



Mainsheet  
Capital

Sydney - Level 2, 35 Clarence Street  
Sydney NSW 2000

Perth - Level 3, London House  
216 St Georges Terrace  
Perth, WA 6000

+61 2 8004 9907  
[info@mainsheet.com.au](mailto:info@mainsheet.com.au)  
[www.mainsheet.com.au](http://www.mainsheet.com.au)

## Construction Sector

Performance Analysis of a Sample of Listed  
Construction Companies

August 2019

**Mainsheet Capital is a corporate strategy and corporate advisory firm that specialises in working across engineering, construction, mining, oil & gas, utilities, transport and industrial services sectors.**

- Mainsheet Capital routinely conducts a review of the performance of companies across the engineering, construction, infrastructure management, mining services and O&G services sectors to identify and understand the prevailing competitive and value creation dynamics.
- Within these sectors there are companies with a wide array of different sizes, capabilities and business models.
- It can be challenging to select the best context within which to analyse performance of this range businesses, however, we have conducted analysis of performance by:
  - Company
  - Sector
  - Business model
  - Capability
  - Technical domain
  - Size (number of employees and revenues)
  - Asset intensity
- This document sets out the analysis we have conducted in relation to a sample of listed construction companies. Analysis of engineering, infrastructure management, mining service and O&G services sectors companies and sectors is also available on Mainsheet Capital's website – follow this link: <https://www.mainsheet.com.au/economic-performance-and-value-creation-analysis/>

**Mainsheet Capital is experienced in assisting companies to position themselves to maximise their growth potential and value creating performance by addressing issues such as those outlined below.**

- Have you got clear and fact-based strategic plan to guide your direction and key decisions?
- Have you got all of the operational and technical capabilities to match new customer needs?
- Have you got the right geographic and sector footprint?
- Do you have the optimal business size and shape?
- Have you got the right capital structure and asset base to achieve your goals?
- Should you be considering mergers or acquisitions in order to best achieve your goals?
- Do you have a formal growth and long term value creation/exit strategy for the business?

**Mainsheet has a demonstrable track record of assisting companies to successfully address the key strategic, operational, financial and transactional issues and opportunities they face.**

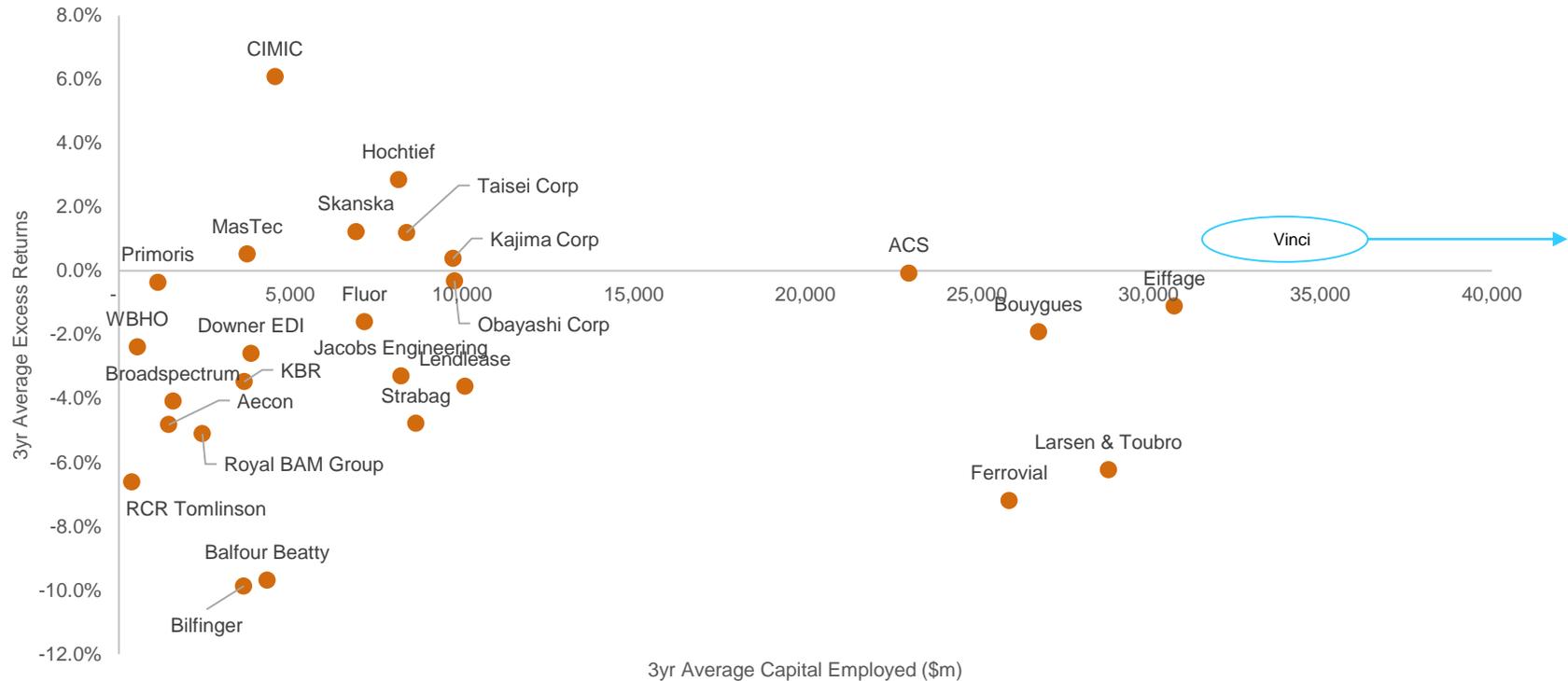
# 3yr Average Capital Employed vs. 3yr Average Excess Returns

The majority of companies reviewed were economically unprofitable on average between 2016 – 2018 although there is a small group of companies that have been value creating over the period.

## 3yr Average Capital Employed vs. 3yr Average Excess Returns

FY16 – FY18

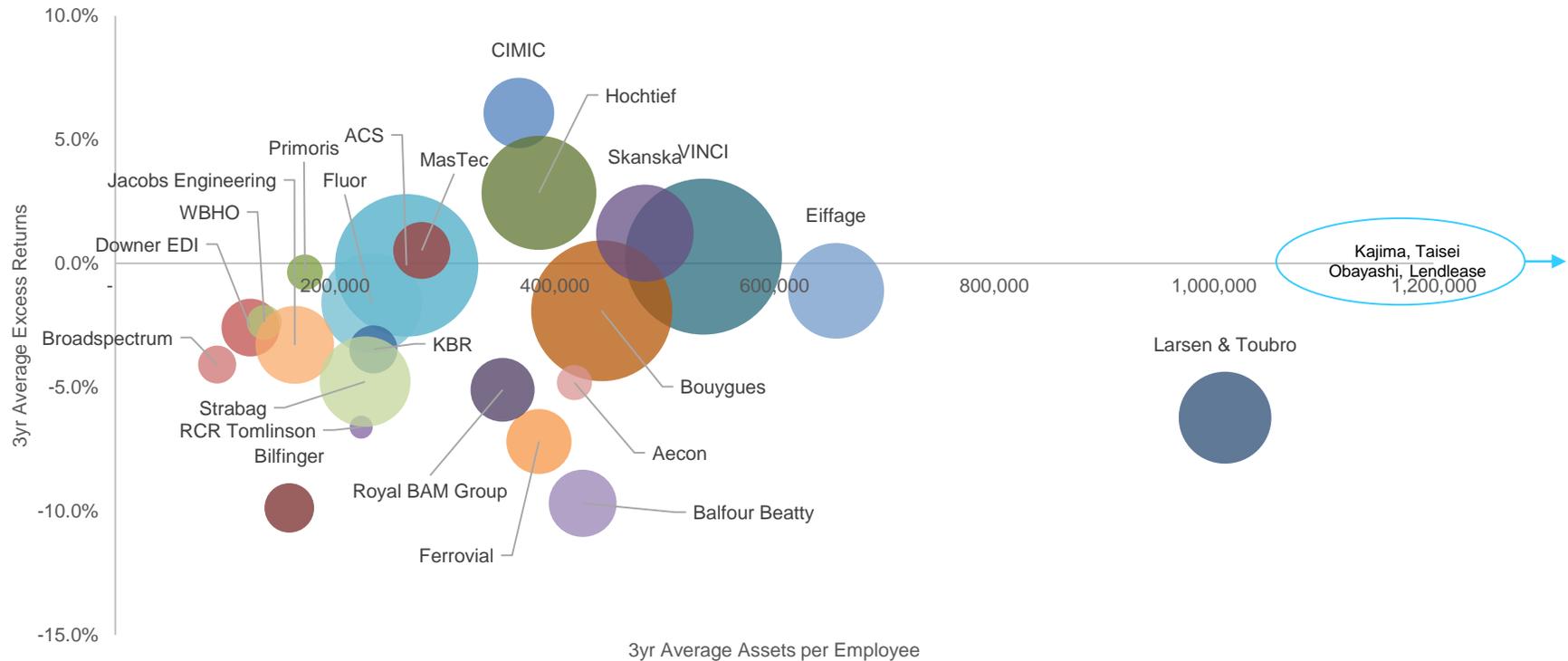
(\$m, %)



Note: Three Year Average include FY16-FY18 data  
Source: Capital IQ, Company Websites

The larger companies in terms of revenues and the more asset intensive companies did seem to performance slightly better than other companies however their performance was still challenging.

**3yr Average Assets per Employee vs. 3yr Average Excess Return vs. Revenue**  
 FY16 – FY18  
 (\$, %)

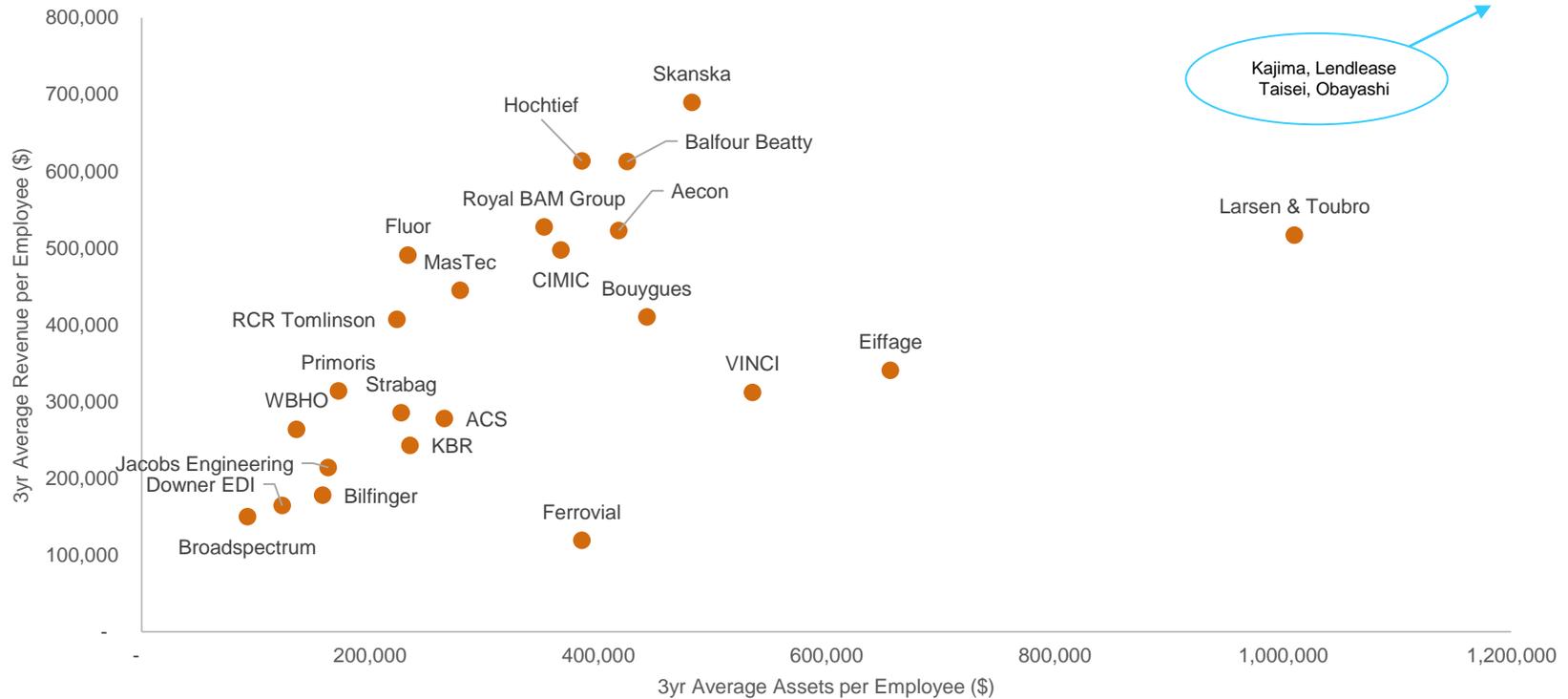


Note: Three Year Average include FY16-FY18 data, size of bubble denotes comparative revenue  
 Source: Capital IQ, Company Websites

# 3yr Average Assets per Employee vs. Average Revenue per Employee

This view demonstrates that the sample of companies included in the analysis had diversity in terms of by size, business model and asset intensity.

**3yr Average Assets per Employee vs. 3yr Average Revenue per Employee**  
 FY16 – FY18  
 (\$, \$)

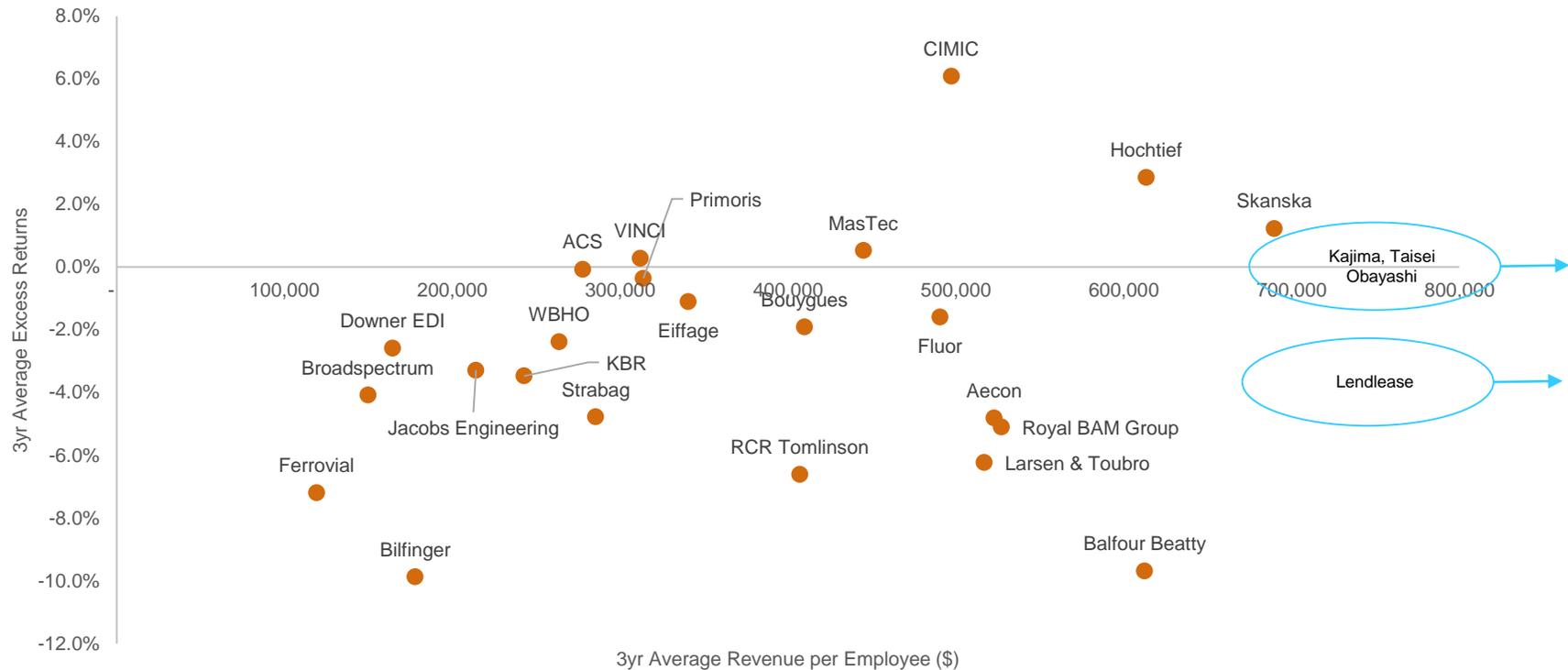


Note: Three Year Average include FY16-FY18 data  
 Source: Capital IQ, Company Websites

# 3yr Average Revenue per Employee vs. 3yr Average Excess Returns

However, neither size, business model or asset intensity provided any basis for predicting better value creation (economic profitability) performance during the 2016 – 2018 period.

