

M&A Construction Update

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Construction Industry Trends

Euro-zone General Economic Trends⁽¹⁾

Euro area real GDP increased by 0.3% in the second quarter of 2013, following a contraction of 0.3% in the first quarter of 2013, thus almost returning to the same level as at the end of 2012. This increase is partly explained by transitory effects related to weather conditions in the first half of this year. The September 2013 ECB macroeconomic projections for the euro area, foresee annual real GDP to decline by 0.4% in 2013 and to increase by 1.0% in 2014. The pace of the global recovery is expected to remain very gradual, as the medium-term outlook for advanced economies will continue to be constrained by a number of factors, including weak labour markets, still incomplete private sector deleveraging and on-going fiscal consolidation. The slow pace recovery is mainly expected to be derived from a gradual improvement in domestic demand supported by the accommodative monetary policy stance.

The Governing Council decided at its meeting on 2 October to keep the key ECB interest rates unchanged at a low level. The risk surrounding the economic outlook for the euro area continues to be on the downside due to low developments in global money and financial market conditions, higher commodity prices in the context of renewed geopolitical tensions, weaker than expected global demand and slow or insufficient implementation of structural reforms in euro area countries. According to Eurostat's flash estimate, euro area annual HICP inflation amounted to 1.3% in August 2013, down from 1.6% in June and July.

Construction Industry Trends^(1 & 2)

In Belgium, construction activity decreased in the second quarter of 2013 by 0.4% compared to the previous quarter and by 2.5% compared to the same quarter in 2012. Expected total 2013 contraction of the construction industry has been reviewed to amount to 1.5-2.0%. During the period April to June 2013, the number of building permits granted for new residential buildings decreased by 1.6% compared to the previous quarter while for new non-residential buildings the decrease reached 9.2%. Indicators for the renovation segment show a decrease in permits for residential (-0.6%) and a very small increase for non-residential construction (0.2%). The most recent data regarding bankruptcies show that there has been an increase by 16.9% during the months June through August 2013. The number of bankruptcies increased from 470 during the period March-May to 549 during June-August. Furthermore, employment in the Belgian construction sector dropped by 0.3% in the second quarter of 2013 as compared to the first quarter.

Construction M&A activity⁽³⁾

While the European Construction M&A deal volume dropped by 6.0% in 2012 compared to 2011, deal volume in the first 3 quarters of 2013 shows an upward trend. Compared to the same period in 2012, the deal volume in Q1-Q3'13 went up by 7.5%. Furthermore, the number of transactions has been increasing since Q1'13. However the deal size shows a downward trend in 2013.

- 186 transactions were announced during the first three quarters of 2013, compared to 173 in 2012, an increase by 7.5%. Considering the last 12 months, the number of European transactions at Sept'13 amounted to 250 vs. 237 over the full year 2012. This represents a rise by 5.4%.
- 42 private equity backed transactions (either as a buyer or as a seller) have been announced during Q1-Q3'13 compared to 61 in 2012.
- For the transactions for which the deal size has been disclosed, the average enterprise value during Q1-Q3'13 amounted to €859m against €1,360m in 2012. Again, the average enterprise value during Q1-Q3'13 is driven by a mix of very large deals vs. small deals. Some of these large deals include the Grohe AG transaction (see below). The median enterprise value during Q1-Q3'13 was €33m against €65m in 2012 and €56m in 2011. This reflects the fact that there are a lot more smaller deals in 2013 as compared to prior years.
- The median EV/EBITDA transaction multiples declined from 8.9 in 2012 to 7.6 in Q1-Q3'13, which is closer to the longer term average, excluding the exceptionally low 2011 multiples. These multiples are however only provided for indicative purposes and might be biased given the relatively low number of deals for which this information is published.

The Belgian Construction sector appears to follow the European trend with the number of M&A transactions during Q1-Q3'13 already reaching the level of full year 2012 (13 deals). Even more than in 2012, the majority of the deals in 2013 concerns corporate transactions (77%) vs. private equity transactions (23%).

