



Australian Engineering, Contractors & Service Providers

Australia

Week Ending
1 May 2020

Date Published
4 May 2020

Edition
356

Market Performance – Edition 356 – China Relationship Concerns Resurface

Index	Percentage change			Fixed income	Yield	Change in basis point		
	Week	YTD	12-months			Week	YTD	12-months
(Australia) S&P / ASX200	0.1%	(7.1%)	(17.2%)	(Australia) 2-year gov bonds	0.23%	(0.01)	(1.68)	(1.11)
(Japan) Topix	0.7%	(4.2%)	(11.5%)	(Australia) 5-year gov bonds	0.42%	(0.03)	(1.50)	(0.97)
(Singapore) FTSE Strait Times Index	4.2%	(14.5%)	(22.7%)	(Australia) 10-year gov bonds	0.89%	(0.01)	(1.43)	(0.89)
(Hong Kong) Hang Seng	3.4%	(4.7%)	(17.7%)					
(South Korea) Kospi 200	3.1%	(1.5%)	(9.8%)					
(US) S&P 500	(0.2%)	12.9%	(3.0%)					
(US) Dow Jones Industrial	(0.2%)	1.7%	(9.8%)					
(UK) FTSE 100	0.2%	(14.3%)	(21.6%)					
				Rate	Week	YTD	12-months	
				AUD to USD	0.6418	0.5%	(9.0%)	(8.3%)

Volatile week of overall trading which turned negative at the end fuelled by ongoing negative employment numbers from the USA market and the increasing friction related to China accountability for COVID 19. The later also embroiling Australia with the comment from Hu Xijin (The Global Times editor) on Weibo of “Australia is always there making trouble. It is a bit like chewing gum on the sole of China’s shoes. Sometimes you have to find a stone to rub it off”. Not good.....

M&A Rumour, Industry News and Private Activity

Last week a small deal (*not announced on the ASX*) in the wear parts sector with **Mineral Resources** acquiring Brisbane based **Mining Wear Parts** for an undisclosed amount. Internationally in wear parts Trelleborg (Sweden) divested 3 molded component production sites in Sweden and Estonia.

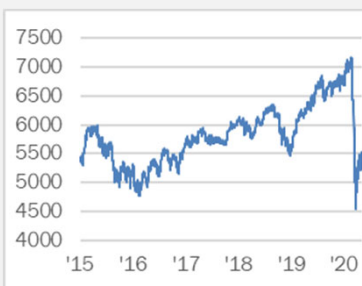
With slow deal activity in Australia the following offshore deals are of interest :

1. **Savage Industrial Rail Services** was sold to an investor group comprising private equity and trade players – an increasing trend of consortia acquiring assets vs PE investing in the Bidder (USA deal)
2. USA oilfield services company **Intrepid Directional Drilling** acquires directional drilling business of **Gyrodata Inc** (USA deal)
3. Texas based **Hilti** acquired **Concrete Sensors** – a Contech startup that tracks the concrete curing process
4. **Shandong Land & Mining** acquires 70% stake in **Shandong Yancon Guotuo** for US\$10m – a support service provider in the coal mining industry (China Deal)
5. **China Daisy Asset Management** acquires a minority stake (using convertible bonds) in China **Environmental Technology** (Hong Kong Deal)
6. Water & wastewater treatment company **New Water Systems** was acquired by **Jack Tyler Engineering** (USA Deal)

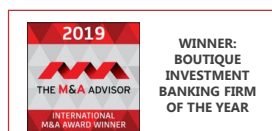
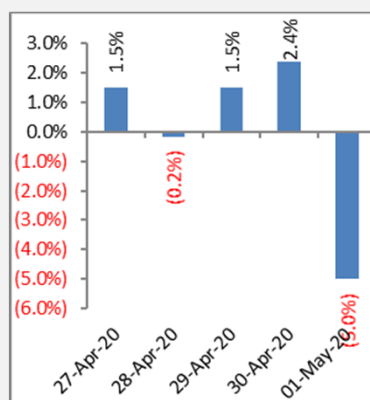
We are also watching ongoing investment trends in METS companies. A recent one focussed on innovative drilling technology is **Novamera** (www.novamerainc.com) which is developing technology for steep dip, narrow vein deposits.