**3yr Average Revenue per Employee vs. 3yr Average Excess Returns**  
 FY16 – FY18  
 (\$, %)

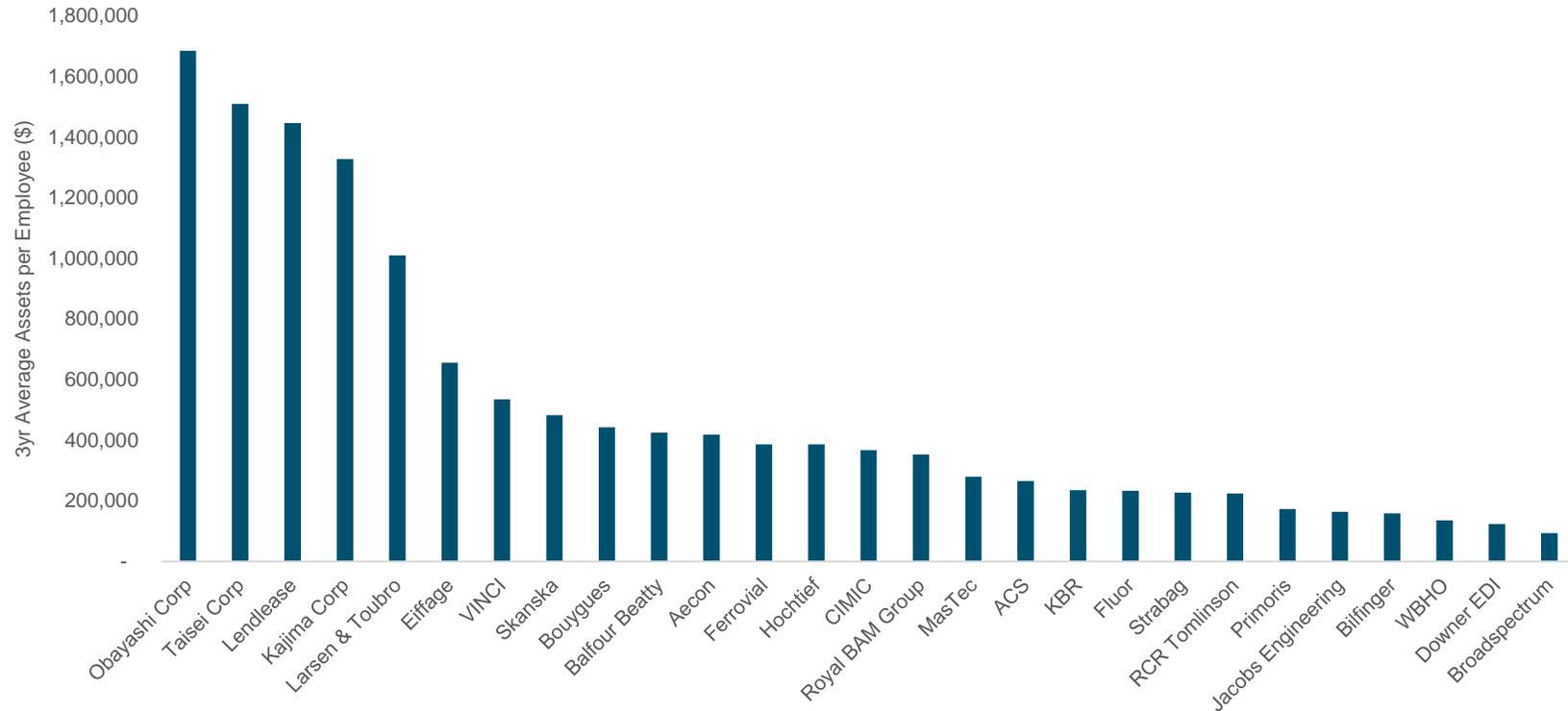


Note: Three Year Average include FY16-FY18 data  
 Source: Capital IQ, Company Websites

# 3yr Average Assets per Employee

The profile below shows the range of the asset intensity of the companies included in the analysis.

**3yr Average Assets per Employee**  
 FY16 – FY18  
 (\$)



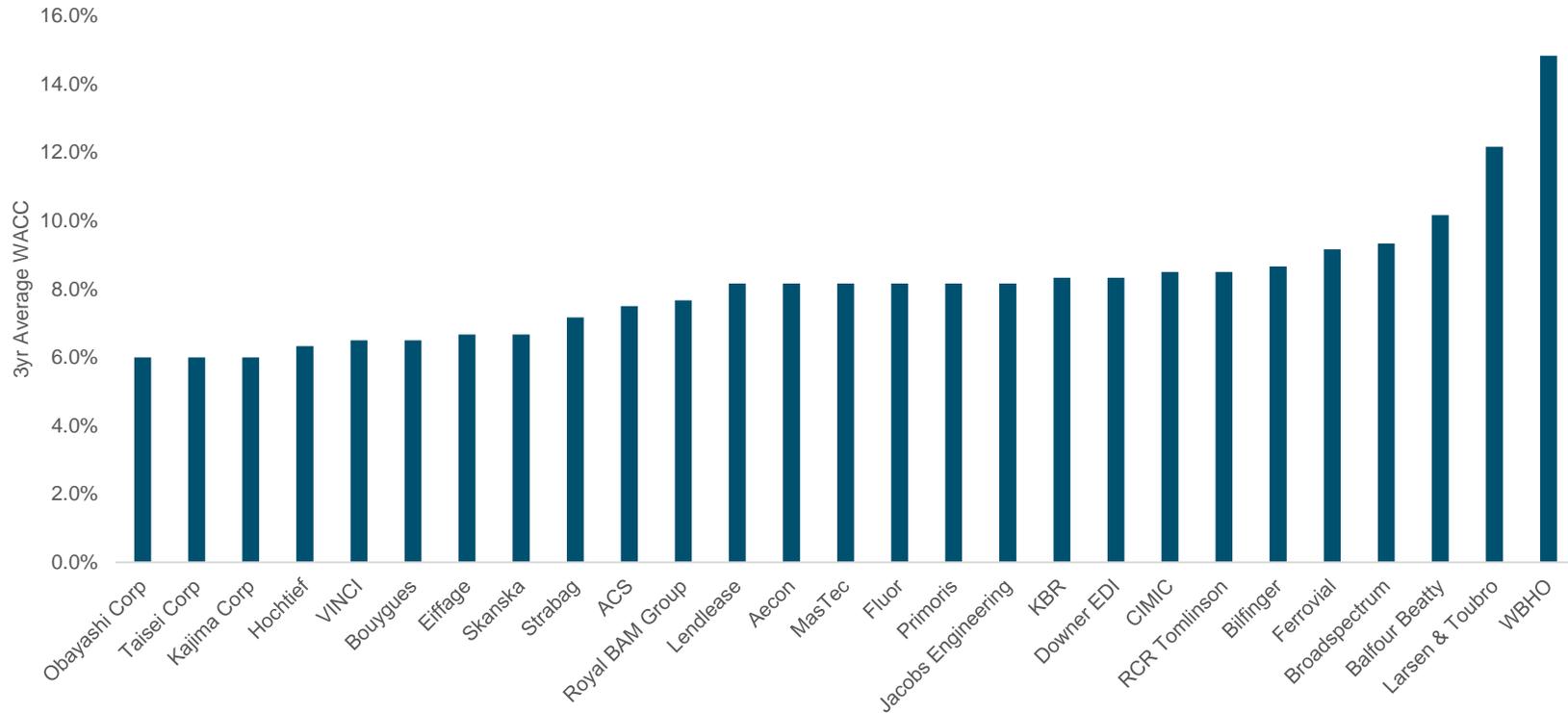
Note: Three Year Average include FY16-FY18 data  
 Source: Capital IQ, Company Websites

The majority of companies have a weighted average cost of capital (WACC) in the range between circa 5% and circa 10%. There are some Japanese companies with a lower cost of debt below this range and some companies with higher risk and more volatile markets above this range.

## 3yr Average WACC

FY16 – FY18

(\$)



Note: Three Year Average include FY16-FY18 data  
 Source: Capital IQ, Company Websites

**Many of the companies that have delivered lower returns over the period also have high levels of gearing (D/E ratios).**

Company Name	Location	Average Revenue (3yr, AUD\$m)	Average EBIT (3yr AUD\$m)	Number of Employees	Average Economic Profit (3yr AUD\$m)	Average WACC (3yr)	Average Excess Return (3yr)	Average Revenue per Employee (3yr, AUD\$m)	Average Assets per Employee (3yr)	Average Capital Employed per Employee (3yr, AUD\$m)	Last FY D/E Ratio	Average D/E Ratio (3yr)
VINCI	France	63,886	6,849	204,775	184	6.5%	0.3%	311,983	535,360	323,617	123.8%	123.8%
ACS	Spain	53,272	2,310	191,823	-18	7.5%	-0.1%	277,716	265,254	119,985	139.2%	156.6%
Bouygues	France	51,822	1,901	126,416	-513	6.5%	-1.9%	409,936	442,769	211,964	59.3%	64.9%
Hochtief	Germany	34,216	1,089	55,777	233	6.3%	2.9%	613,439	385,703	146,157	108.3%	102.7%
Fluor	United States	26,170	747	53,349	-114	8.2%	-1.6%	490,543	233,265	134,214	54.2%	50.0%
Skanska	Sweden	24,752	705	35,886	85	6.7%	1.2%	689,727	482,160	192,729	38.1%	38.9%
Eiffage	France	23,982	2,613	70,400	-339	6.7%	-1.1%	340,658	656,049	436,831	255.5%	309.3%
Larsen & Toubro	India	22,185	2,213	42,924	-1,796	12.2%	-6.2%	516,849	1,010,116	671,698	175.5%	179.1%
Obayashi Corp	Japan	21,950	1,497	14,359	-31	6.0%	-0.3%	1,528,669	1,685,073	681,446	38.9%	47.7%
Strabag	Austria	21,346	420	74,775	-413	7.2%	-4.8%	285,474	227,446	115,770	37.3%	39.7%
Kajima Corp	Japan	21,329	1,682	17,730	38	6.0%	0.4%	1,203,012	1,328,204	549,385	51.5%	66.3%

Note: Three Year Average include FY16-FY18 data  
Source: Capital IQ, Company Websites

## Summary of Analysis Data

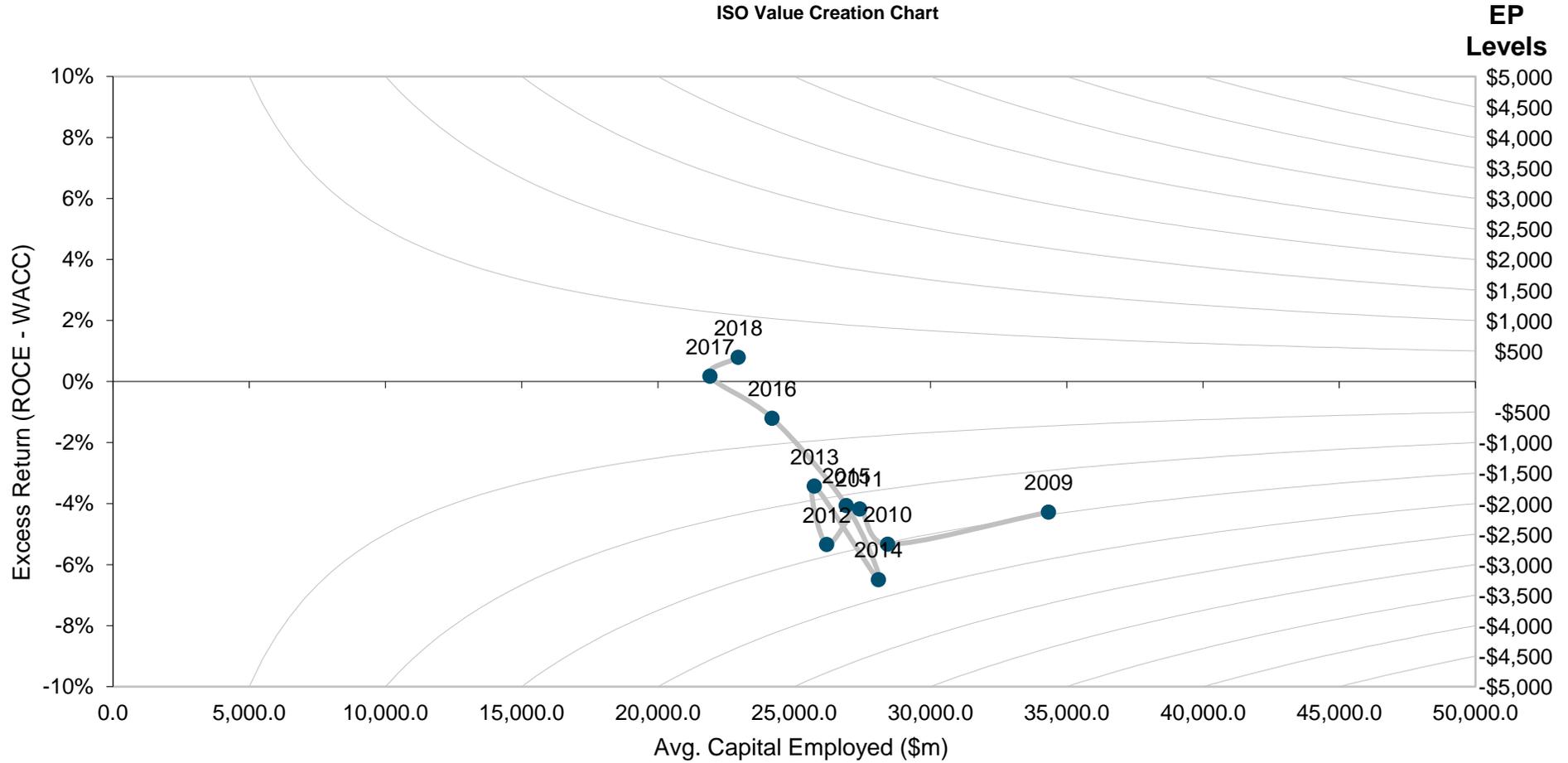


**The lower levels of performance over the period has in some part driven the lowering of equity values and as a result increased to debt / equity ratio and pushing up against debt lending covenants.**

Company Name	Location	Average Revenue (3yr, AUD\$m)	Average EBIT (3yr AUD\$m)	Number of Employees	Average Economic Profit (3yr AUD\$m)	Average WACC (3yr)	Average Excess Return (3yr)	Average Revenue per Employee (3yr, AUD\$m)	Average Assets per Employee (3yr)	Average Capital Employed per Employee (3yr, AUD\$m)	Last FY D/E Ratio	Average D/E Ratio (3yr)
Taisei Corp	Japan	18,260	1,747	14,032	100	6.0%	1.2%	1,301,294	1,509,460	597,628	37.1%	42.6%
Lendlease	Australia	16,101	653	13,000	-365	8.2%	-3.6%	1,238,554	1,446,428	775,810	36.8%	36.2%
Jacobs Engineering	United States	15,927	630	74,400	-271	8.2%	-3.3%	214,076	163,444	110,538	36.2%	16.8%
CIMIC	Australia	12,984	912	26,109	277	8.5%	6.1%	497,316	367,457	174,458	22.4%	28.2%
Balfour Beatty	United Kingdom	11,928	31	19,474	-419	10.2%	-9.7%	612,509	425,420	222,144	61.9%	96.5%
Ferrovial	Spain	10,981	691	92,113	-1,866	9.2%	-7.2%	119,211	385,733	281,658	154.9%	141.1%
Royal BAM Group	Netherlands	10,646	83	20,194	-124	7.7%	-5.1%	527,195	352,605	120,665	46.6%	62.9%
Downer EDI	Australia	8,716	307	53,000	-100	8.3%	-2.6%	164,456	123,101	72,783	47.9%	39.9%
MasTec	United States	8,454	521	19,000	20	8.2%	0.5%	444,949	279,077	197,213	101.1%	96.5%
Bilfinger	Germany	6,388	-65	35,905	-360	8.7%	-9.9%	177,921	158,555	101,486	42.5%	37.2%
KBR	United States	6,071	285	25,000	-127	8.3%	-3.5%	242,833	235,071	146,149	73.4%	69.3%
Broadspectrum	Australia	3,746	120	25,000	-65	9.3%	-4.1%	149,829	92,889	63,513	128.0%	114.9%
Primoris	United States	3,326	143	10,600	-4	8.2%	-0.4%	313,804	172,583	108,145	61.1%	53.2%
Aecon	Canada	3,189	65	6,101	-70	8.2%	-4.8%	522,777	418,018	238,685	78.3%	69.6%
WBHO	South Africa	3,141	92	11,916	-13	14.8%	-2.4%	263,631	135,825	45,483	2.9%	1.8%
RCR Tomlinson	Australia	1,384	10	3,400	-25	8.5%	-6.6%	407,080	223,775	111,634	9.2%	17.2%