Sources: (1) ECB Monthly Bulletin October'13, (2) Confederatie Bouw: Bouwbarometer October'13 and (3) Mergermarket (14/10/2013)

Quarterly transaction volume (E.U. M&A: All industries)



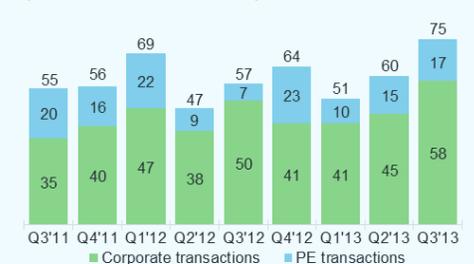
Source: Mergermarket

Quarterly transaction volume (Belgian M&A: All industries)



Source: Mergermarket

Quarterly transaction volume (E.U. M&A: Construction)



Source: Mergermarket

Yearly transaction volume (E.U. M&A: Construction)



Source: Mergermarket

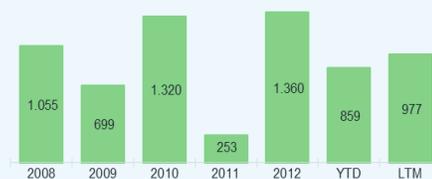
Highlighted Transactions - Construction

Yearly transaction volume
(Belgian M&A: Construction)



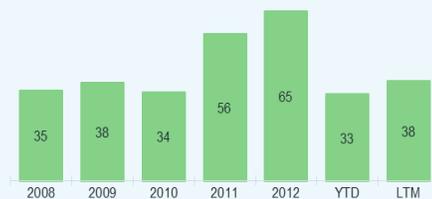
Source: Mergermarket

Yearly average enterprise value in €m (E.U. M&A: Construction)



Source: Mergermarket

Yearly median enterprise value in €m (E.U. M&A: Construction)



Source: Mergermarket

Yearly median EV/EBITDA multiples
(E.U. M&A: Construction)



Source: Mergermarket

Most important deals announced in Q3'13 involving a European construction company (Source: Mergermarket)

- July 2013 - **Al Nowais Group**, the UAE based industrial conglomerate, has acquired a 40% stake in **Archirodon Group N.V.**, the Netherlands based provider of construction and engineering services for industrial, civil, marine and offshore, electromechanical and infrastructure projects, from **Royal Boskalis Westminster N.V.**, the listed Netherlands based provider of dredging, maritime infrastructure and maritime services, for a cash consideration of \$190m.
- July 2013 - The management team of **Ginger CEBTP** has signed a definitive agreement to acquire the company, in a **MBO**, backed by BNP Paribas Developpement SA, Cathay Capital Private Equity, Groupe Siparex and Banque Publique d'Investissement, from **Grontmij France**. Total consideration amounts to €67m.
- August 2013 - **Bregal Capital LLP**, the UK based private equity firm and a subsidiary of Bregal Investment, the Channel Islands based private equity arm of Cofra Holdings AG, has won an auction to acquire **Ideal Stelrad Group Limited**, the UK based company engaged in the manufacture and marketing of boilers and radiators, from **Warburg Pincus LLC**, **Royal Bank of Scotland Group Plc** and **Bank of Ireland Group**, for a consideration of GBP 230m (€270m).
- August 2013 - **Rockwool International AS**, the listed Denmark based producer of stone wool, has agreed to acquire **Chicago Metallic Corporation, Inc.**, the US based manufacturer of architectural building products, for a debt free and cash free consideration of \$140m.
- September 2013 - **LIXIL Group Corporation** and **Development Bank of Japan Inc**, via their joint investment vehicle, have agreed to acquire a 87.5% stake in **Grohe AG** from TPG Capital LP and DLJ Merchant Banking Partners for a total consideration of €2.9bn.

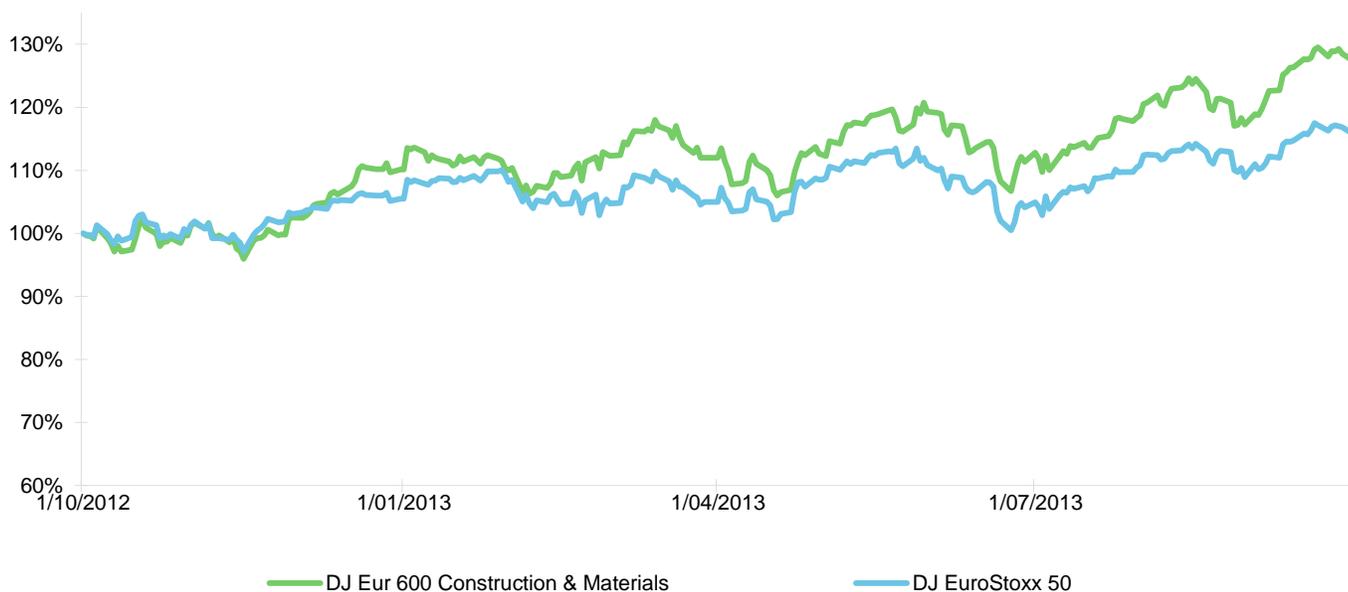
Most important deals announced in Q3'13 involving a Belgian company (Source: Mergermarket)

