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GPoC 2018
Global Powers of Construction
Executive Summary

Introduction

Global Powers of Construction analyses the current economic situation of the construction industry worldwide and examines the strategies and performance of the most representative listed global construction groups in 2018.

This edition analyses the main financial indicators of the major players within the industry: market position and performance in terms of revenue, market capitalisation, internationalisation, diversification, profitability, indebtedness and other financial ratios are examined throughout

this edition. Overall, in 2018 the aggregate sales of the Top 100 GPoC rose by 10% and amounted to USD 1.39 trillion. However, total market capitalisation decreased by 12%.

Our 2018 publication also includes a section in which we analyse a number of sector trends that have been shaping the construction industry over the past few years or are expected to have a great impact in the near future.

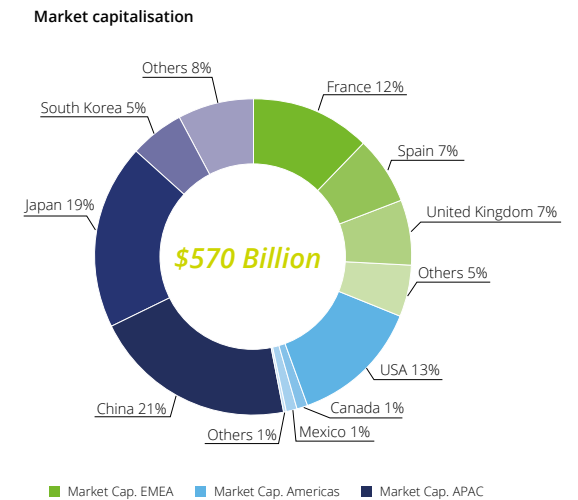
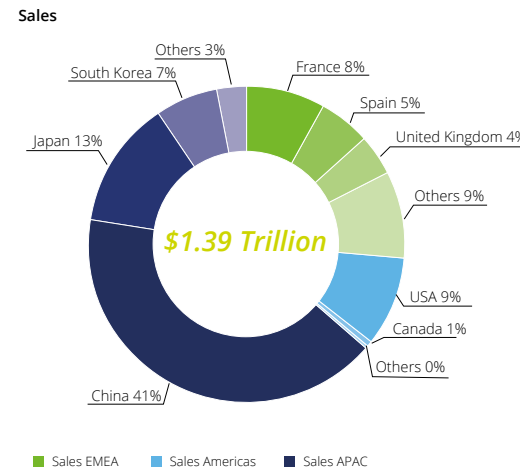


Ranking of listed global construction companies

As in prior years, Chinese companies dominate the Top 100 ranking in terms of revenue representing 41% of the total.

Other Asian players, mainly from Japan and South Korea, and companies from the US, the UK, France and Spain, have a significant presence in the industry ranking.

Country	Number of companies	Sales 2018 (\$ M)
CHINA	10	570,690
JAPAN	15	179,763
USA	12	127,121
FRANCE	3	113,293
SOUTH KOREA	7	91,998
SPAIN	7	74,795
UNITED KINGDOM	12	58,182
SWEDEN	4	34,215



