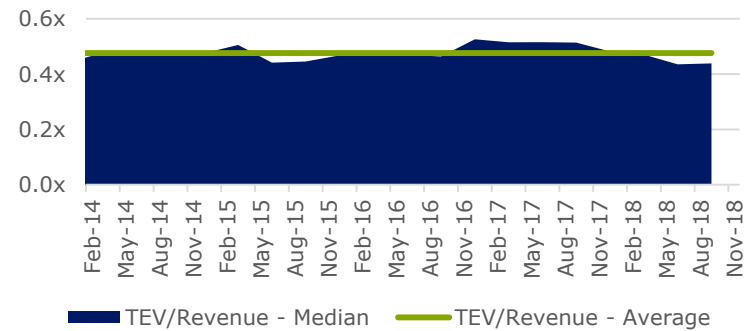
Public Basket Valuation Trends



Public EBITDA Multiples over Time



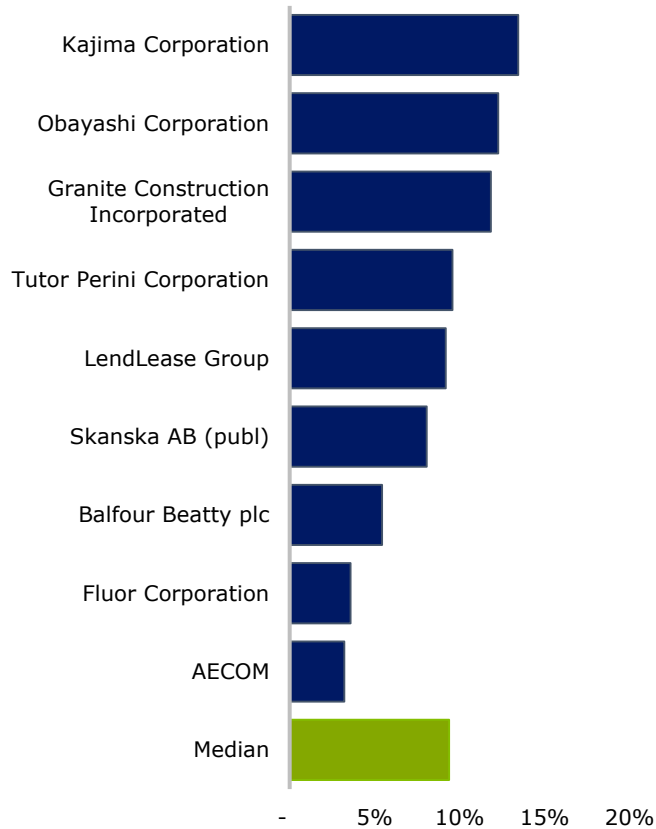
Public Revenue Multiples over Time



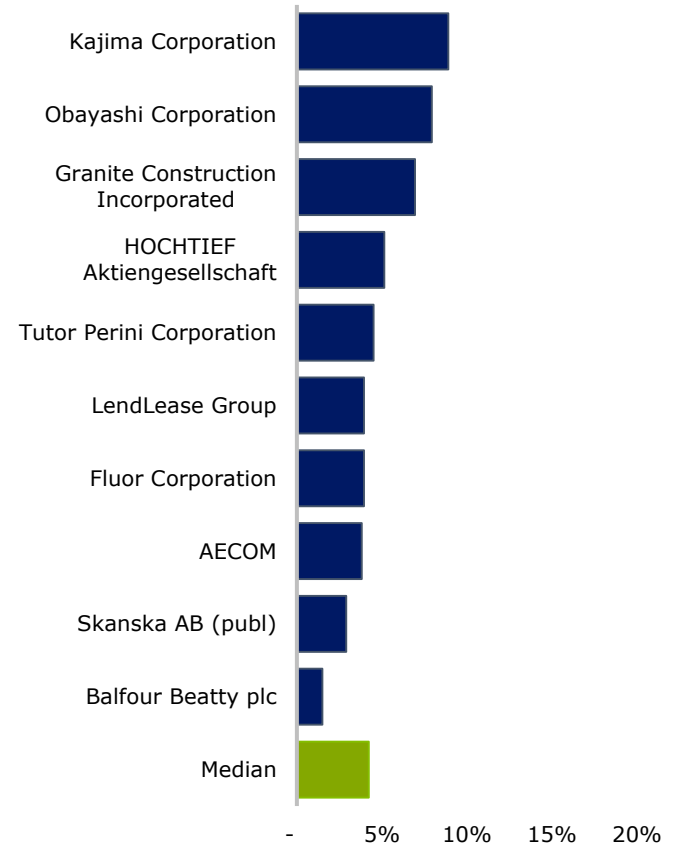
Operational Metrics



LTM Gross Profit Margin %



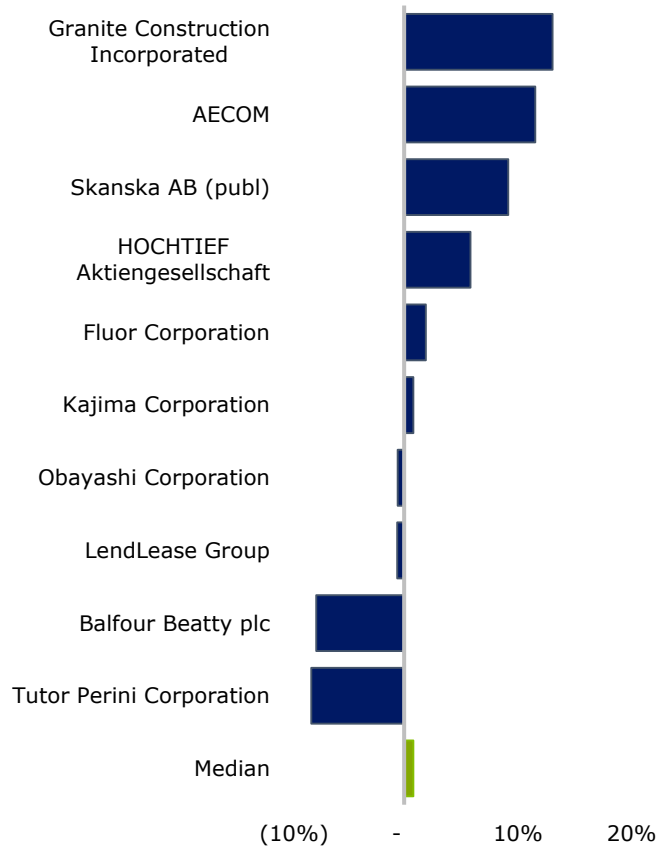
LTM EBITDA %



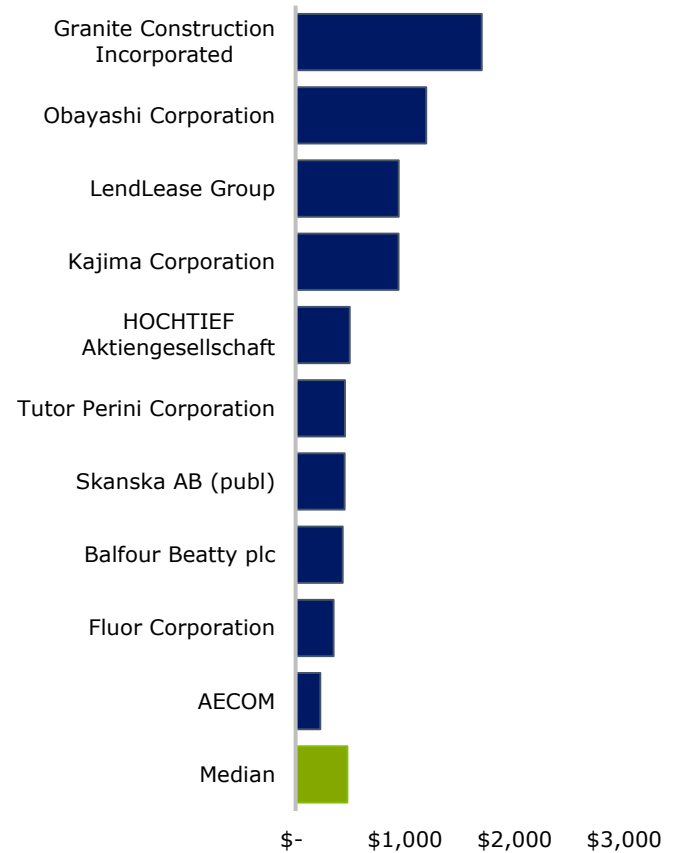
Operational Metrics



LTM Revenue Growth %



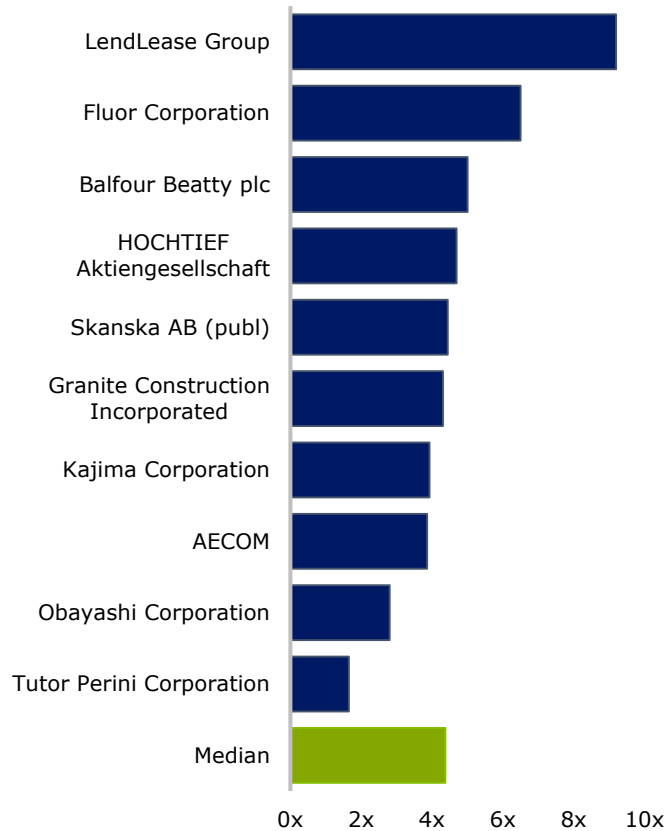
LTM Revenue per Full Time Employee x 000's