- July 2013 - **Eiffage SA**, the France based construction and concessions group, has agreed to acquire **Iemants N.V.**, the Belgium based steel construction company, **Smulders Projects Belgium N.V.**, the Belgium based construction company engaged in the assembling of foundations and towers and **Willems Staalconstructies N.V.**, Belgium based steel construction company engaged in the construction, fabrication and supply of steel constructions, along with the Polish Spomasz S.A, from **Smulders Group**, the Netherlands based manufacturer of steel constructions, for an undisclosed consideration.
- July 2013 - **Group De Cloedt**, the Belgium based company engaged in manufacturing and marketing of granulated materials, has acquired **Societe d'Exploitation des Carrieres d'Yvoir SA**, the Belgium based company engaged in producing and distributing hard sandstone granulates used in the top layers of asphalt roads and as railway ballast, from **Ballast Nedam N.V.**, the Netherlands based listed multidisciplinary property and infrastructure construction group, for an undisclosed consideration.
- September 2013 - **Ackermans & Van Haaren NV** has agreed to acquire **Compagnie d'Entreprises CFE SA** through a three steps transaction. The transaction will include the issue of new shares as well as the acquisition of shares from Vinci SA and a mandatory public offer on the free float shares. Total deal value amounts to €1.526bn. As a result of this deal, Ackermans & Van Haaren will own a large majority share in Deme, of which they already owned 50%.
- September 2013 - **APK nv**, the Belgium based company engaged in construction and infrastructure services for roads, telecommunications and utility lines, has acquired **Rasenberg Holding B.V.**, the Netherlands based company offering infrastructure construction services, for an undisclosed consideration.
- September 2013 - **Koramic Industries NV**, the Belgium based investment company with interests in the construction sector, and subsidiary of **Koramic Investment Group NV**, has acquired **Petracer's Ceramics S.R.L.**, the Italy based ceramics producer, for an undisclosed consideration. The deal value is estimated to be €14m.