Top GPoC - ranking by sales

Rank 2018	Company	Country	Sales 2018 (\$ M)
1	CHINA STATE CONSTRUCTION ENGINEERING CORP. LTD. (CSCEC)	CHINA	181,467
2	CHINA RAILWAY GROUP LTD. (CREC)	CHINA	112,026
3	CHINA RAILWAY CONSTRUCTION CORP. LTD. (CRCC)	CHINA	110,473
4	CHINA COMMUNICATIONS CONSTRUCTION COMPANY LTD. (CCCC)	CHINA	73,939
5	VINCI	FRANCE	51,378
6	METALLURGICAL CORPORATION OF CHINA LTD (MCC)	CHINA	43,809
7	ACTIVIDADES DE CONSTRUCCION Y SERVICIOS, S.A. (ACS)	SPAIN	43,279
8	BOUYGUES	FRANCE	41,975
9	DAIWA HOUSE INDUSTRY CO.	JAPAN	34,260
10	SAMSUNG C&T CORP.	SOUTH KOREA	28,342
11	SHANGHAI CONSTRUCTION GROUP (SCG)	CHINA	25,805
12	LENNAR CORP.	USA	20,572
13	AECOM	USA	20,156
14	EIFFAGE, S.A.	FRANCE	19,940
15	SKANSKA AB	SWEDEN	19,752
16	SEKISUI HOUSE	JAPAN	19,315
17	FLUOR CORP.	USA	19,167
18	LARSEN & TOUBRO LTD. (L&T)	INDIA	18,596
19	STRABAG	AUSTRIA	17,971
20	OBAYASHI CORP.	JAPAN	17,154
21	DOOSAN	SOUTH KOREA	16,872
22	KAJIMA CORP.	JAPAN	16,522
23	DR HORTON	USA	16,068
24	HYUNDAI ENGINEERING & CONSTRUCTION CO. LTD. (HDEC)	SOUTH KOREA	15,220
25	JACOBS ENGINEERING	USA	14,985
26	TAISEI CORP.	JAPAN	14,309
27	DAITO TRUST CONSTRUCTION	JAPAN	14,052
28	SHIMIZU CORP.	JAPAN	13,713
29	LENLEASE	AUSTRALIA	12,841
30	CHINA FORTUNE LAND DEVELOPMENT (CFLD)	CHINA	12,679
TOTAL			1,006,637

Aggregate sales of the Top 100 GPoC rose by 10% in 2018. China state Construction Engineering, with over USD 180 billion in total revenue, leads the ranking in 2018. Total revenue recorded by the GPoC in 2018 amounted to USD 1.39 trillion.

As in prior years, Chinese, Japanese, US and French companies dominate the Top listed construction companies in terms of revenues. Two other Chinese companies, China Railway Group and China Railway Construction, complete the Top 3. The predominant presence of Chinese companies in the sales ranking is mainly due to the size of the Chinese market, as international sales of Asian companies as a percentage of sales is lower than other GPoC.

Top 30 GPoC ranking by market capitalisation

Rank	Company	Country	Market Capitalisation (\$ M) 2018
1	VINCI	FRANCE	49,299
2	CHINA STATE CONSTRUCTION ENGINEERING CORP. LTD. (CSCEC)	CHINA	34,102
3	LARSEN & TOUBRO LTD. (L&T)	INDIA	28,202
4	DAIWA HOUSE INDUSTRY CO.	JAPAN	25,659
5	CHINA RAILWAY GROUP LTD. (CREC)	CHINA	20,796
6	CHINA RAILWAY CONSTRUCTION CORP. LTD. (CRCC)	CHINA	18,829
7	DR HORTON	USA	15,871
8	SAMSUNG C&T CORP.	SOUTH KOREA	15,488
9	CHINA COMMUNICATIONS CONSTRUCTION COMPANY LTD. (CCCC)	CHINA	15,282
10	FERROVIAL	SPAIN	14,964
11	LENNAR CORP.	USA	13,855
12	BOUYGUES	FRANCE	13,365
13	DAITO TRUST CONSTRUCTION	JAPAN	12,970
14	SEKISUI HOUSE	JAPAN	12,608
15	ACTIVIDADES DE CONSTRUCCION Y SERVICIOS, S.A. (ACS)	SPAIN	11,941
16	TAISEI CORP.	JAPAN	11,401
17	CHINA FORTUNE LAND DEVELOPMENT (CFLD)	CHINA	10,933
18	JACOBS ENGINEERING	USA	10,880
19	KAJIMA CORP.	JAPAN	9,644
20	NVR	USA	8,719
21	LENDELEASE	AUSTRALIA	8,500
22	EIFFAGE, S.A.	FRANCE	8,075
23	OBAYASHI CORP.	JAPAN	7,866
24	PERSIMMON PLC	UNITED KINGDOM	7,802
25	BERKELEY GROUPS HOLDINGS	UNITED KINGDOM	7,445
26	PULTEGROUP	USA	7,202
27	SHIMIZU CORP.	JAPAN	7,024
28	BARRATT DEVELOPMENTS PLC	UNITED KINGDOM	6,887
29	GRUPO CARSO	MEXICO	6,509
30	SKANSKA AB	SWEDEN	6,506
TOTAL			428,622

The aggregate market capitalisation of our Top 30 GPoC at the end of 2018 was USD 428,622 million, down 8% on the 2017 figure. In terms of the geographical distribution of our ranking, Japan has the most companies on the list (seven), while both the US and China are represented with five companies each. It should also be noted that nine European groups are included in this ranking.



