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Engineering Sector

Performance Analysis of a Sample of Listed
Engineering Companies

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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 engineering companies. Analysis of construction, infrastructure management, mining service and O&G services sectors and companies 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 construction and engineering companies to position themselves to maximise their growth potential and value creating performance by addressing issues such as those outlined below.

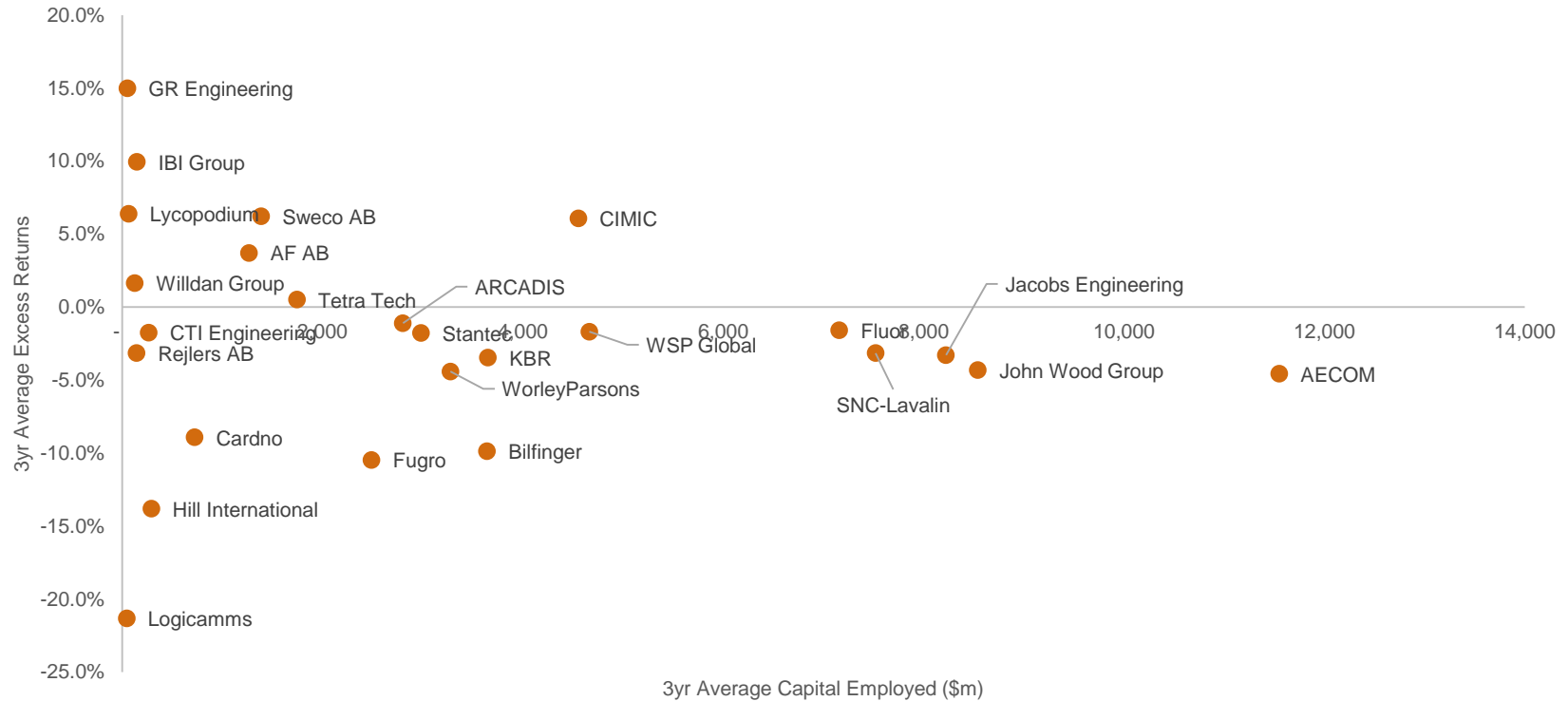
- Have you got clear and fact-based strategic plan to guide your direction and key decisions?
- Have you got all of the operational and technical capabilities to match new customer needs?
- Have you got the right geographic and sector footprint?
- Do you have the optimal business size and shape?
- Have 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 several smaller and less asset intensive companies were economically profitable as was CIMIC which is mid sized in global terms but which has been a standout performer in recent years.

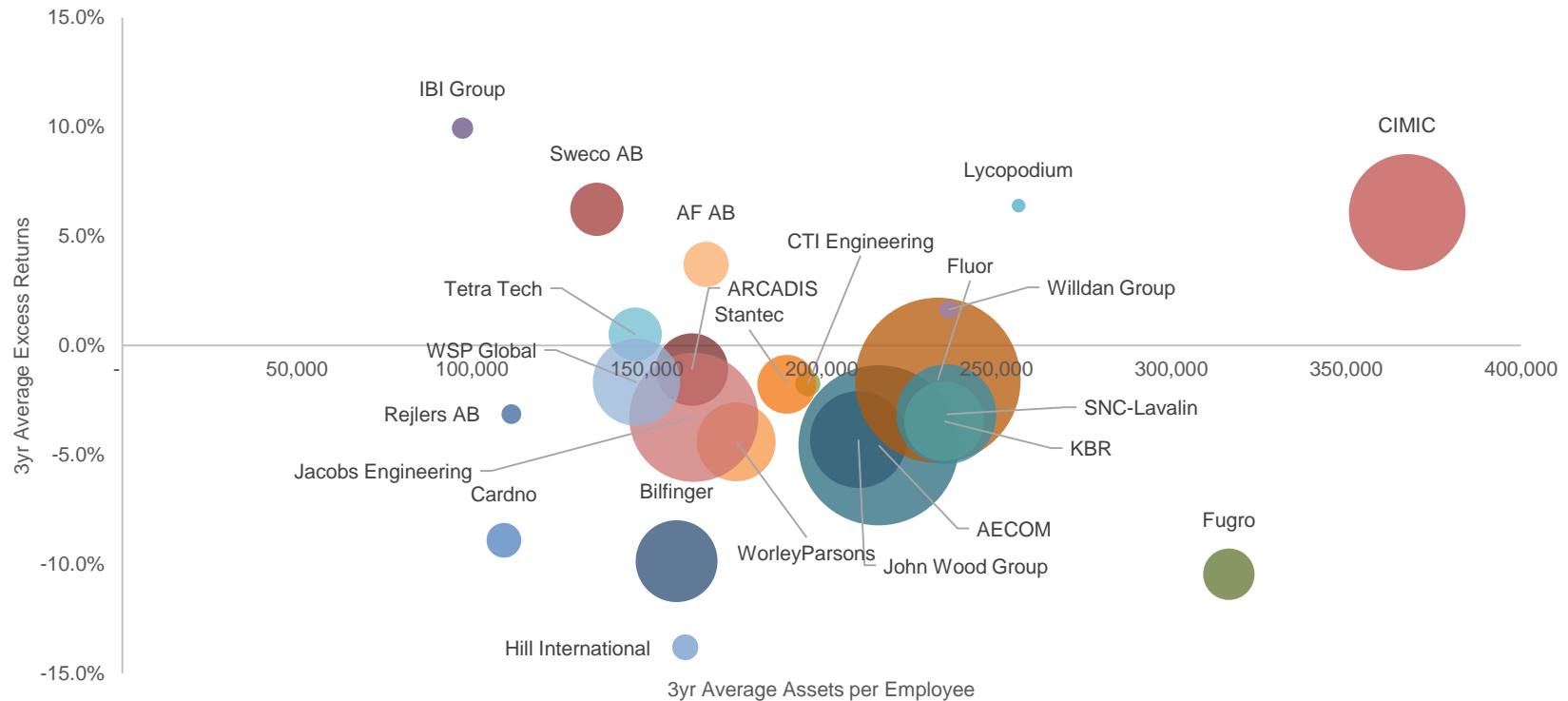
3yr Average Capital Employed vs. 3yr Average Excess Returns
 FY16 – FY18
 (\$m, %)



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

The majority of companies reviewed were economically unprofitable on average between 2016 – 2018 which is the most recent set of data available at this time.

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

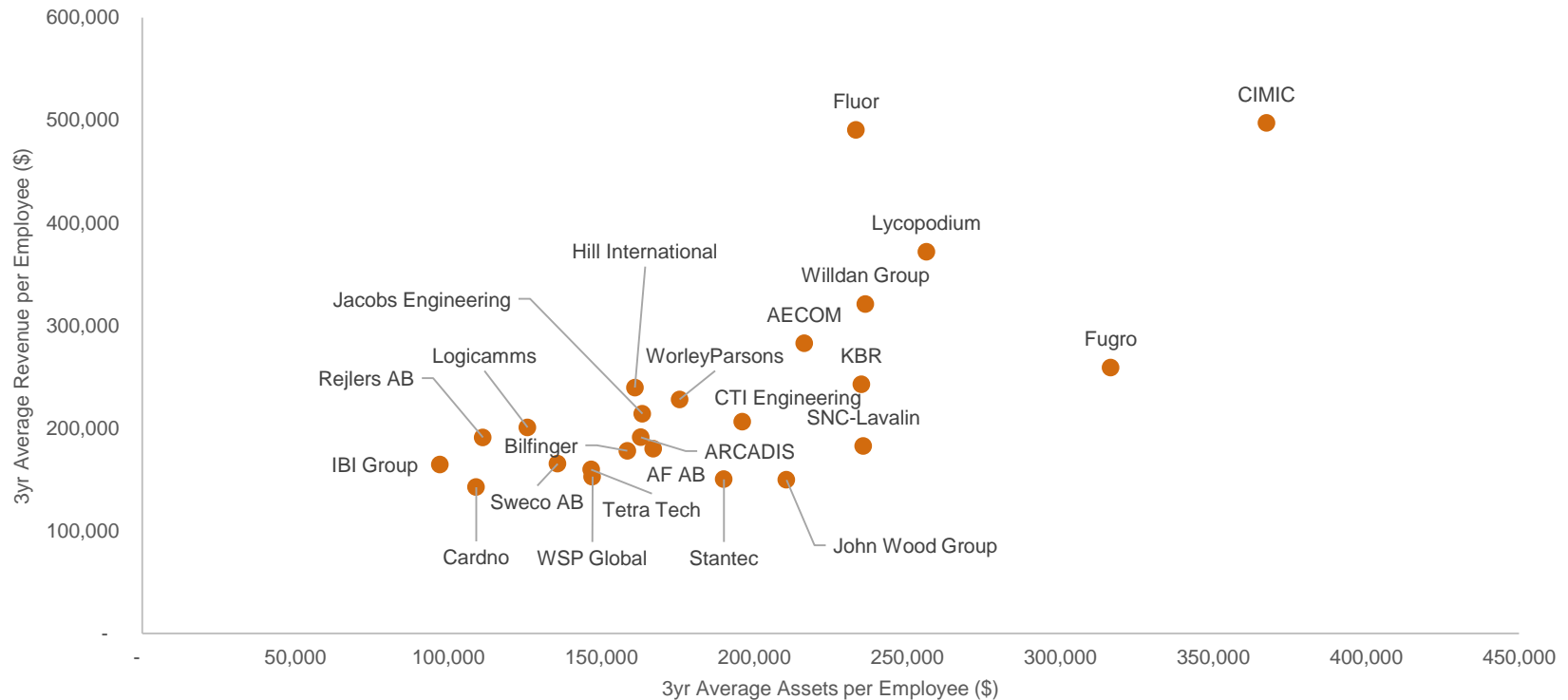


Note: Three Year Average include FY16-FY18 data, size of bubble denotes comparative revenue
 Source: Capital IQ, Company Websites

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

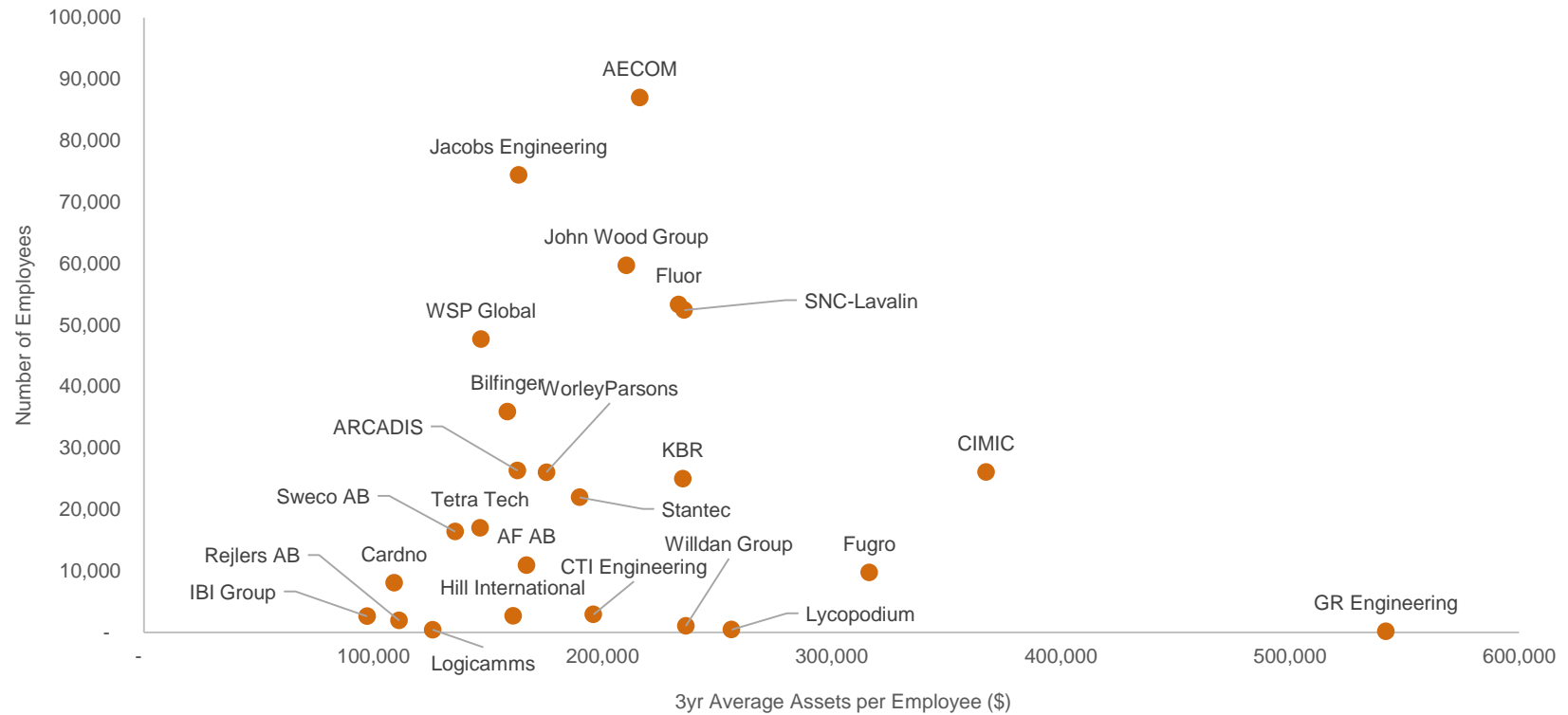
3yr Average Assets per Employee vs. Number of Employees

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. Number of Employees

FY16 – FY18

(\$, units)