Market Snapshot - Construction

<u>In millions</u>	<u>Reporting currency</u>	<u>Mkt Cap</u>	<u>EV</u>	<u>EV to</u>		<u>EBITDA</u>	<u>P/E</u>	<u>perform</u>	
				<u>Sales</u>	<u>EBITDA</u>	<u>Margin</u>		<u>YTD</u>	
Construction									
Koninklijke Bam Groep	EUR	1.027,2	1.714,6	0,2x	11,7x	n.a.	n.a.	29,8%	
Balfour Beatty	GBP	1.956,3	2.530,3	0,3x	26,4x	1,1%	42,4x	3,8%	
Vinci	EUR	28.204,7	42.910,7	1,1x	7,9x	13,8%	10,1x	30,5%	
Bouygues	EUR	9.436,2	16.637,2	0,5x	6,4x	7,8%	11,2x	32,0%	
FCC	EUR	1.996,8	9.080,3	1,0x	32,4x	3,1%	n.a.	67,4%	
Eiffage	EUR	3.922,3	18.212,3	1,3x	8,9x	14,7%	13,0x	30,6%	
Bilfinger Berger	EUR	3.698,0	3.944,0	0,5x	6,5x	8,1%	11,7x	10,1%	
Hochtief	EUR	5.079,7	8.768,1	0,3x	4,9x	6,9%	20,4x	50,2%	
Skanska	SEK	52.445,9	61.334,9	0,5x	10,9x	4,3%	15,3x	17,6%	
Strabag	EUR	2.135,2	3.034,9	0,2x	4,1x	5,9%	35,2x	-8,3%	
Average					0,6x	7,7x	7,3%	13,6x	26,4%
Median					0,5x	8,4x	6,9%	14,2x	30,2%
Building Materials									
Cimpor-Cimentos	EUR	2.042,9	5.874,6	3,4x	n.a.	25,9%	40,9x	-12,1%	
CRH	EUR	13.205,8	17.501,8	1,0x	11,9x	8,1%	20,0x	18,3%	
Geberit	CHF	9.317,3	9.017,9	4,6x	16,4x	28,4%	19,6x	23,9%	
Heidelbergcement	EUR	10.914,4	19.035,0	1,4x	6,9x	19,8%	40,6x	27,0%	
Holcim	CHF	21.375,1	34.990,1	n.a.	n.a.	18,6%	34,8x	-0,7%	
Italcementi	EUR	1.469,0	4.792,1	1,1x	5,2x	21,1%	n.a.	47,9%	
Lafarge	EUR	14.627,0	28.507,0	1,8x	9,5x	18,0%	33,5x	5,6%	
Wolseley	GBP	9.021,1	404,1	0,7x	10,7x	6,7%	29,6x	13,4%	
Compagnie De Saint-Gobain	EUR	20.949,0	30.807,0	0,7x	6,9x	10,5%	22,1x	17,4%	
Wienerberger	EUR	1.520,8	2.817,0	1,1x	12,4x	8,8%	n.a.	86,8%	
Average					1,8x	8,8x	15,0%	26,0x	22,7%
Median					1,1x	10,1x	18,3%	33,5x	17,9%
Total Construction									
Average					1,1x	11,1x	12,2%	24,7x	24,6%
Median					1,0x	9,2x	8,8%	20,4x	21,1%

DJ Eur 600 Construction index vs DJ EuroStoxx 50



Source: Bloomberg

Deloitte Construction Transaction Highlights

Deloitte.

Acquisition due diligence on:



Deloitte FAS Belgium assisted Diana Invest NV with acquisition support services on Stessens NV.

DTT Member Firm(s) in: Belgium

Deloitte FAS provided acquisition due diligence services to Diana Invest NV, in the context of its acquisition of **Stessens N.V.**

Stessens N.V., based in Geel, is a Belgian family owned construction firm. The Company is an important player in the turnkey housing market.

Diana NV is a Belgian private investment company.

Deloitte.

Independent business review of:



Deloitte FAS Belgium provided an independent business review of GranDeco Group.

DTT Member Firm(s): Belgium

Deloitte FAS provided an independent business review of **GranDeco Group**.

GranDeco Wallfashion Group Belgium, is one of the leading producers of vinyl wall coverings. Based in Tielt, Belgium, and with offices in the UK and Russia, they are an important player in the decorative wall-papers market, selling their products in over 88 countries worldwide.

GIMV, the Belgian private equity investment group that is listed on the Brussels' stock exchange, is the largest shareholder of GranDeco Wallfashion Group.

Other recent transactions in the construction sector

Deloitte.

Acquisition support services on:



Deloitte FAS provided acquisition support services to Unilin Industries NV in view of their acquisition of the panel board activities of Spano Group

DTT Member Firm(s) in: Belgium

Deloitte.

Vendor due diligence on:



Deloitte FAS Belgium provided vendor due diligence services for Tessenderlo Group in view of the disposal of Profialis.

DTT Member Firm(s) in: Belgium

Deloitte.

Financial adviser to the shareholders of:



In the Acquisition of Locasystem SA and Technisystem SA:



DTT Member Firm(s) in: Belgium

Related Content

In addition to information regarding the Construction industry being provided by Deloitte Financial Advisory Services Belgium, you may be interested in additional events and informational sources available through Deloitte.

Reports

[European Powers of Construction 2012 \(July 2013\)](#)

The tenth edition of European Powers of Construction examines the performance of the most representative listed European construction groups in 2012 in terms of revenue, market capitalisation, internationalisation, diversification, debt and other financial ratios.

Click [here](#) to read the full report.

[European Construction M&A Monitor \(December 2012\)](#)

The European M&A Construction monitor looks at the latest trends and issues in Mergers & Acquisitions (M&A) in the construction industry. This monitor looks not only back at recent activities but also forward. Deloitte has produced this outlook by combining the in-depth, local knowledge of its European member firms on M&A, real estate, construction and infrastructure.

