



Optimize deals

PwC Deals

Global Engineering and Construction M&A Deals Insights Q2 2017

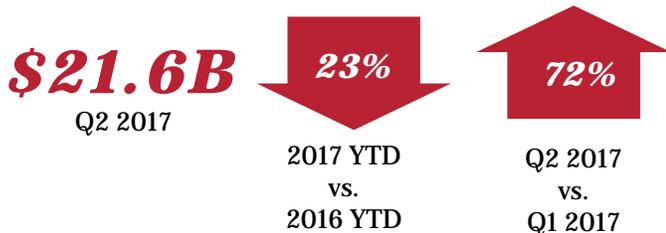
Executive summary

The global Engineering and Construction (E&C) sector ended the first half of 2017 with an investment interest of \$34.2 billion, 23% lower than 1H 2016. The majority of deal activity occurred in the Construction Materials Manufacturing and Civil Engineering categories attributed to an increase in infrastructure and utility construction projects. While deal volume has decreased compared with 1H 2016, it continues to be supported by strong activity in the Asia & Oceania region.

The E&C sector has continued to benefit from the increasing rate of urbanization and infrastructure development in emerging economies like China and India. Meanwhile, developed markets are actively seeking geographical expansion and new project development opportunities in order to reduce their risk exposure.

There is a growing presence of tech companies and startups in the E&C sector, indicating an increasing potential for disruption. The sector has seen a rising interest in applications for mobile and cloud technologies, AI and robotics, AR/VR, and CAD software to make processes more efficient and streamlined. We expect that increasing infrastructure investment in emerging economies coupled with advances in technology will continue to drive the activity for 2H 2017.

Value by the numbers



Volume by the numbers



Source: Thomson Reuters and other publicly available sources



“Deal value rebounded in Q2 2017 driven primarily by four \$1.0 billion plus deals and 8 of the 10 largest deals in H1 2017. Overall deal activity, however, remained largely flat in Q2 versus Q1 and down from H1 2016. The market shows signs of moving beyond the uncertainty that we believe contributed to a slow start to the year, particularly in Europe.”

— **Colin McIntyre**,
US Engineering and Construction Deals Leader

Key trends/highlights

- There were 49 deals announced in the Global Engineering and Construction sector with a total deal value of \$21.6 billion in Q2 2017.
- M&A activity was driven by the Civil Engineering and Construction Materials Manufacturing categories, contributing to 29% and 23% of the deal value year to date respectively.
- Asia & Oceania continues to be the region with the most M&A activity by volume, accounting for 57% of acquirers and 61% of targets in global transactions in 1H 2017.
- The Engineering and Construction sector was benefited from four megadeals in Q2 2017: the acquisitions of Wirtgen Group, WS Atkins, Bluegrass Materials and OHL Mexico.
- The acquisitions of Wirtgen Group by Deere & Co is the largest deal in the sector with a deal value of \$5.2 billion, accounting for 24% of total deal value in Q2 2017.
- With 60% of total value, strategic investors made up the majority of transaction value in 1H 2017.



Highlights of Q2 2017 deal activity

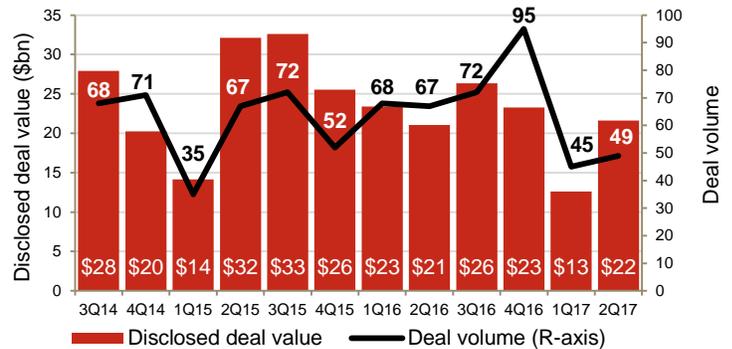
M&A activity

Deal value and volume increased by 72% and 9% to \$21.6 billion and 49 in Q2 2017 respectively. The large increase in deal value in Q2 was primarily attributed to a relatively slow first quarter.

