

Press Release

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Deloitte EPoC 2013 - European Powers of Construction Moderate growth expected in the European construction industry

Brussels, 15 July 2014 – The Deloitte European Powers of Construction, reveals that after a five-year period of continuous contraction, moderate growth is expected for the European construction industry in 2014. Developed economies, including Belgium, have significant investment needs because of the need to adapt infrastructure to current quality, efficiency and sustainability standards. Although European construction groups can expect some positive developments in their home markets in the coming years, their strategic focus will remain on expanding their business in terms of geographical locations and activities performed.

The Deloitte European Powers of Construction identifies and compares the major listed European construction groups in the framework of the evolution of the construction industry. In this year's eleventh edition a new section on financial analysis was added, as well as a brief description of the main non-European competitors that the EPoC could meet on the international markets.

France dominates rankings in terms of sales

The total sales of EPoC 2013 decreased by 2.1% to €328,423m compared to 2012, in a ranking dominated by the French companies. The ranking of the Top 50 EPoC 2013 by sales volume is once again headed by Vinci. ACS and Bouygues maintain their second and third place and there were no changes in the top six positions in 2013. The French construction groups increased their total sales by 2% thanks to the growth achieved by Vinci and Eiffage. Belgian company CFE ranks 33rd with total sales of €2,267m, while Besix (not listed) would rank 32nd with total sales of €2,314m.

Despite a 2.1% decrease in aggregate sales, major companies' market capitalisation grew by 29.7% in 2013. UK, French and Spanish groups increased their total market value by 46%, 31% and 27%, respectively.



Investment volume in Belgium expected to increase

The Belgian construction investments amounted to €41m and represented 10.8% of the Belgian GDP in 2013. In comparison, construction investment in Germany, France and the UK was €270m, €241m and €160m respectively. The investment volume in Belgium is expected to increase by 0.7% in 2014 and by 1.8% in 2015, which is perfectly in line with average growth rates in the Euro area. Frédéric Sohet, Real Estate & Construction Industry Leader, Deloitte Belgium: *“We also have to realise that the Belgian construction market remains very limited in terms of volume for important construction companies although there are still many opportunities linked to infrastructure, urbanisation and sustainable built environments. As identified in one of our previous studies, diversification, internationalisation and providing customers with “all-in solutions” for complex projects will be key for sustainable growth.”*

Financial performance

In 2013, total average EBIT margins fell by 20 basis points to 4.4%, explained by a decrease in non-construction margins that was not offset by the growth recorded in construction margins. Four companies were able to achieve construction margins above 5%: Enka, Barratt Developments, OHL and Ferrovia. In addition, OHL recorded the highest total margins among the Top 20 EPoC due to the relative weight of its concession business. Average debt to equity ratios have remained unchanged for the last three years.

European construction groups looking abroad

The limited size of the Western European market and its negative performance in recent years have forced major European construction groups to look abroad.

Frédéric Sohet: *“This is again certainly the case for Belgium considering the size of the home market and we can refer to specific examples like Besix generating more than 90% of its revenues internationally in 2013. But looking abroad is not sufficient as successful companies also need to identify niche markets where profitability can be increased and added value fully recognised.”*

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