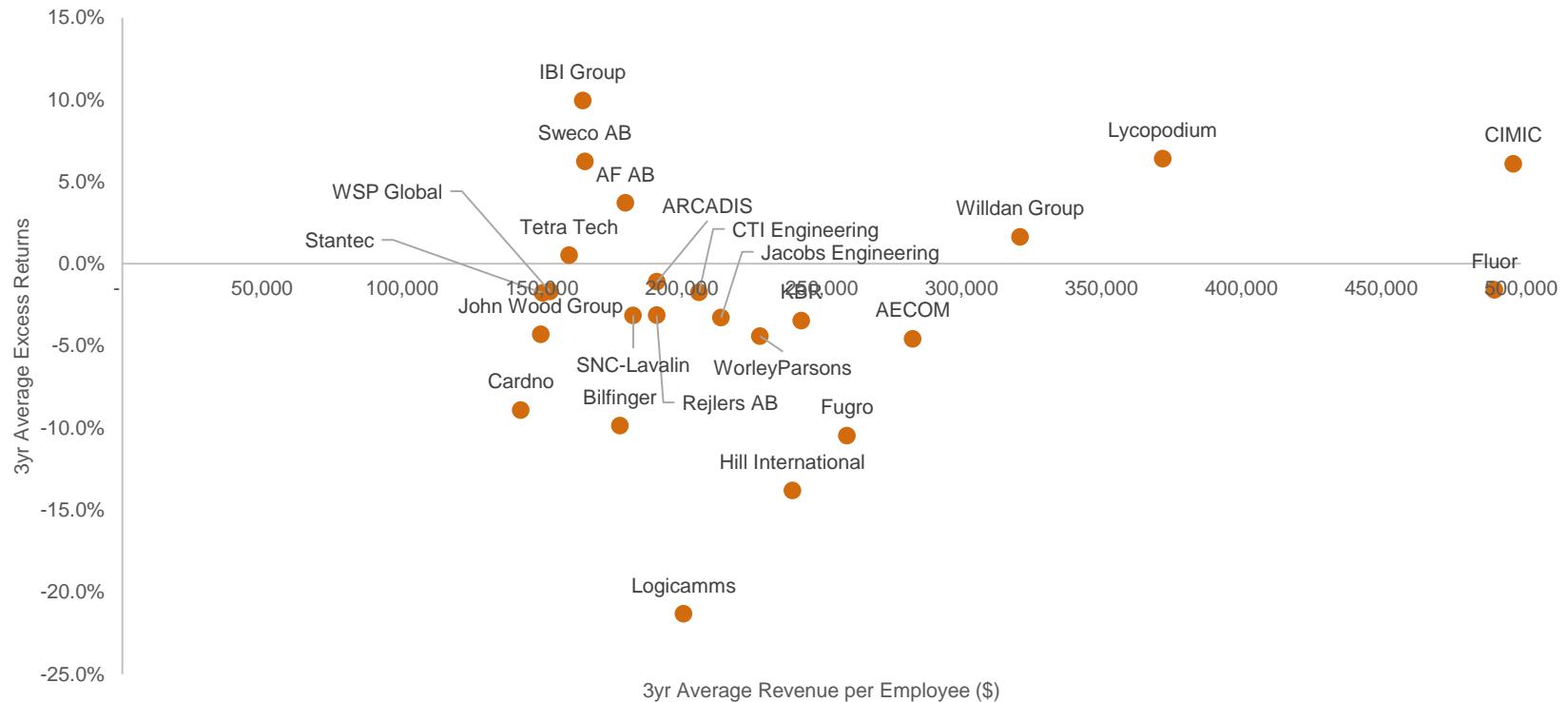


Note: Three Year Average include FY16-FY18 data
 Source: Capital IQ, Company Websites

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

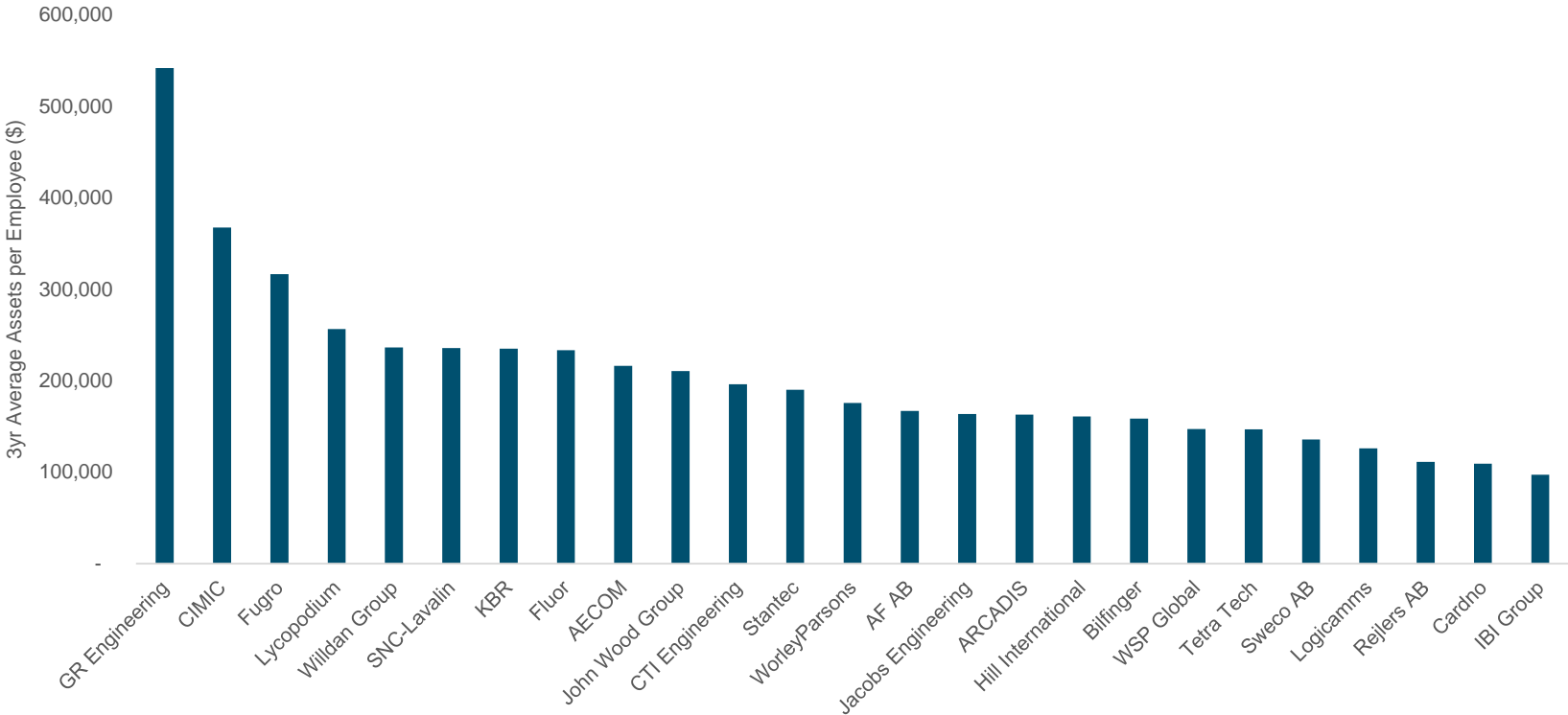
However, neither size, business model or asset intensity provided any basis for predicting better value creation (economic profitability) performance during the 2016 – 2018 period.

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



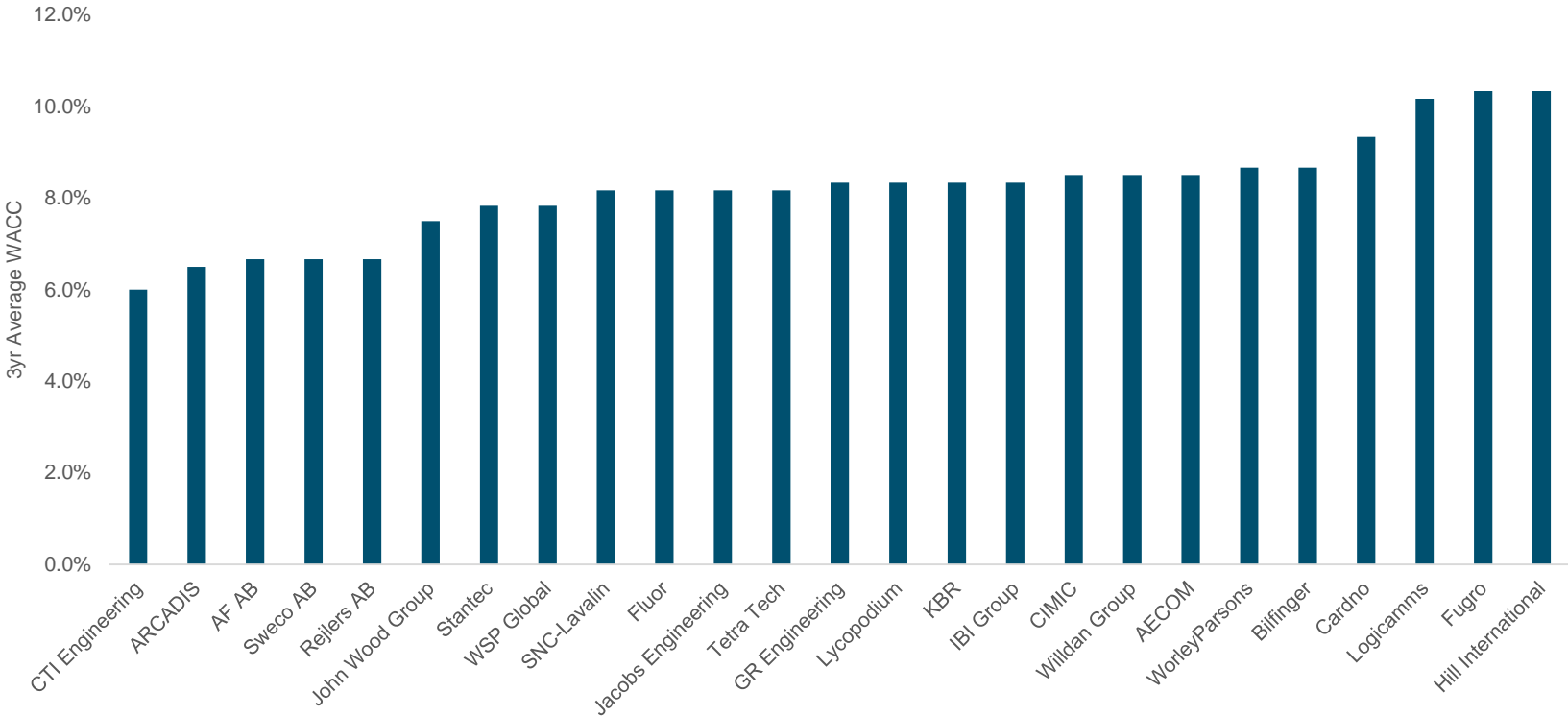
Note: Three Year Average include FY16-FY18 data
 Source: Capital IQ, Company Websites

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



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

3yr Average WACC
 FY16 – FY18
 (\$)



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

Summary Data

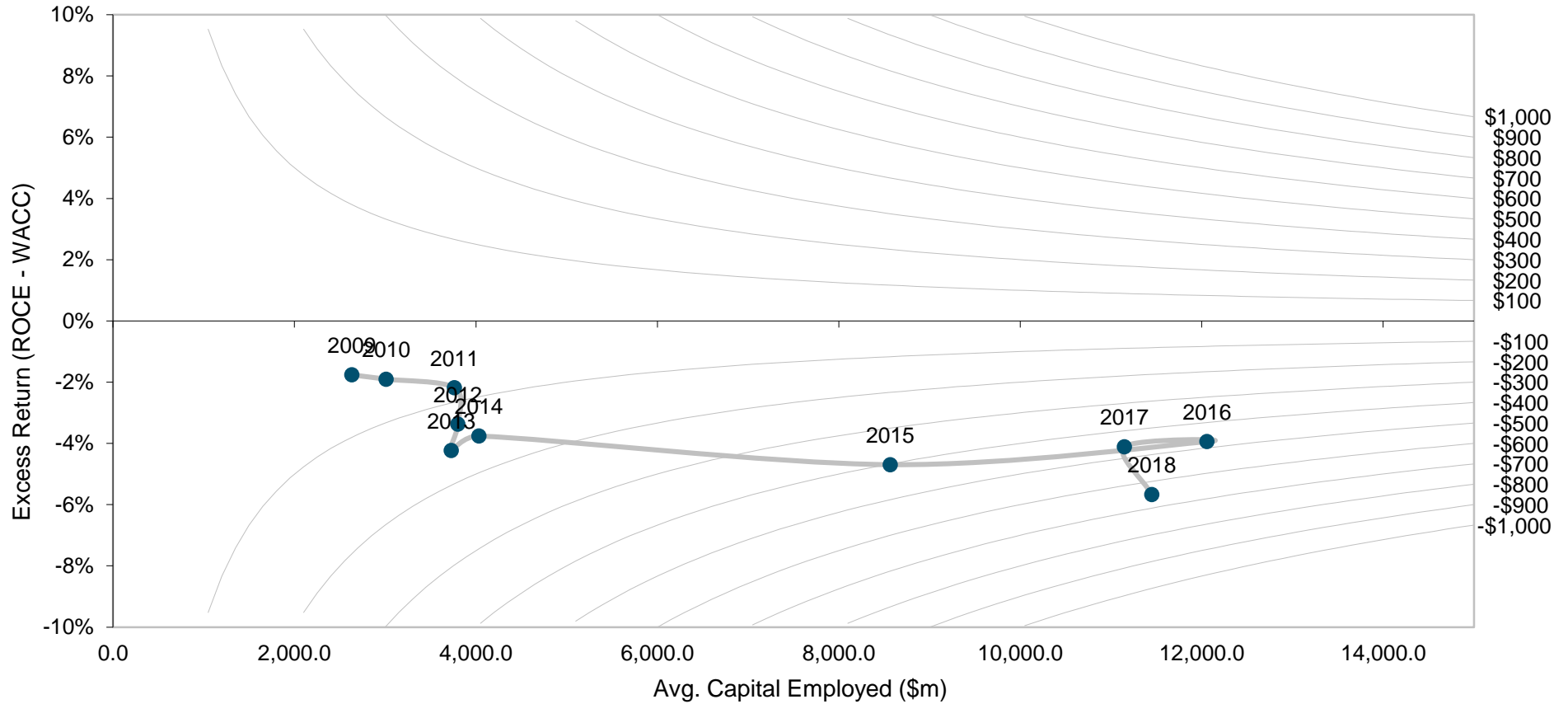
Company Name	Location	Average Revenue (3yr, AUD\$mmm)	Average EBIT (3yr AUD\$mmm)	Number of Employees	Average Economic Profit (3yr AUD\$mmm)	Average WACC (3yr)	Average Excess Return (3yr)	Average Revenue per Employee (3yr, AUD\$mmm)	Average Assets per Employee (3yr)	Average Capital Employed per Employee (3yr, AUD\$mmm)	Last FY D/E Ratio	Average D/E Ratio (3yr)
Fluor	United States	26,170	747	53,349	-114	8.2%	-1.6%	490,543	233,265	134,214	54.2%	50.0%
AECOM	United States	24,588	700	87,000	-528	8.5%	-4.6%	282,620	216,354	132,772	84.8%	96.8%
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%
SNC-Lavalin	Canada	9,578	426	52,435	-237	8.2%	-3.2%	182,672	235,697	143,470	100.3%	60.7%
John Wood Group	United Kingdom	8,938	321	59,700	-368	7.5%	-4.3%	149,708	210,533	143,083	63.7%	54.9%
WSP Global	Canada	7,292	397	47,700	-79	7.8%	-1.7%	152,882	147,063	97,807	46.8%	42.1%
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%
WorleyParsons	Australia	5,940	198	26,050	-145	8.7%	-4.4%	228,009	175,616	125,838	45.2%	56.7%
ARCADIS	Netherlands	5,032	205	26,328	-31	6.5%	-1.1%	191,129	162,948	106,495	62.4%	69.6%
Stantec	Canada	3,306	247	22,000	-53	7.8%	-1.8%	150,280	190,070	135,739	48.9%	46.5%
Sweco AB	Sweden	2,717	233	16,422	87	6.7%	6.2%	165,441	135,729	84,640	43.1%	42.1%
Tetra Tech	United States	2,717	234	17,000	9	8.2%	0.5%	159,804	146,701	102,690	28.7%	35.7%
Fugro	Netherlands	2,525	-3	9,744	-261	10.3%	-10.5%	259,121	316,471	255,601	104.3%	83.4%
AF AB	Sweden	1,966	170	10,928	47	6.7%	3.7%	179,884	166,961	116,148	65.0%	57.6%
Cardno	Australia	1,155	3	8,100	-65	9.3%	-8.9%	142,536	109,131	89,631	17.1%	20.8%
Hill International	United States	647	-14	2,700	-41	10.3%	-13.8%	239,640	161,036	109,185	51.3%	91.4%
CTI Engineering	Japan	605	32	2,932	-5	6.0%	-1.8%	206,230	196,108	90,738	3.4%	3.0%
IBI Group	Canada	436	37	2,650	15	8.3%	9.9%	164,649	97,309	56,169	268.6%	541.7%
Rejlers AB	Sweden	373	7	1,953	-5	6.7%	-3.1%	191,068	111,317	74,808	18.2%	30.6%
Willdan Group	United States	342	18	1,065	2	8.5%	1.6%	320,949	236,390	118,956	50.1%	22.7%
GR Engineering	Australia	259	18	200	8	8.3%	15.0%	1,297,075	541,922	268,590	0.9%	1.4%
Lycopodium	Australia	179	15	480	4	8.3%	6.4%	371,976	256,351	138,674	1.6%	1.2%
Logicamms	Australia	90	-8	450	-10	10.2%	-21.3%	200,741	125,926	105,777	25.4%	13.9%