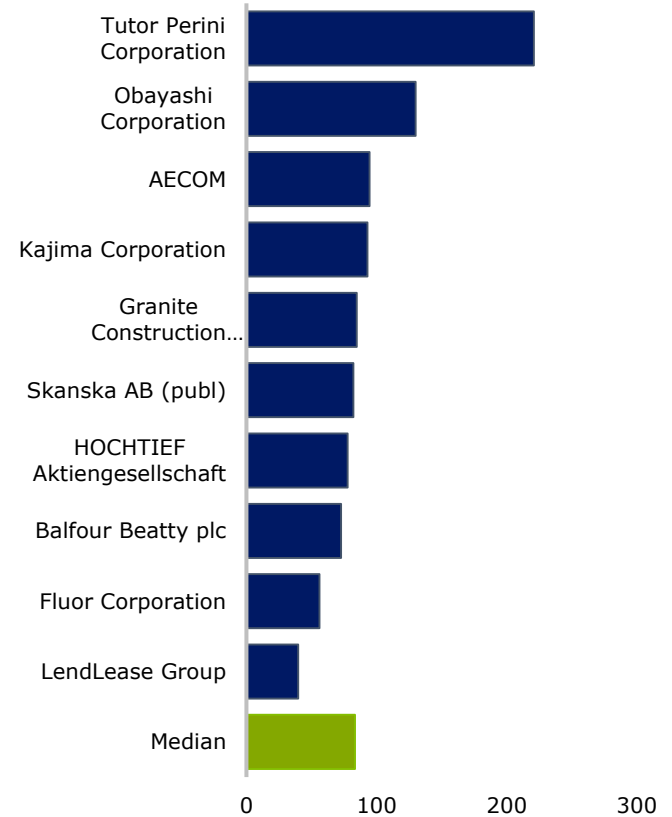
Operational Metrics



Accounts Receivable Turnover



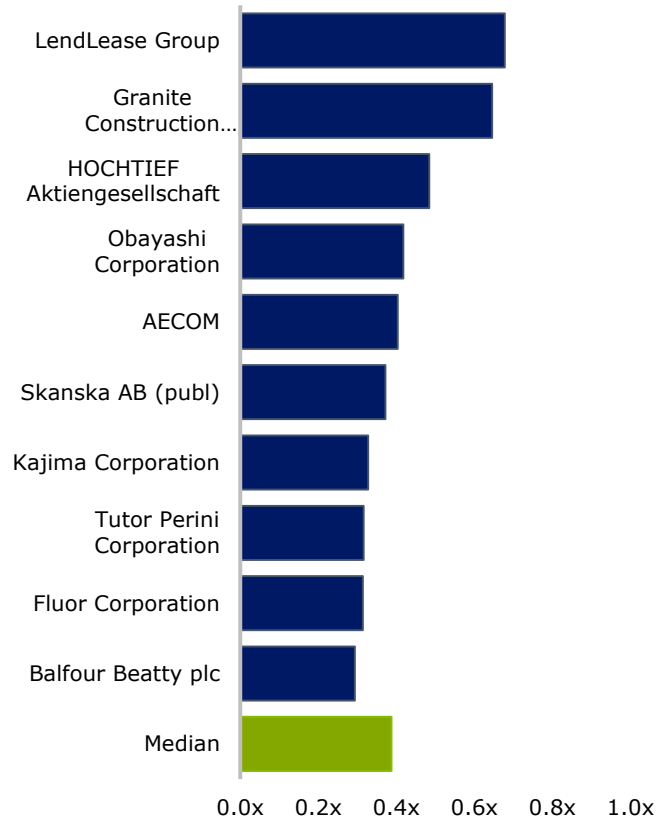
Average Days Sales Outstanding



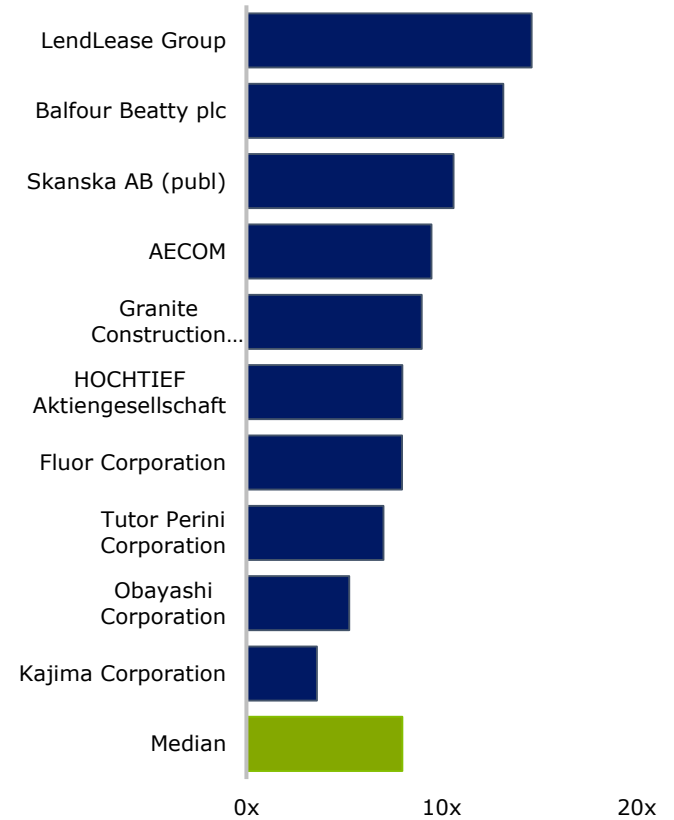
Valuation