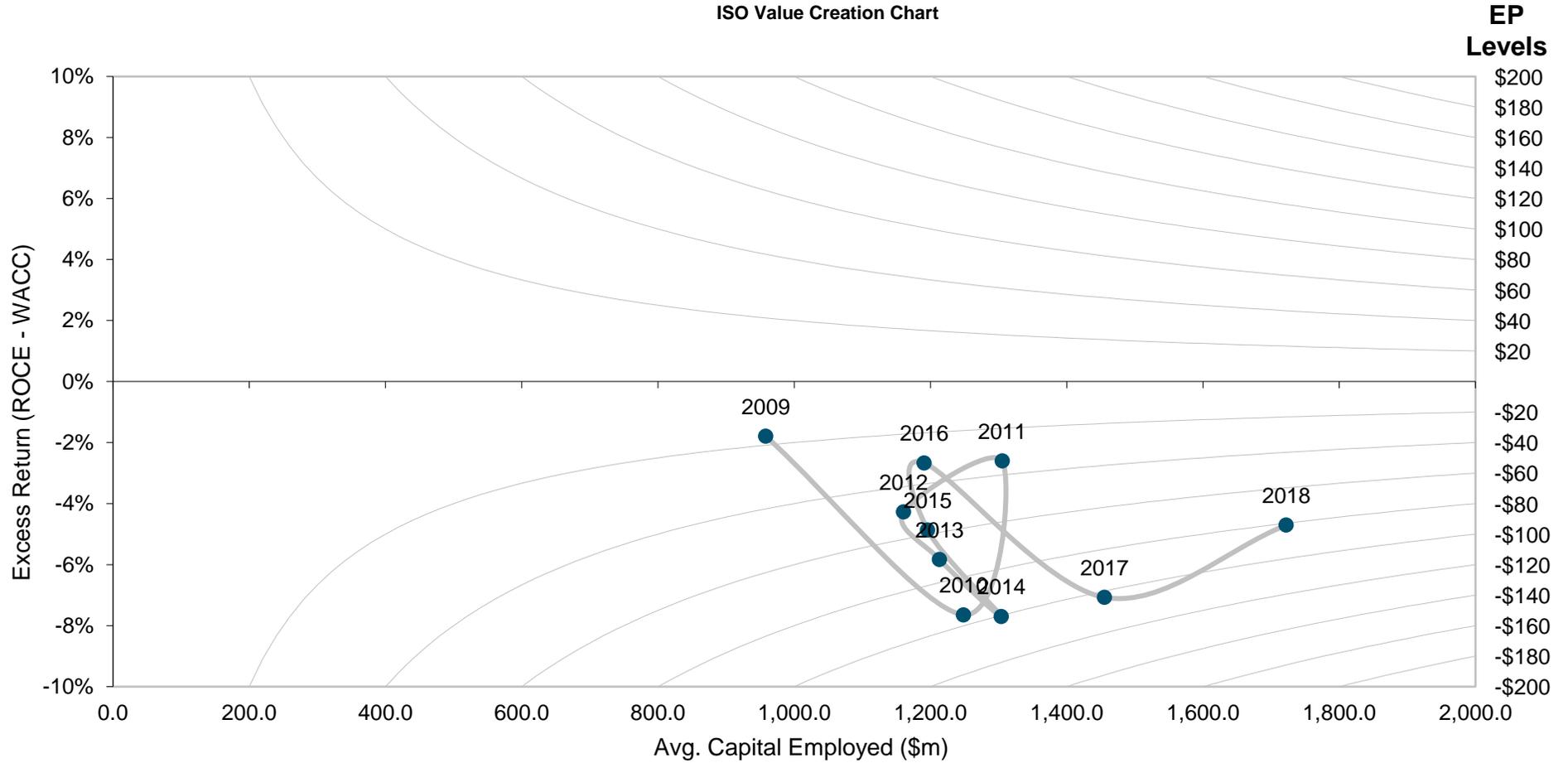
Note: Three Year Average include FY16-FY18 data  
Source: Capital IQ, Company Websites