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

Value Creation Performance Over Time

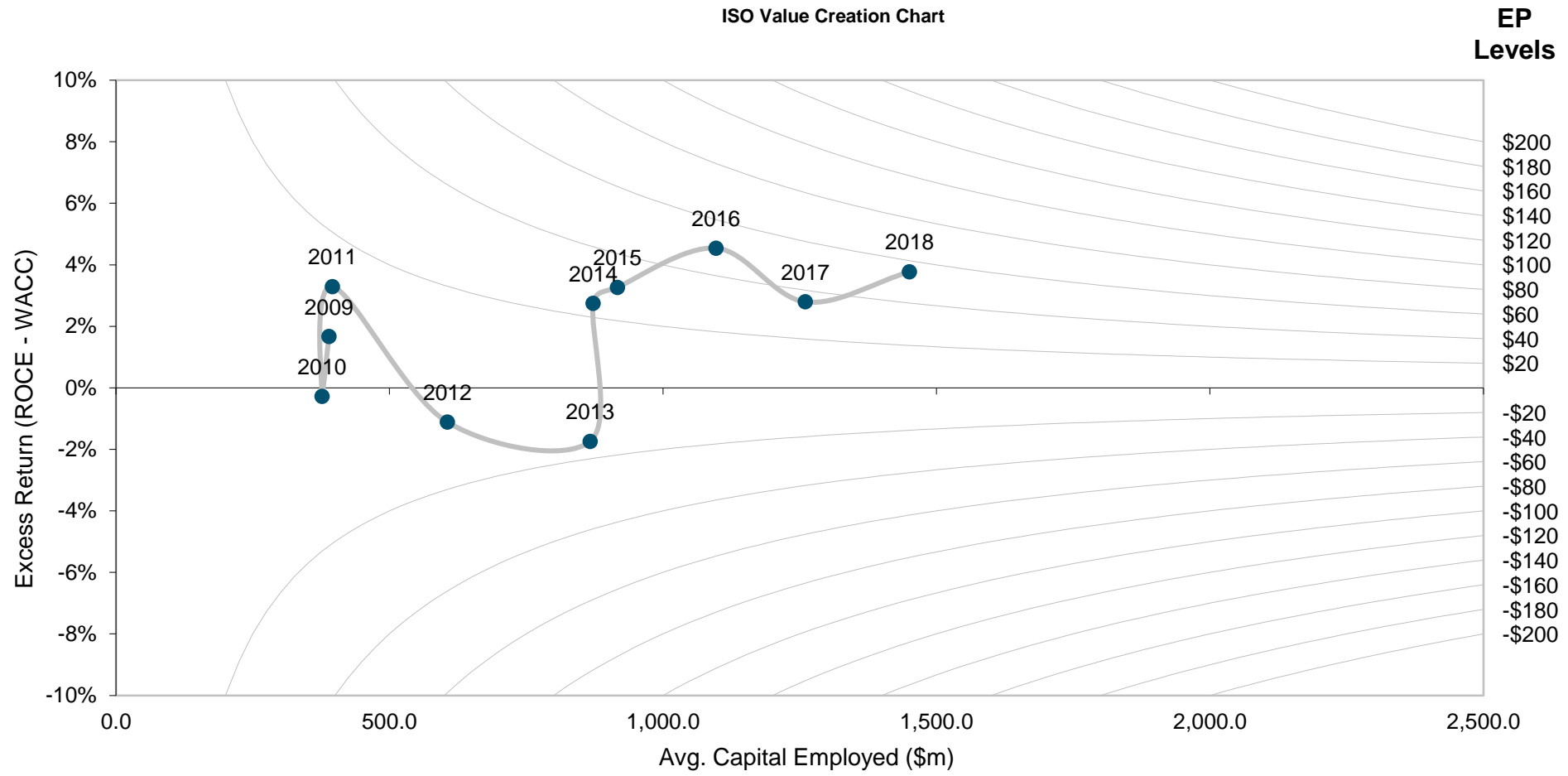
ISO Value Creation Chart

EP Levels



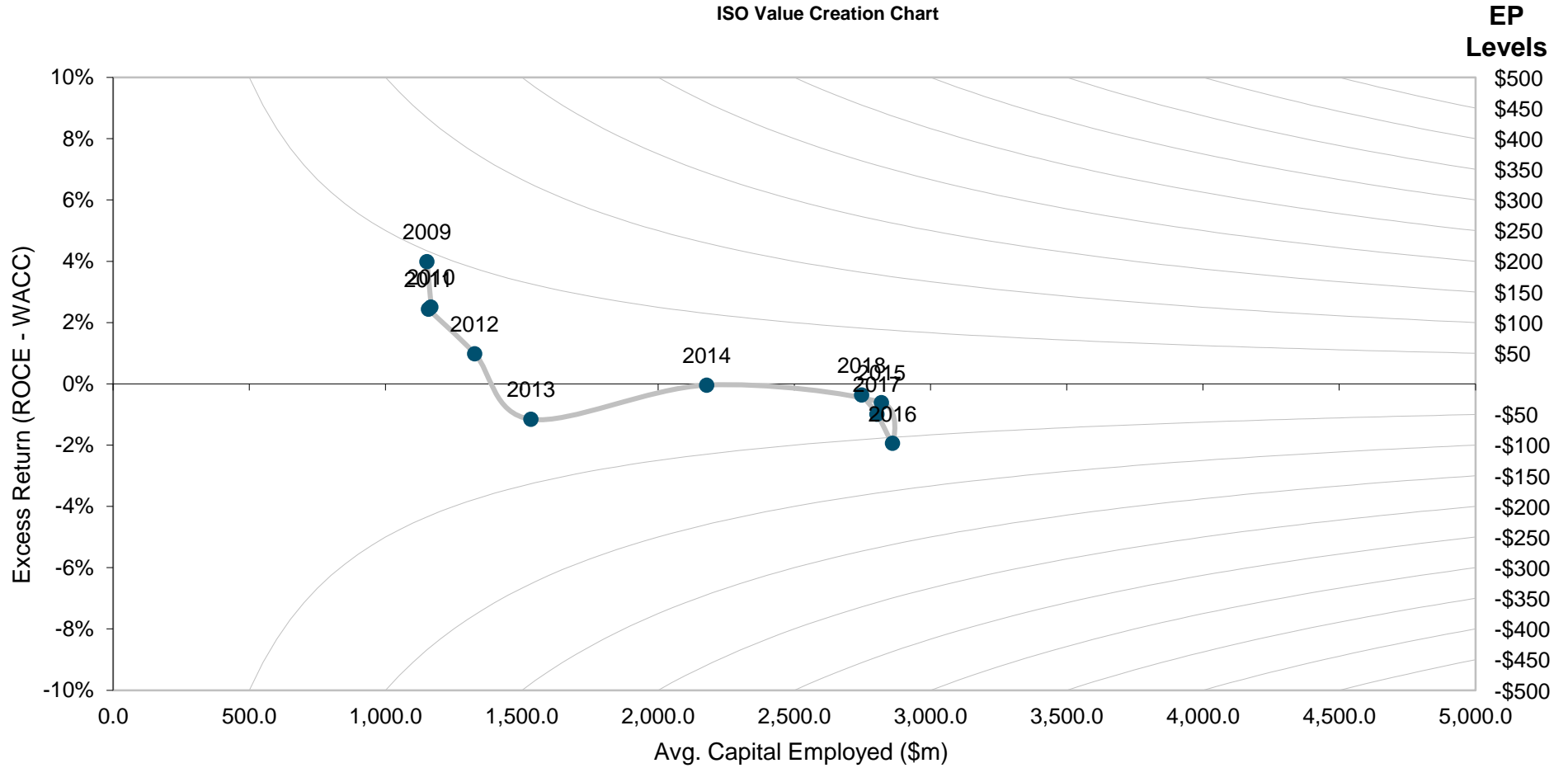
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Value Creation Performance Over Time



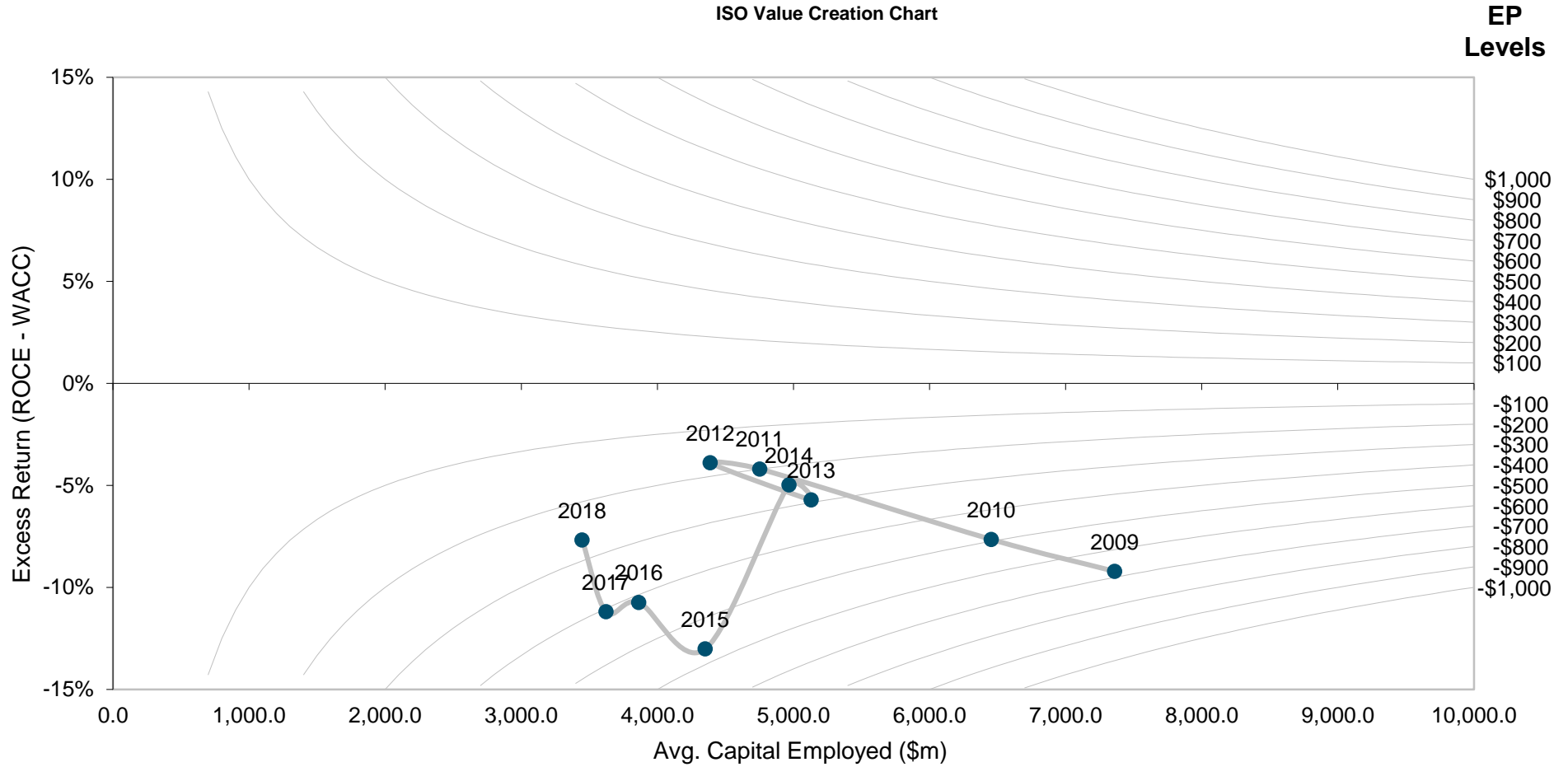
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Value Creation Performance Over Time



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Value Creation Performance Over Time