TEV / LTM Revenue



TEV / LTM EBITDA



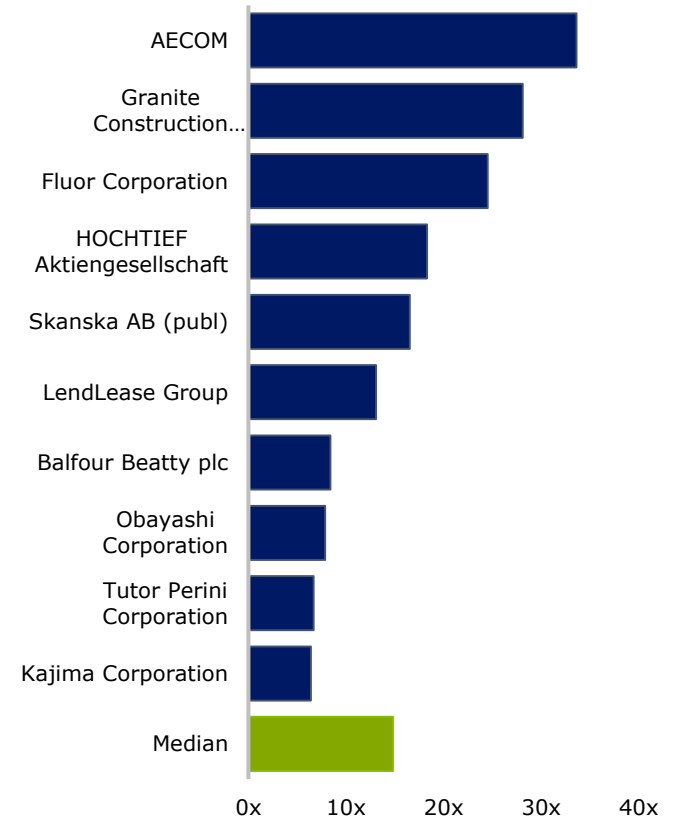
Valuation



TEV / LTM EBIT



Price / LTM Earnings

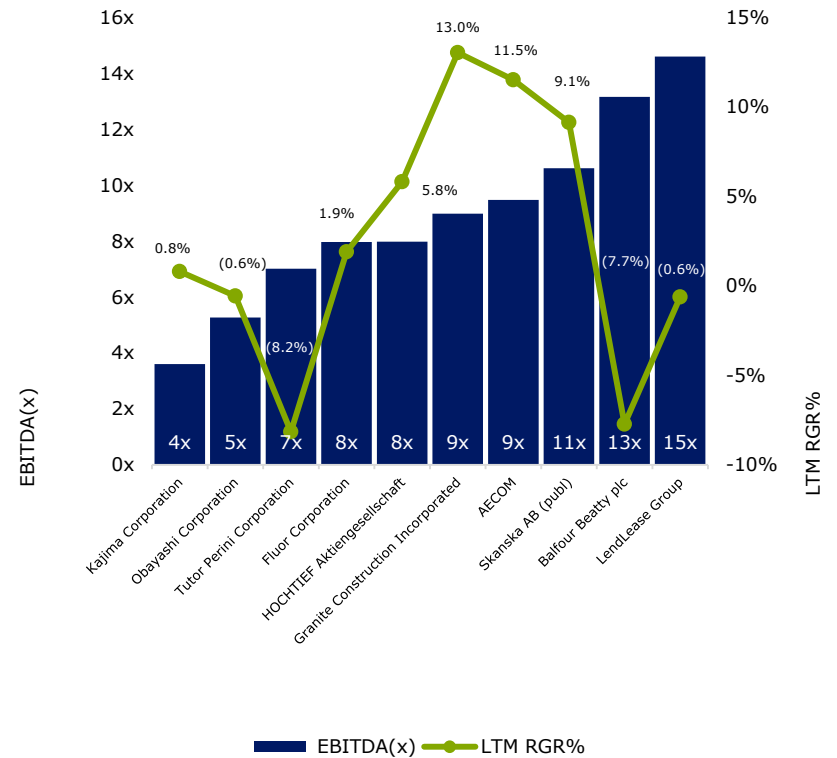
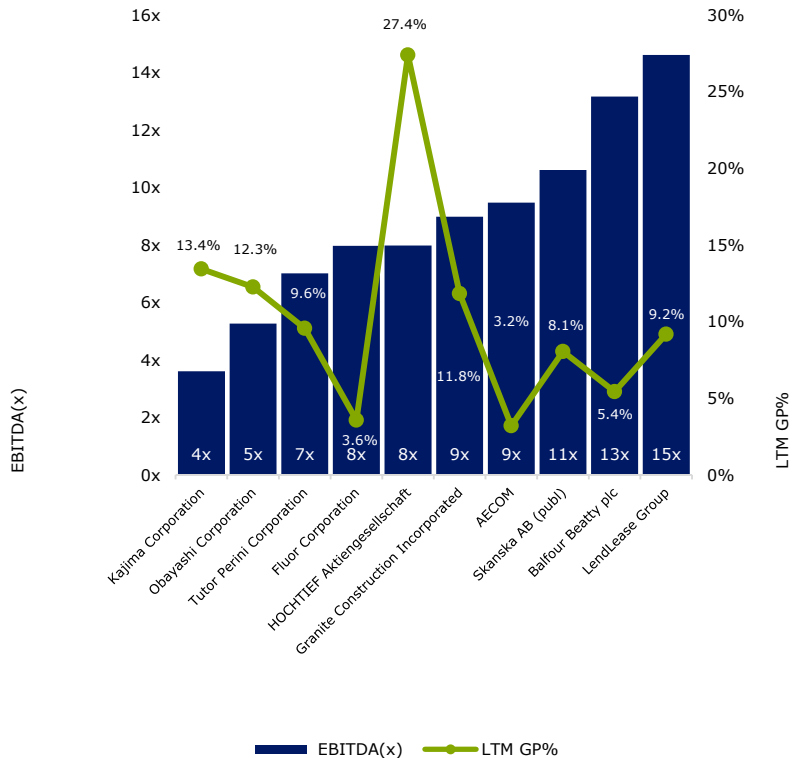