Top 30 GPoC – ranking by international sales

In the last decade, major listed construction groups have sought growth opportunities abroad and, as of today, our 2018 GPoC obtain 21% of total revenue outside of their respective domestic markets.

By geographical area, the most internationalised companies are European groups (57%) followed by the US-based GPoC (24%). As in 2017, ACS is the largest international contractor among our GPoC.

Other European groups such as Vinci, Bouygues, Strabag and Skanska complete the Top 5.

Rank	Company	Country	International sales (\$ M)
1	ACS	SPAIN	37,124
2	VINCI	FRANCE	22,137
3	BOUYGUES	FRANCE	16,253
4	STRABAG	AUSTRIA	15,104
5	SKANSKA	SWEDEN	15,096
6	CCCC	CHINA	14,401
7	CSCEC	CHINA	13,660
8	FLUOR	USA	10,861
9	DOOSAN	SOUTH KOREA	9,302
10	SAMSUNG C&T	SOUTH KOREA	8,990
11	CREC	CHINA	6,485
12	L&T	INDIA	6,159
13	HDEC	SOUTH KOREA	6,102
14	JACOBS	USA	5,466
15	AECOM	USA	5,403
16	CRCC	CHINA	5,380
17	LENDLEASE	AUSTRALIA	4,972
18	EIFFAGE	FRANCE	4,615
19	OBAYASHI	JAPAN	4,171
20	KAJIMA	JAPAN	4,165
21	MCC	CHINA	3,407
22	SEKISUI	JAPAN	2,744
23	TAISEI	JAPAN	1,431
24	SCG	CHINA	895
25	CFLD	CHINA	855
26	SHIMIZU	JAPAN	840
27	DR HORTON	USA	191
28	LENNAR	USA	56
29	DAIWA	JAPAN	-
30	DAITO	JAPAN	-
TOTAL			226,265

Shaping the future

Over the past few years a number of trends have been shaping the construction industry or are expected to have a great impact in the near future.

INNOVATION

- The construction business has generally been considered as a traditional industry with limited appetite for innovation.
- Innovation in the sector is not only driven by traditional and well-established construction companies, but “Construction Industry Disruptors” also play a significant role.
- Materials represent an important opportunity since they can have a significant impact on the construction costs, quality and sustainability.
- Standardization, modularization and prefabrication of components could have a positive impact.
- Internet of Things: connected construction is an ecosystem of connected job sites, machines, and workers.

COMPETITIVE DYNAMICS AND MARGIN IMPROVEMENT

- The traditional low margins in the construction industry combined with increasing project complexity, competition from Asian companies and supply chain constraints put extra pressure on the sector’s profitability.
- Supply chain: in order to achieve productivity improvements, companies need to encompass the entire construction cycle.
- Lean approach: many companies in other industries have applied “lean” methods to manage complexity and drive step change improvements in efficiency.
- Construction services are highly commoditized and bidding procedures increase the cost pressure even more.
- Budgeting and accurate scheduling are essential.

INTERNATIONALISATION

- Traditionally, construction has been a local business in which relationships and resources are paramount.
- Although construction companies tend to obtain higher margins in their domestic markets, the international expansion of the industry seemingly continues to be a dominant trend.
- More than 60% of global infrastructure investment in the period will be required in emerging economies, particularly in Asia, while the US and Canada will account for approximately 20%.
- Those firms that are able to adapt their business models to new markets and environments will prove to be the winners.