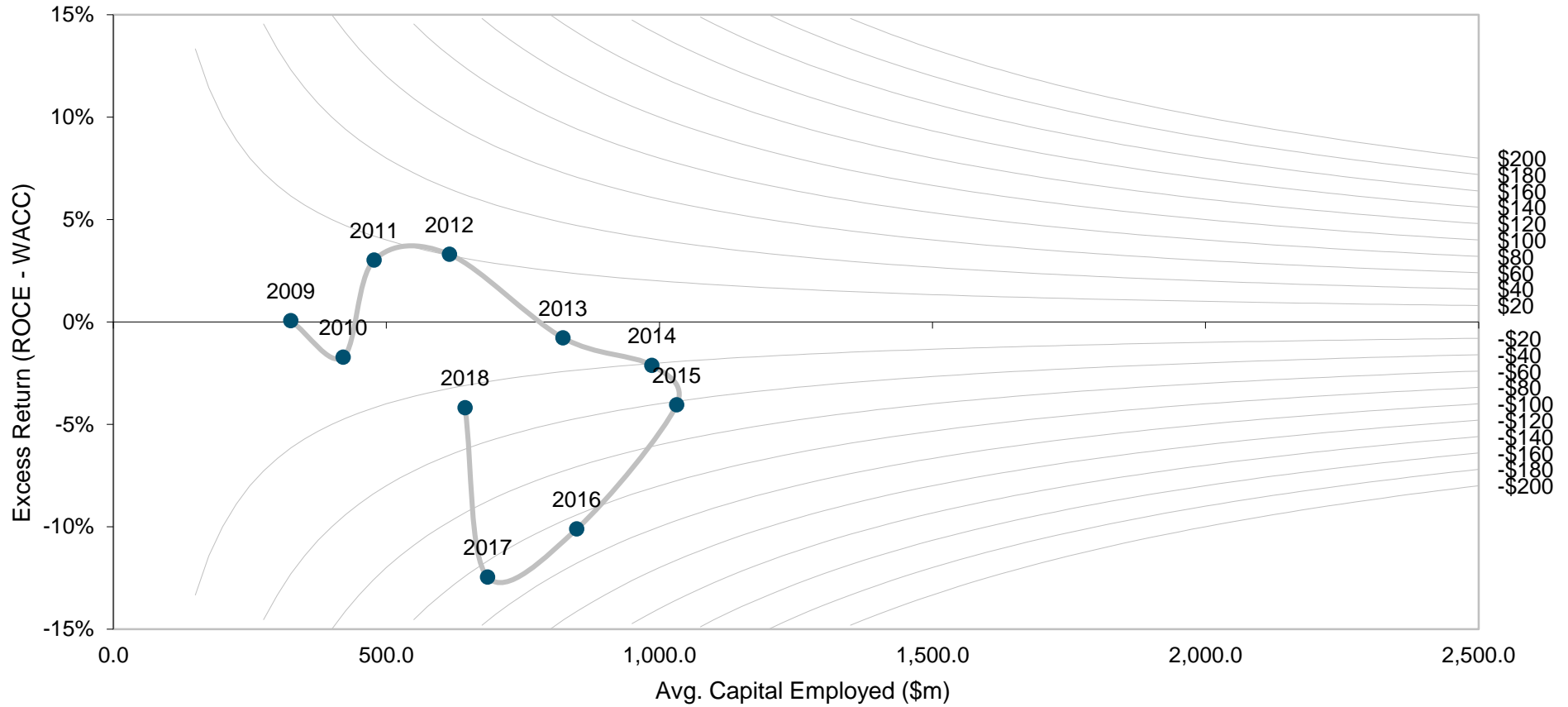


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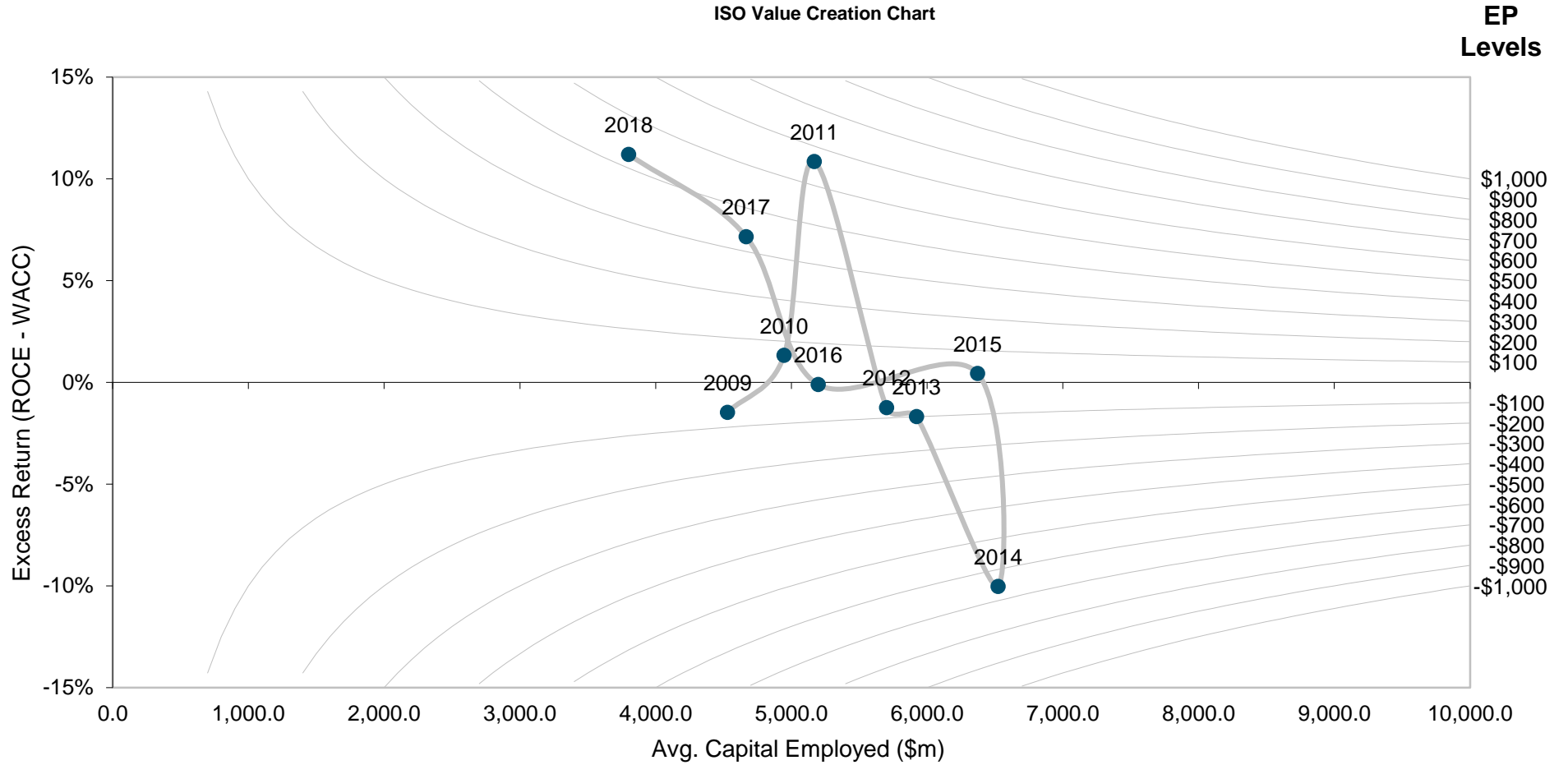
ISO Value Creation Chart

EP Levels



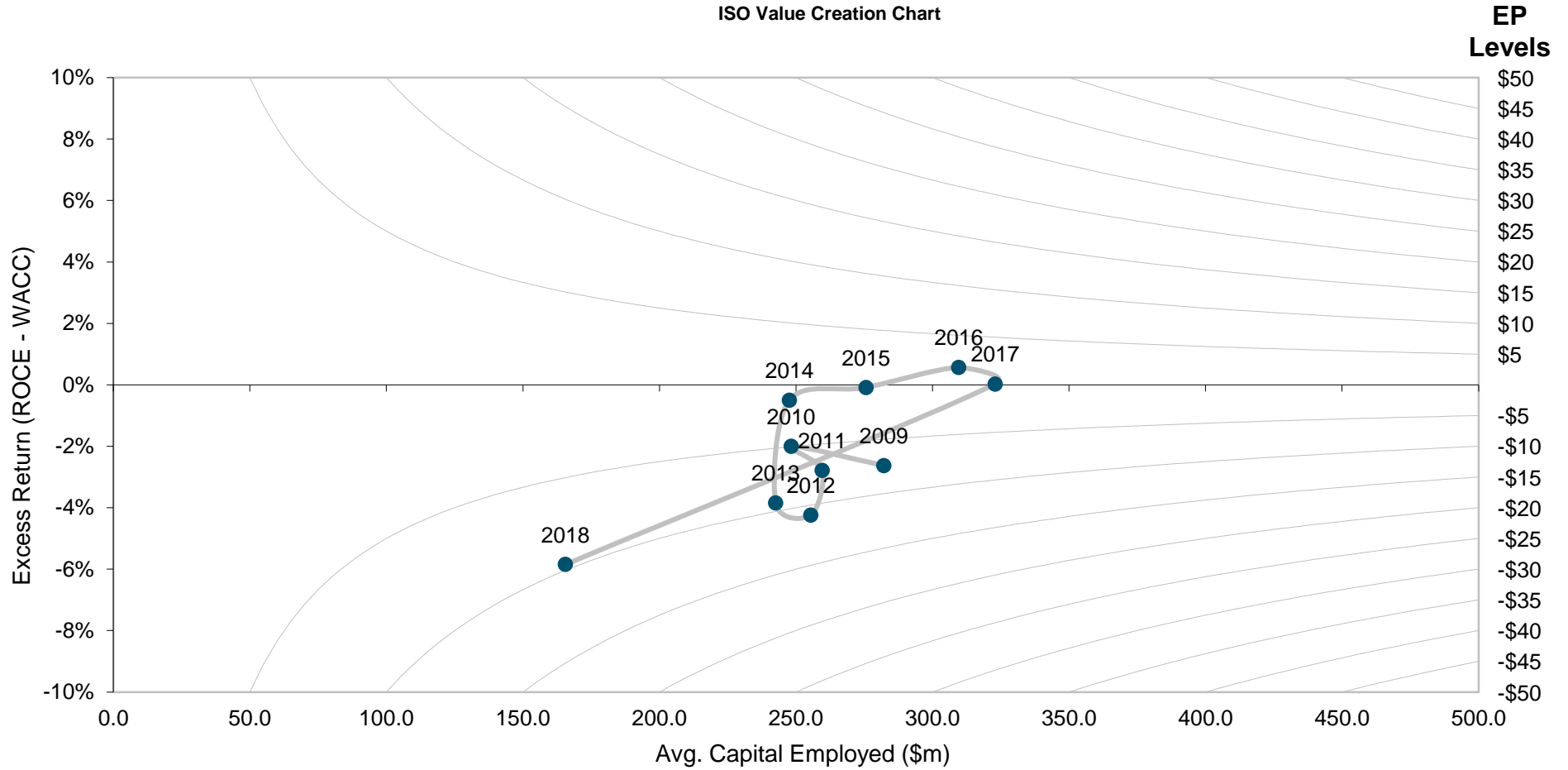
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Value Creation Performance Over Time



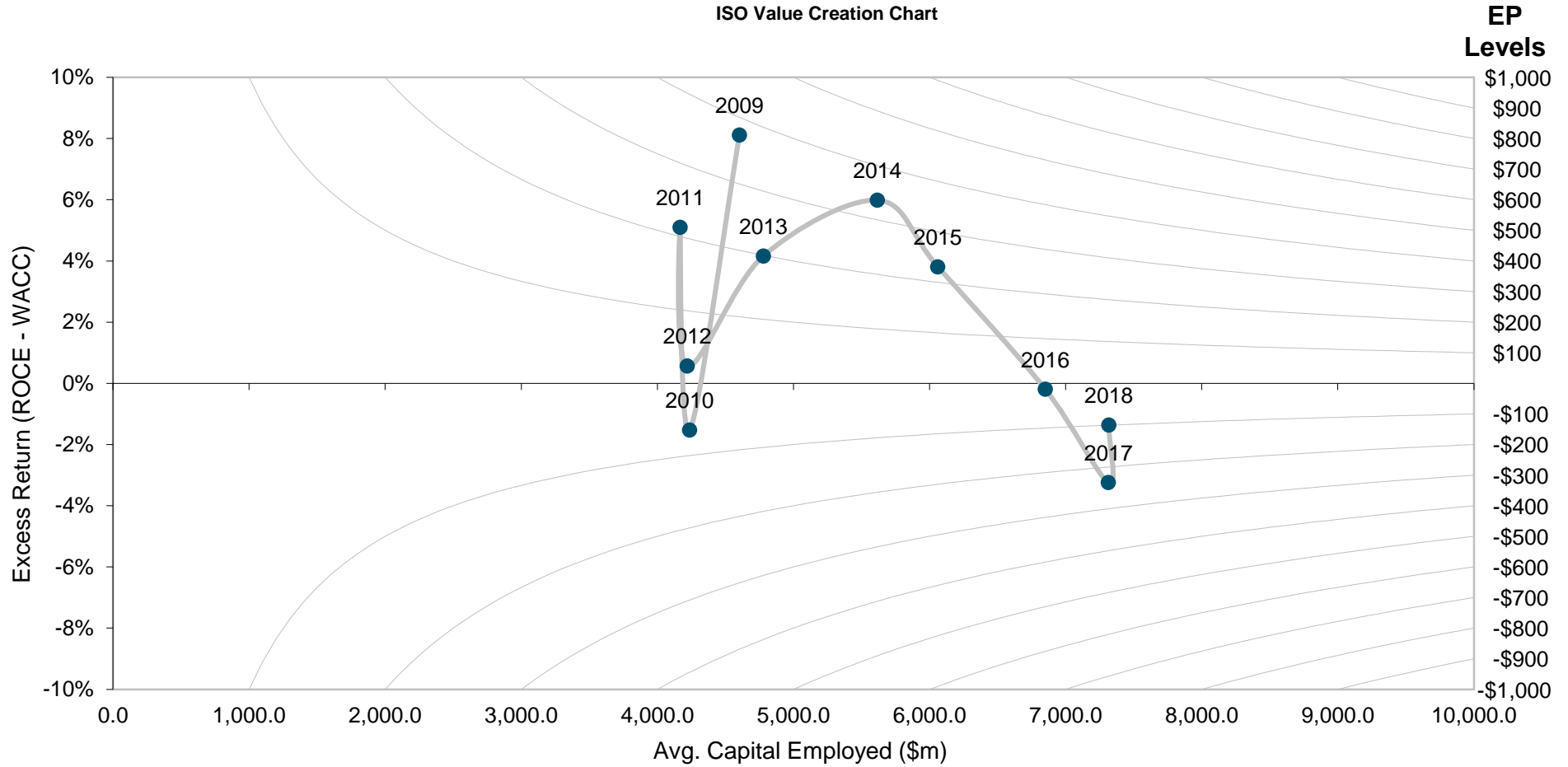
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Value Creation Performance Over Time



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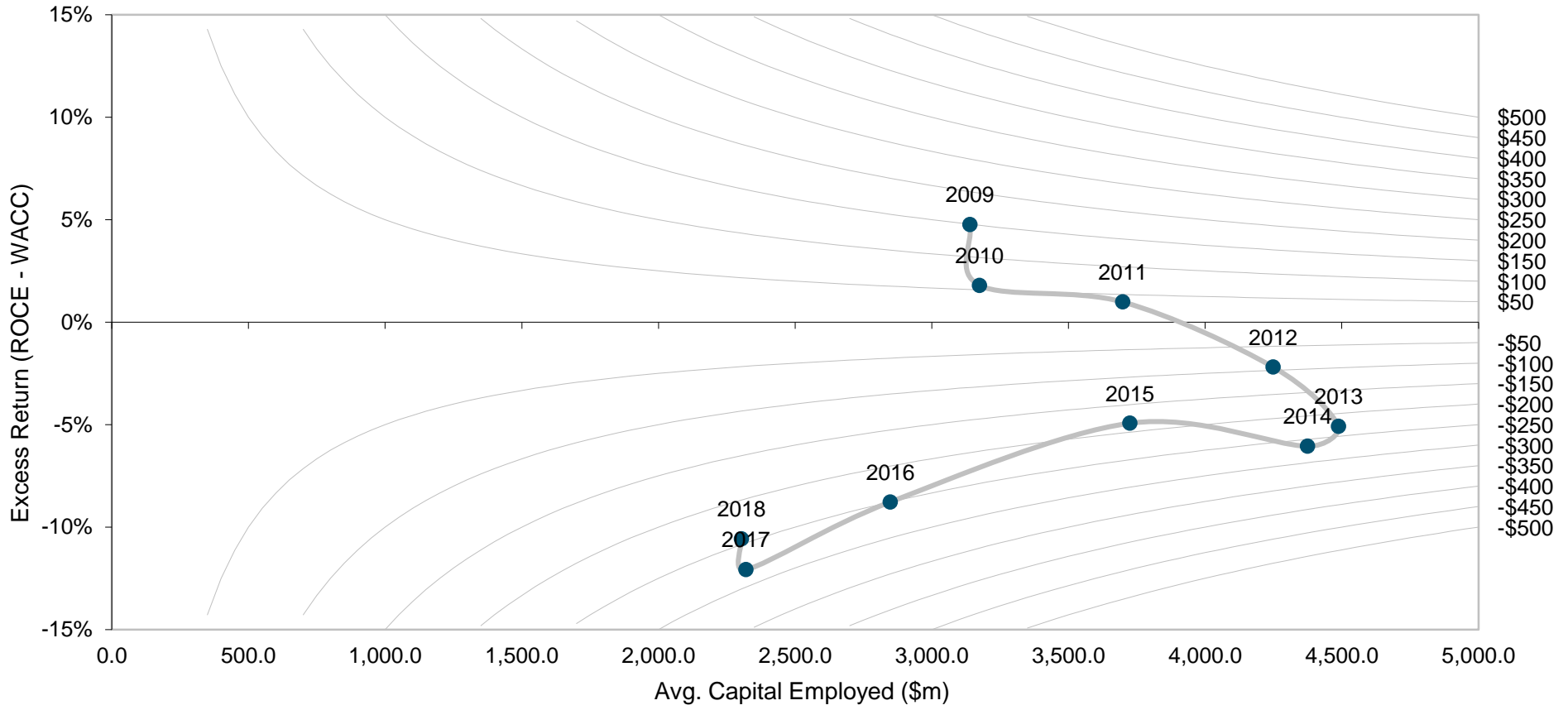