Value Creation Performance Over Time



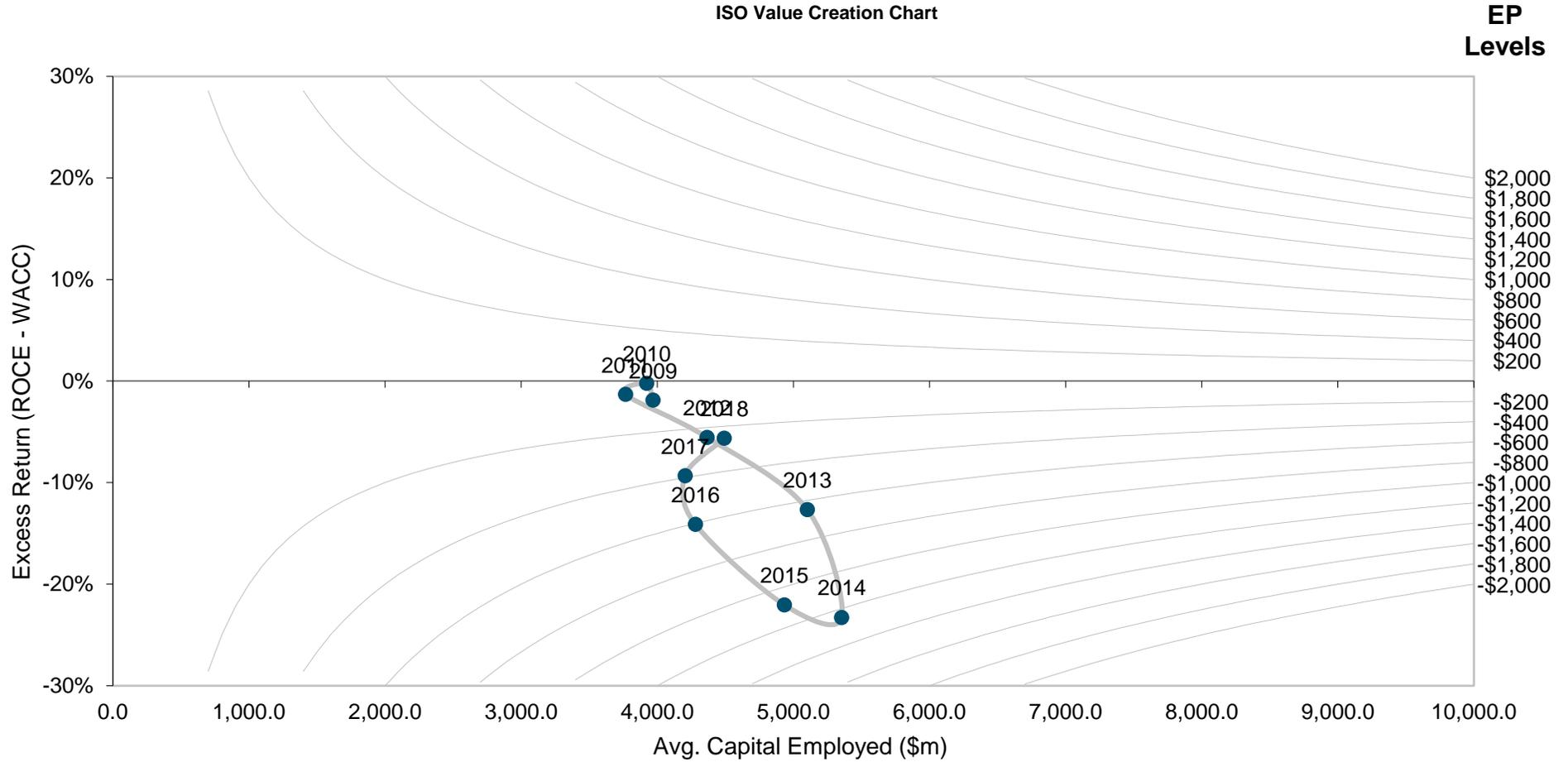
Source: Capital IQ

Value Creation Performance Over Time



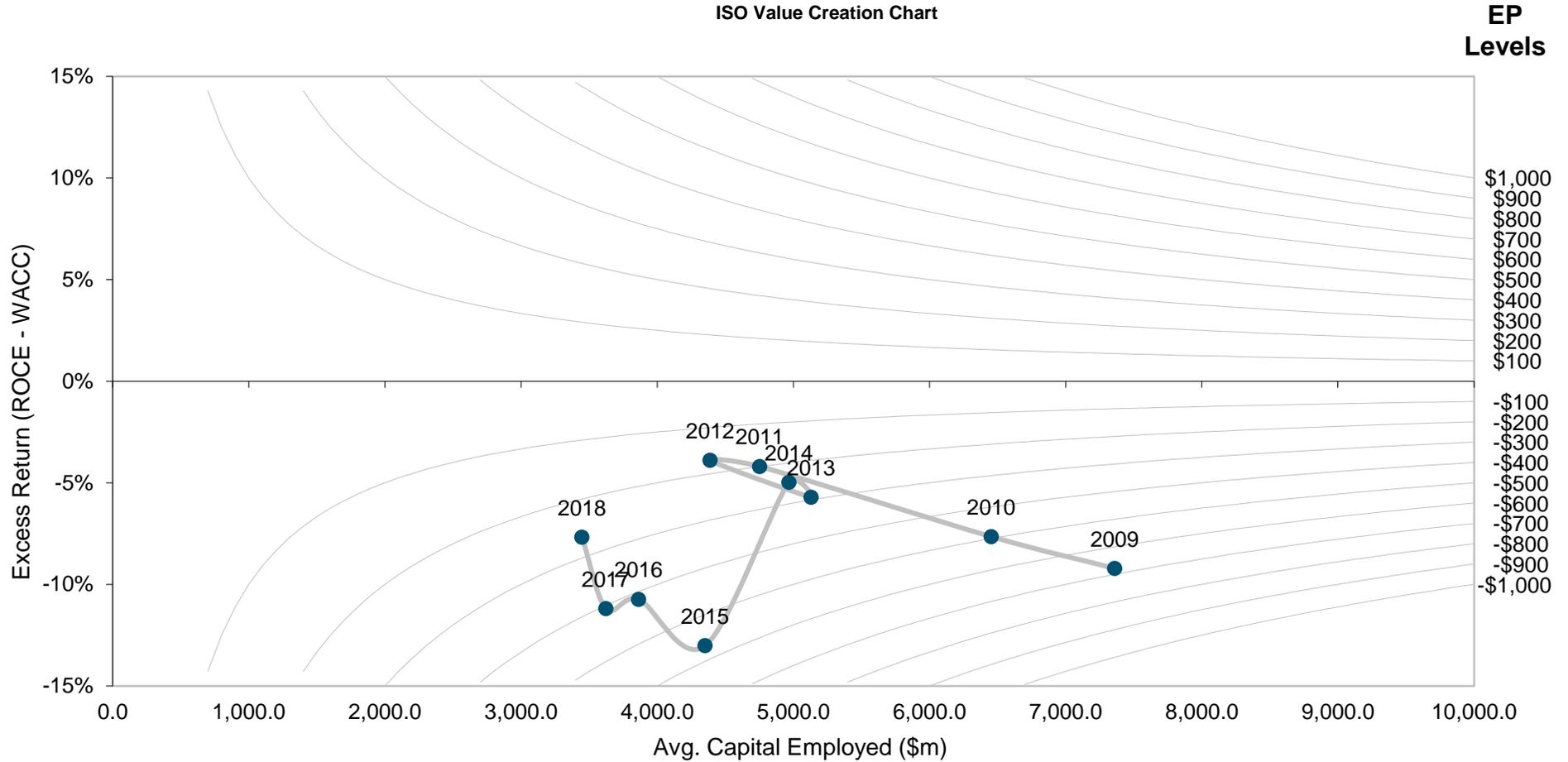
Source: Capital IQ

Value Creation Performance Over Time



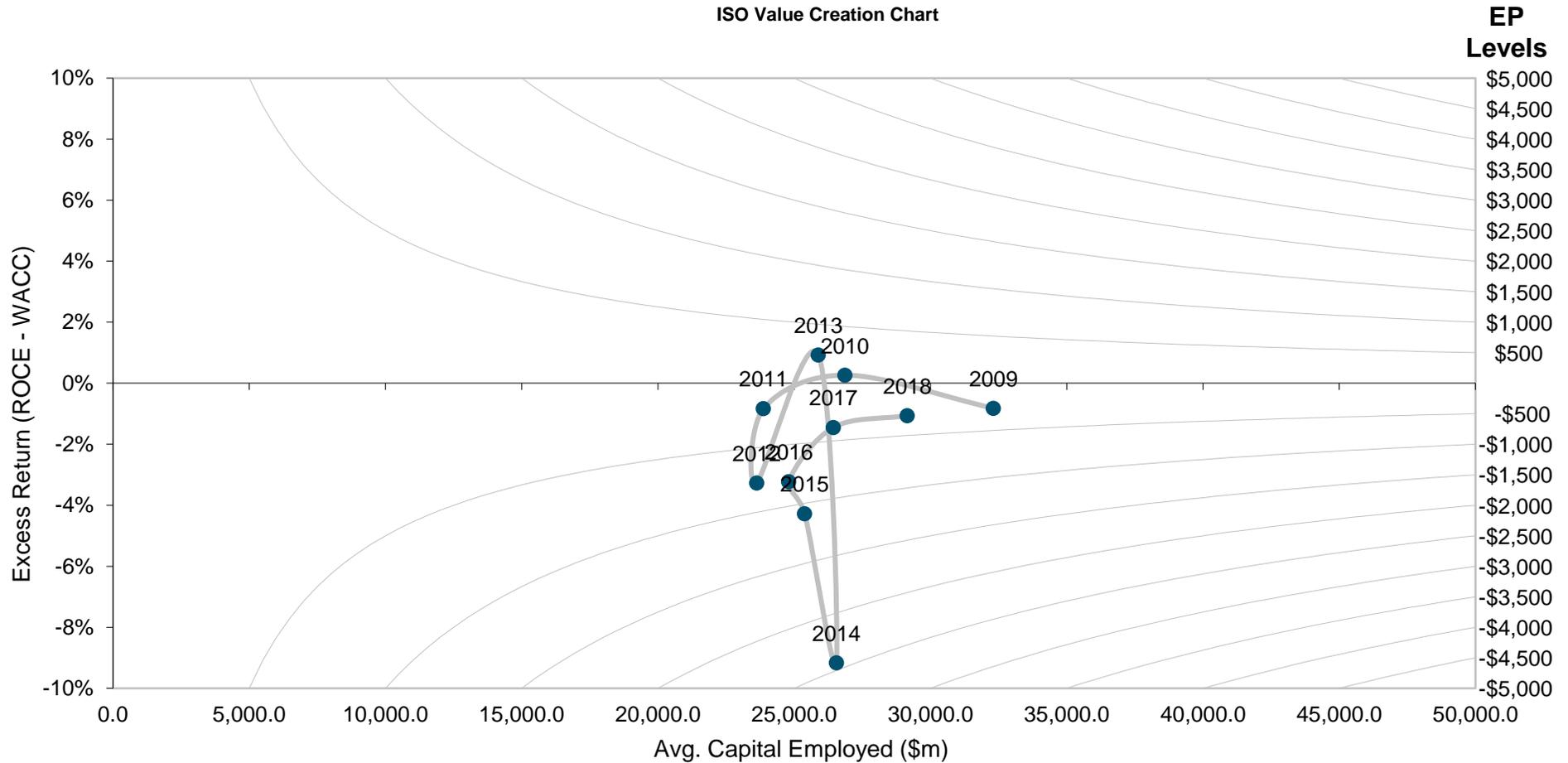
Source: Capital IQ

Value Creation Performance Over Time



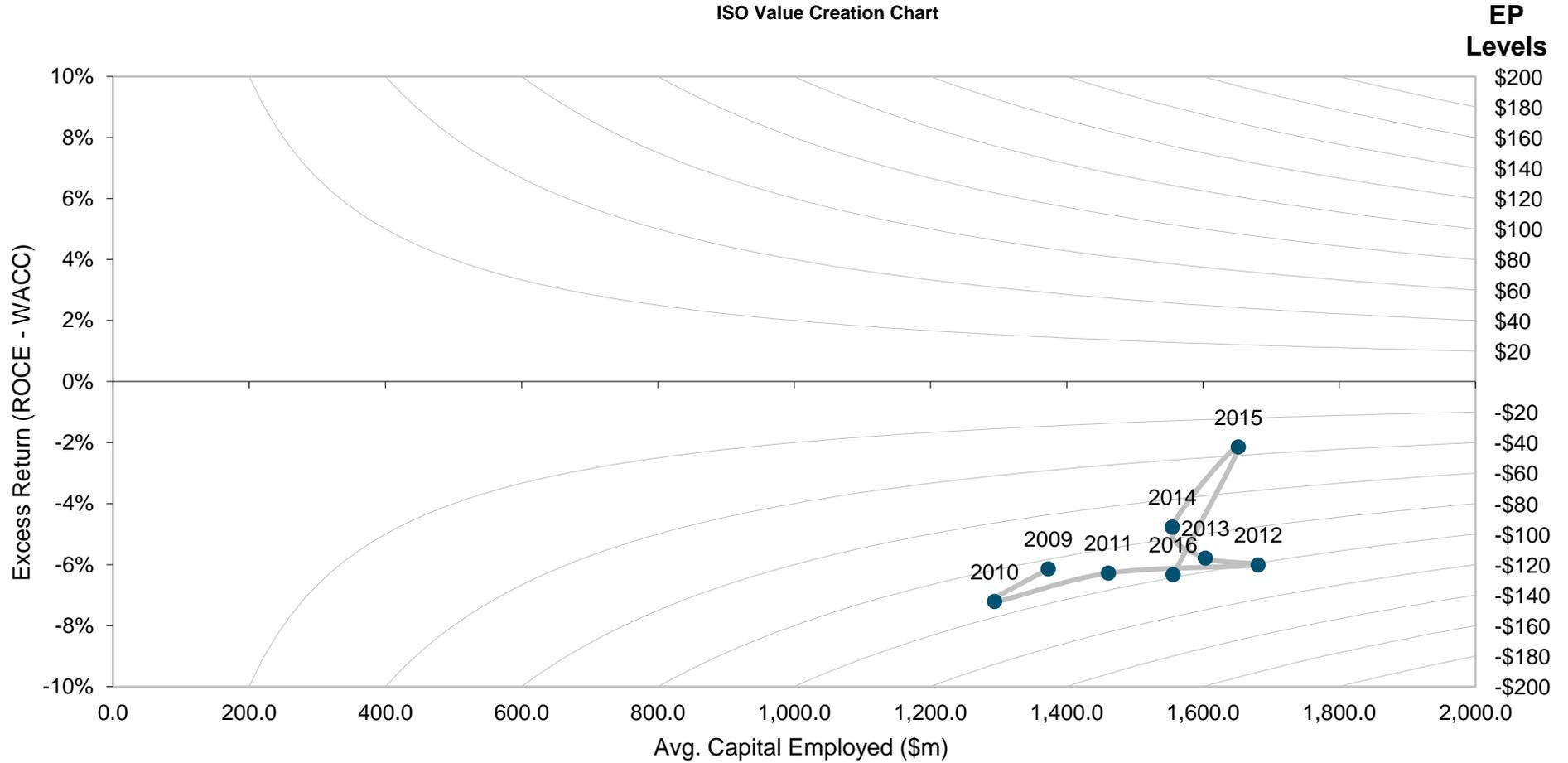
Source: Capital IQ

Value Creation Performance Over Time



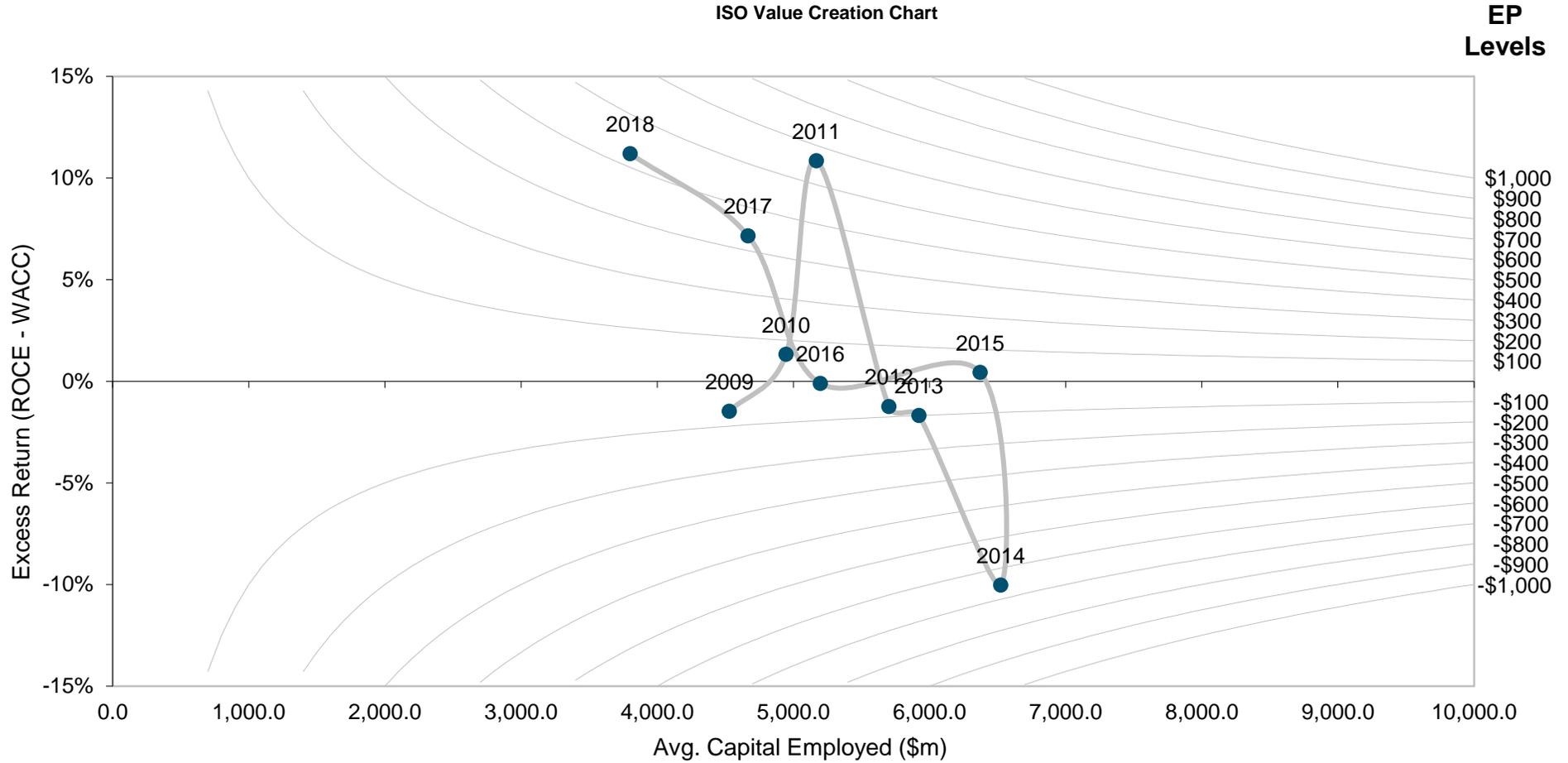
Source: Capital IQ

Value Creation Performance Over Time



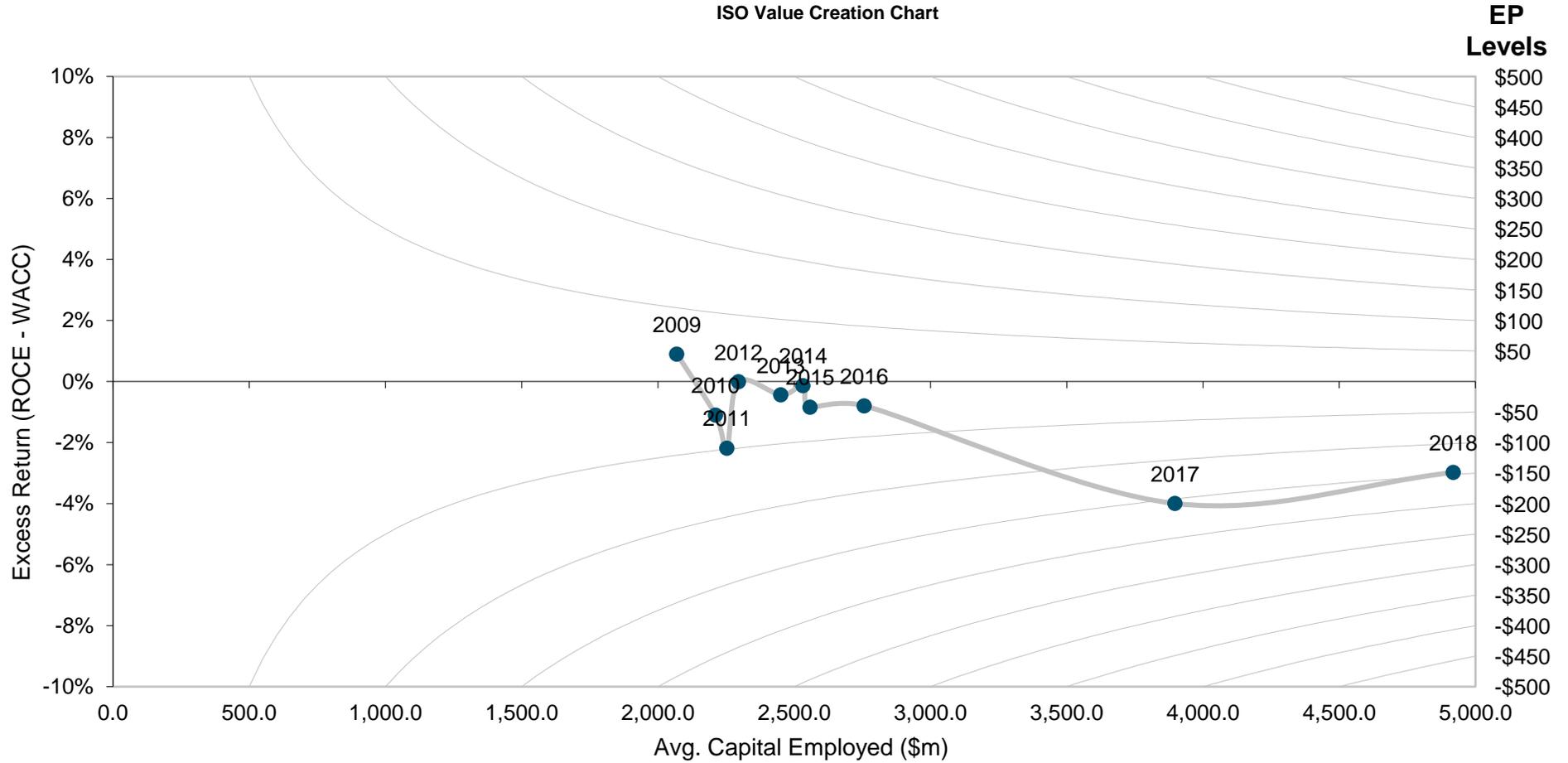
Source: Capital IQ

Value Creation Performance Over Time



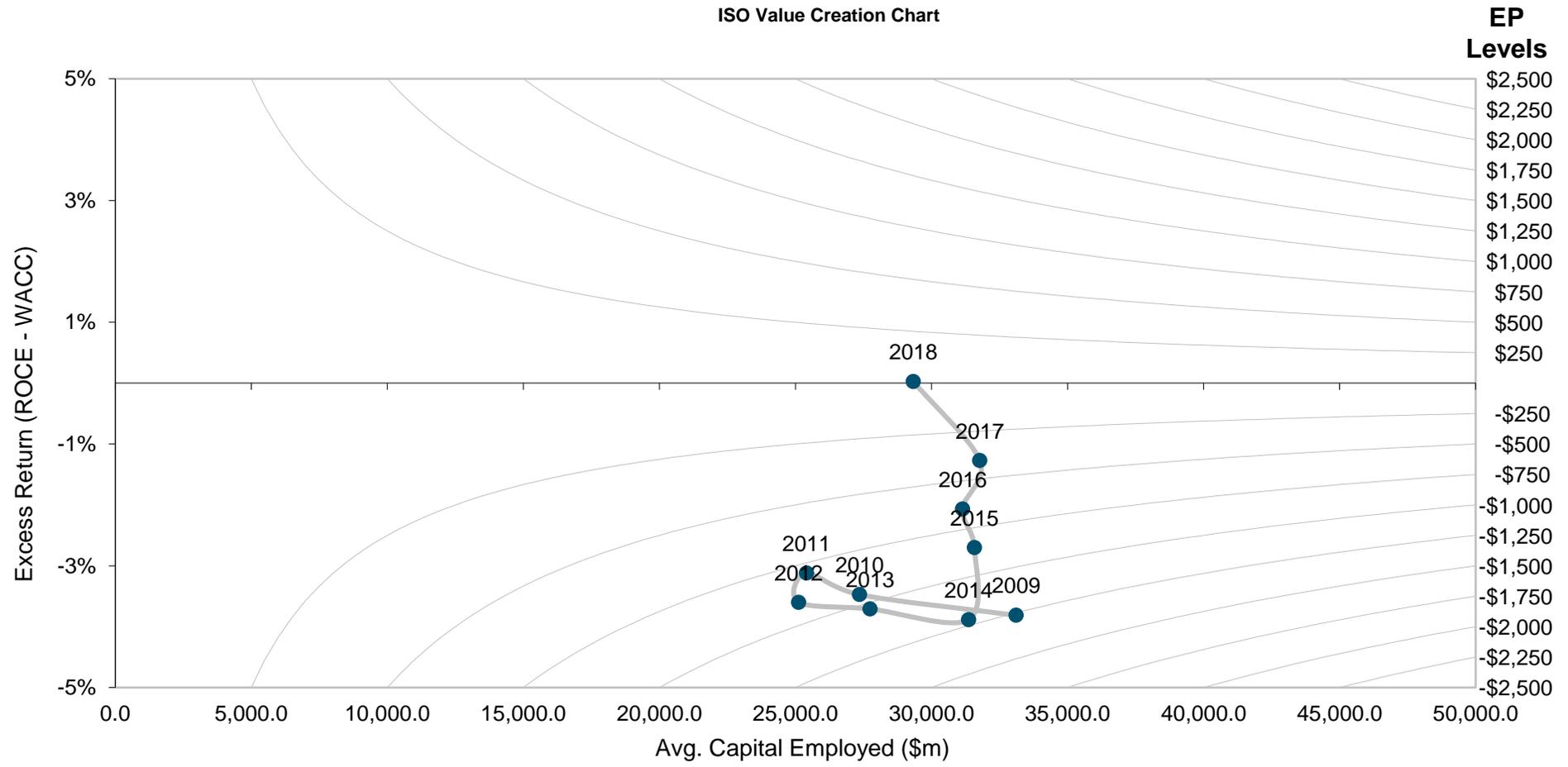