Deal value was increased by 3% but volume reduced by 27% this quarter as compared with Q2 2016. Due to lower deal volume relative to value, the average deal size increased by 41% compared Q2 2016.

Source: Thomson Reuters and other publicly available sources

Global E&C M&A deal volume and value



Largest transaction

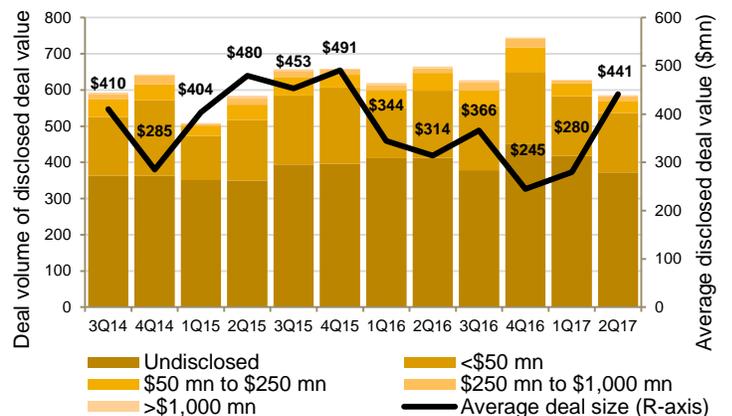
In June, John Deere announced the acquisition of Germany-based Wirtgen Group for \$5.2 billion. This strategic alliance will expand the reach of John Deere construction equipment to more customers, markets and geographies.

Megadeals

There were four deals in Q2 2017 exceeding a disclosed value of \$1.0 billion, increased from two in Q1 2017 but down from five in Q2 2016. These four transactions accounted for 45% of the total disclosed deal value in Q2 2017.

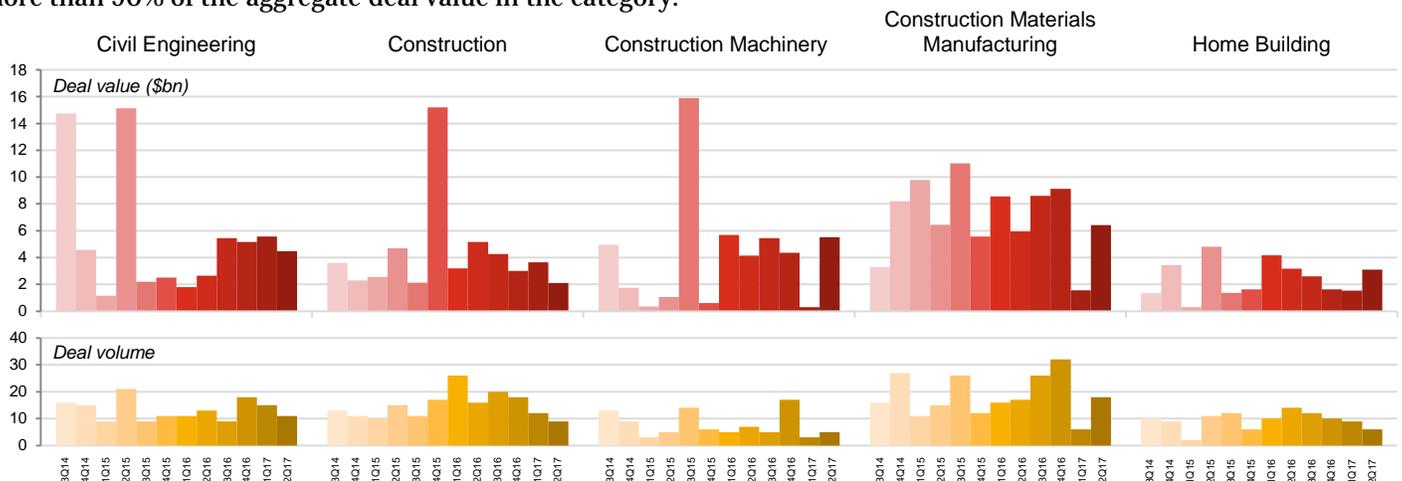
Source: Thomson Reuters and other publicly available sources