COMPLIANCE, REGULATION AND TRANSPARENCY

- Past and recent corruption incidents, together with company failings, have clearly affected the construction industry’s reputation. There is an urgent need to enhance compliance practices at construction companies, reshape regulation and increase transparency across the board.
- Changes in the contracting environment should also be addressed in order to move away from a system based on confrontation to a collaboration and problem-solving model.
- It has been noted that current contractor schemes have not been able to enhance productivity, reduce corruption or provide an adequate capital return for many construction companies.

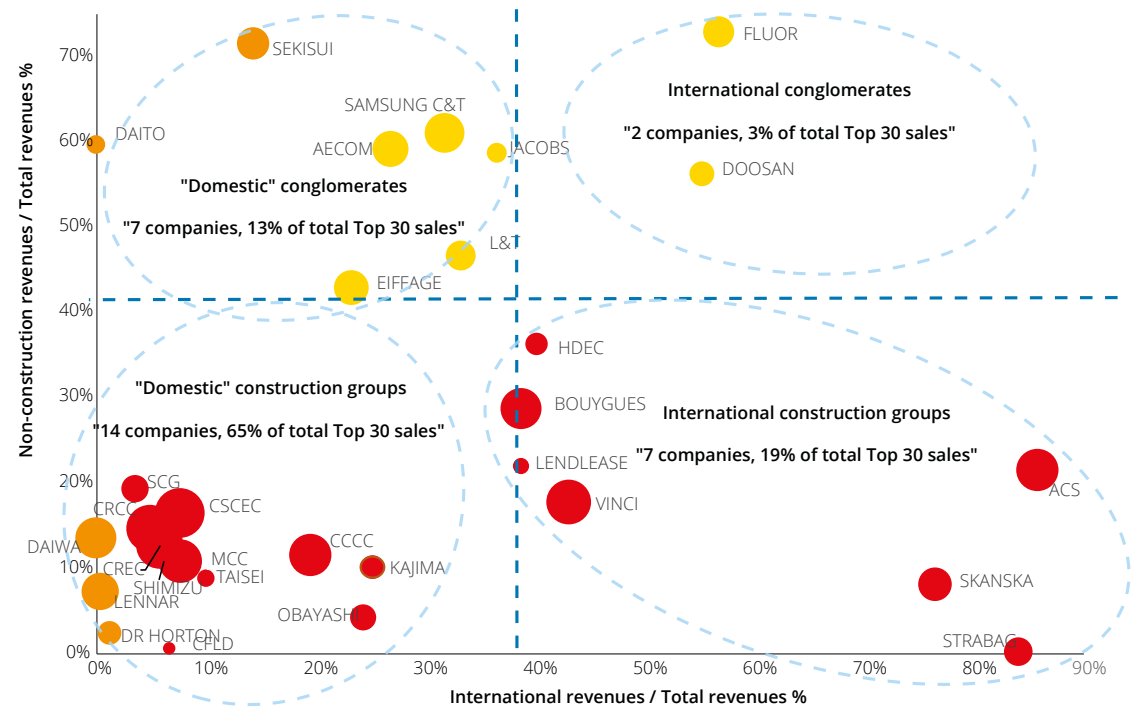
SUSTAINABILITY

- Sustainable construction is not just about ensuring that resources are being used in an efficient way, it also means considering the environmental impacts.
- Adequate management of the enormous amounts of waste generated during the construction phase, or ensuring more efficient methods of cooling, heating and lighting the assets constructed are nowadays deeply discussed and reviewed.
- Sustainability is becoming a requirement rather than just an extra, and firms must be able to introduce improvements in a cost efficient way.

Top 30 GPoC strategies

In 2018 international sales and non-construction revenue of our GPoC represented 21% and 22%, respectively. European groups appears to be the most internationalized while Japanese and American groups are the most diversified.

A combination of favourable demographic trends and the implementation of a number of legislative reforms throughout the region are generating a wide range of infrastructure investment opportunities for investors. Total infrastructure spending is projected to reach USD 142.5 billion in 2019 and USD 175.8 billion in 2020.