Source: Capital IQ

Value Creation Performance Over Time



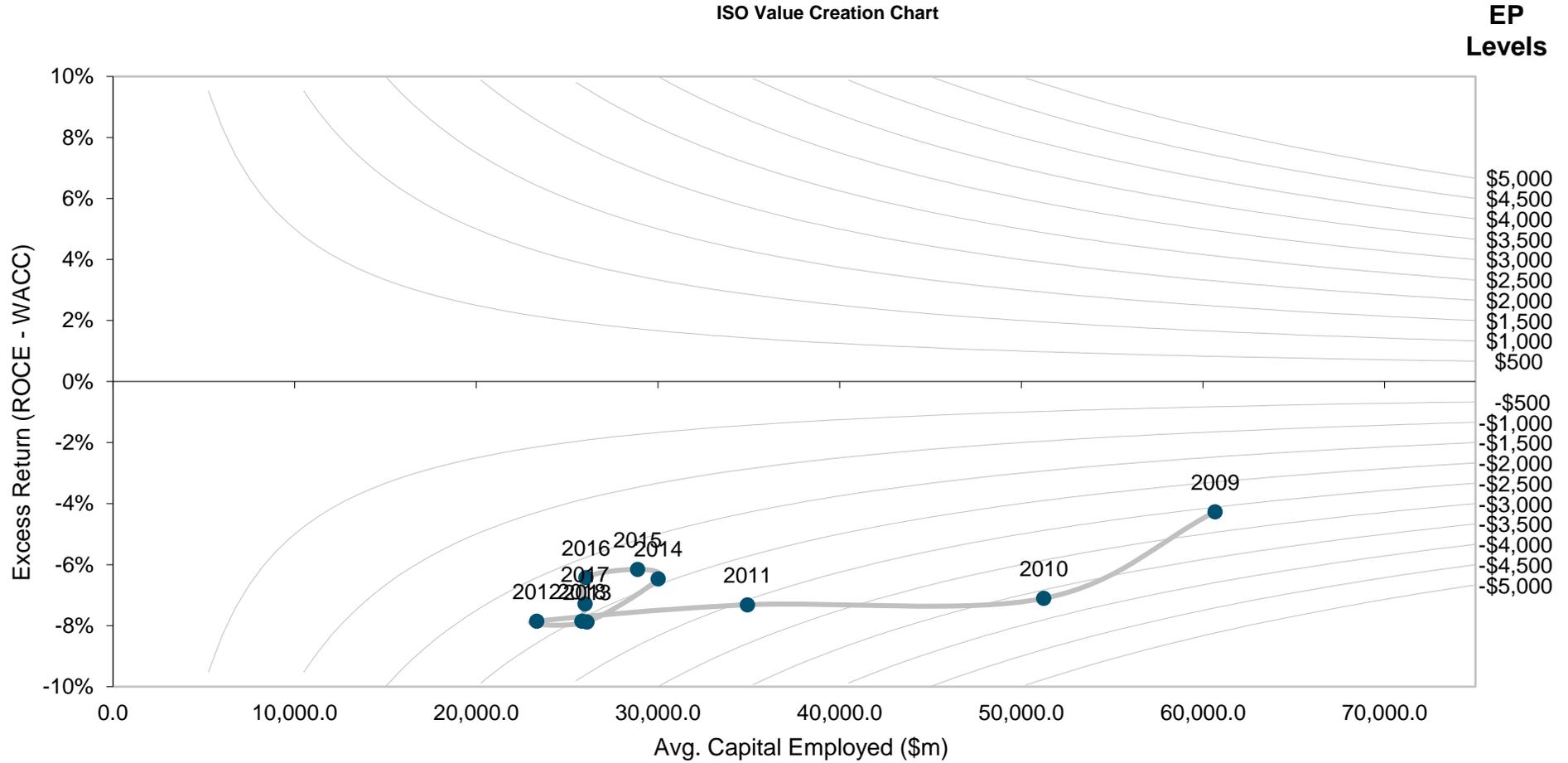
Source: Capital IQ

### Value Creation Performance Over Time



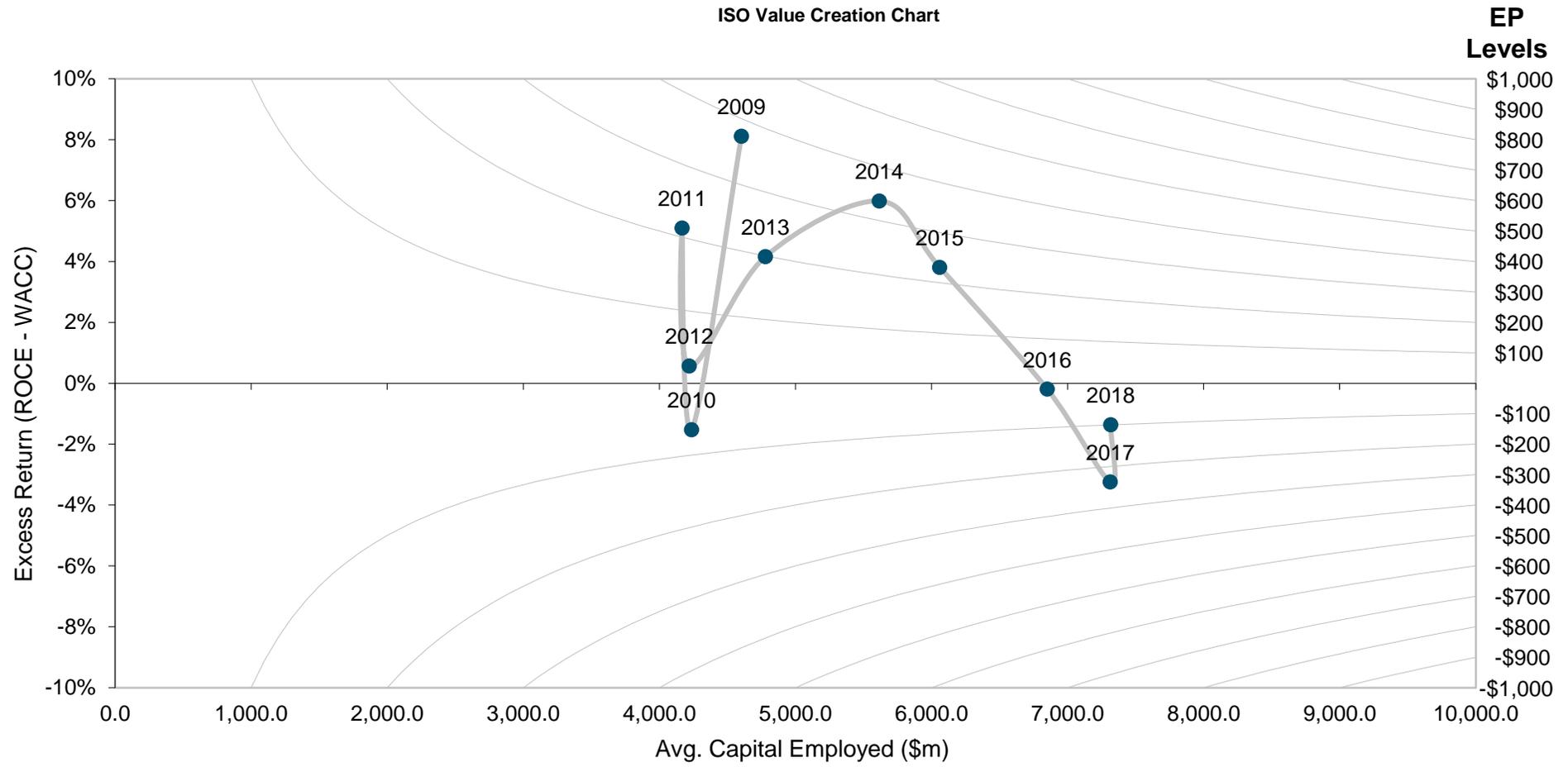
Source: Capital IQ

Value Creation Performance Over Time



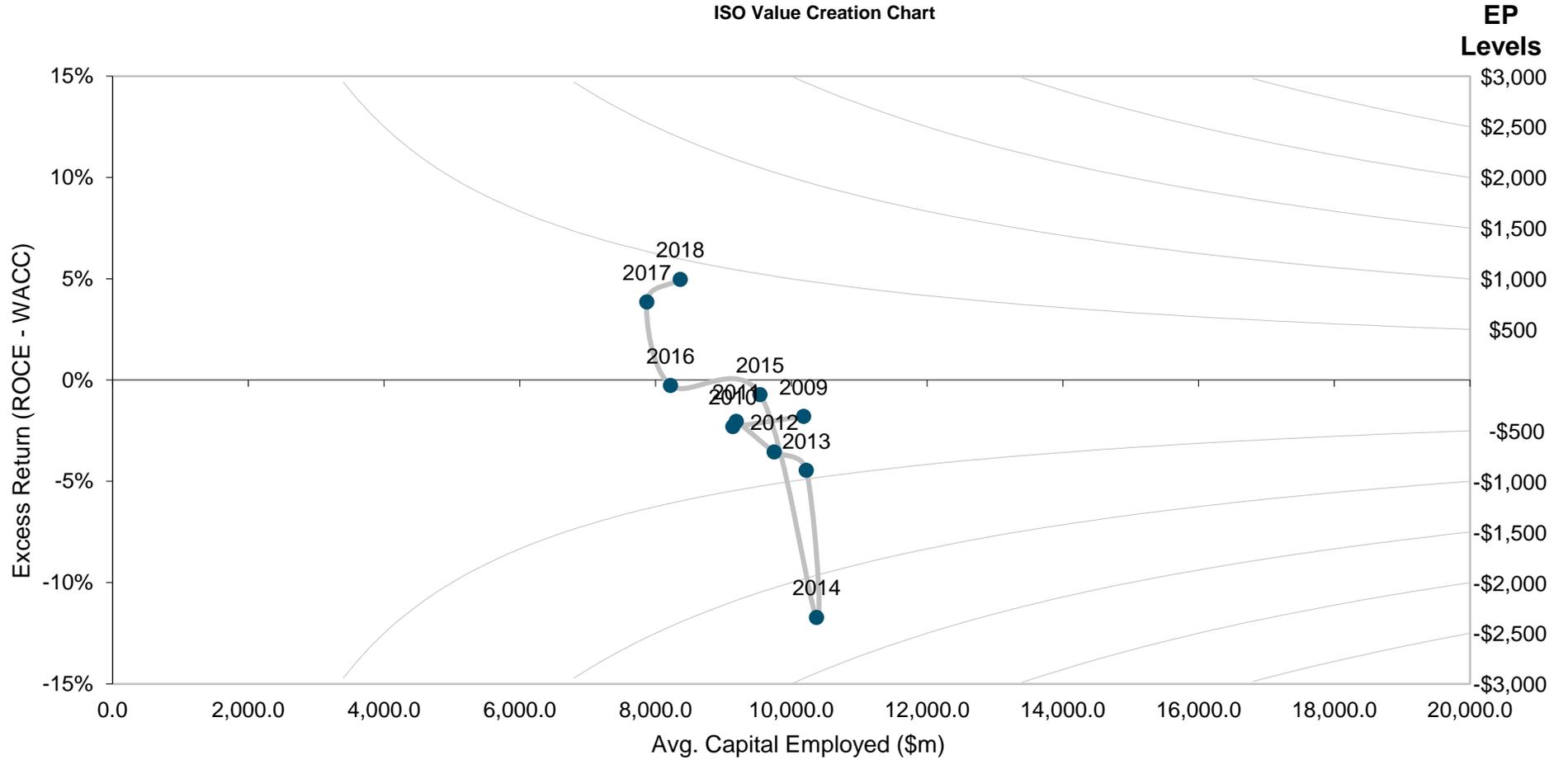
Source: Capital IQ

### Value Creation Performance Over Time



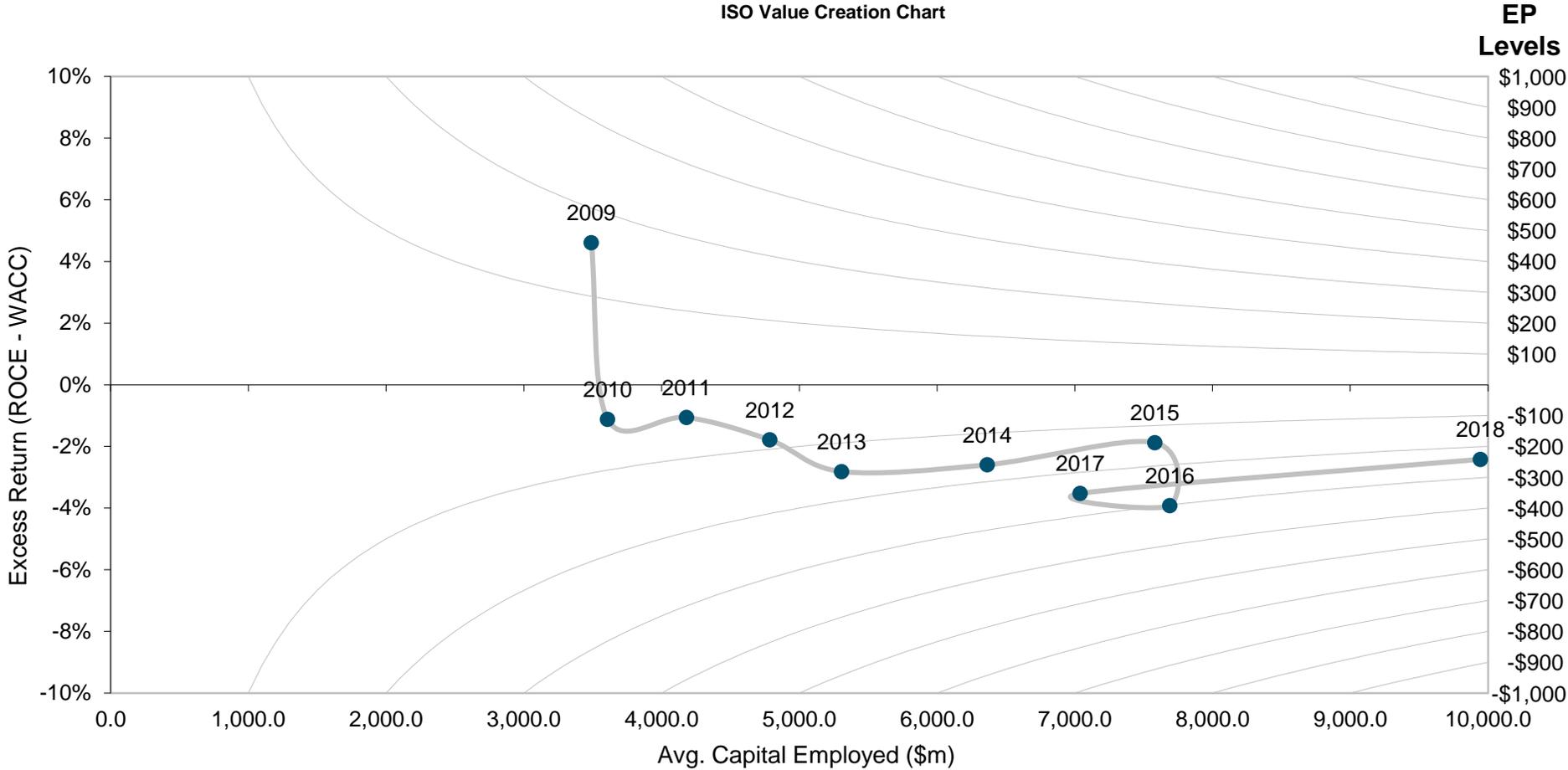
Source: Capital IQ

Value Creation Performance Over Time



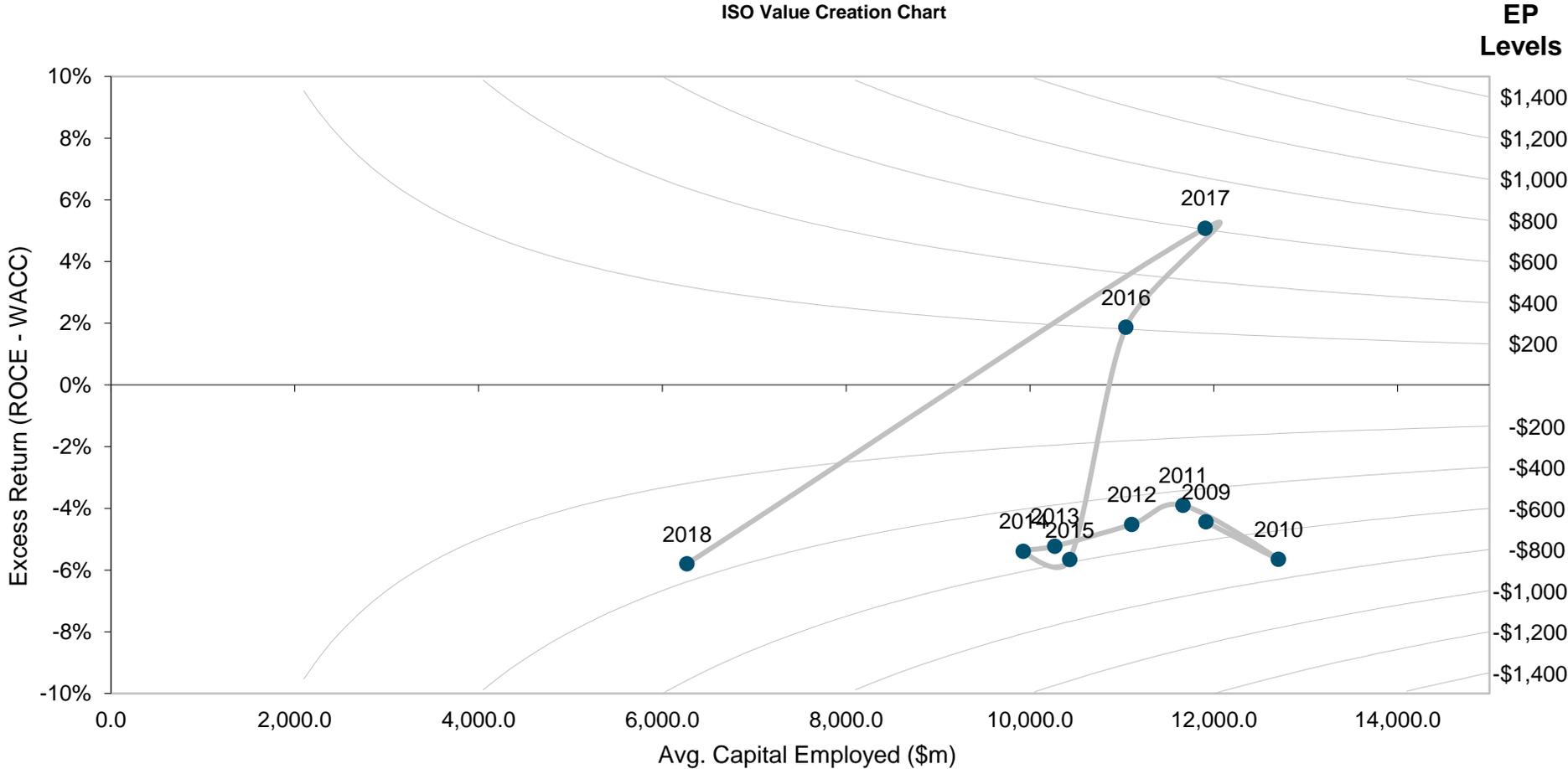
Source: Capital IQ

Value Creation Performance Over Time



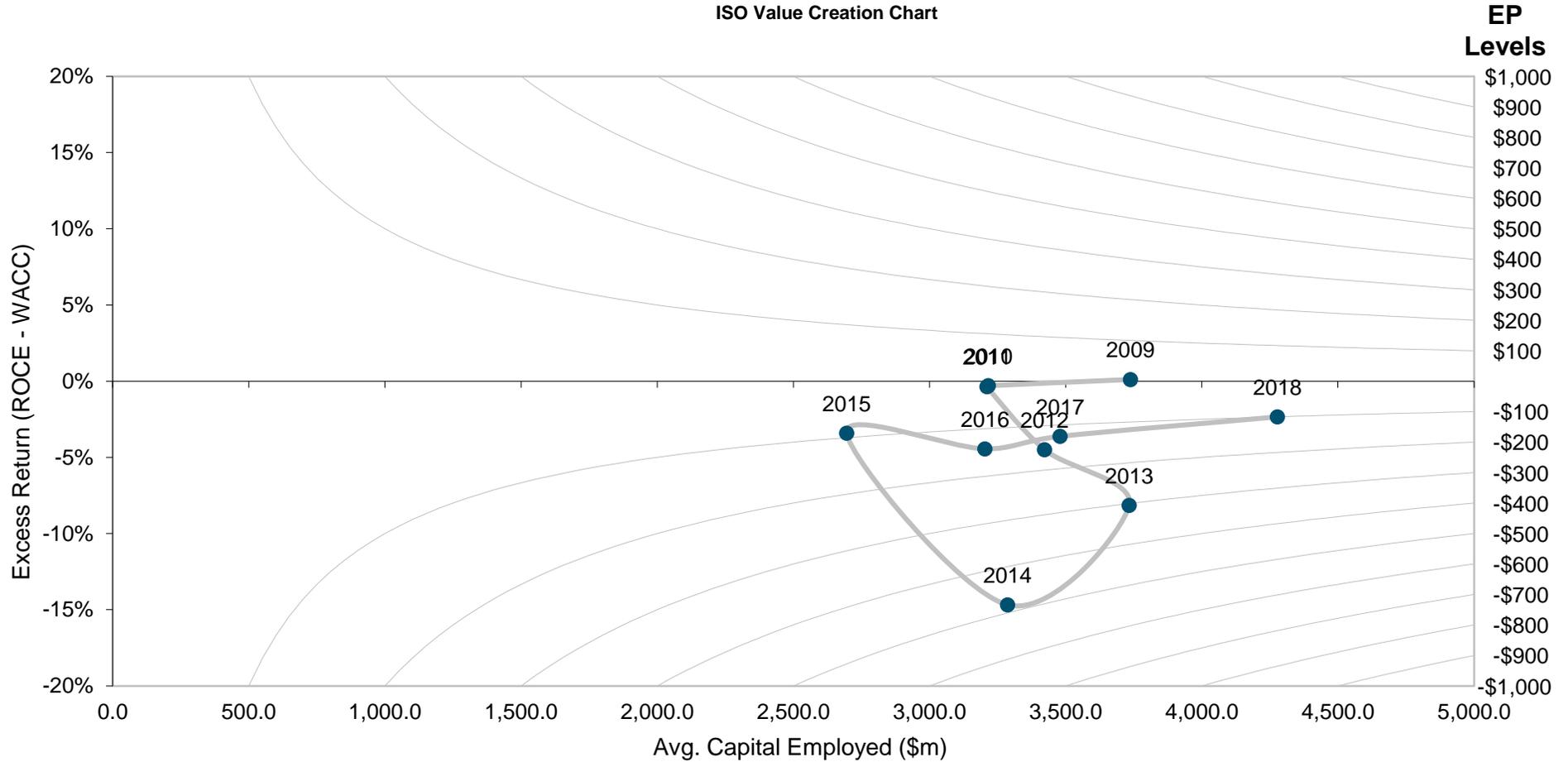
Source: Capital IQ

Value Creation Performance Over Time