Global E&C M&A deals by disclosed value



Sector category analysis

With the exception of Q1 2017, Construction Materials Manufacturing continues to remain the largest category over the last two years, contributing 30% and 37% of the total sector deal value and volume in Q2 2017. M&A activity in the Construction Machinery category was primarily driven by the acquisition of Wirtgen Group by John Deere, accounting for more than 90% of the aggregate deal value in the category.



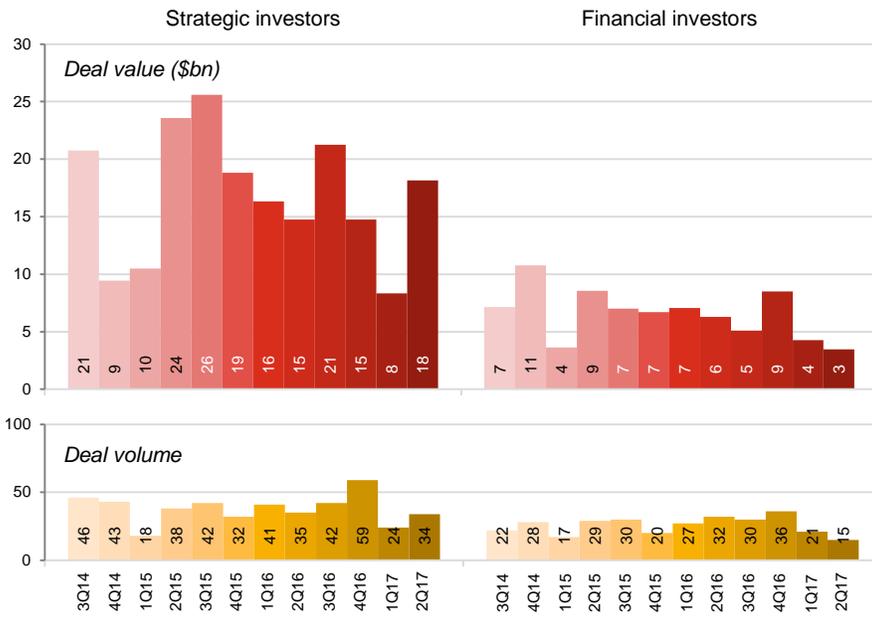
Source: Thomson Reuters and other publicly available sources



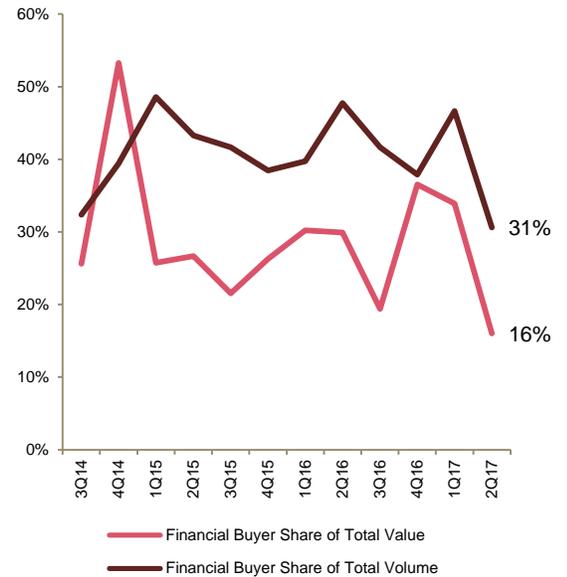
Key trends and insights

Financial vs. strategic investors

Strategic investors continue to lead M&A activity in E&C, contributing to 72% of deal value and 60% of deal volume over the last three years. The average deal size of the last three years also remains 44% lower for financial investors than that of the strategic investors.