Finally, **The Great Barrier Reef Foundation** also has invited solutions from Townsville Region organisations to reduce the amount of fine sediment from the Bowen, Broken & Bogie catchments entering the waters surrounding the Reef. \$9m is available.

ASX200 INDEX



DAILY PERFORMANCE OF ASX200





News Headlines and Key Sector Developments

Ticker	News/ Event	Ticker	News/ Event
BPP	Provides positive market outlook in quarterly	WOR	Provides market update – adds \$465m in new debt facilities, undertakes cost savings, reduced headcount by 3,000
BSA	Announces new 3 year bank financing arrangement with CBA	BLY	Notes certain options lapse
DCG	Announces 2 new contracts valued at \$36m	MAH	Appointed preferred mining contractor for Coburn mineral sands project in WA
JLG	Signs distribution agreement with Zoono	SWK	Continues Daily Buyback
LLC	Completes institutional placement	AEI	Lodges quarterly report.
MND	Provides market update including noting certain supply chain issues due to COVID 19 and issues in Water Infrastructure business	HIL	Market update.
SND	Change of Substantial Shareholder Notice	TPS	Quarterly report lodged including update on Onwatch integration

TPP Lodges quarterly cashflow report

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

- **Diamond Offshore** has commenced legal action against **Beach Energy** following termination of a \$65 million drilling contract
- **Jadestone Energy** has deferred planned infill drilling campaigns on its Australian Stag & Montara oil fields until 2021
- **BHP** Boss Mike Henry confident oil market will recover post COVID 19
- **Golden Beach** is negotiating a pipeline deal to develop an offshore Gippsland, Victoria field.

LCC's Sector Association Involvement



Opportunity runs deep™



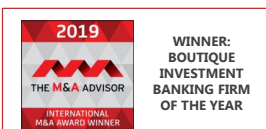
Empowering Energy & Resources Lawyers

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”

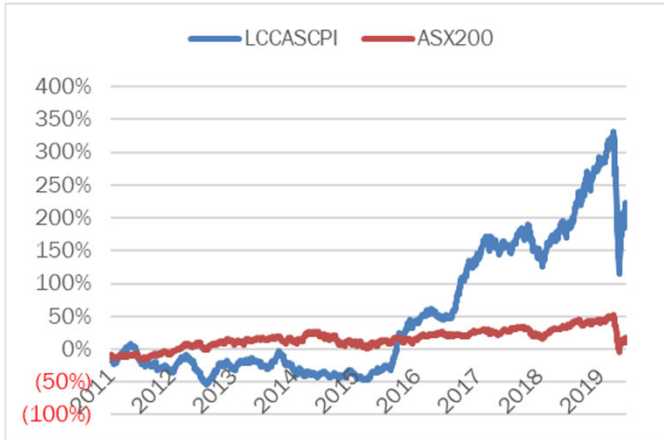
Sources: Thomson Reuters Eikon, Company Announcements, LCC research





LCC Australian Contractors & Service Providers Index® (LCCACSPI)