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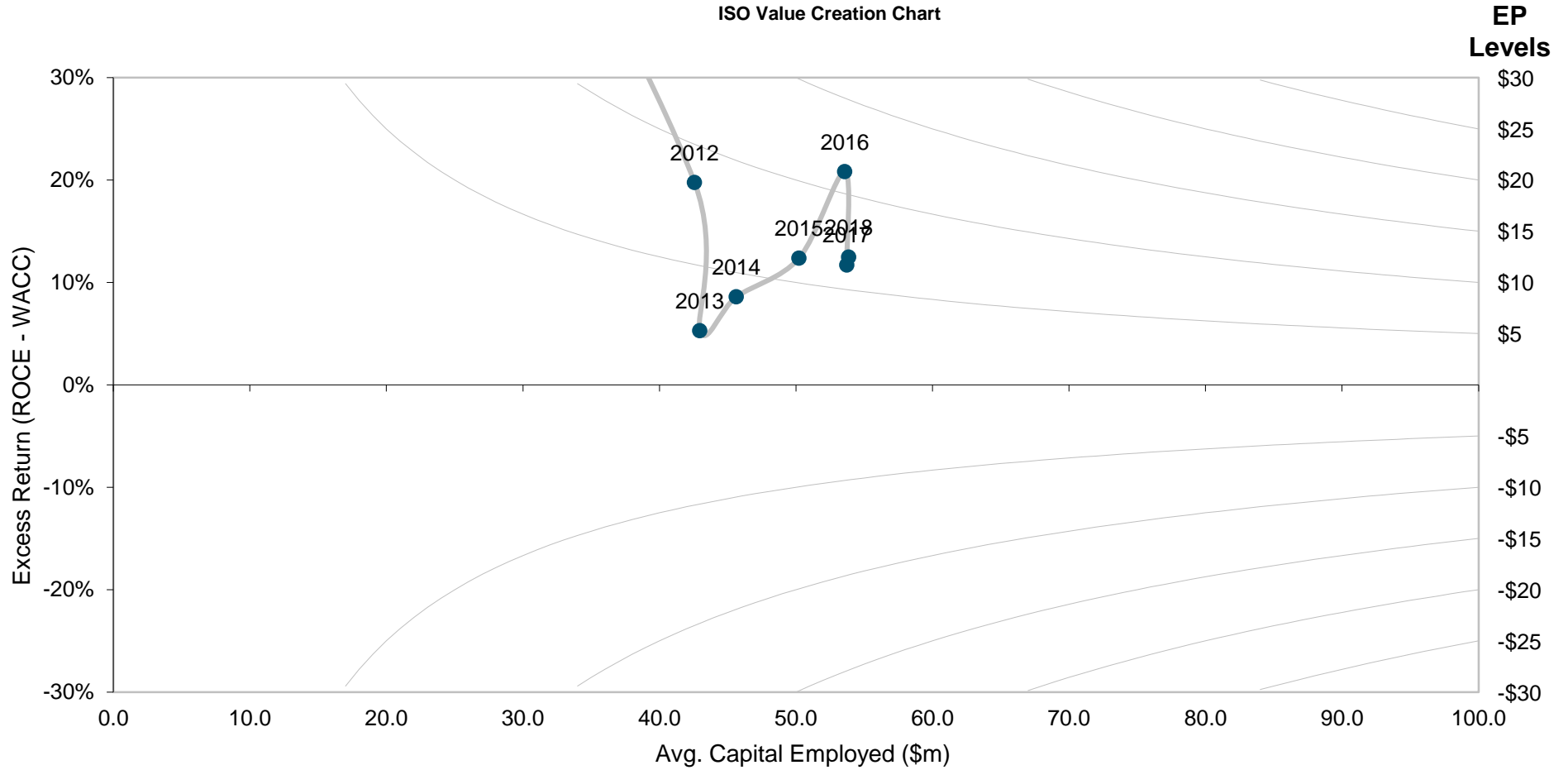
ISO Value Creation Chart