Valuation



Historical Valuation Multiples versus Gross Profit

Historical Valuation Multiples versus Revenue Growth Rate



Recent Transactions



Date	Target	Buyer / Investor	Total Transaction Value	Target Revenue	TEV / Revenue	TEV / EBITDA
29Oct18	Tecta America Corp.	Altas Partners LP	-	-	-	-
26Oct18	Brennan Electric, LLC	Area Energy & Electric, Inc.	-	-	-	-
25Oct18	Brad Cole Construction Company, Incorporated	ASRC Industrial Services, LLC	-	-	-	-
24Oct18	The Lamar Johnson Collaborative, LLC	Clayco, Inc.	-	-	-	-
22Oct18	Rennie Fabrication & Engineering Services Ltd	AJ Engineering & Construction Services Ltd.	-	-	-	-
18Oct18	Strike Capital LLC	Sentinel Energy Services Inc.	425.81	-	-	-
18Oct18	MWH Global, Inc.	Oaktree Capital Management, L.P.	-	-	-	-
16Oct18	Ajax Building Corporation	Structure Tone, Inc.	-	-	-	-
18Oct17	Tower Construction & Services Company	Tower One Wireless Corp.	-	-	-	-
30Oct18	Chesapeake Electrical Systems, Inc.	Aldridge Electric, Inc.	-	-	-	-
20Sep18	Nuna Logistics Limited	North American Construction Group Ltd.	32.89	-	-	-
19Sep18	Palmer Paving Corporation	Peckham Industries, Inc.	-	-	-	-
17Sep18	Water-Tite Solution, Inc.	Installed Building Products, Inc.	-	6.00	-	-
10Sep18	Pennant Construction Management Inc. (nka:McWhorter Goss General Contractors, LLC)	McWhorter Capital Partners, LLC	-	-	-	-
10Sep18	Culy Contracting, Inc.	Midas Utilities, LLC	-	-	-	-
7Sep18	Construction Process Solutions, Ltd.	J.S. Held, LLC	-	-	-	-
4Sep18	Trademark Roofing and Gutter Co., Inc.	Installed Building Products, Inc.	-	9.00	-	-
1Mar18	Ware Design Build LLC	Venture Construction Group	-	-	-	-
30Aug18	BBEC Inc./Accu-Aire Mechanical Services Inc.	HB McClure Company	-	25.00	-	-
20Aug18	Plants & Paving Division of The Lane Construction Corporation	Eurovia (SA)	555.00	600.00	0.9x	-
16Jul18	American Coastal Builders LLC	Kustom US, Inc.	-	-	-	-
12Jul18	Panels and Pipes Inc.	Hillcore Group	-	-	-	-
10Jul18	ARS Restoration Specialists	RESCON Group	-	-	-	-
2Jul18	All Assets of Huen Electric	MYR Group Inc.	47.10	-	-	-
28Jun18	Hudspeth & Associates, Inc.	ASRC Industrial Services, LLC	-	-	-	-
26Jun18	SOBE Builders, LLC	IBS Investment Bank	-	-	-	-
1Mar18	McDowell Scheduling, Inc.	Gafcon, Inc.	-	-	-	-
25Jun18	Peak Utility Services Group	ORIX Capital Partners, LLC	-	-	-	-

Construction, Design- Build, and EPC

October 2018

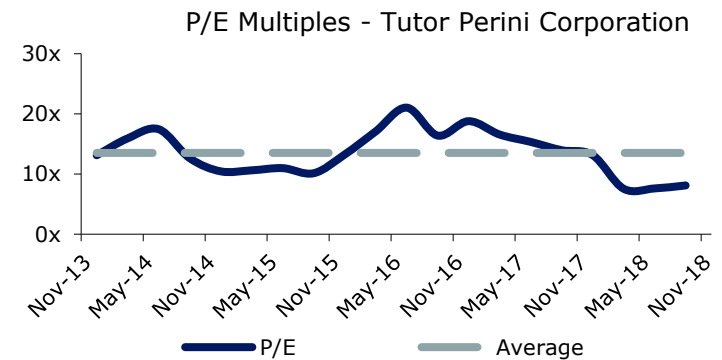
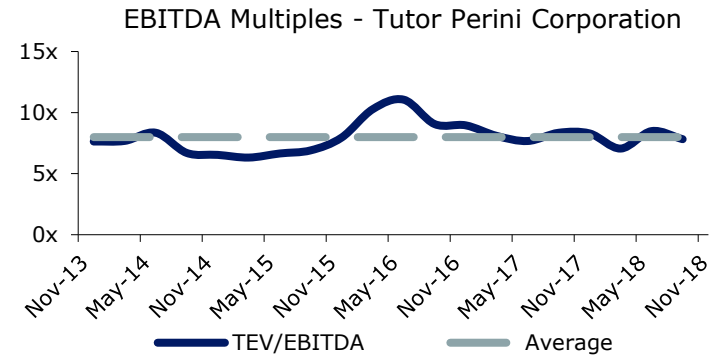
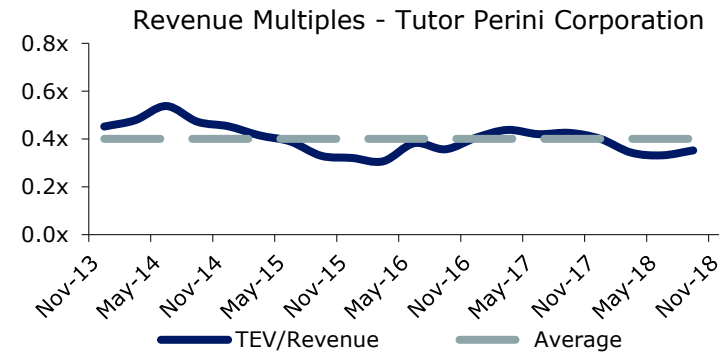
APPENDIX:
Public Basket
Constituents

Public Basket



Tutor Perini Corporation

Tutor Perini Corporation, a construction company, provides diversified general contracting, construction management, and design-build services to private customers and public agencies worldwide. The company operates through three segments: Civil, Building, and Specialty Contractors. The Civil segment engages in the public works construction, replacement, and reconstruction of infrastructure, including highways, bridges, tunnels, mass-transit systems, and water management and wastewater treatment facilities. This segment also provides drilling, foundation, and excavation support for shoring, bridges, piers, roads, and highway projects. The Building segment offers services in various specialized building markets, including hospitality and gaming, transportation, healthcare, commercial offices, government facilities, sports and entertainment, education, correctional facilities, biotech, pharmaceutical, industrial and high-tech. The Specialty Contractors segment provides electrical, mechanical, plumbing, fire protection systems, and pneumatically placed concrete services, as well as heating, ventilation, and air conditioning services for the industrial, commercial, hospitality and gaming, and mass-transit end markets. Tutor Perini Corporation was founded in 1894 and is headquartered in Sylmar, California.



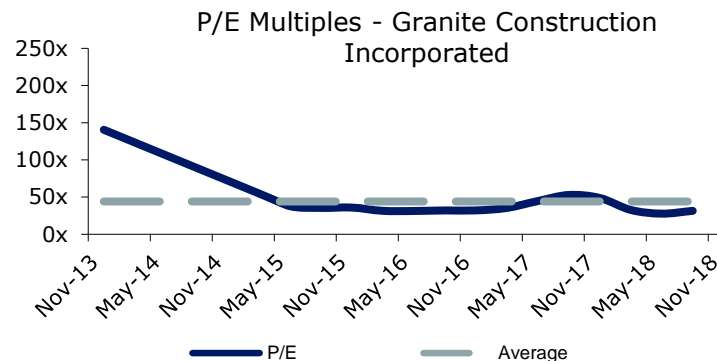
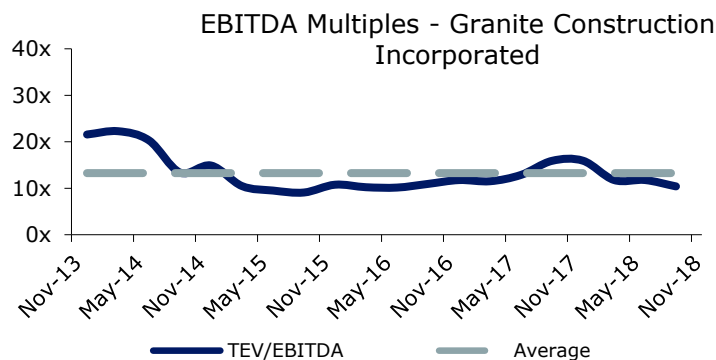
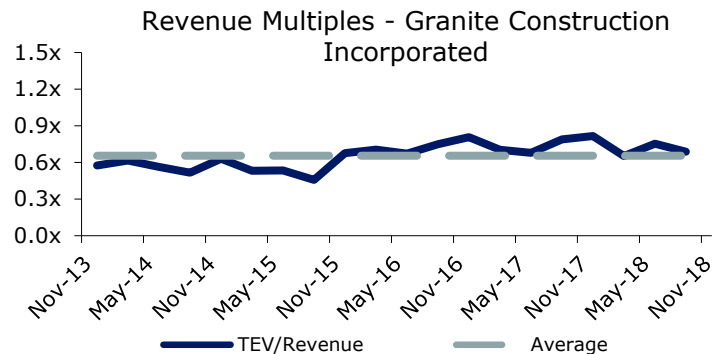
Public Basket



Granite Construction Incorporated

Granite Construction Incorporated operates as a heavy civil contractor and a construction materials producer in the United States. The Construction segment undertakes various civil construction projects focusing on new construction and improvement of streets, roads, highways, bridges, site work, underground, power-related facilities, water-related facilities, utilities, and other infrastructure projects. It serves customers in the public sector, including certain federal agencies, state departments of transportation, county and city public works departments, school districts and developers, utilities, and private owners of industrial, commercial, and residential sites. The Large Project Construction segment focuses on large, complex infrastructure projects, including highways, mass transit facilities, bridges, tunnels, waterway locks and dams, pipelines, canals, power-related facilities, water-related facilities, utilities, and airport infrastructure. Granite Construction Incorporated was founded in 1922 and is headquartered in Watsonville, California.