Market Data Since 2011



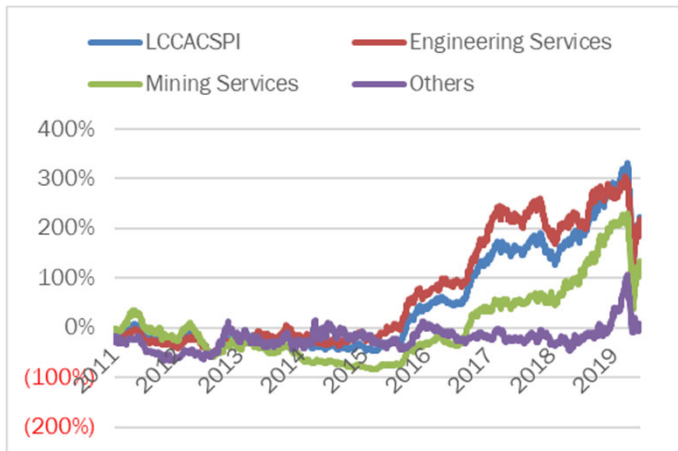
Rolling 1 Year Market Data



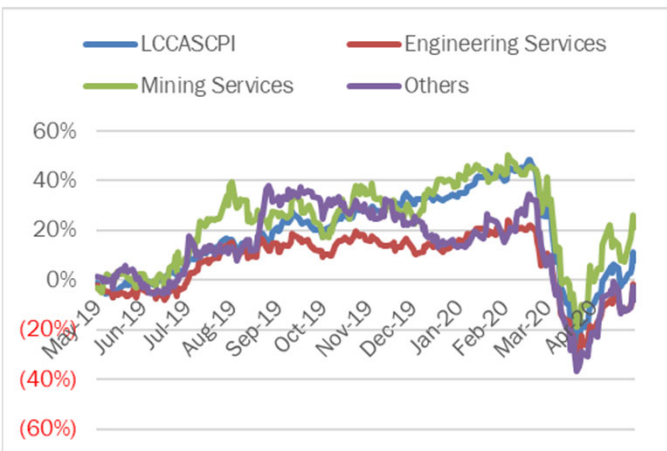
The LCCACSPI Index shows the damage done in this rout vs the ASX 200 over the long term

Volatility over the last 2 trading months now becoming apparent. Certain constituents in LCC Index assisting in rising performance vs ASX 200

Market Data Since 2011



Rolling 1 Year Market Data



All sectors tracking negative – and will likely continue to do so until multiple issues – including China dialogue on responsibility for COVID 19

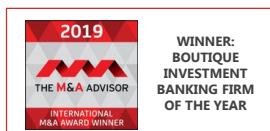
Sharp recovery from March lows now in question of being a false dawn – will March be retested ?