EP Levels



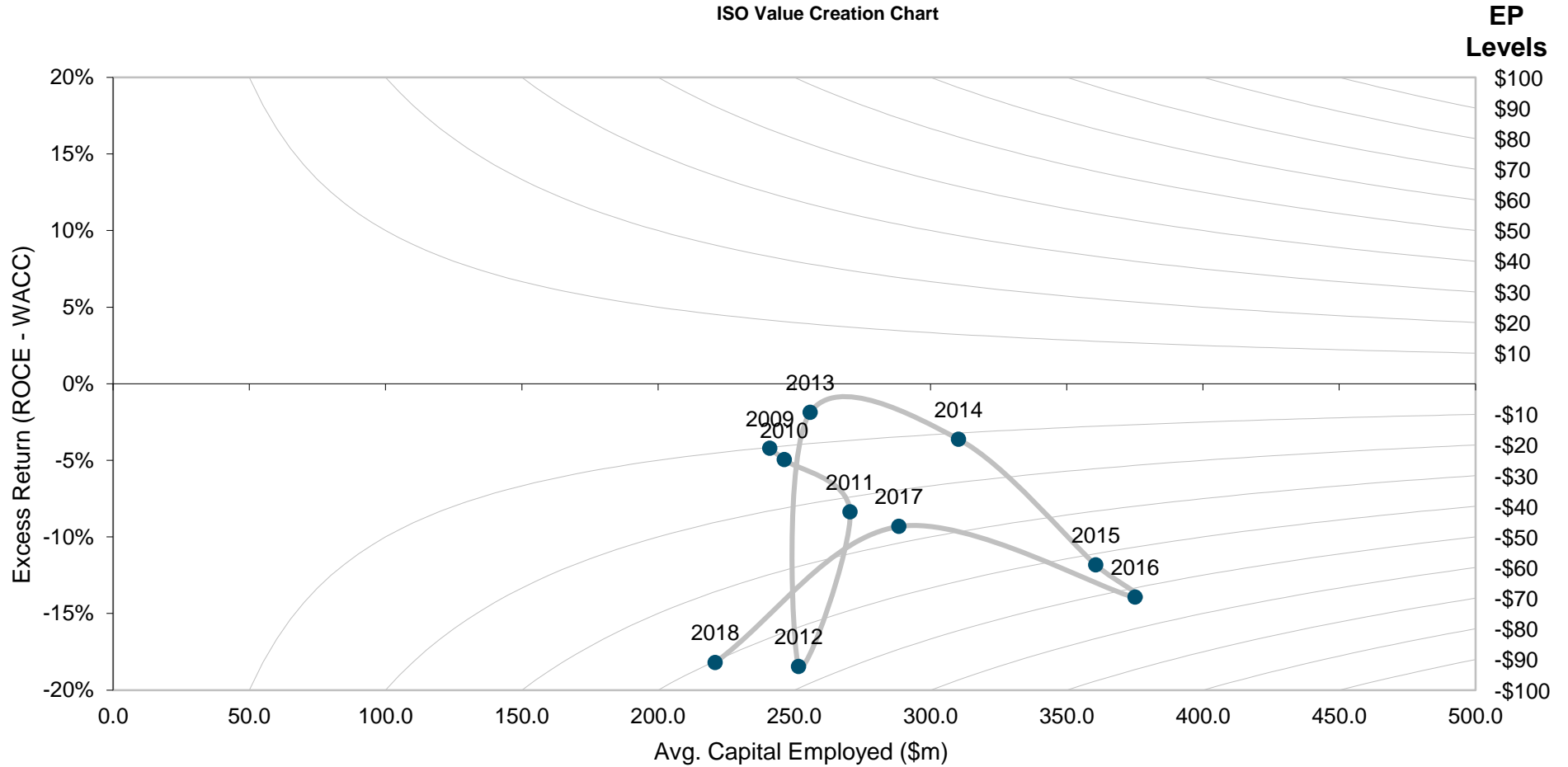
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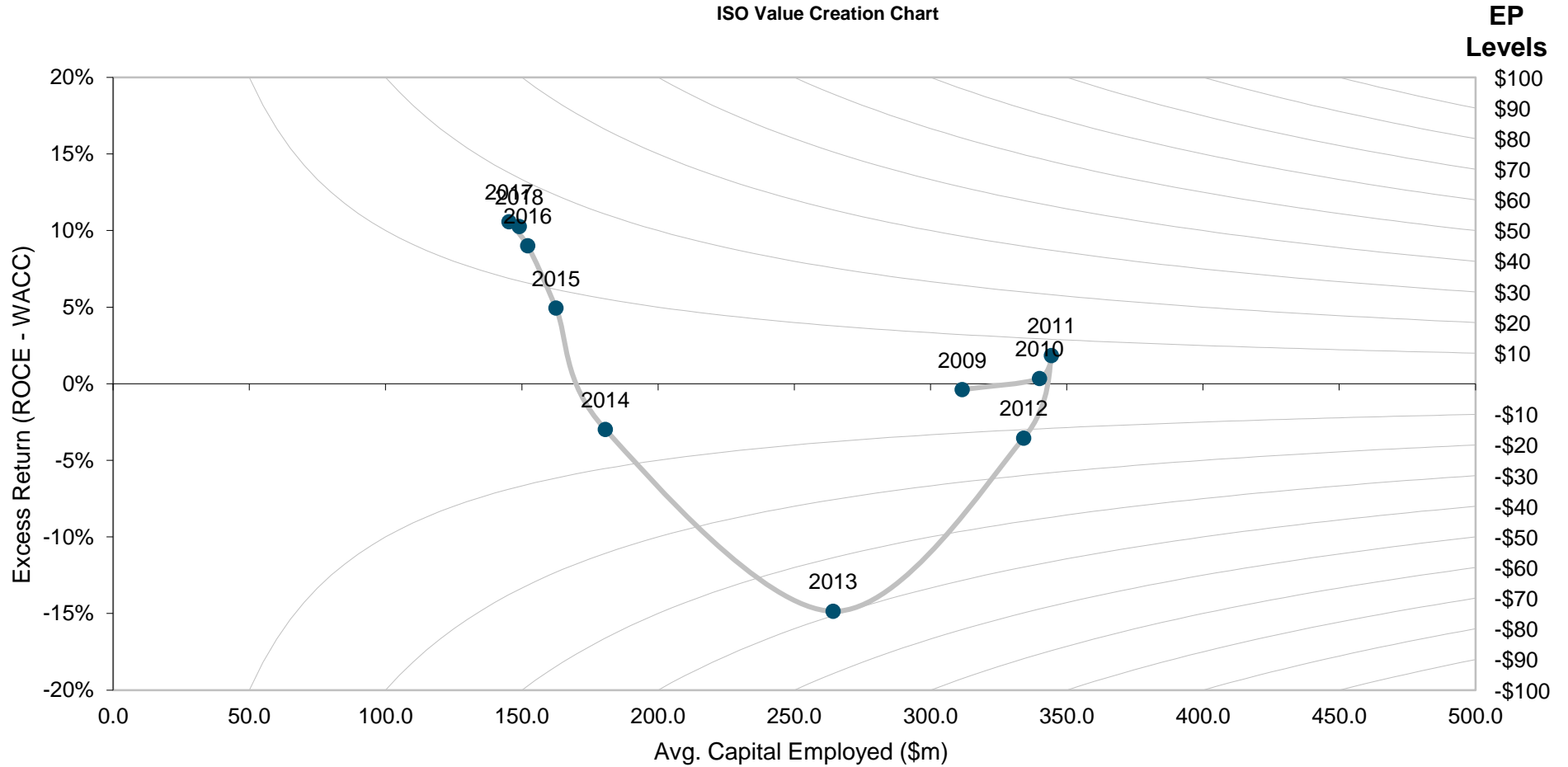
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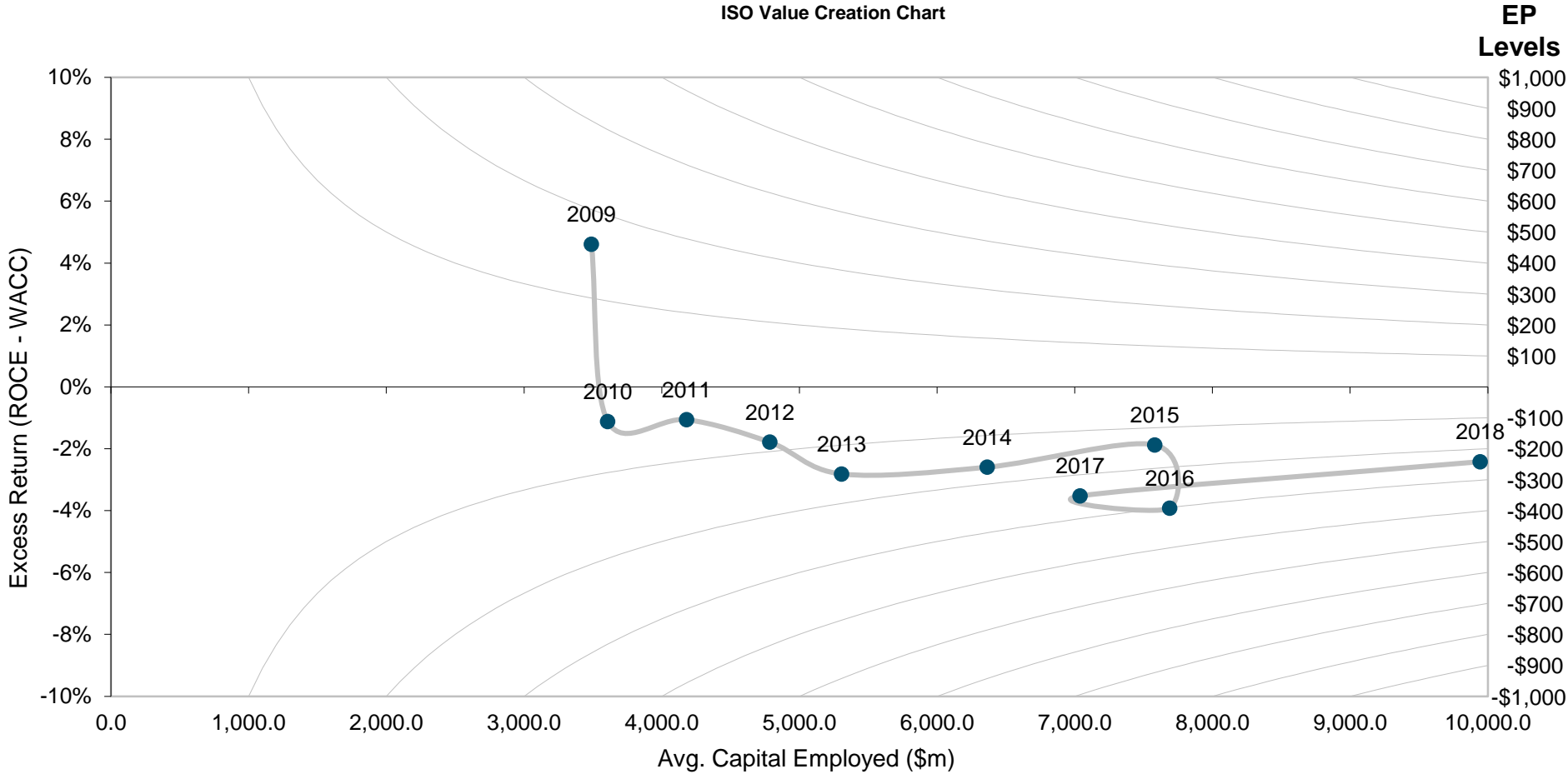
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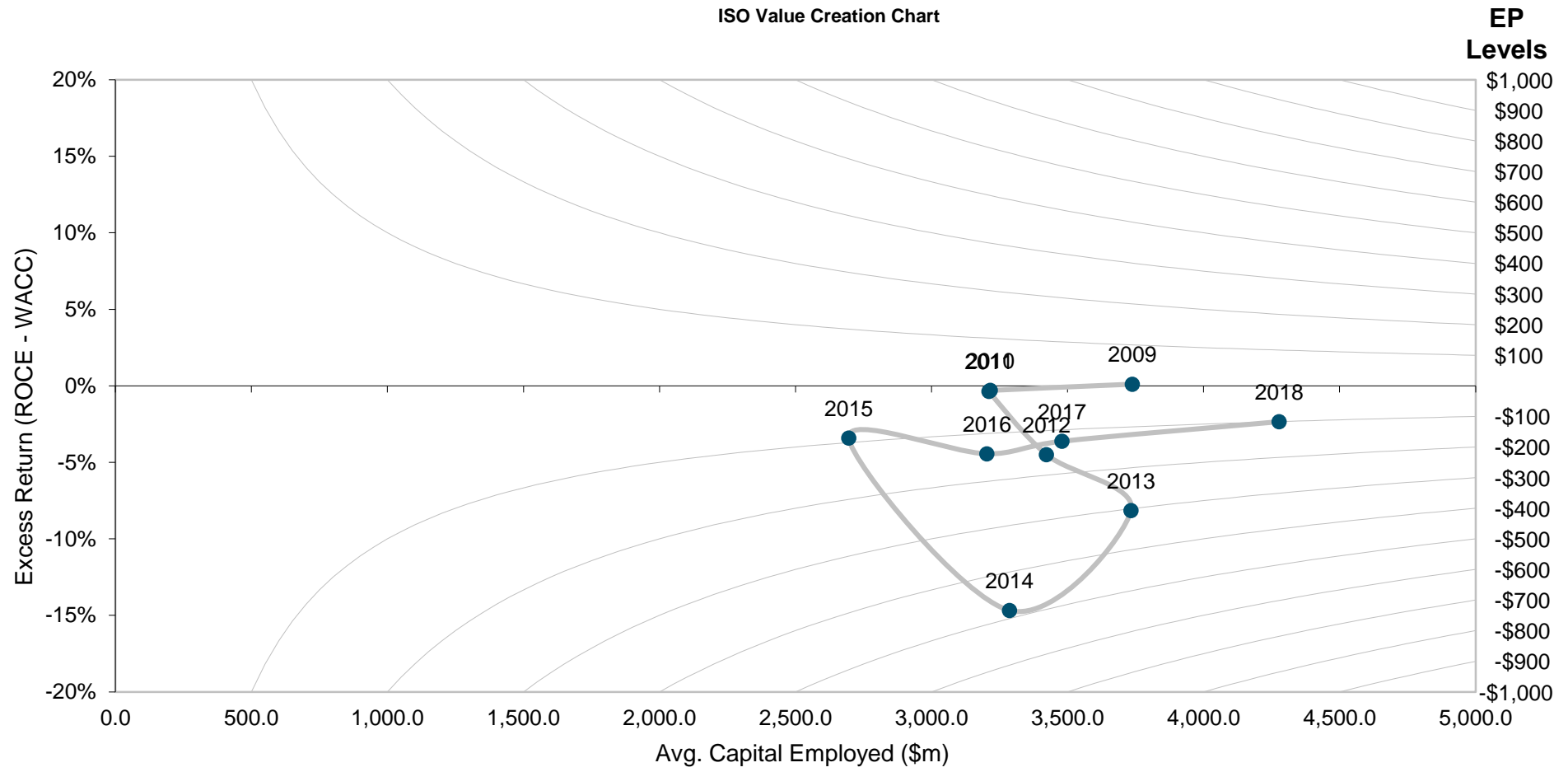
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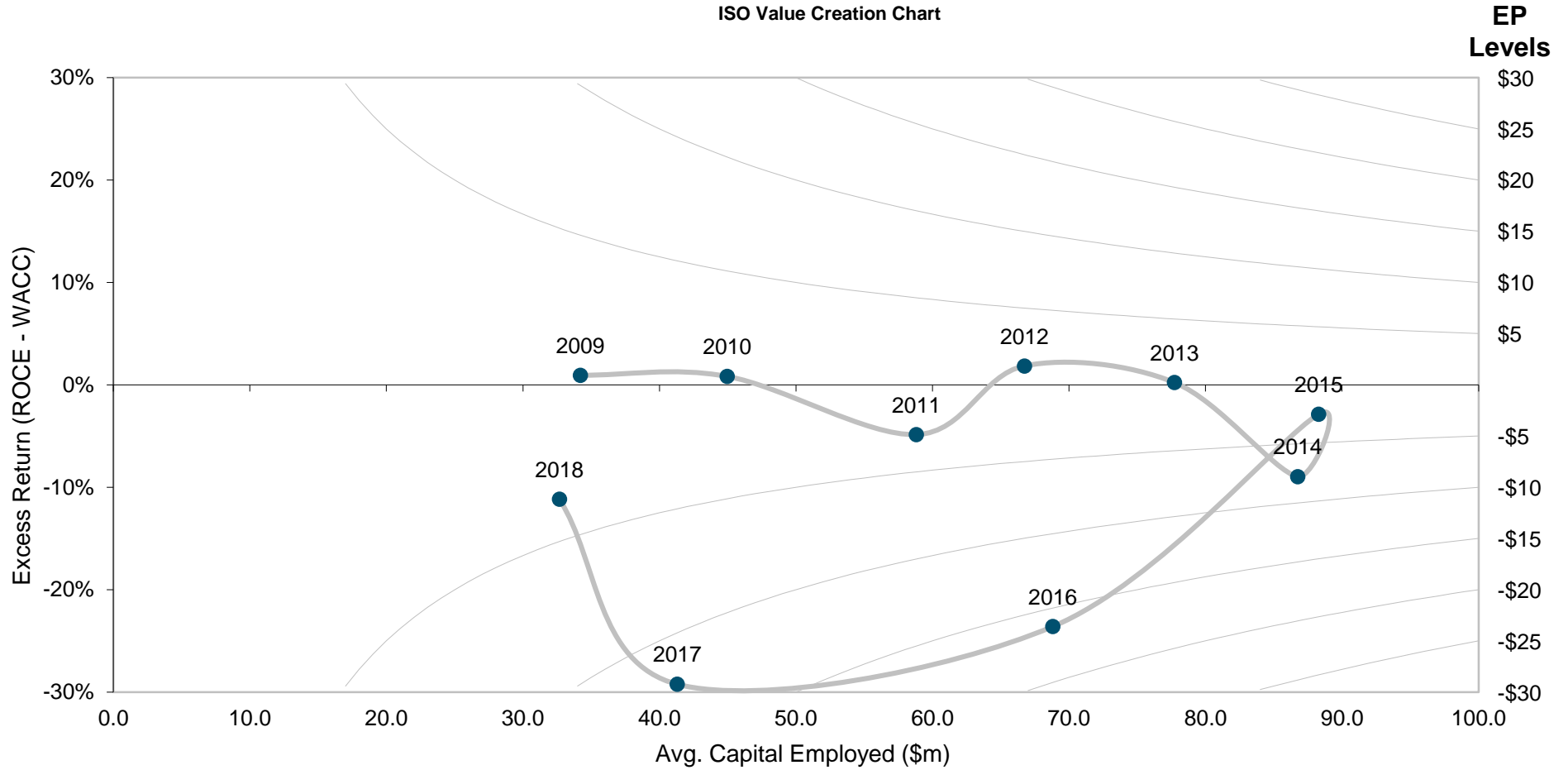
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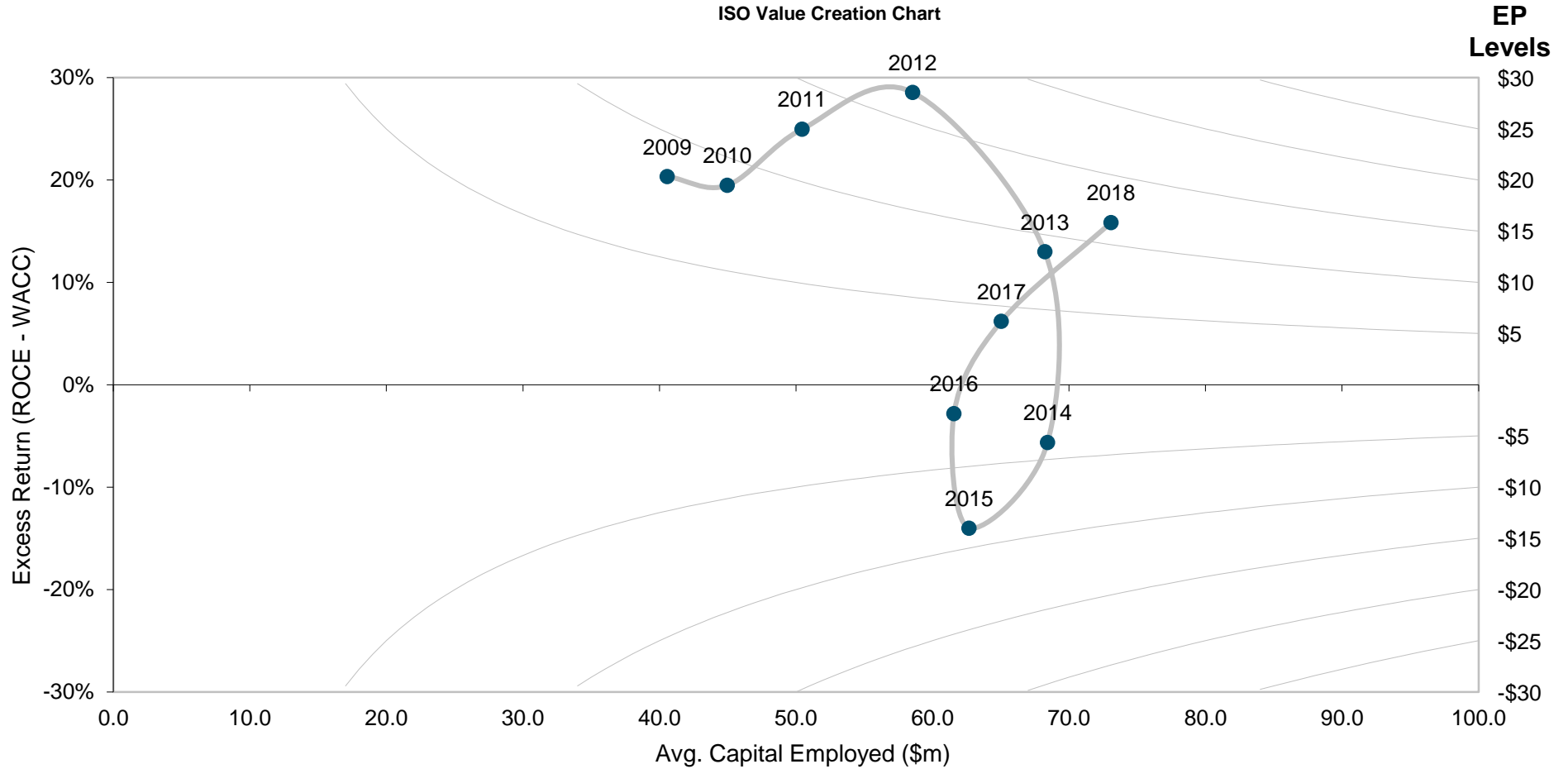
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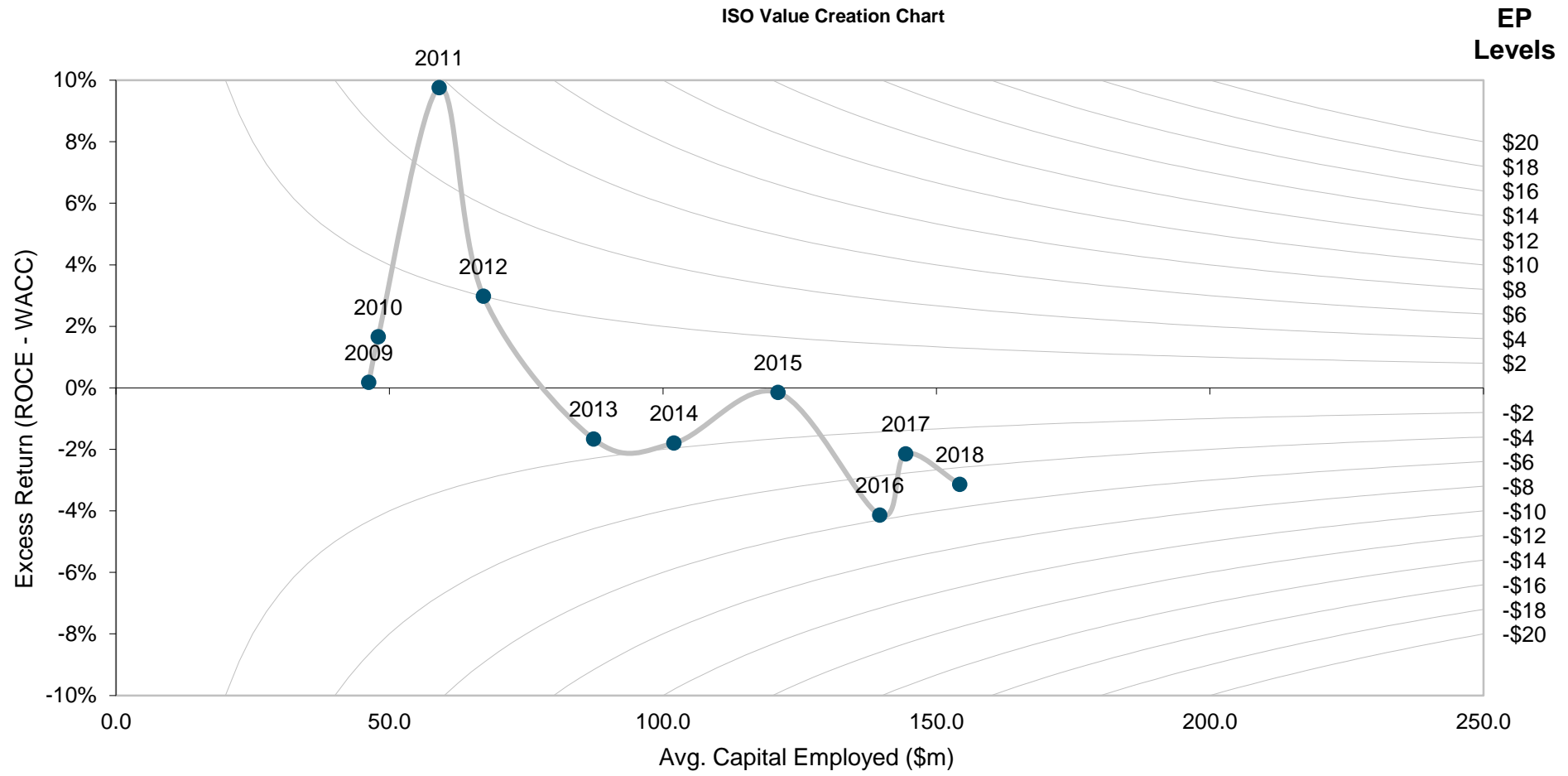
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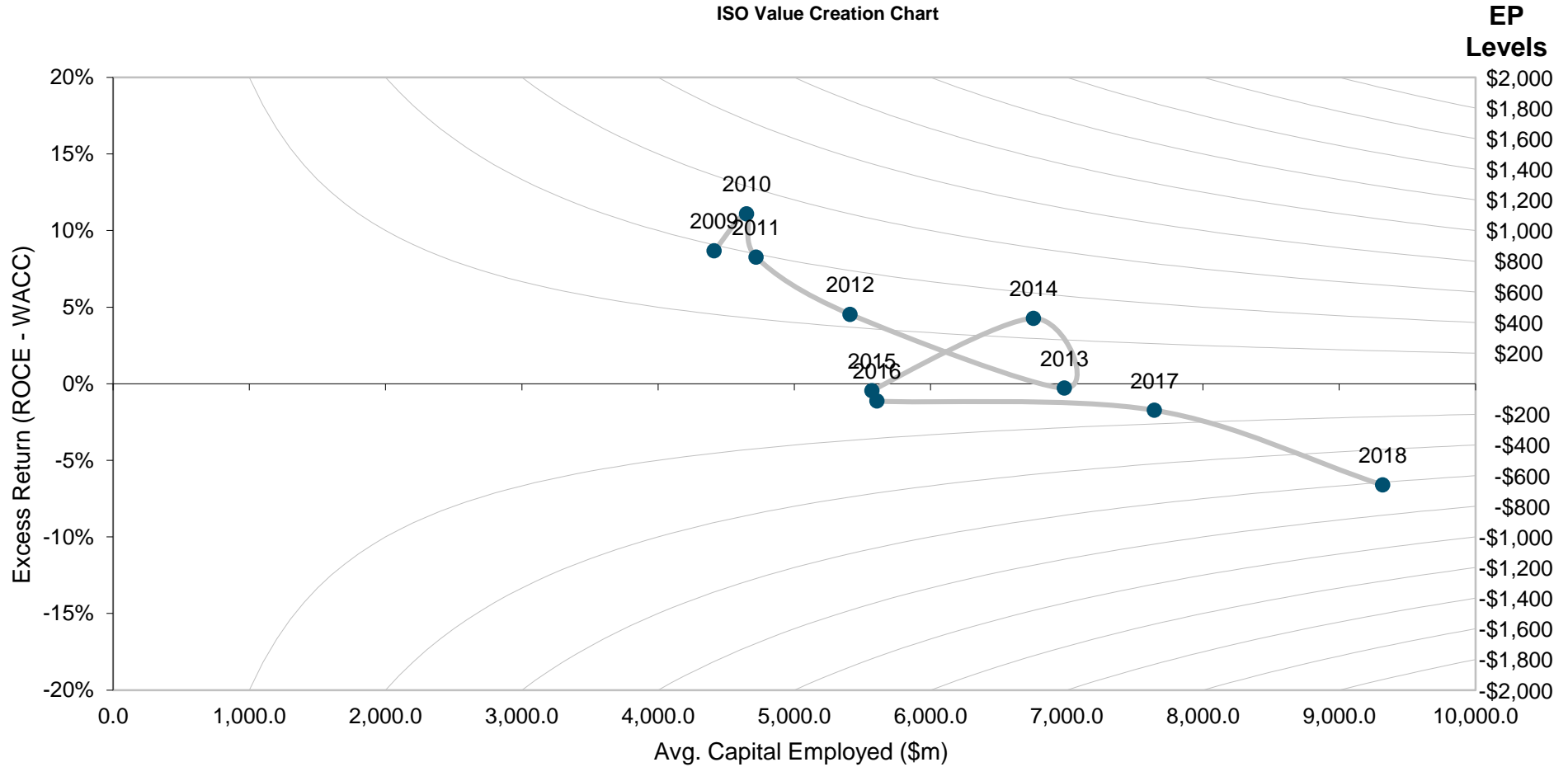
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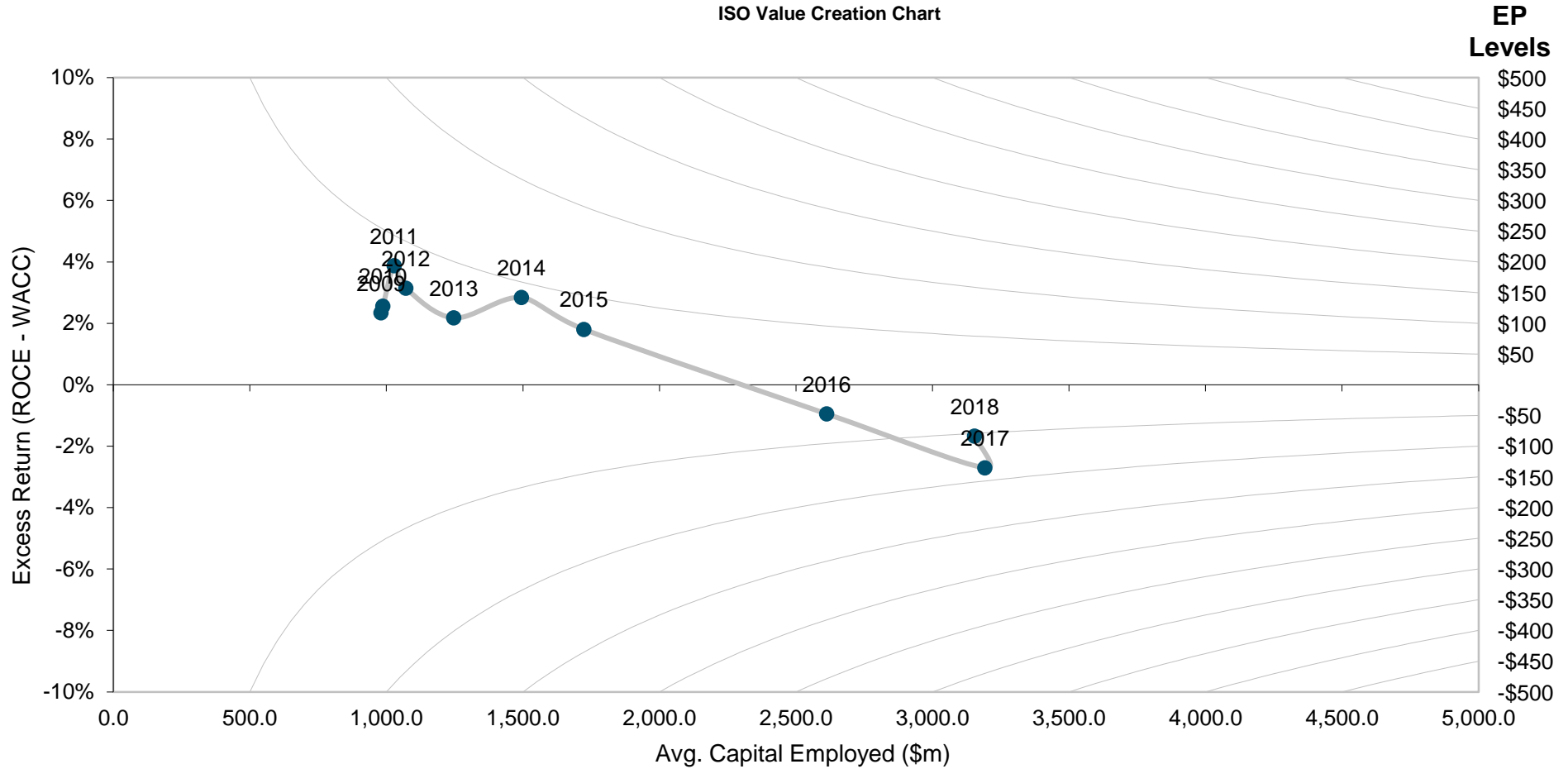
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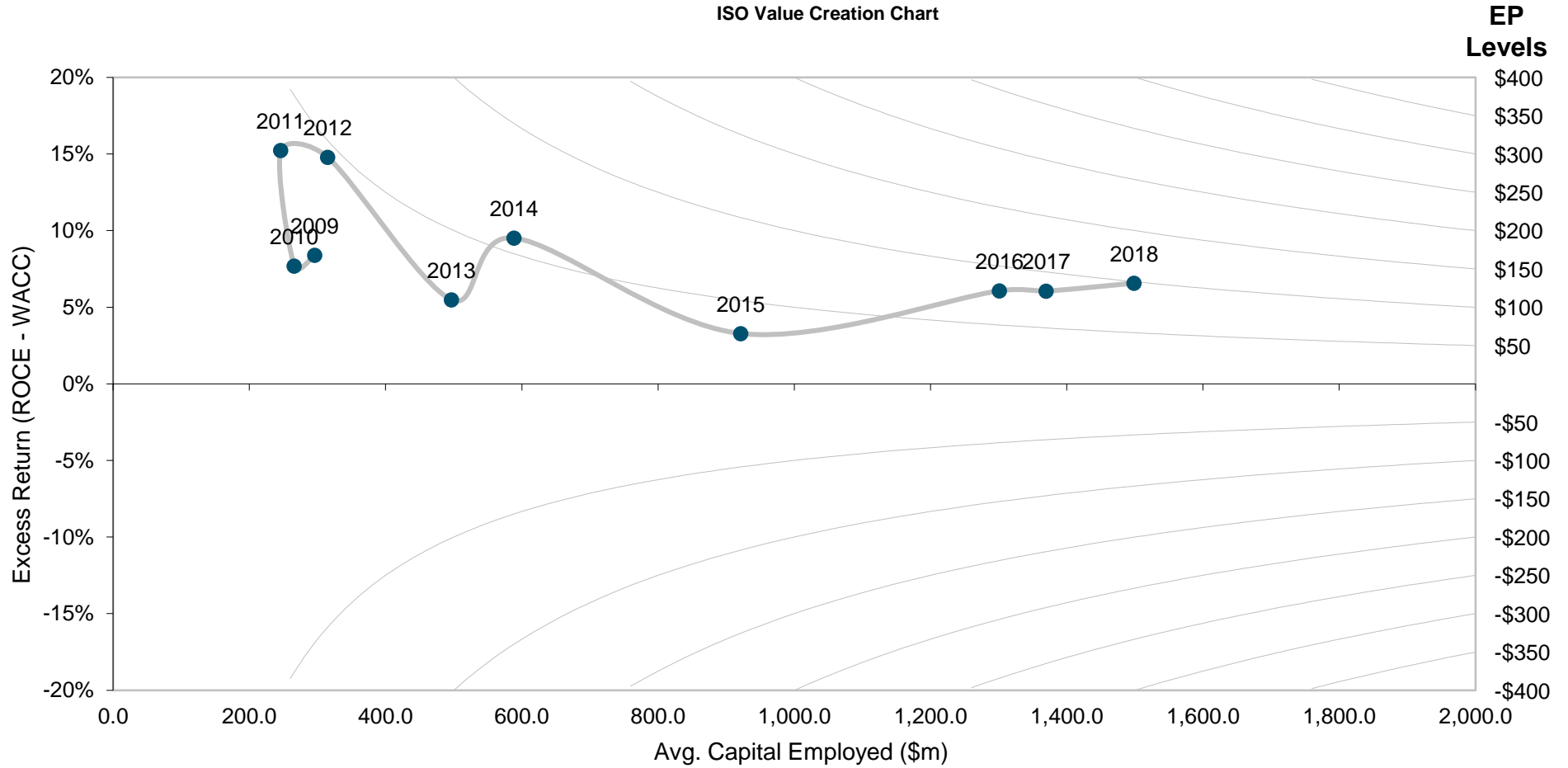
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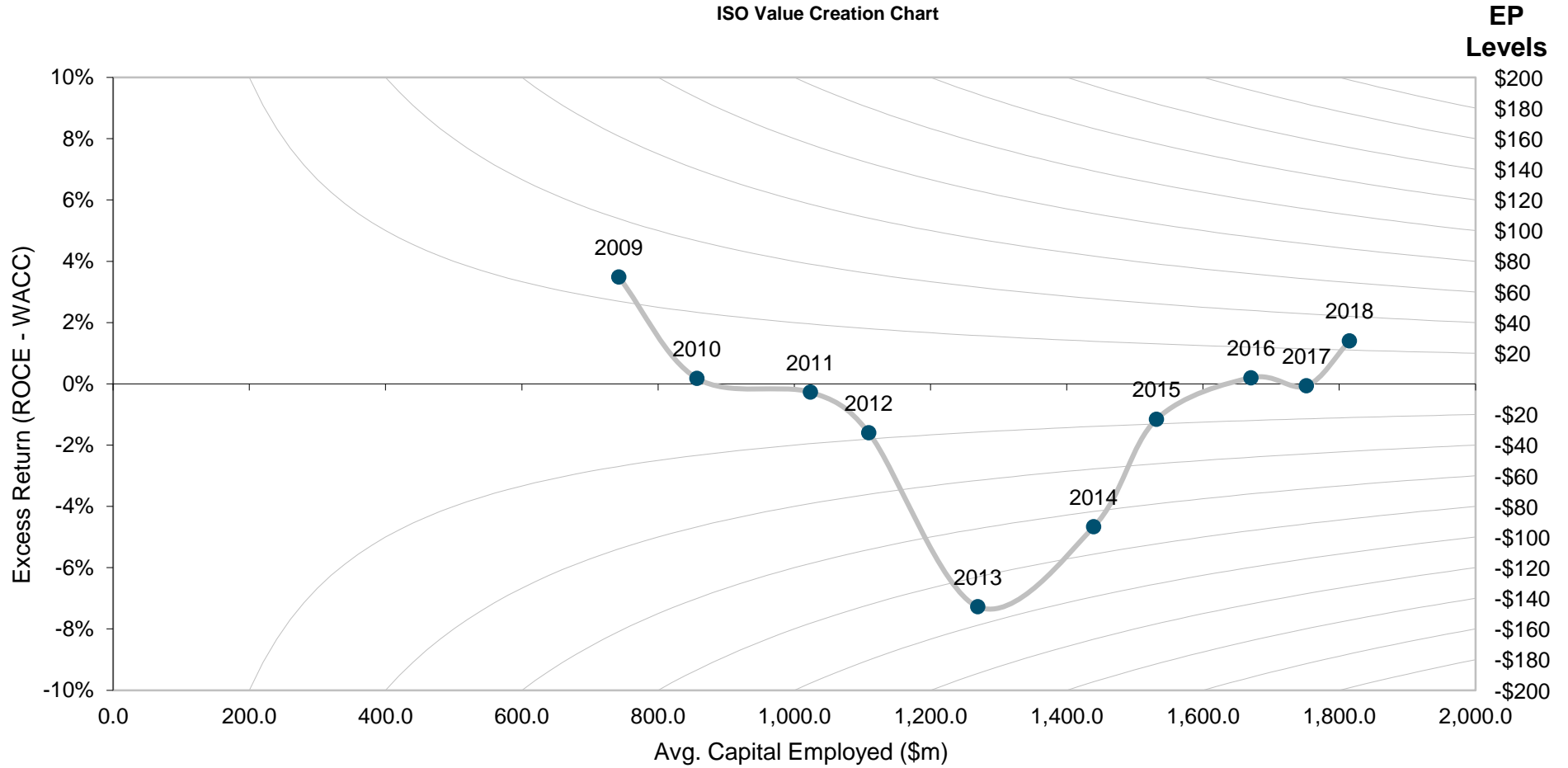
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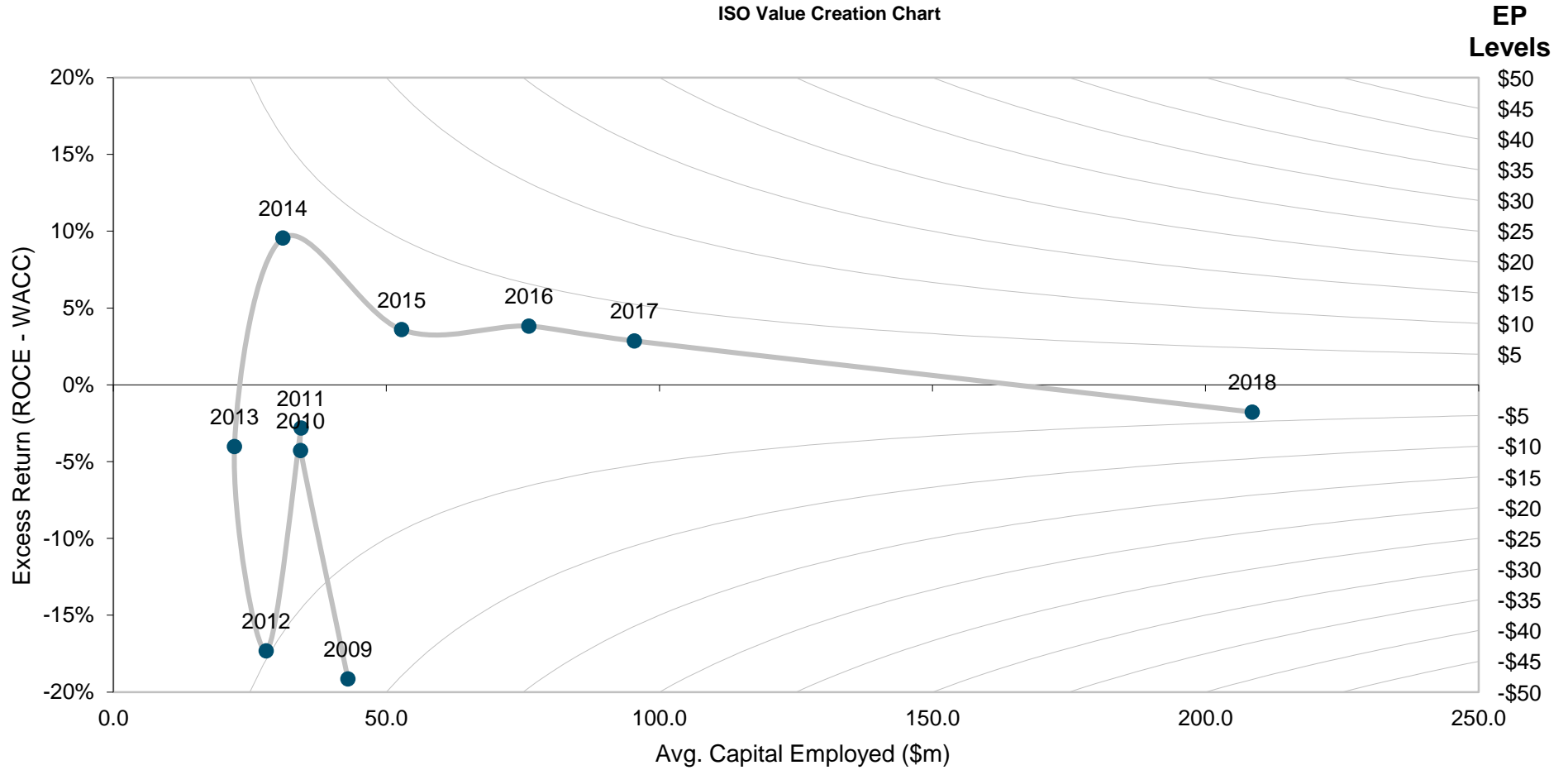
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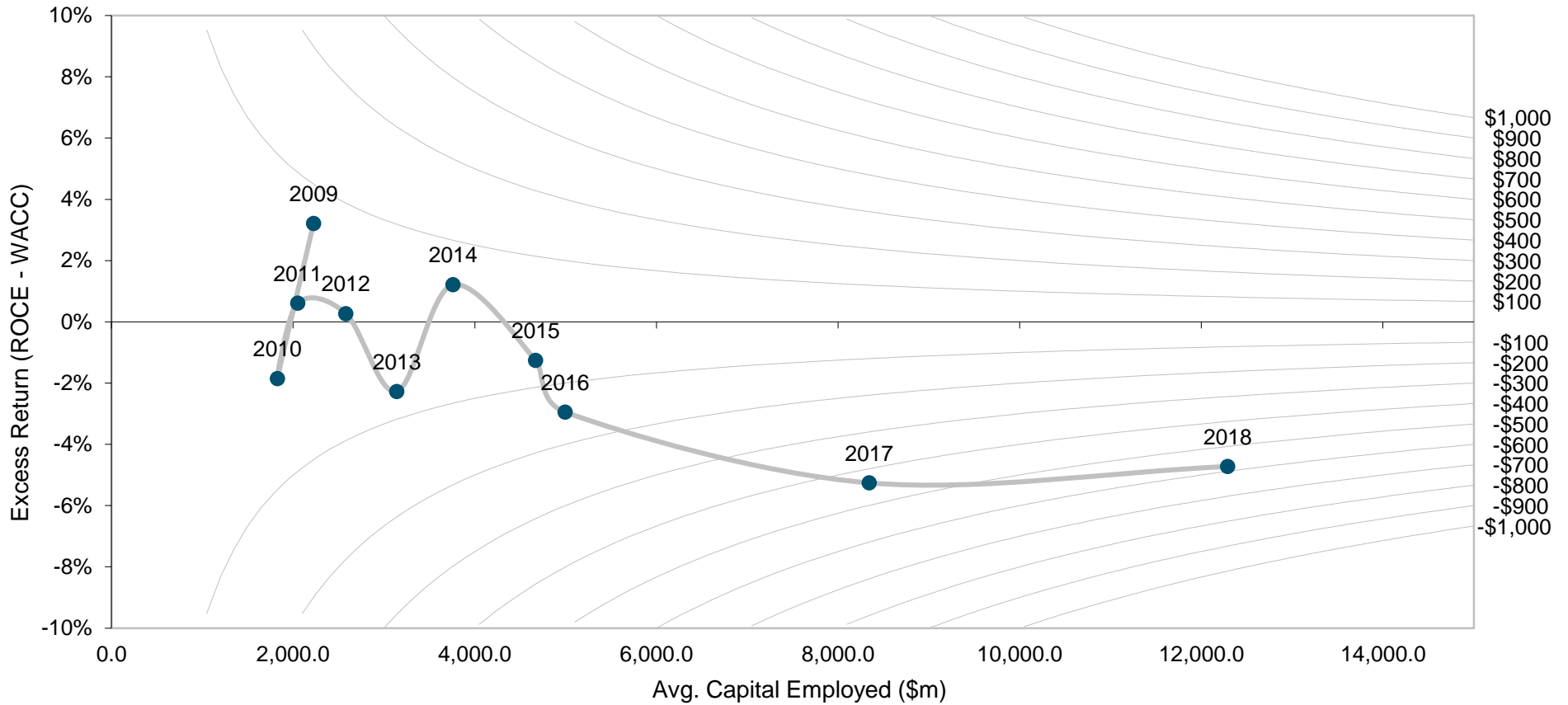