Date	Key Development Headline
6/13/18	Granite Construction Incorporated (NYSE:GVA) completed the acquisition of Layne Christensen Company (NasdaqGS:LAYN) from Wynnefield Capital, Inc. and others.
4/2/18	Granite Construction Incorporated (NYSE:GVA) acquired Liqui-Force Services (Ontario) Inc.
2/14/18	Granite Construction Incorporated, Layne Christensen Company - M&A Call



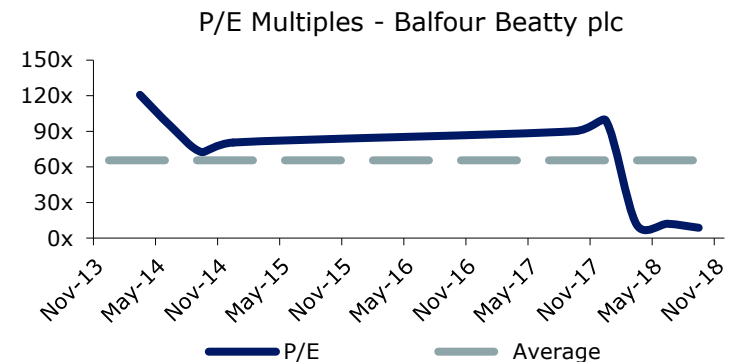
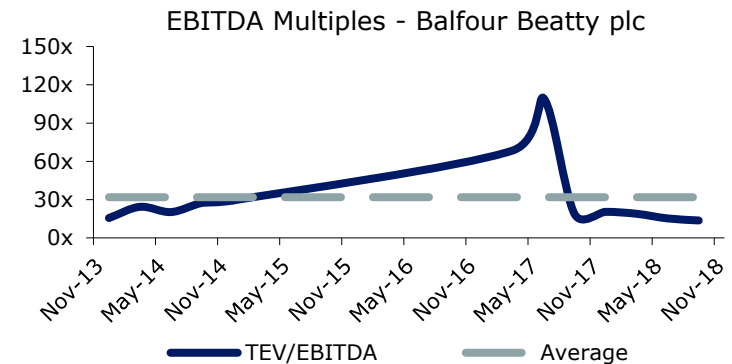
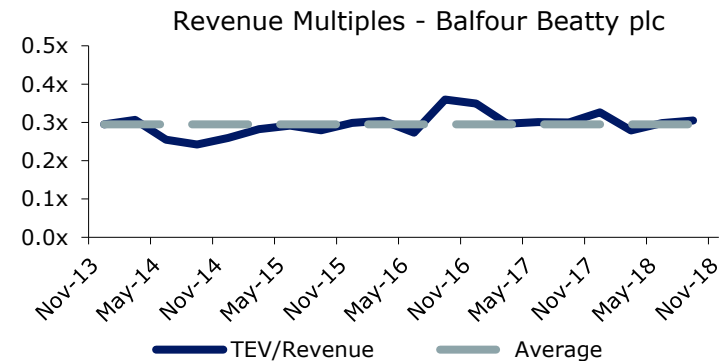
Public Basket



Balfour Beatty plc

Balfour Beatty plc finances, develops, builds, and maintains infrastructure in the United Kingdom, the United States, and internationally. It operates through Construction Services, Support Services, and Infrastructure Investments segments. The Construction Services segment provides civil engineering, building, ground engineering, mechanical and electrical installation, refurbishment and fit-out, and rail engineering services. The Support Services segment installs, upgrades, and maintains water, gas, and electricity networks; and undertakes highways network management, operation, and maintenance works, as well as provides rail technology and rail renewal services. The Infrastructure Investments segment engages in the acquisition, operation, and disposal of infrastructure assets, such as roads, hospitals, student accommodation, military housing, offshore transmission networks, waste and biomass, and other concessions. This segment also develops and finances public and private infrastructure projects. Balfour Beatty plc was founded in 1909 and is based in London, the United Kingdom.

Date	Key Development Headline
9/27/18	Altrad Group, Balfour Beatty, Cavendish Nuclear and Doosan Babcock Form Joint Venture
9/18/18	Semperian Ppp Investment Partners Limited acquired 50% stake in Fife Hospital from Balfour Beatty plc (LSE:BBY) for £43 million.



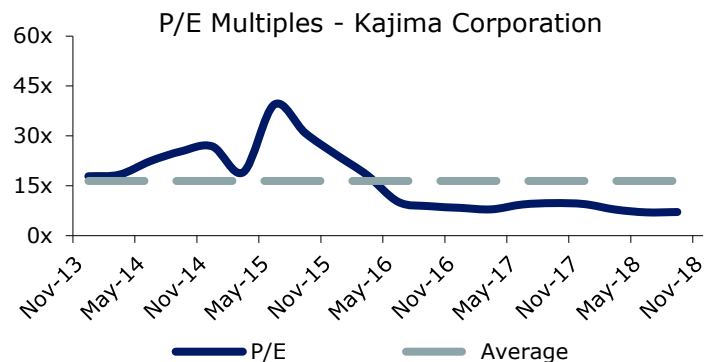
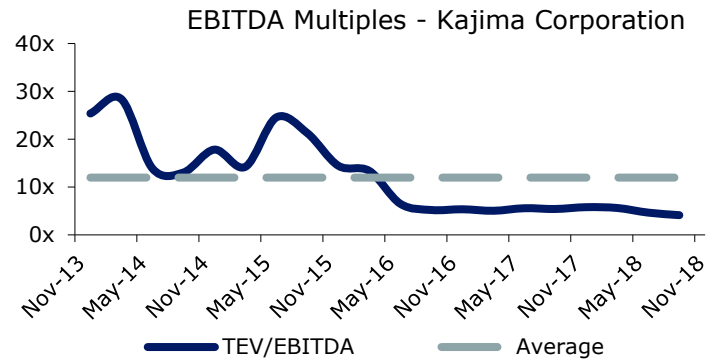
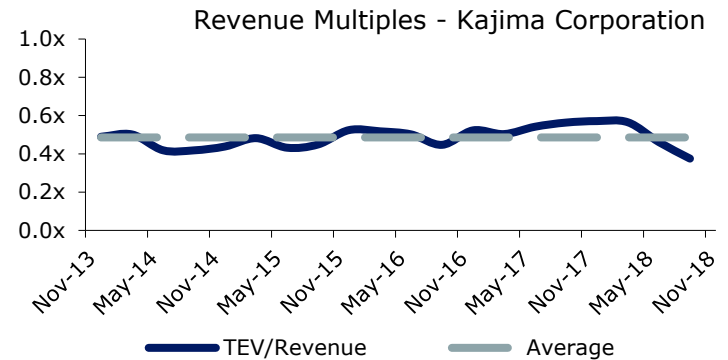
Public Basket



Kajima Corporation

Kajima Corporation, together with its subsidiaries, engages in the construction, real estate development and management, architectural design, civil engineering design, and other activities worldwide. It also provides various services, such as design and consulting, procurement and construction, book publishing, insurance, and sales services. The company also engages in the hotel and leisure business. Kajima Corporation was founded in 1840 and is headquartered in Tokyo, Japan.