Click [here](#) to read the full report.

[Drivers behind the rise and fall of the European construction industry.](#)

This paper, published by the IMF, gives an insight in the European construction industry by analysing the rise and fall of the construction industry during the last 15 years using cross-section and cross-country data.

Click [here](#) to read the full report.

[Property Index: Overview of European Residential Markets \(May 2012\)](#)

We are pleased to present to you the first edition of Property Index – a new publication by Deloitte. This publication analyses factors influencing the development of residential markets and compares residential property prices in selected European countries and cities.

Click [here](#) to read the full report.

Deloitte Financial Advisory Services - Belgium

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For additional information or to find out more about how DFAS can assist in an M&A process, please contact one of our DFAS Construction Industry team members or one of our DFAS partners.

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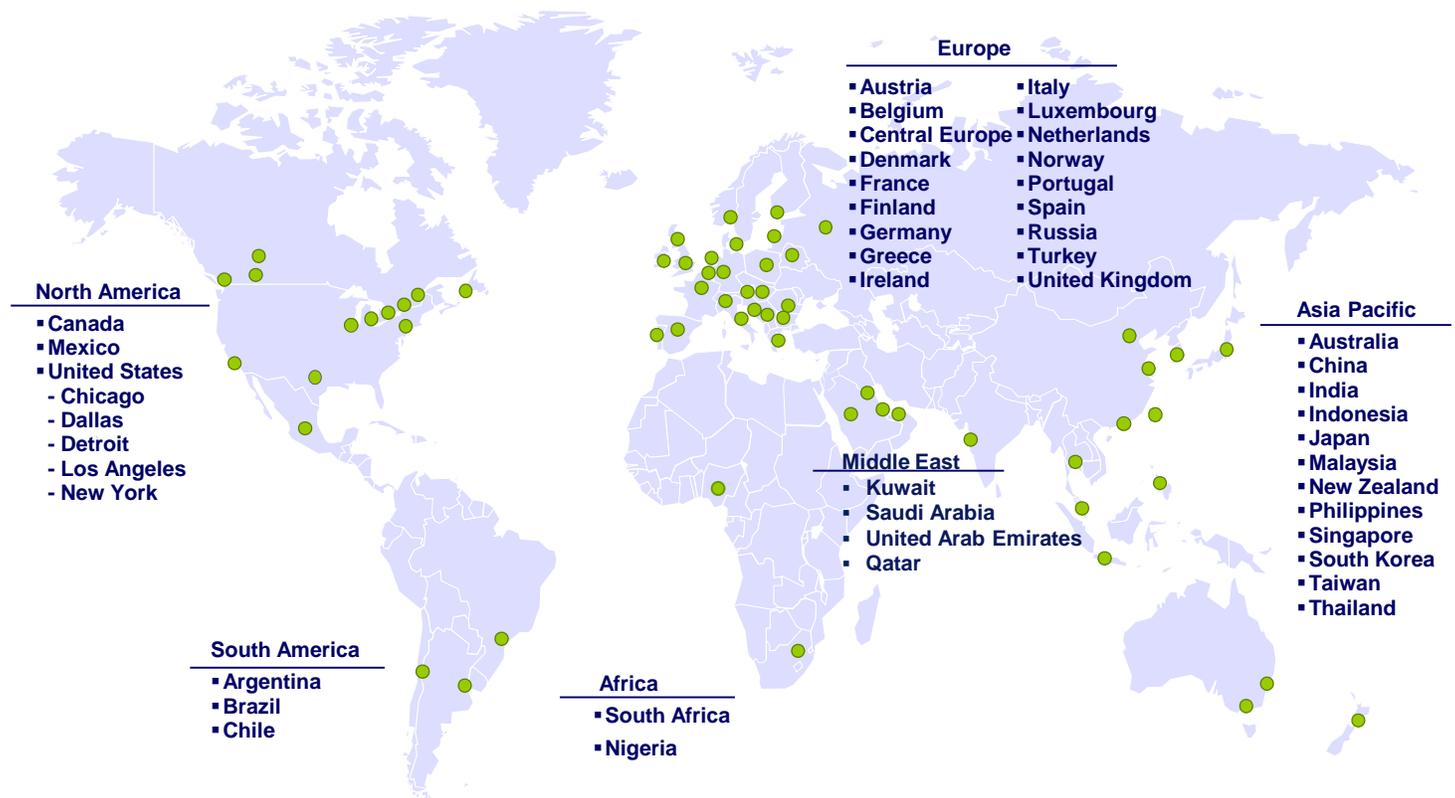
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