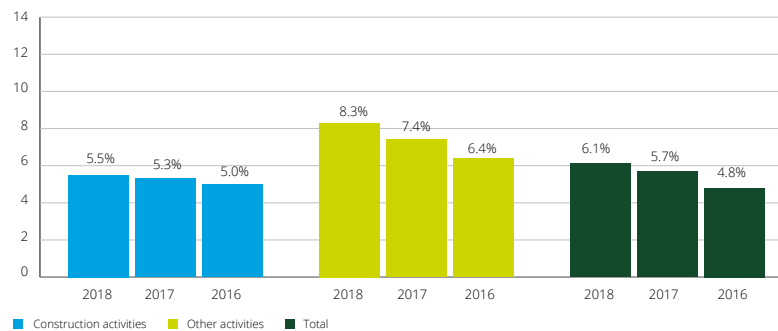


The graph above identifies the groups through three main colours, according to each group's core business. The red companies are those whose main business is civil engineering and construction, the yellow are diversified companies that carry on other businesses and the orange are companies that are considered to be homebuilders.

Financial ratios

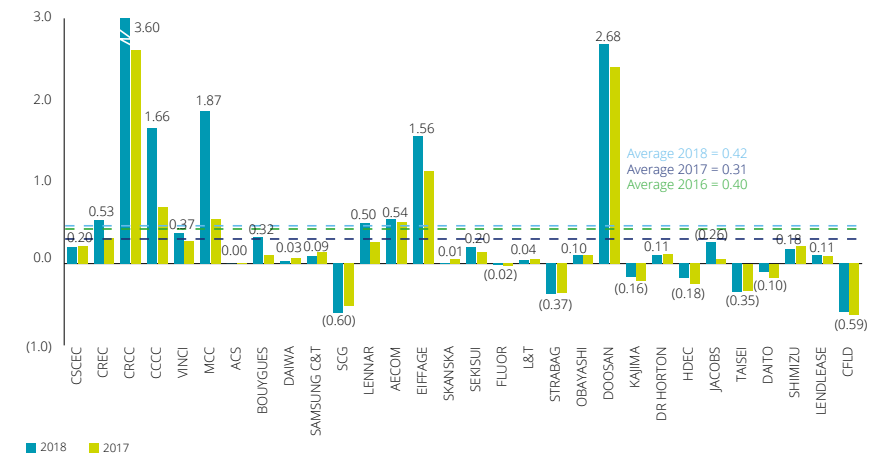
EBIT Margin

On average, EBIT from construction activities is 6.4% of sales (0.4 percentage points above 2017), while EBIT from non-construction activities averaged 12% (in line with 2017), resulting in a combined average EBIT margin of 6.9%. Thirteen groups recorded above-average margins in 2018.



Net indebtedness

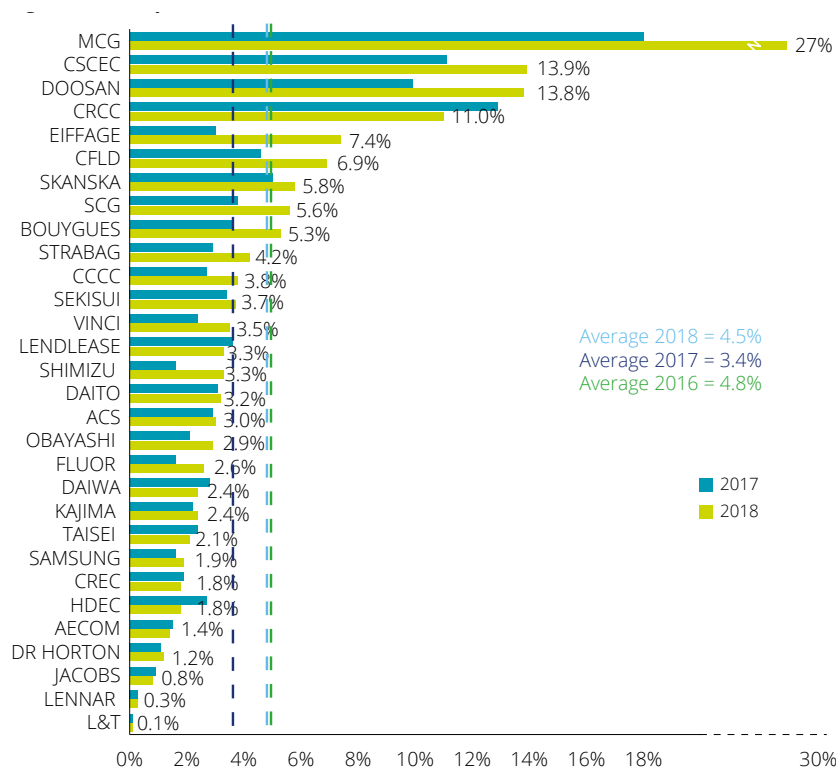
Aggregate net debt to equity ratios continued to increase (2 pp increase compared with 2016). Debt levels of less diversified GPOC remain low, most diversified GPOC show higher indebtedness ratios. On the other hand, average net debt/market cap decreased from x0.41 to x0.31 times.