Date	Key Development Headline
1/16/18	Kajima Corporation (TSE:1812) entered into purchase and sale contract to acquire 50% stake in International Facility Engineering.

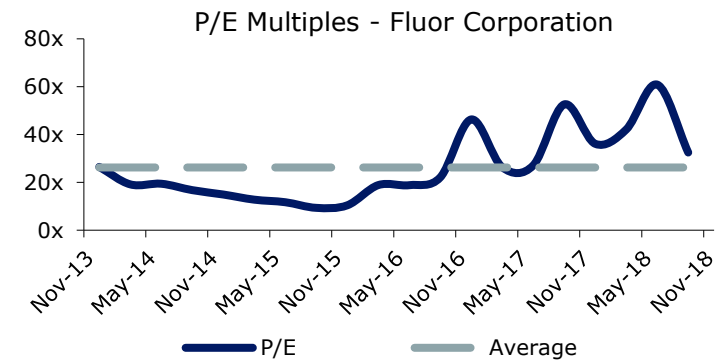
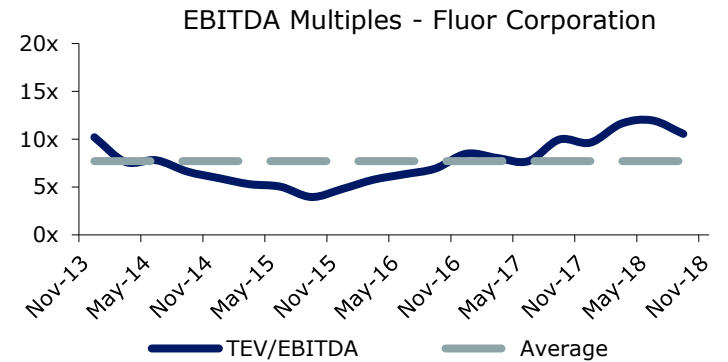
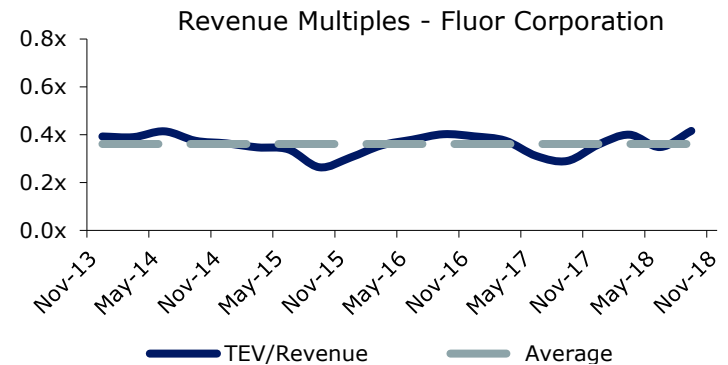


Public Basket



Fluor Corporation

Fluor Corporation, through its subsidiaries, provides engineering, procurement, construction, fabrication and modularization, commissioning and maintenance, and project management services worldwide. The company's Energy & Chemicals segment offers a range of design, engineering, procurement, construction, fabrication, and project management services in the upstream, midstream, downstream, chemical, petrochemical, offshore and onshore oil and gas production, liquefied natural gas and pipeline markets. Its Mining, Industrial, Infrastructure & Power segment provides design, engineering, procurement, construction, and project management services to the mining and metals, transportation, life sciences, advanced manufacturing, water, and power sectors. The company's Government segment offers engineering, construction, logistics, base and facilities operations and maintenance, contingency response, and environmental and nuclear services to the United States government, as well as governments internationally. This segment also provides engineering and construction services, logistics, and life-support services, as well as contingency operations support services to the defense sector. Fluor Corporation was founded in 1912 and is headquartered in Irving, Texas.



Date	Key Development Headline
8/3/18	Fluor Corporation Mulls Acquisitions

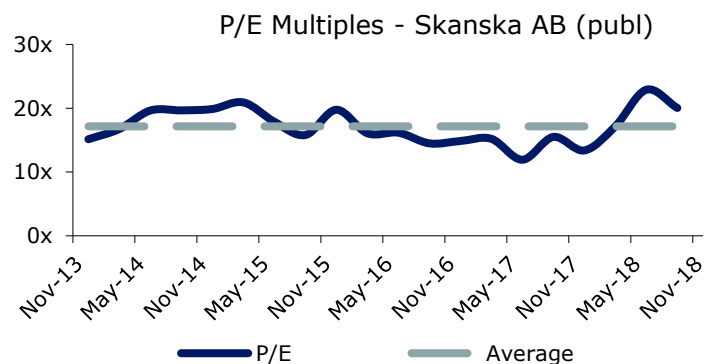
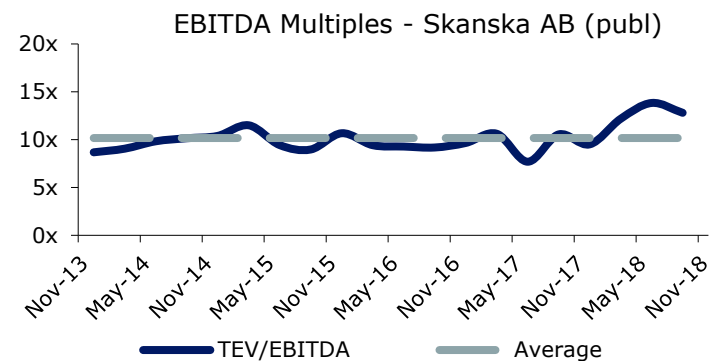
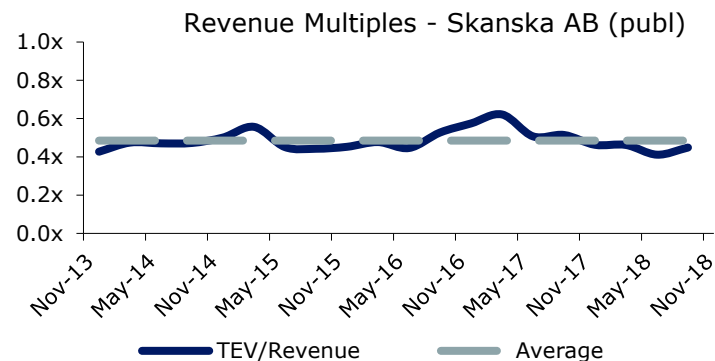
Public Basket



Skanska AB (publ)

Skanska AB (publ), a construction and project development company, develops and constructs commercial properties, and residential and public private partnerships projects in the Nordic region, Europe, and the United States. It operates through Construction, Residential Development, Commercial Property Development, and Infrastructure Development segments. The Construction segment builds and renovates buildings, industrial facilities, infrastructures, and residential projects; and executes service-related assignments, such as construction services, facility operations, and maintenance services. The Residential Development segment develops residential projects. The Commercial Property Development segment initiates, develops, leases, and divests commercial property projects. The Infrastructure Development segment identifies, develops, and invests in privately financed infrastructure projects, such as highways, hospitals, and airports. Skanska AB (publ) was founded in 1887 and is headquartered in Stockholm, Sweden.