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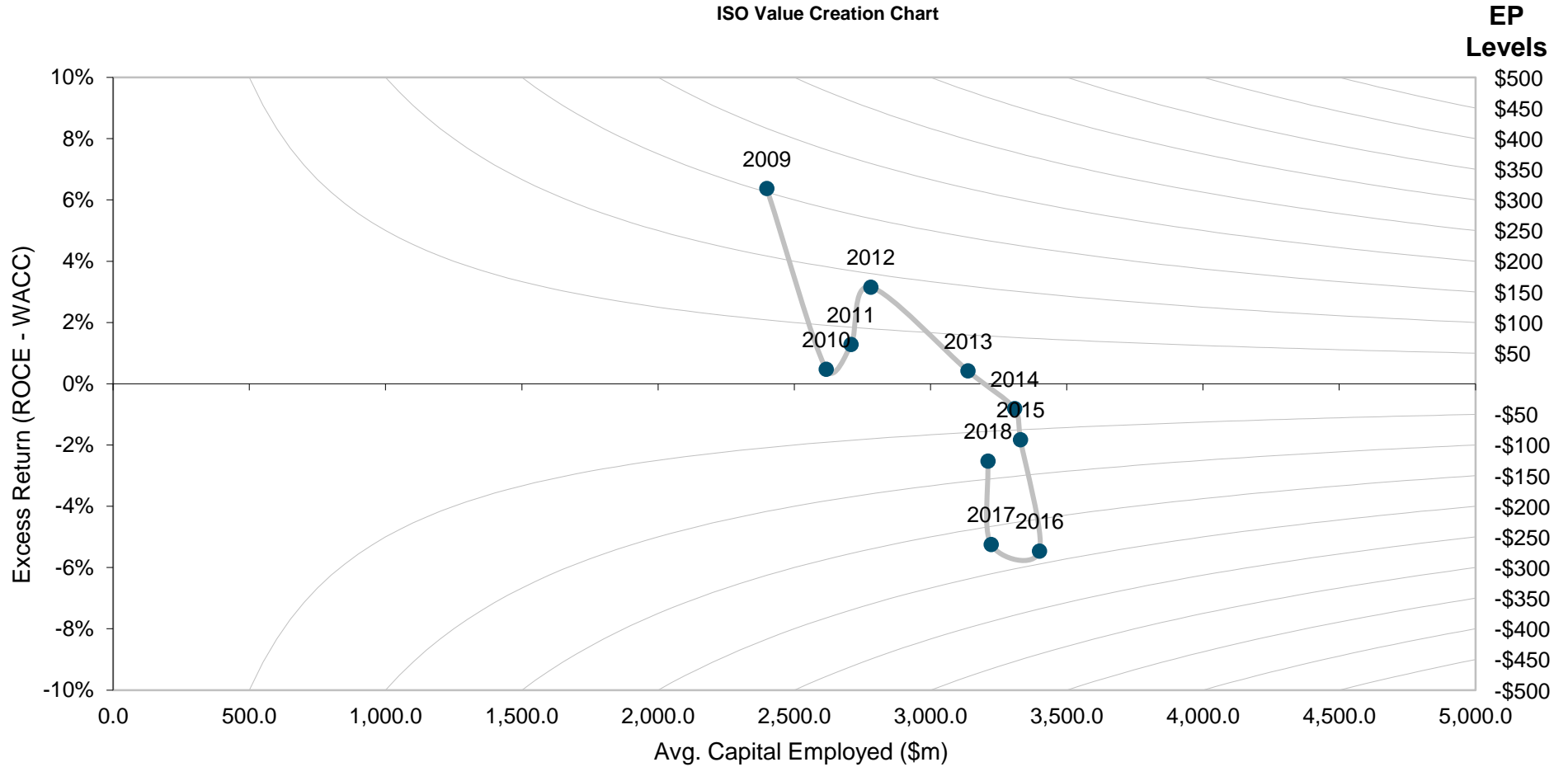
ISO Value Creation Chart