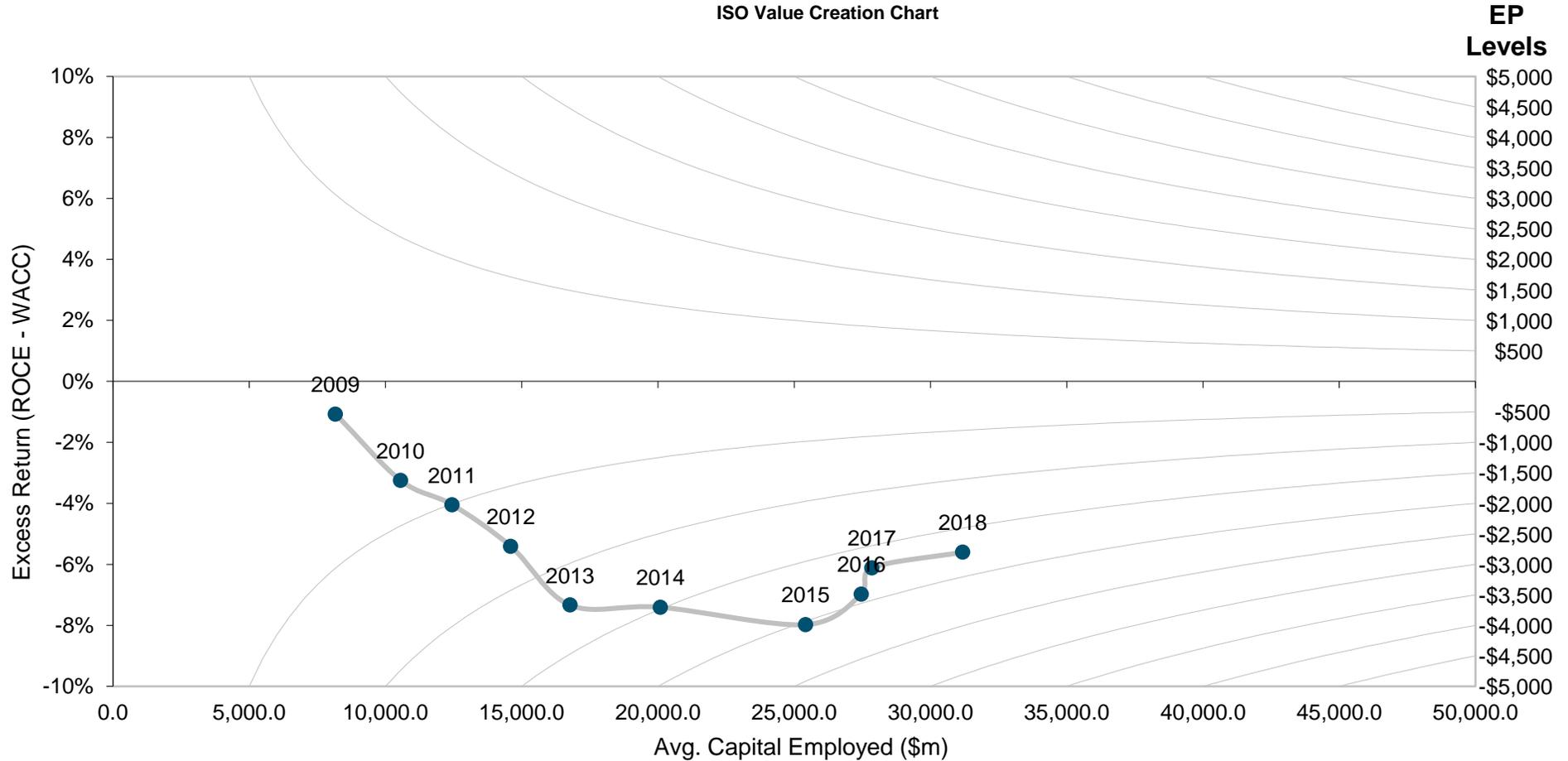
Source: Capital IQ

Value Creation Performance Over Time



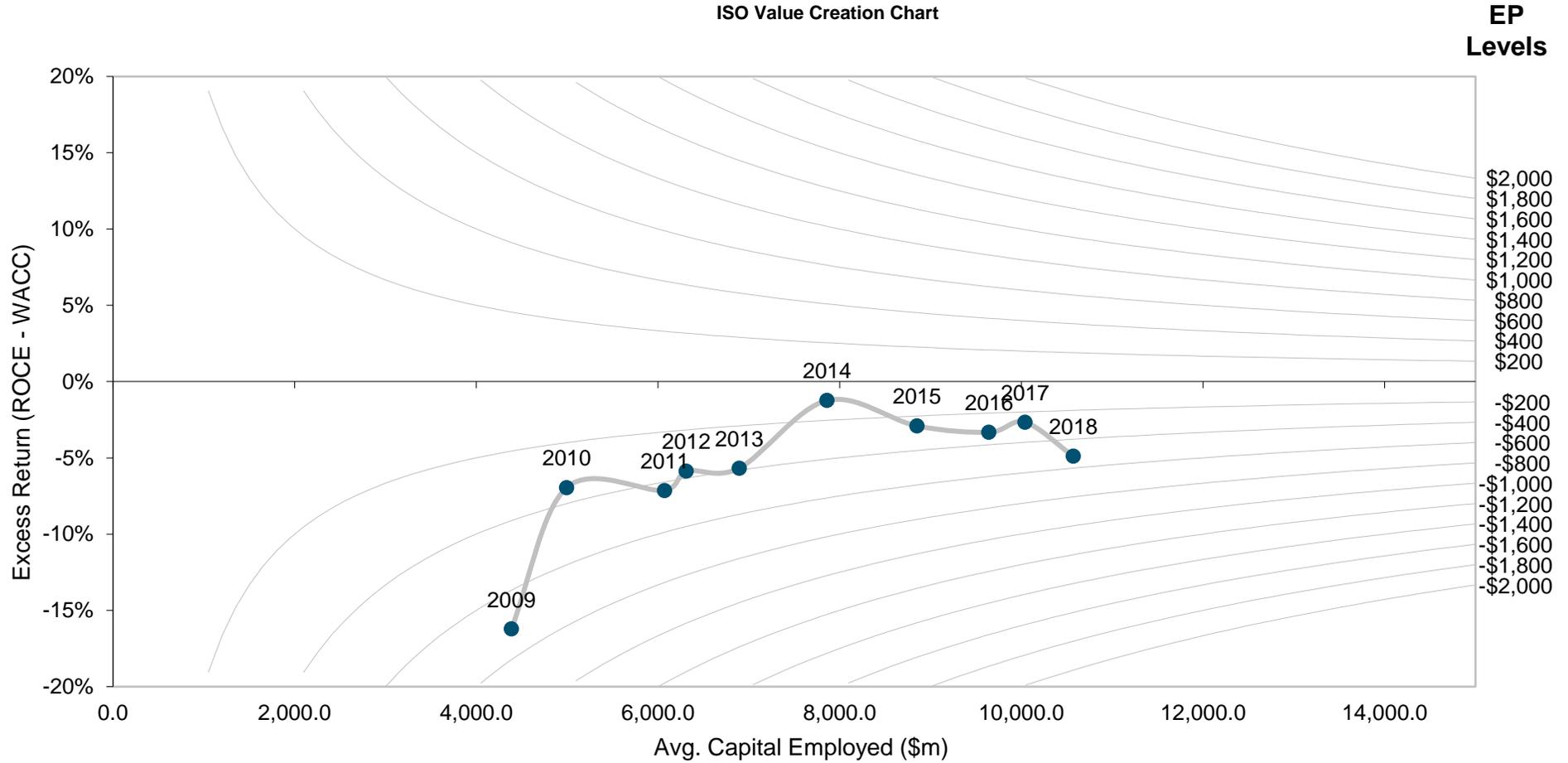
Source: Capital IQ

Value Creation Performance Over Time



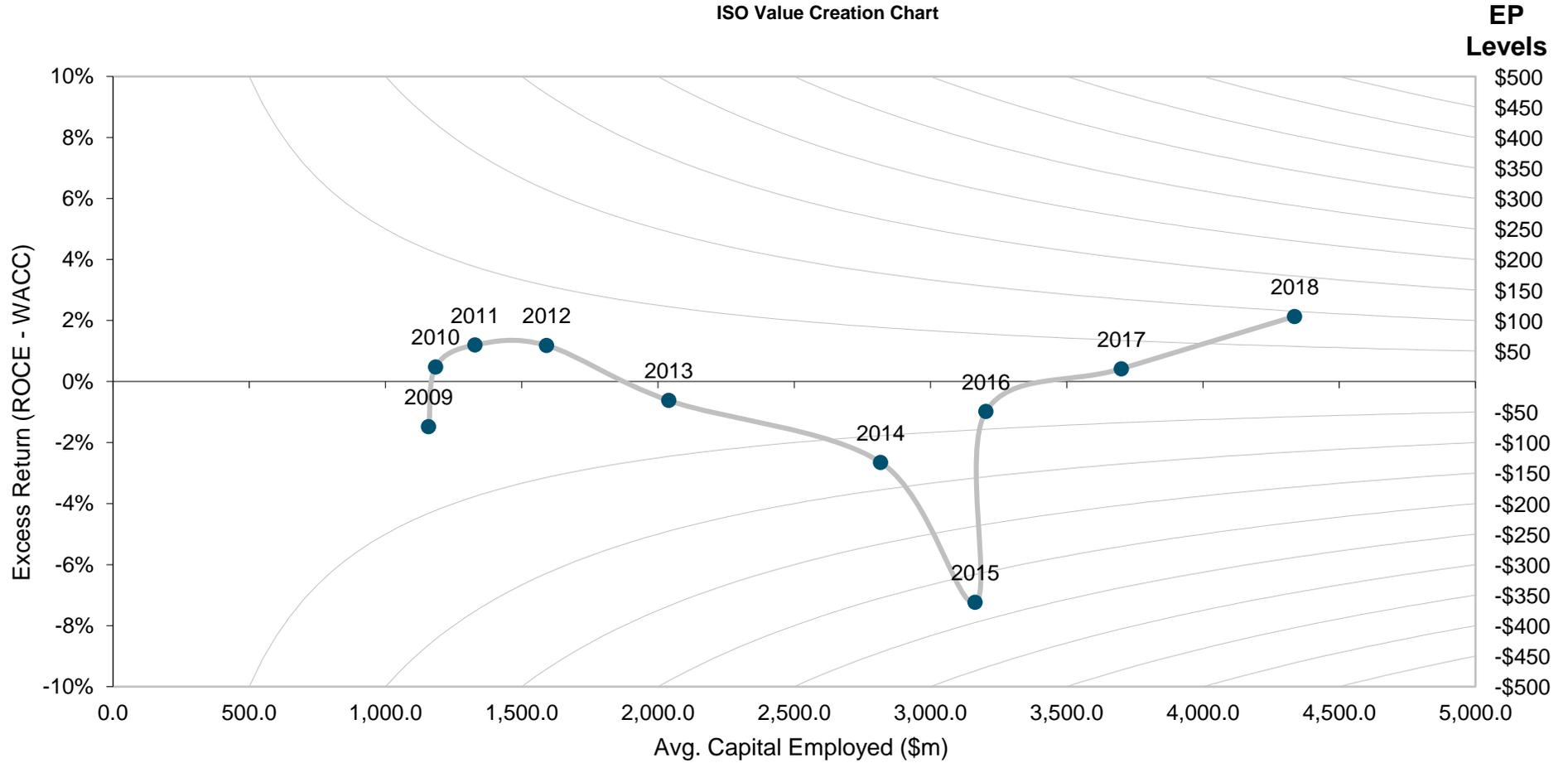
Source: Capital IQ

Value Creation Performance Over Time



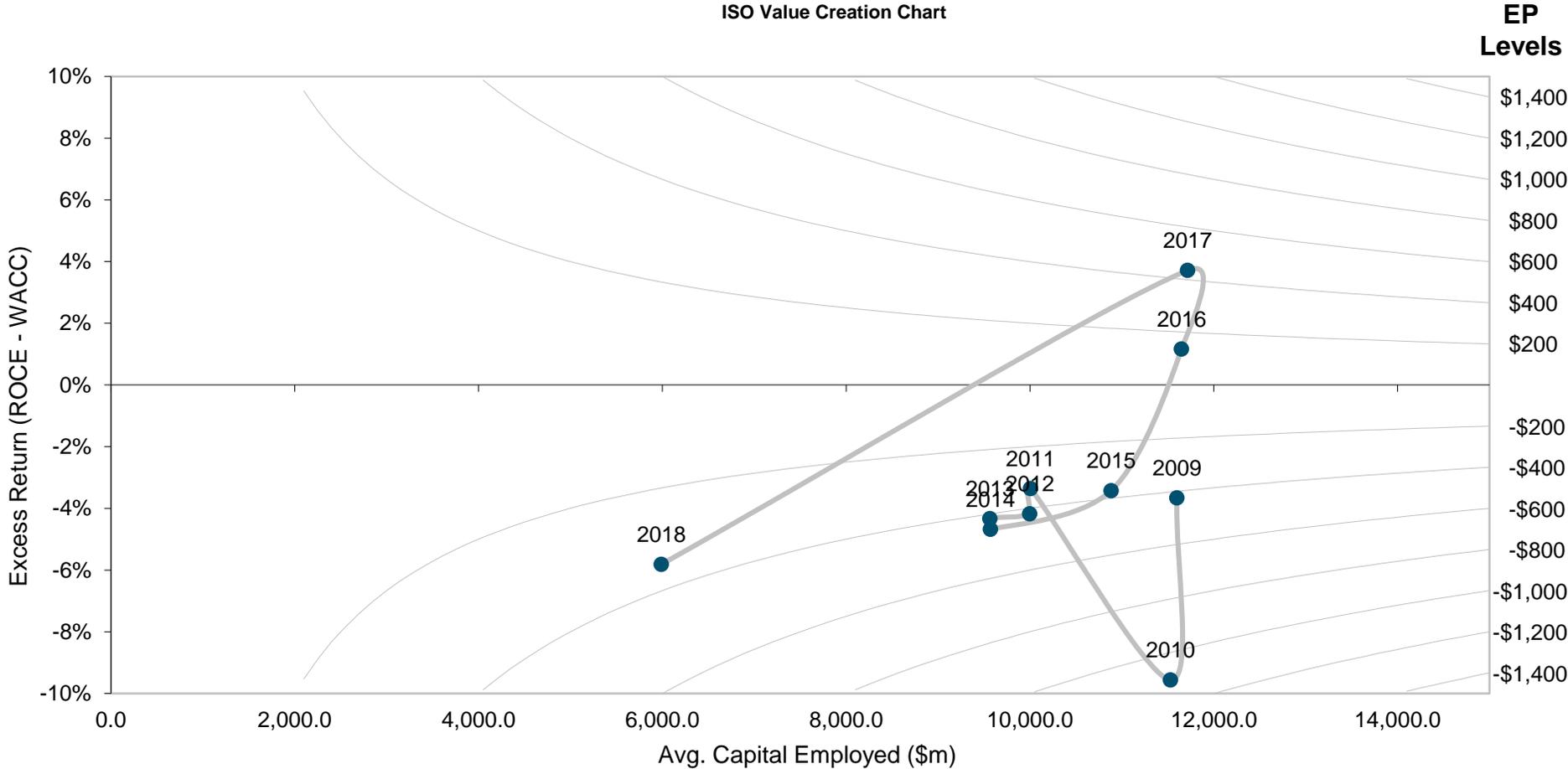
Source: Capital IQ

Value Creation Performance Over Time



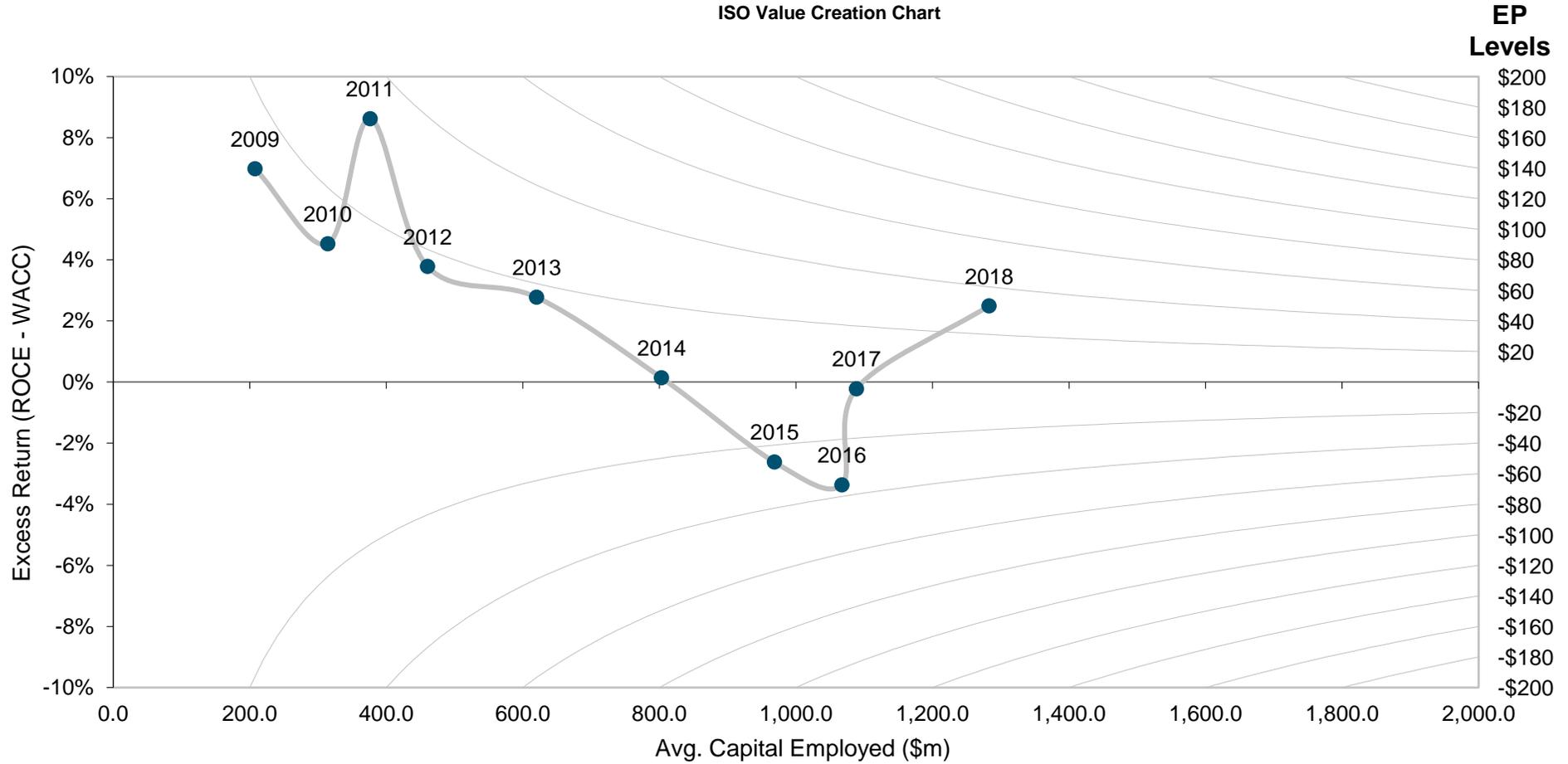
Source: Capital IQ

Value Creation Performance Over Time



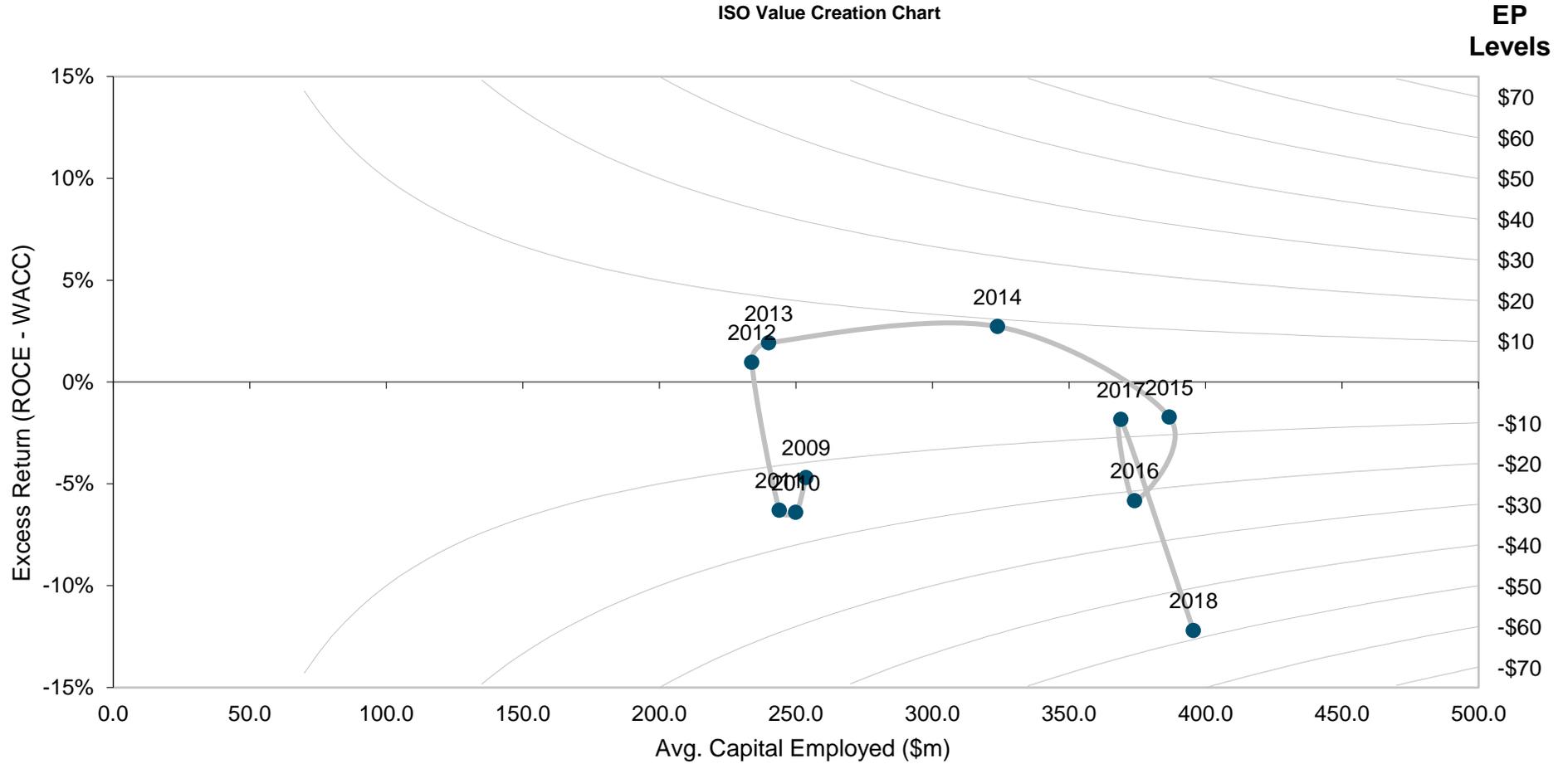
Source: Capital IQ

Value Creation Performance Over Time



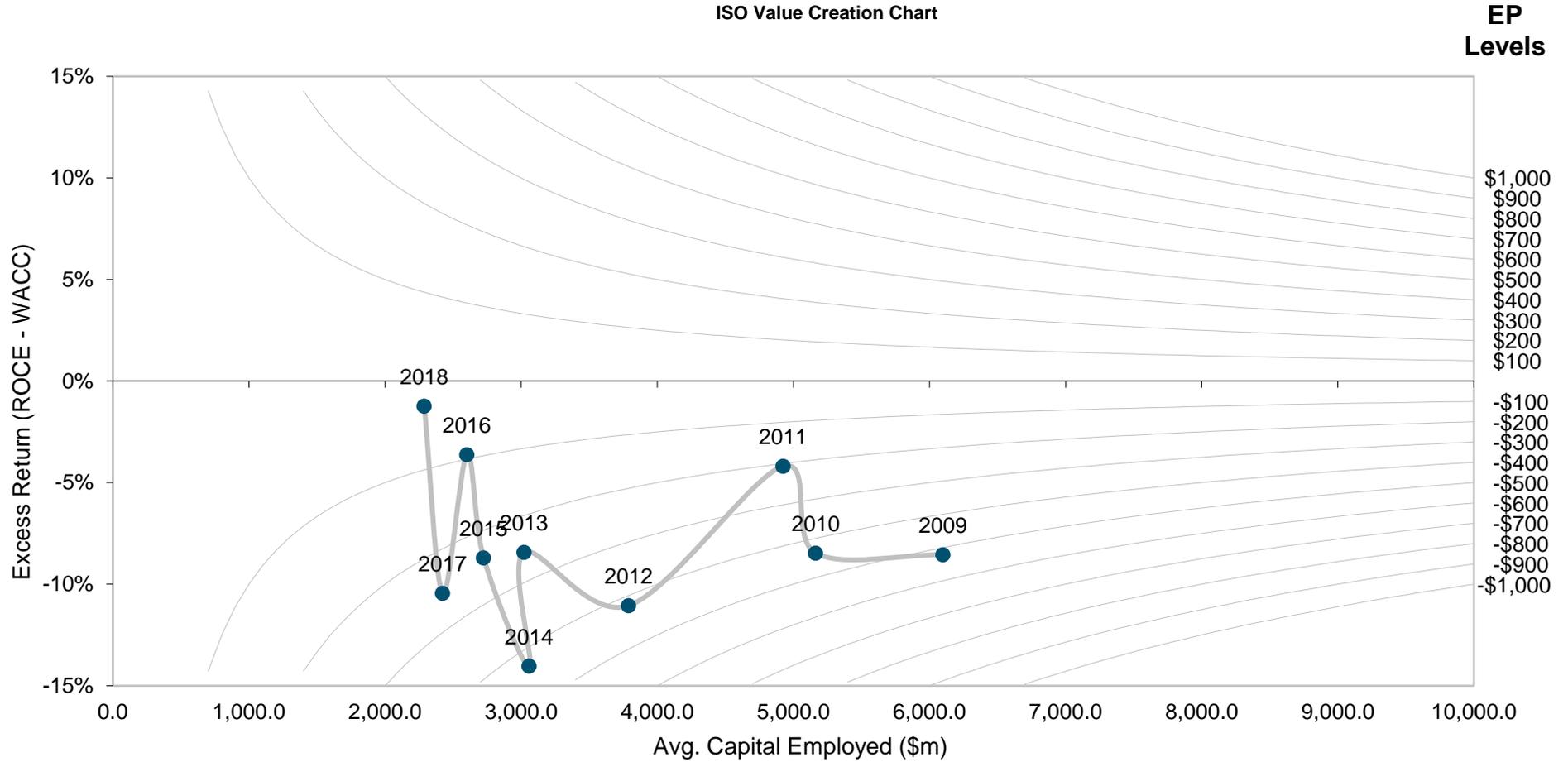
Source: Capital IQ

Value Creation Performance Over Time