Date	Key Development Headline
9/27/18	A real estate fund of KGAL Investment Management GmbH & Co. KG acquired Spark Office Property in Warsaw from Skanska AB (publ) (OM:SKA B) for €48 million.
3/28/18	Niam AB acquired Green2Day office building from Skanska AB (publ) (OM:SKA B) for €51 million.
9/27/18	A real estate fund of KGAL Investment Management GmbH & Co. KG acquired Spark Office Property in Warsaw from Skanska AB (publ) (OM:SKA B) for €48 million.



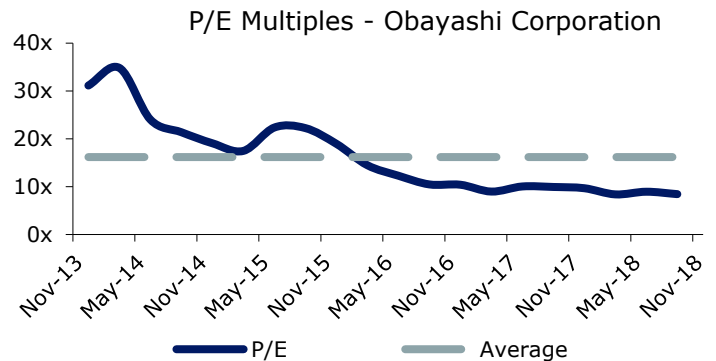
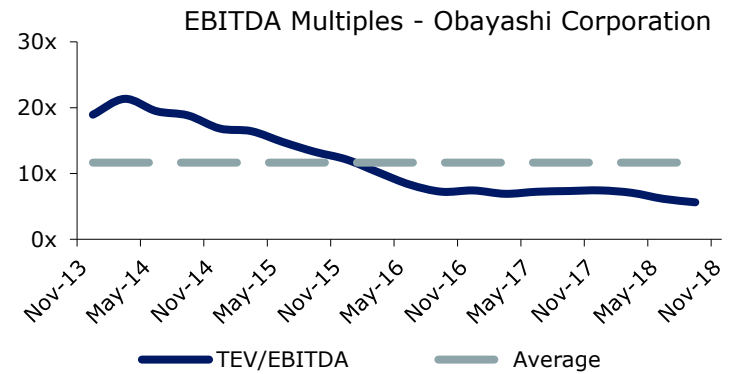
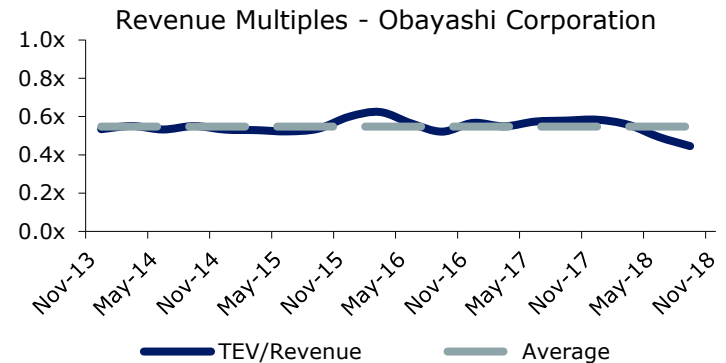
Public Basket



Obayashi Corporation

Obayashi Corporation engages in the construction business in Japan, North America, Asia, the Middle East, Europe, and Oceania. The company constructs buildings, including offices, condominiums, commercial facilities, factories, hospitals, and schools; and civil engineering projects, such as tunnels, bridges, dams, riverbanks, railroads, and expressways. It is also involved in the development and leasing of real estate properties in various locations, primarily in metropolitan areas; solar power generation and private finance initiatives businesses; and operation of golf course, as well as provision of urban development, contracted engineering, management, consultancy services, etc. The company was founded in 1892 and is headquartered in Tokyo, Japan.

Date	Key Development Headline
2/13/18	Tuaropaki Trust Enters into New Venture with Obayashi Corporation



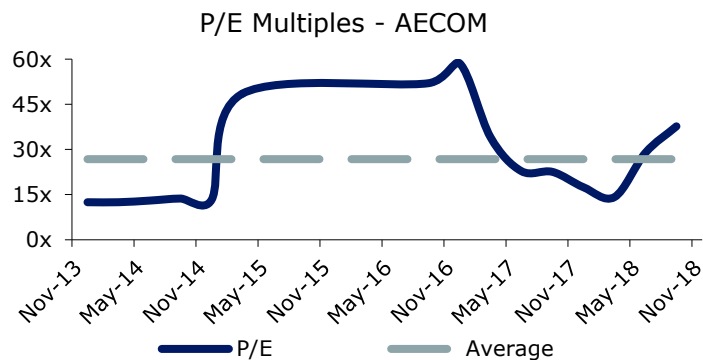
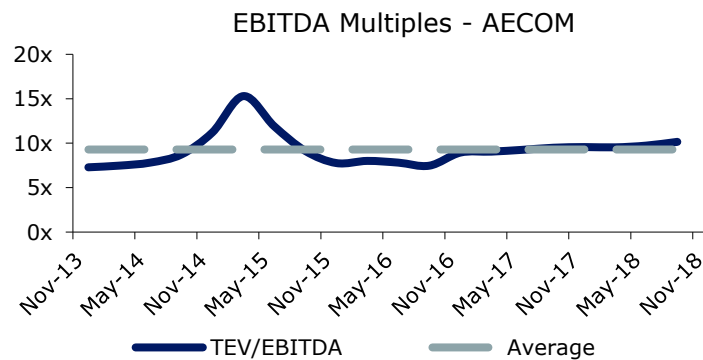
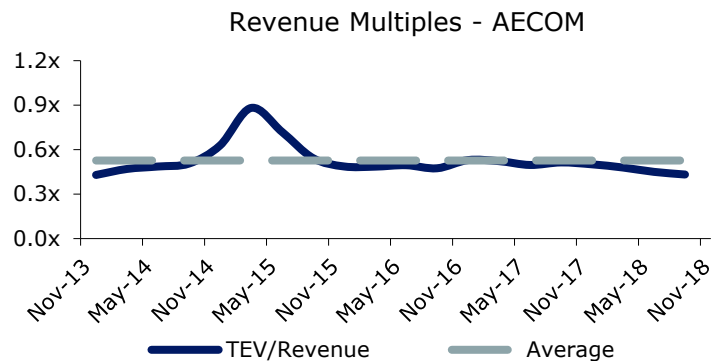
Public Basket



AECOM

AECOM, together with its subsidiaries, engages in designing, building, financing, and operating infrastructure assets worldwide. The company operates through four segments: Design and Consulting Services (DCS), Construction Services (CS), Management Services (MS), and AECOM Capital (ACAP). The DCS segment provides planning, consulting, architectural and engineering design, program management, and construction management services for industrial, commercial, institutional, and government clients, such as transportation, facilities, environmental, and energy/power markets. The CS segment offers building construction and energy, as well as infrastructure and industrial construction services. AECOM was founded in 1980 and is headquartered in Los Angeles, California.

Date	Key Development Headline
9/27/18	Arrow Electronics, Inc. Announces Strategic Alliance with AECOM
8/24/18	Versarien plc Signs an Agreement with AECOM
8/6/18	AECOM and CCCC Highway Consultants Co., Ltd. Establish Joint Venture Company to Service Environmental Solutions Opportunities in People's Republic of China
6/24/18	Mullen Group Ltd. (TSX:MTL) completed the acquisition of Canadian industrial services division of AECOM.
6/10/18	Mullen Group Ltd. (TSX:MTL) entered into an agreement to acquire Canadian industrial services division of AECOM.