EP Levels



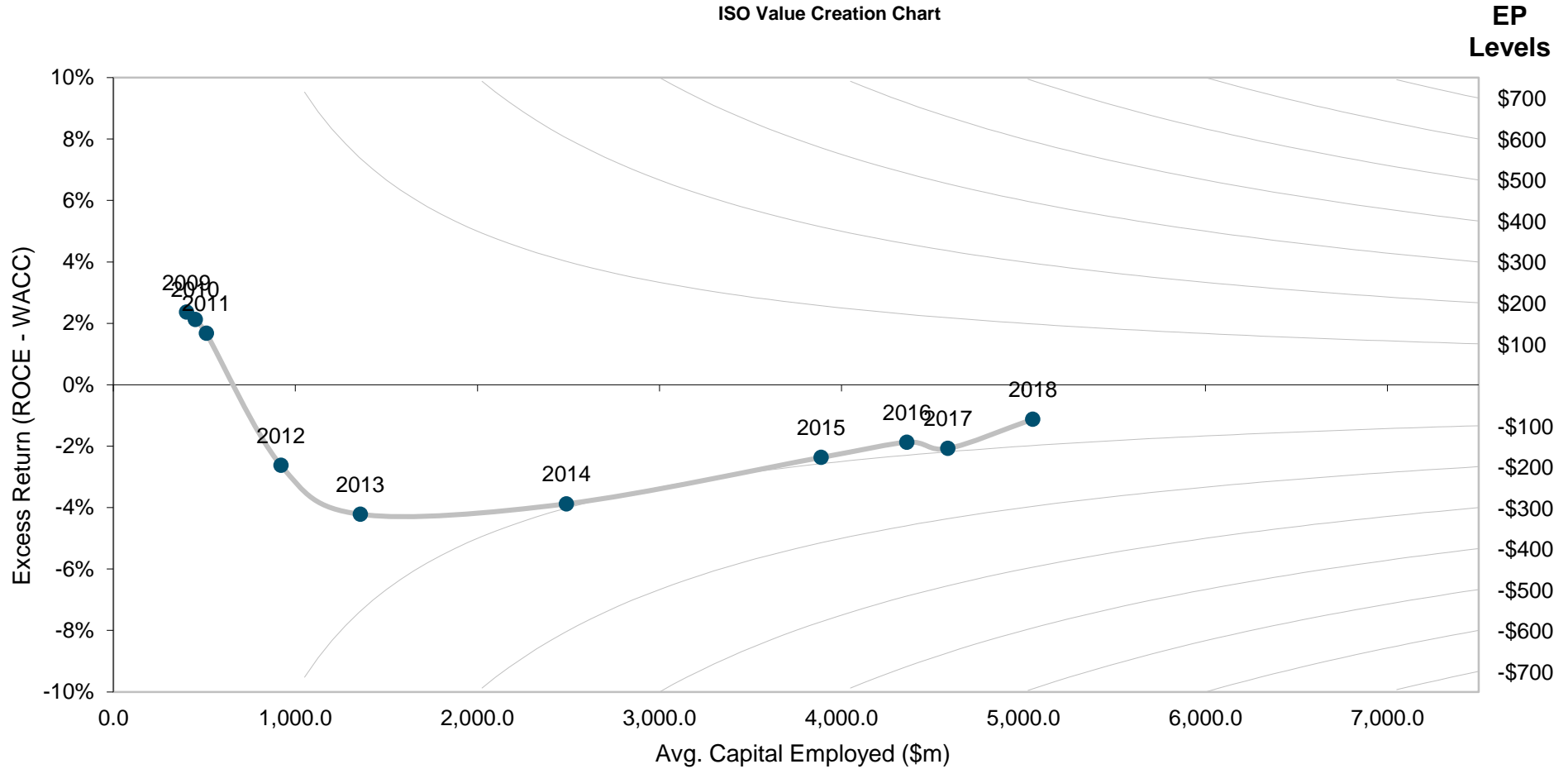
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Value Creation Performance Over Time



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