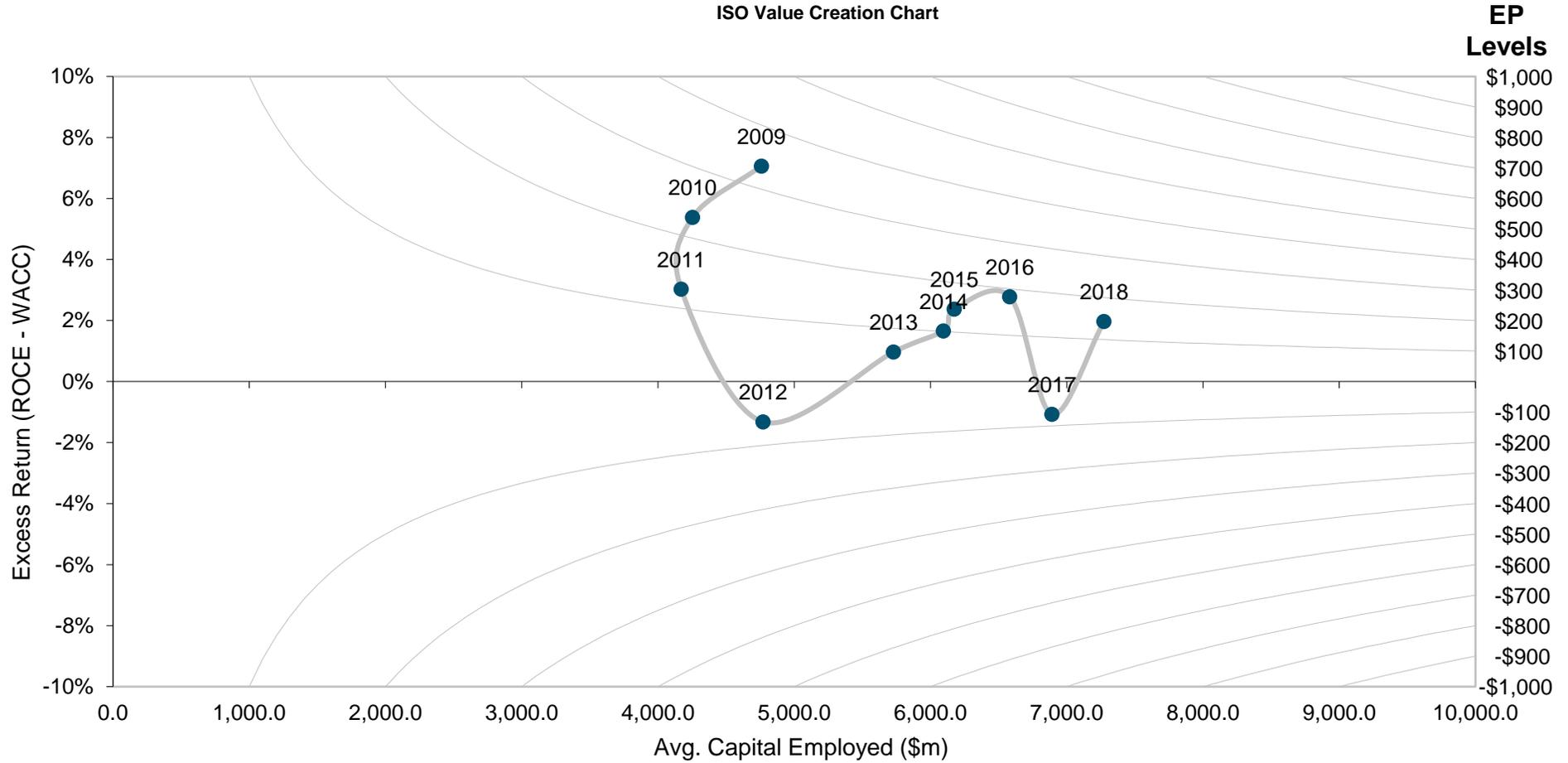
Source: Capital IQ

Value Creation Performance Over Time



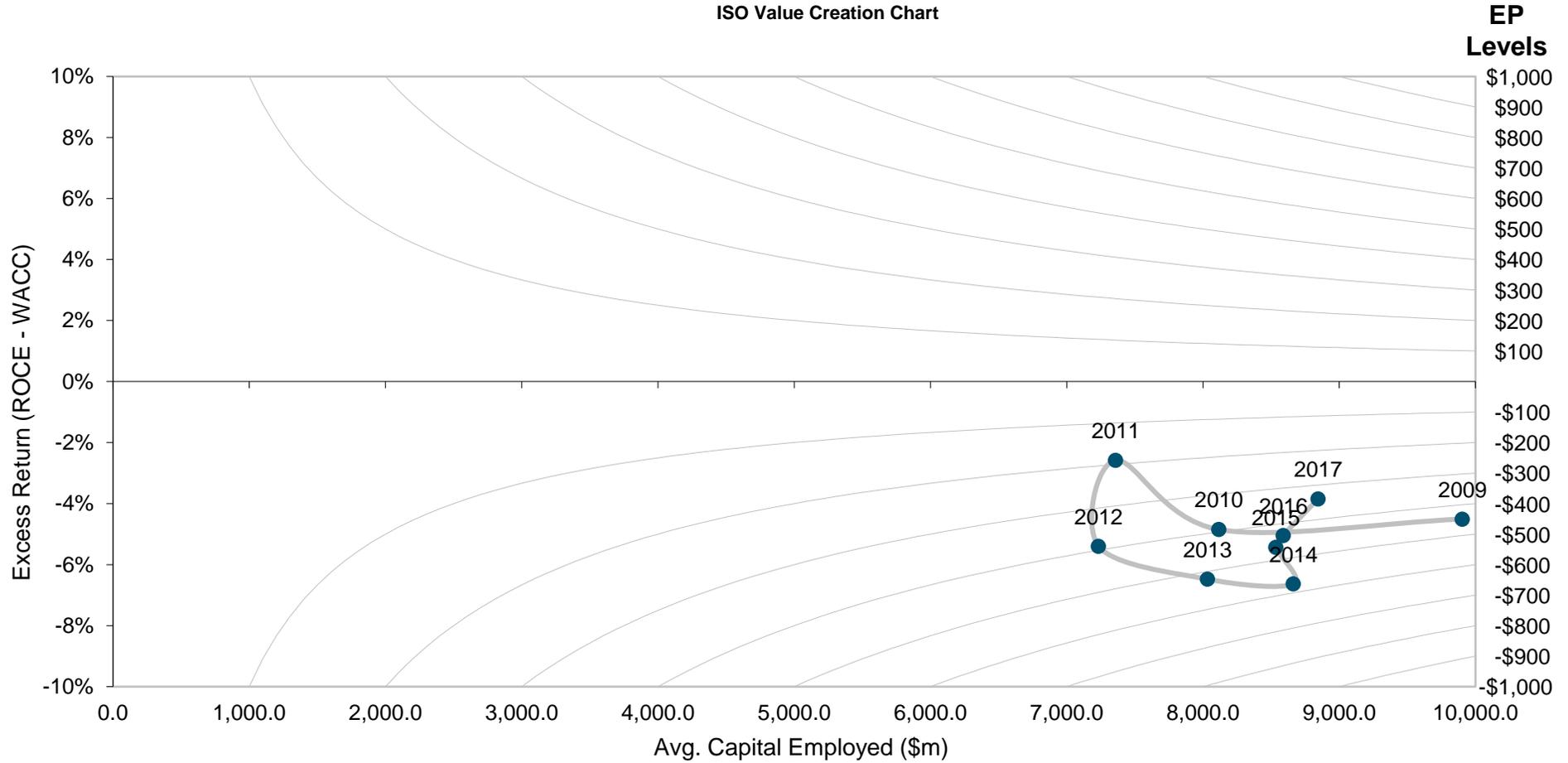
Source: Capital IQ

Value Creation Performance Over Time



Source: Capital IQ

Value Creation Performance Over Time

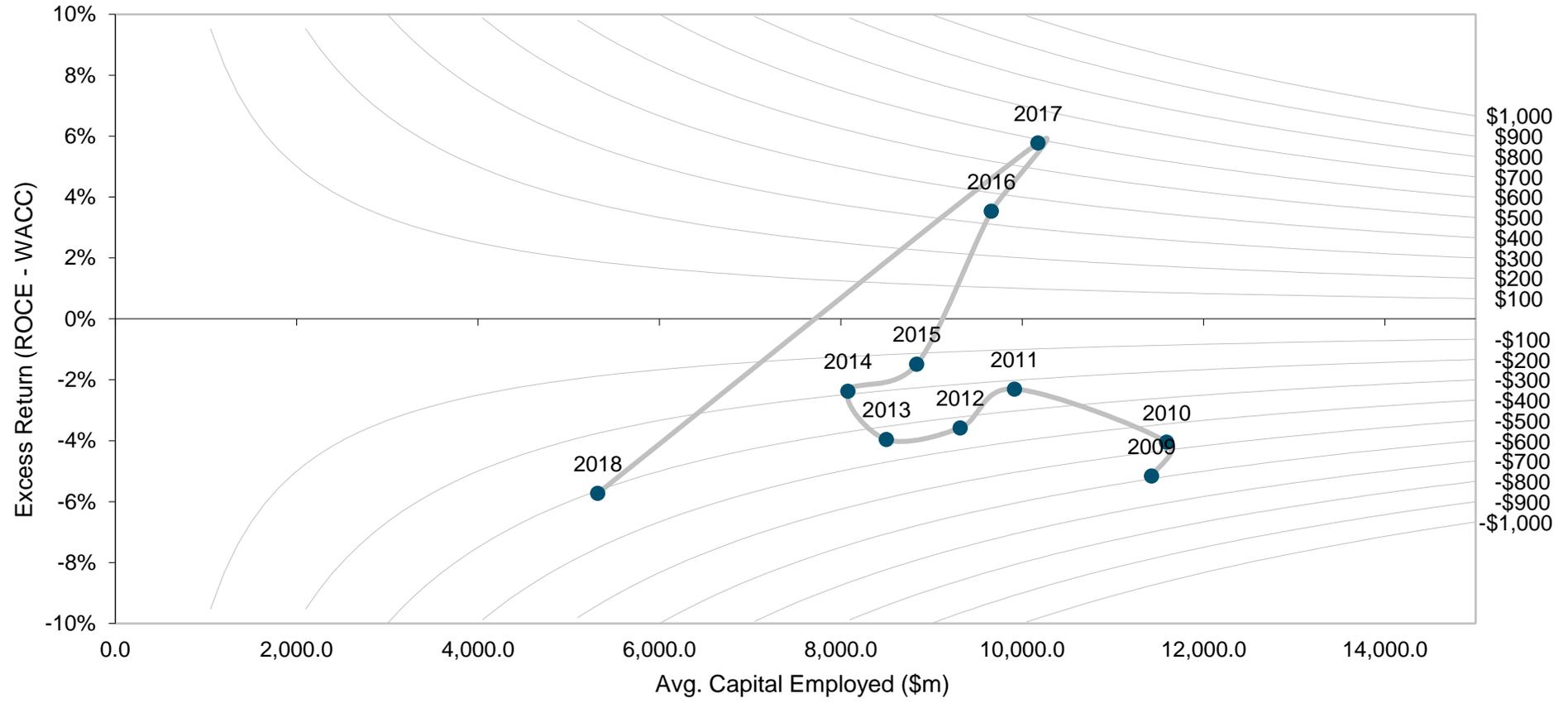


Source: Capital IQ

Value Creation Performance Over Time

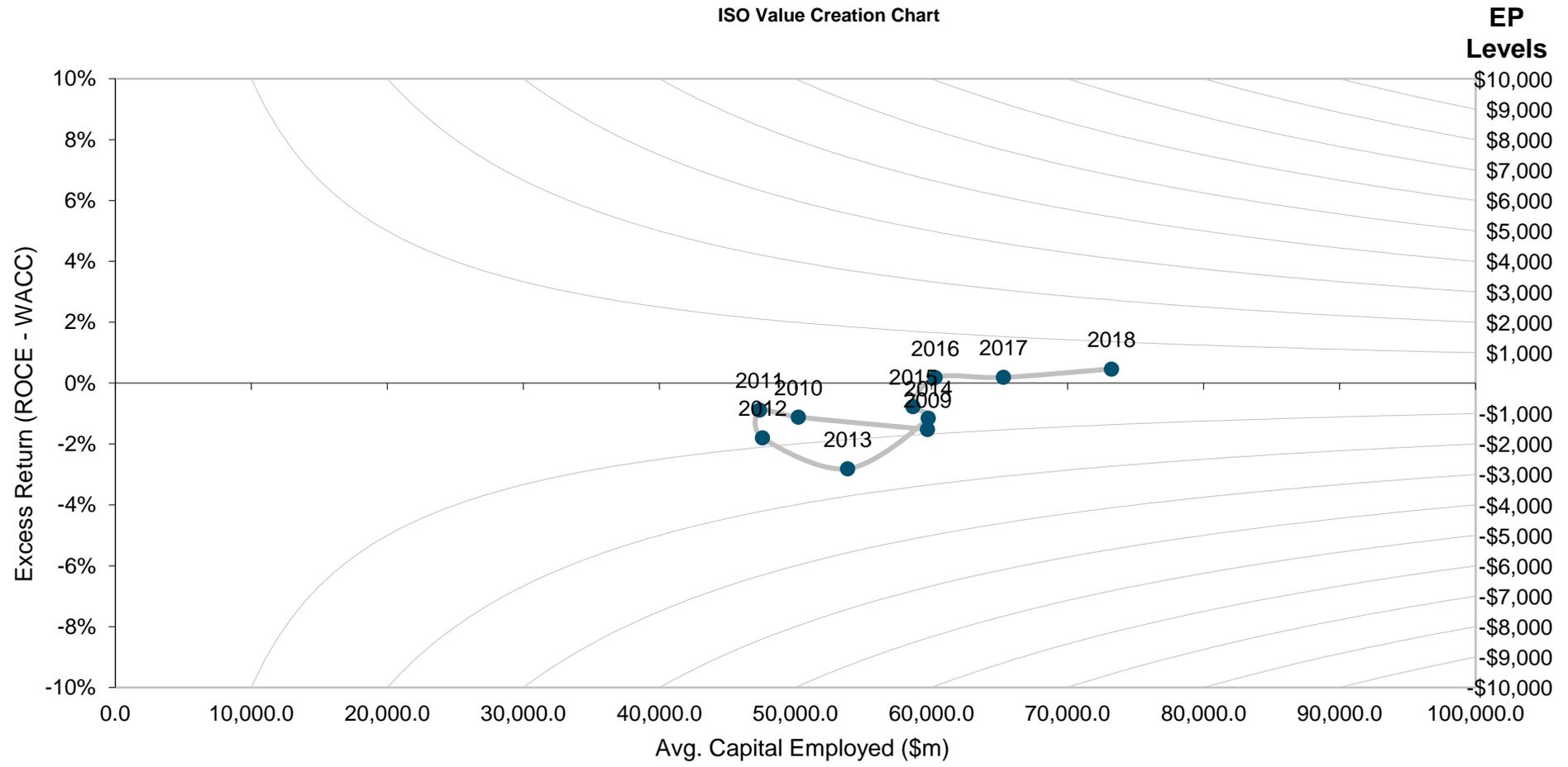
ISO Value Creation Chart

EP Levels



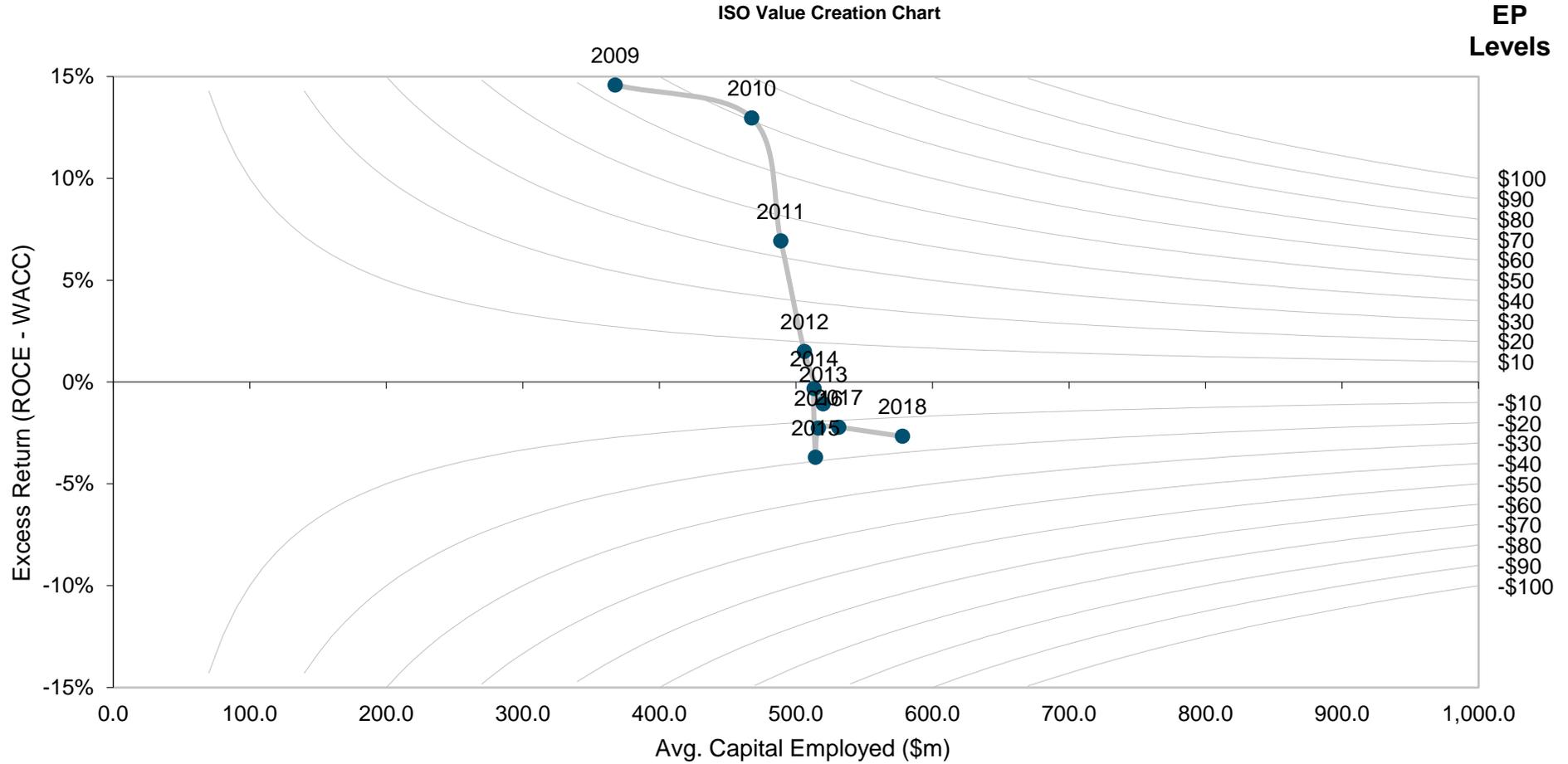
Source: Capital IQ

Value Creation Performance Over Time



Source: Capital IQ

Value Creation Performance Over Time



Source: Capital IQ



# Mainsheet Capital

Sydney - Level 2, 35 Clarence Street  
Sydney NSW 2000

Perth - Level 3, London House  
216 St Georges Terrace  
Perth, WA 6000

+61 2 8004 9907  
info@mainsheet.com.au  
www.mainsheet.com.au

## CONTACT MAINSHEET CAPITAL – EAST COAST

---

SHANE MCEWEN

P: +61 438 462 624  
E: shane.mcewen@mainsheet.com.au

STEPHEN D'ALESSANDRO

P: +61 413 926 200  
E: stephen.dalessandro@mainsheet.com.au

STUART BANHAM

P: +61 422 919 761  
E: stuart.banham@mainsheet.com.au

## CONTACT MAINSHEET CAPITAL – WEST COAST

---

MAURICE ARGENTO

P: +61 409 992 376  
E: maurice.argento@mainsheet.com.au

BILL BENT

P: +61 433 790 070  
E: bill.bent@mainsheet.com.au

GERARD MOODY

P: +61 419 402 340  
E: gerard.moody@mainsheet.com.au