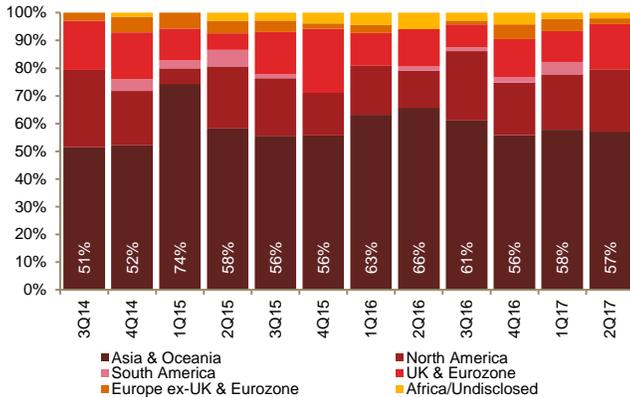
Financial investor share of M&A activity



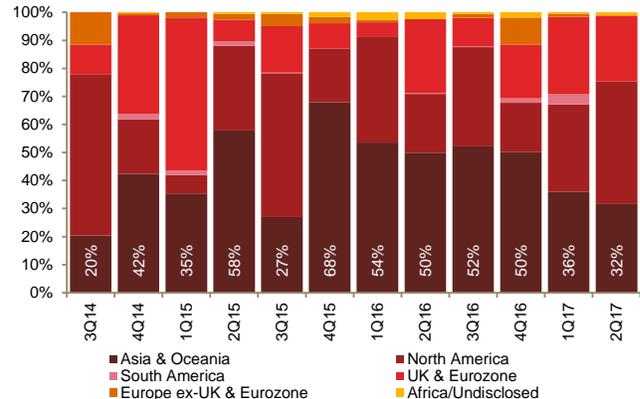
Regional analysis

M&A activity continues to target the Asia & Oceania region, although the average deal size in this region remains relatively lower as compared with the North America and UK & Eurozone regions. The higher average deal size in the North America and UK & Eurozone regions was attributed to the larger share of big ticket transactions – all four megadeals announced in Q2 2017 were from the above two regions.

Share of deal volume by acquirer region



Share of deal value by acquirer region



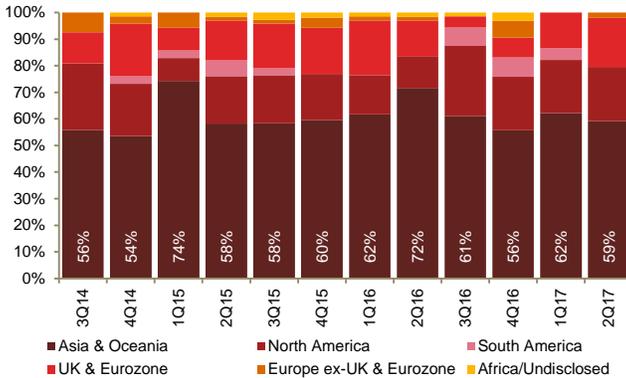
Source: Thomson Reuters and other publicly available sources



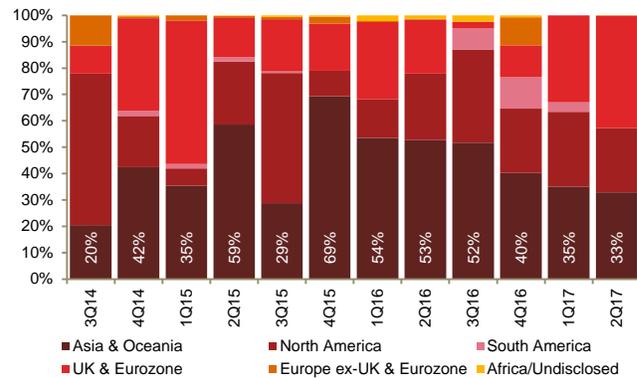
Key trends and insights

Regional analysis (continued)