ASX-Listed Companies – as at close Friday 1st May 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
Engineering Services										
ACF.AX	Acrow Formwork and Construction Services Ltd	55	0.24	0.25	0.25	0.24	▲ 4.2%		8.5x	20.3x
AJL.AX	AJ Lucas Group Ltd	64	0.06	0.05	0.06	0.05	▼ (5.4%)		7.9x	12.7x
BOL.AX	Boom Logistics Ltd	37	0.09	0.09	0.09	0.08	▼ (1.2%)		4.6x	n.m.
BPP.AX	Babylon Pump & Power Ltd	13	0.02	0.02	0.02	0.02	– 0.0%		11.3x	n.m.
BSA.AX	BSA Ltd	121	0.31	0.28	0.29	0.28	▼ (11.3%)		3.2x	4.2x
CDD.AX	Cardno Ltd	116	0.24	0.26	0.24	0.23	▲ 6.3%		4.3x	9.6x
CIM.AX	CIMIC Group Ltd	7,522	22.01	23.58	23.59	21.91	▲ 8.0%		3.8x	6.8x
CVL.AX	Civmec Ltd	199	0.41	0.40	0.40	0.40	▼ (1.3%)		11.5x	18.2x
DCG.AX	Decmil Group Ltd	51	0.14	0.21	0.20	0.13	▲ 55.6%		n.m.	n.m.
DOW.AX	Downer EDI Ltd	2,395	3.55	3.97	4.05	3.55	▲ 12.5%		5.9x	12.7x
EGN.AX	Engenco Ltd	127	0.42	0.40	0.41	0.39	▼ (4.8%)		9.7x	16.0x
FWD.AX	Fleetwood Corp Ltd	140	1.44	1.46	1.47	1.43	▲ 2.1%		3.6x	7.8x
GNG.AX	GR Engineering Services Ltd	100	0.70	0.64	0.72	0.64	▼ (8.6%)		n.m.	n.m.
JLG.AX	Johns Lyng Group Ltd	527	2.38	2.37	2.37	2.29	▼ (0.8%)		17.2x	20.8x
LCM.AX	LogiCamms Ltd	30	0.15	0.15	0.14	0.14	▲ 3.6%		5.3x	7.2x
LLC.AX	LendLease Group	6,518	10.45	11.54	11.80	10.33	▲ 12.1%		12.1x	14.5x
LYL.AX	Lycopodium Ltd	173	3.91	4.35	4.25	3.85	▲ 11.3%		1.8x	2.1x
MCE.AX	Matrix Composites & Engineering Ltd	20	0.20	0.19	0.20	0.19	▼ (2.6%)		14.4x	n.m.
MND.AX	Monadelphous Group Ltd	925	10.02	9.65	10.67	9.65	▼ (3.1%)		8.5x	11.4x
PGX.AX	Primero Group Ltd	44	0.19	0.25	0.25	0.19	▲ 38.9%		5.2x	6.2x
RDG.AX	Resource Development Group Ltd	14	0.02	0.02	0.03	0.02	▼ (8.3%)		3.0x	n.m.
SND.AX	Saunders International Ltd	49	0.49	0.48	0.49	0.48	▲ 9.1%		n.m.	n.m.
SRG.AX	SRG Global Ltd	118	0.29	0.26	0.27	0.25	▼ (5.5%)		7.9x	n.m.
SSM.AX	Service Stream Ltd	793	1.86	1.92	1.90	1.76	▲ 3.0%		7.3x	9.8x
SXE.AX	Southern Cross Electrical Engineering Ltd	108	0.41	0.43	0.43	0.41	▲ 4.9%		2.4x	3.0x
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	▲ 3.2%		n.m.	n.m.
VMG.AX	VDM Group Ltd	10	0.00	0.00	0.00	0.00	– 0.0%		n.m.	n.m.
VMX.AX	Valmec Ltd	22	0.16	0.17	0.19	0.16	▲ 6.3%		2.6x	3.6x
VRS.AX	Veris Ltd	9	0.02	0.02	0.02	0.02	▲ 10.5%		8.2x	n.m.
WOR.AX	WorleyParsons Ltd	4,309	6.90	8.28	8.17	6.84	▲ 20.0%		9.2x	11.8x
ZGL.AX	Zicom Group Ltd	12	0.06	0.06	0.06	0.06	▼ (3.4%)		n.m.	n.m.
Mining Services										
AMX.AX	Aerometrex Ltd	153	1.50	1.60	1.67	1.42	▲ 9.2%		31.7x	53.5x
ALQ.AX	ALS Ltd	3,208	6.08	6.65	6.63	6.08	▲ 8.8%		11.2x	14.3x
ANG.AX	Austin Engineering Ltd	79	0.15	0.14	0.15	0.13	▲ 8.0%		7.2x	20.6x
BLY.AX	Boart Longyear Ltd	59	0.63	0.66	0.66	0.60	▲ 3.1%		10.6x	22.0x
EHL.AX	Emeco Holdings Ltd	419	1.15	1.12	1.16	1.09	▲ 0.9%		4.0x	7.6x
IMD.AX	Imdex Ltd	403	0.85	1.03	0.99	0.85	▲ 21.3%		7.0x	10.3x
IPL.AX	Incitec Pivot Ltd	3,743	2.06	2.32	2.25	2.06	▲ 11.5%		11.1x	26.3x
MAH.AX	Macmahon Holdings Ltd	470	0.21	0.22	0.22	0.20	▲ 7.5%		2.9x	8.0x
MIN.AX	Mineral Resources Ltd	3,147	15.90	16.46	16.37	15.78	▲ 3.9%		4.7x	6.2x
MLD.AX	MACA Ltd	209	0.72	0.77	0.74	0.71	▲ 7.7%		4.3x	41.9x
MJV.AX	Mitchell Services Ltd	81	0.38	0.40	0.40	0.38	▲ 8.1%		5.4x	11.1x
MYE.AX	Mastermyne Group Ltd	75	0.71	0.73	0.75	0.69	▲ 5.1%		3.6x	6.0x
NWH.AX	NRW Holdings Ltd	690	1.65	1.60	1.72	1.57	▼ (0.3%)		5.4x	10.5x
ORI.AX	Orica Ltd	6,851	16.56	16.89	17.28	16.47	▲ 1.3%		10.0x	14.9x
PPK.AX	PPK Group Ltd	254	3.00	2.98	3.02	2.98	▲ 0.3%		109.5x	342.7x
PRN.AX	Perenti Global Ltd	624	0.79	0.90	0.88	0.75	▲ 17.0%		3.0x	7.9x
RUL.AX	RPMGlobal Holdings Ltd	220	0.94	0.97	0.98	0.90	▲ 3.7%		21.3x	48.9x
SWK.AX	Swick Mining Services Ltd	37	0.13	0.12	0.13	0.12	▼ (4.0%)		2.8x	n.m.
Facilities Management & Services										
AEI.AX	Aeris Environmental Ltd	154	0.58	0.63	0.60	0.56	▲ 9.2%		n.m.	n.m.
ALQ.AX	ALS Ltd	3,208	6.08	6.65	6.63	6.08	▲ 8.8%		11.2x	14.3x
HIL.AX	Hills Ltd	45	0.19	0.19	0.19	0.18	▲ 2.7%		7.8x	31.9x
MIL.AX	Millennium Services Group Ltd	13	0.28	0.28	0.28	0.28	– 0.0%		10.8x	n.m.
ENE.AX	Enevis Ltd	3	0.04	0.04	0.05	0.04	– 0.0%		n.m.	n.m.
TPS.AX	Threat Protect Australia Ltd	13	0.06	0.05	0.05	0.05	– 0.0%		12.0x	n.m.