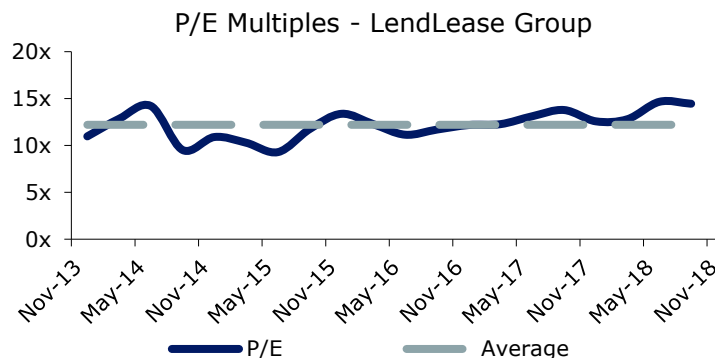
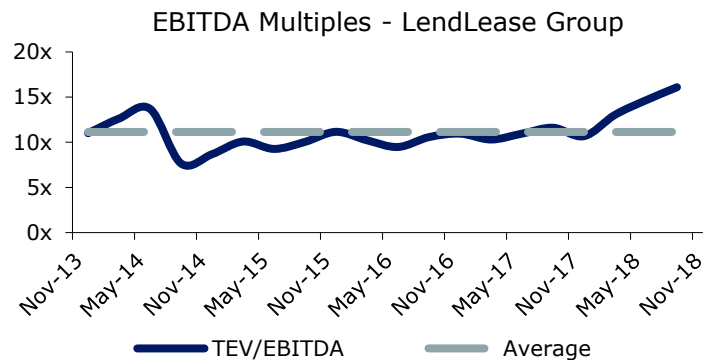
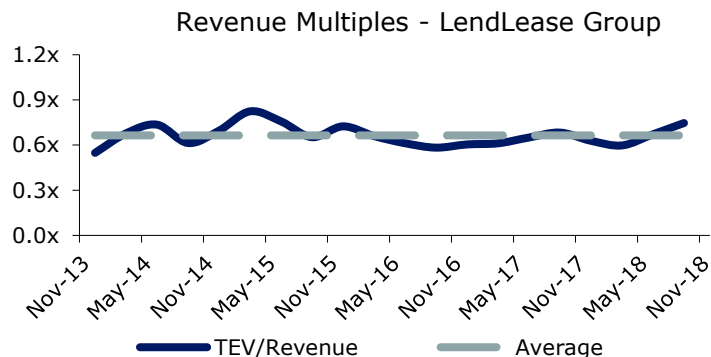
Public Basket



LendLease Group

LendLease Group provides property and infrastructure solutions in Australia, Asia, Europe, and the Americas. The company operates through three segments: Development, Construction, and Investments. The Development segment develops communities, inner city mixed use developments, apartments, retirement, retail, commercial assets, and social and economic infrastructure. The Construction segment provides project management, design, and construction services primarily in the infrastructure, defense, mixed use, commercial, and residential sectors. The Investments segment owns and/or manages investments, including property and infrastructure co-investments, retirement livings, and the U.S. military housings. LendLease Group was founded in 1958 and is headquartered in Sydney, Australia.

Date	Key Development Headline
10/1/18	Lendlease and London and Continental Railways Joint Venture Secures Approval for New Commercial Building in Stratford, London
8/21/18	Lendlease and First State Super to Establish a New Investment Platform to Develop and Hold Multifamily (Residential for Rent) Assets in US Gateway Cities
6/27/18	Lendlease and Ameresco Partner on \$150 Million Energy Security Modernization Project
6/24/18	DWS Group GmbH & Co. KGaA (XTRA:DWS) acquired 278,000 sq ft office at International Quarter London from LendLease Group (ASX:LLC) and London & Continental Railways Limited for £240 million

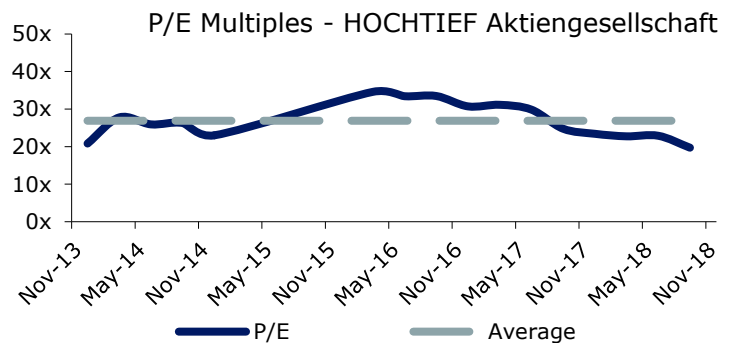
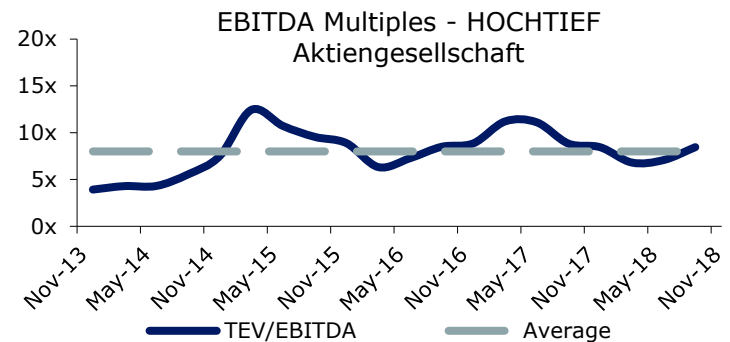
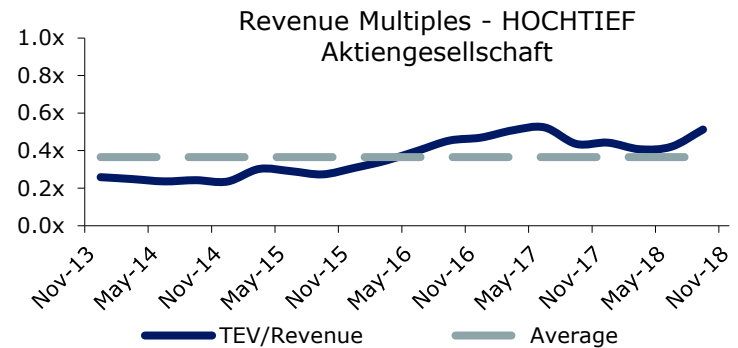


Public Basket



HOCHTIEF Aktiengesellschaft

HOCHTIEF Aktiengesellschaft engages in the construction business worldwide. The company operates through HOCHTIEF Americas, HOCHTIEF Asia Pacific, and HOCHTIEF Europe divisions. The HOCHTIEF Americas division provides building and infrastructure construction services primarily in the United States and Canada, including public buildings, office properties, sports facilities, educational and healthcare properties, transportation infrastructure, hydroelectric power stations, and dams. Actividades de Construcción y Servicios, S.A.



Date	Key Development Headline
7/26/18	HOCHTIEF Aktiengesellschaft (DB:HOT) completed the acquisition of an additional 5.31% stake in Abertis Infraestructuras, S.A. (BME:ABE).
6/20/18	HOCHTIEF Aktiengesellschaft (DB:HOT) launched an offer to acquire additional 5.31% stake in Abertis Infraestructuras, S.A. (BME:ABE) for approximately €970 million.
5/13/18	HOCHTIEF Aktiengesellschaft (DB:HOT), ACS, Actividades de Construcción y Servicios, S.A. (BME:ACS) and Atlantia S.p.A. (BIT:ATL) completed the acquisition of 85.6% stake in Abertis Infraestructuras, S.A. (BME:ABE) from a group of shareholders for €14.3 billion.
2/1/18	Swiss Life REF (DE) Key Metropolitan Areas Europe fund, managed by Swiss Life Funds AG acquired Two Office Buildings in Marximum Office Complex from HOCHTIEF Aktiengesellschaft (DB:HOT).

Contact Information

7MA provides Investment Banking & Advisory Services to the Business Services and Technology Industries globally. We advise on M&A and private capital transactions, and provide market assessments and benchmarking. As a close-knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets. Securities offered through 7M Securities LLC.

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