Share of disclosed deal volume by target region

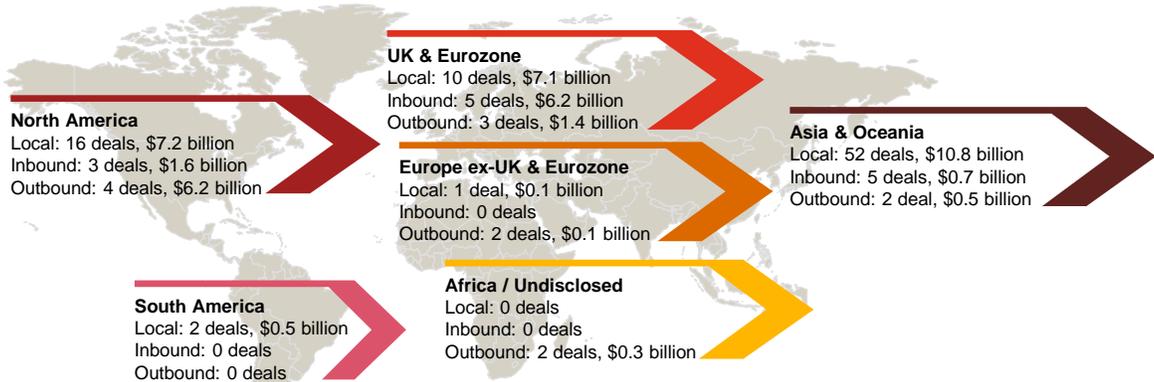


Share of disclosed deal value by target region



Source: Thomson Reuters and other publicly available sources

Engineering and construction deals by region



Source: Thomson Reuters and other publicly available sources

Looking forward in 2017

Four deals larger than \$1 billion, along with Deere & Co's acquisition of Wirtgen Group for \$5.2 billion, drove deal values back closer to historical seasonal levels at \$21.6 billion in Q2 2017. However, deal volume in Q2 continued to remain below historical levels, resulting in less than 100 deals completed in H1 2017 (versus 135 in H1 2016).

While the number of larger transactions in Q2 2017 may be an indication companies are looking beyond the uncertainty that we believe plagued much of the market in Q4 2016 and Q1 2017, the reduced volumes suggests some level of ongoing questions.

H1 2017 brought some clarity in Europe with the conclusion of elections in France and the Netherlands that seem to reembrace the importance of the EU trading block. The UK formally triggered Article 50 to exit the EU during Q2; the outcome of the discussions are just getting underway and the consequences not just to the UK, but Europe as a whole, are yet undetermined.

However, the level of activity in Europe, and in particular in the UK, suggests businesses are looking beyond the geopolitical environment to get deals done. M&A activity in Europe remained strong in Q2 2017 at \$5.0 billion.

In North America, M&A volume doubled in Q2 2017 largely as a result of three \$1 billion plus transactions (including Deere's acquisition). Excluding these large transactions, deal volume continued a downward trend on flat volume versus Q1 2017 and the prior year. The North American market, and in particular the US, appears to still be plagued by the lack of meaningful movement on key legislation actions laid out by the Trump administration early this year. Whether or not anything gets done in 2017 is looking more challenged. While we expect both would have significant impact to M&A activity, until something changes we look for companies in the region to continue to be opportunistic, taking advantage of strong balance sheets or efficient use of overseas cash for foreign acquisitions.