About LCC Asia Pacific – we deliver *Deal Craft*™

Founded in 2004, LCC Asia Pacific is an award-winning boutique investment banking & strategic advisory firm that specializes in the engineering & contracting sector as well as general & specialised services – including mining, drilling, energy & oilfield (onshore & offshore)

We provide our clients with key insights on the Engineering, Contracting and Oil Field Services Sectors – assisting with in depth strategy formulation and execution of both organic and M & A engagements

Investment Banking Services

- Mergers, Acquisitions & Divestments
- Equity Capital & Debt Capital Advisory
- Balance Sheet Review & Optimisation
- Project & Infrastructure Financing
- Yellow Metal Financing
- Strategic Corporate Investment Planning & Implementation
- Consortia Development & Deal Structuring
- Joint Venture Design, Partner Selection & Commercial Structuring
- Shareholder Disputes & Activism
- **Independent and experienced advice to Leadership teams and Boards of Directors – including through crisis management**

Strategic Advisory Consulting

- Complex Negotiation Planning & Execution Including For Commercial Contracts & Dispute Resolution
- **Financial Modelling, Scenario Analysis & Business Case Development**
- Analysis Of Commercial Arrangements Including Tolling, “Services For Equity” & Royalty Agreements
- Tender Research & Preparation Support
- Bespoke Industry Specific Research & Data Analysis, including “Benchmarking”
- Domestic & Cross Border Market Entry & Exit Planning & Analysis
- Mining Technology Research, Recommendations & Implementation
- China Belt & Road Initiative Strategies & Responses

Nicholas Assef

Engineering, Contracting & Services Sector Lead
+ 61 498 115 054
naa@lccapac.com

lccasiapacific.com.au SYDNEY | BRISBANE | NEW YORK

LCC Asia Pacific is a boutique investment banking practice, providing independent corporate finance & strategy advice to clients in Australia and across Asia Pacific markets. We have acted for ambitious clients ranging from “emerging” companies, up to Fortune 100 & “Mega” Asian listed entities.

LCC Asia Pacific provides clear, unbiased counsel to CEOs and Boards of Directors considering growth strategies, business transformation and challenging corporate decisions. We understand that to service such clients requires a high performance approach, and a tenacity to deliver results.

For more information, visit www.lccasiapacific.com.au.

© 2019 LCC Asia Pacific



LCC ASIA PACIFIC
CORPORATE FINANCE & STRATEGIC ADVISORY



Disclaimer

This general information has been prepared by LCC Asia Pacific Pty. Limited (“LCC”). The research is based on public information obtained from sources believed to be accurate and reliable. LCC does not guarantee the accuracy, reliability, completeness or suitability of any such information and makes no warranty, guarantee or representation, expressly or impliedly about this research. LCC accepts no obligation to correct or update the information. No opinion or recommendation is made within this research. This report is not intended to be, nor should it be relied on, as a substitute for professional advice. This report should not be relied upon as the sole basis for any investment decision or planning, and LCC does not accept any responsibility on this basis for actions made.