	Construction activities		Total	
	2018	2017	2018	2017
AVERAGE	5.5%	5.3%	6.1%	5.7%
AVERAGE ASIAN COMPANIES	5.9%	5.8%	5.7%	5.4%
AVERAGE US COMPANIES	8.4%	7.3%	6.7%	6.2%
AVERAGE EUROPEAN COMPANIES	3.3%	2.9%	7.0%	6.7%
AVERAGE EXCLUDING HOMEBUILDERS	4.8%	4.6%	5.6%	5.3%

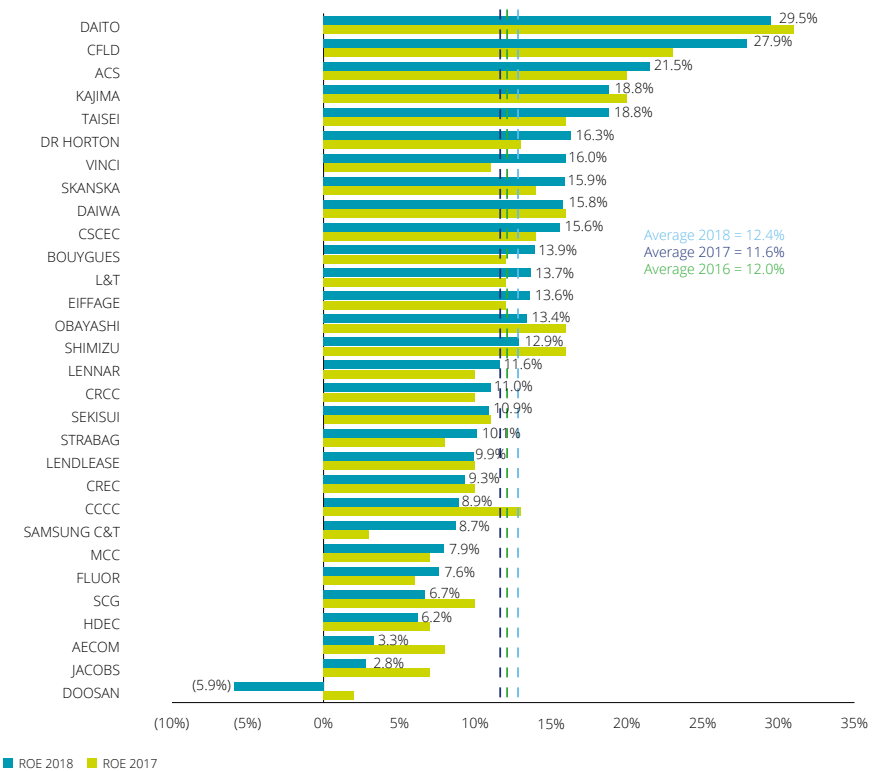
Dividend yield

In 2018 the Top 30 GpOC companies reported an average dividend yield of 4.5%, significantly higher than in 2017 (3.4%).



Return on Equity (ROE)

The average ROE for the Top 30 GPOC improved, increasing from 11.6% in 2017 to 12.4% in 2018.





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