Optimize deals

Key trends and insights

Top 10 Engineering and Construction Deals in 2017 YTD

Announced	Target name	Target nation	Acquirer name	Acquirer nation	Status	Deal value ¹	Category
06/01/17	WIRTGEN GROUP Holding GmbH	Germany	Deere & Co	US	Pending	5,174	Construction machinery
03/13/17	Amec Foster Wheeler PLC	UK	John Wood Group PLC	UK	Pending	2,706	Civil engineering
04/03/17	WS Atkins PLC	UK	SNC-Lavalin (GB) Holdings Ltd	UK	Completed	2,613	Civil engineering
03/31/17	Reliance Home Comfort LP	Canada	CKP (Canada) Holdings Ltd	Canada	Pending	2,104	Construction
06/26/17	Bluegrass Materials Co LLC	US	Martin Marietta Materials Inc	US	Pending	1,625	Construction materials manufacturing
06/14/17	OHL Mexico SAB de CV	Mexico	Magenta Infraestructura SL	Spain	Pending	1,089	Home building
04/20/17	TCC International Holdings Ltd	Hong Kong	Investor Group	Taiwan	Pending	920	Construction materials manufacturing
05/25/17	Aggregates USA LLC	US	Vulcan Materials Co	US	Pending	900	Construction materials manufacturing
04/15/17	Zhejiang Communications Construction Group Co Ltd	China	Zhejiang Jiangshan Chemical Co Ltd	China	Pending	846	Construction
04/21/17	PanaHome Corp	Japan	Panasonic Corp	Japan	Pending	845	Home building

Top 10 Engineering and Construction Deals in 2016

Announced	Target name	Target nation	Acquirer name	Acquirer nation	Status	Deal value ¹	Category
02/26/16	KUKA AG	Germany	MECCA International (BVI) Ltd	British Virgin	Completed	4,381	Construction machinery
09/10/16	China National Petroleum Corp-Assets	China	Xinjiang Dushanzi Tianli High & New Tech Co Ltd	China	Completed	4,146	Civil engineering
07/21/16	Joy Global Inc	US	Komatsu America Corp	US	Completed	2,778	Construction machinery
06/21/16	SolarCity Corp	US	Tesla Motors Inc	US	Completed	2,590	Construction
06/29/16	BBMG Corp-Assets	China	Tangshan Jidong Cement Co Ltd	China	Pending	2,587	Construction materials manufacturing
02/28/16	Jaiprakash Associates Ltd-Cement Units(6)	India	UltraTech Cement Ltd	India	Completed	2,410	Construction materials manufacturing
06/21/16	DH Services Luxembourg Holding SARL	Luxembourg	Kion Group AG	Germany	Completed	2,100	Construction machinery
02/03/16	RONA Inc	Canada	Lowe's Cos Inc	US	Completed	1,943	Construction materials manufacturing
11/21/16	Headwaters Inc	US	Boral Ltd	Australia	Completed	1,798	Construction materials manufacturing
08/08/16	Linea Amarilla SAC	Peru	VINCI Highways SAS	France	Completed	1,651	Construction

Top 10 Engineering and Construction Deals in 2015²

Announced	Target name	Target nation	Acquirer name	Acquirer nation	Status	Deal value ¹	Category
08/26/15	Cameron International Corp	US	Schlumberger Ltd	US	Completed	12,766	Construction machinery
12/24/15	PetroChina United Pipelines Co Ltd	China	PetroChina Pipelines Co Ltd	China	Pending	10,873	Construction
05/26/15	Samsung C&T Corp	South Korea	Cheil Industries Inc	South Korea	Completed	8,083	Civil engineering
02/02/15	Lafarge SA & Holcim Ltd-Certain Assets	France	CRH PLC	Ireland-Rep	Completed	7,370	Construction materials manufacturing
10/29/15	Verallia SA	France	Investor Group	US	Completed	3,220	Construction materials manufacturing
07/28/15	Italcementi Fabbriche Riunite Cemento SpA Bergamo	Italy	HeidelbergCement France SAS	France	Completed	2,252	Construction materials manufacturing
05/13/15	Vitro SAB de CV-Food & Beverage Glass Container Business	Mexico	Owens-Illinois Inc	US	Completed	2,150	Construction materials manufacturing
06/14/15	Ryland Group Inc	US	Standard Pacific Corp	US	Completed	2,011	Home building
06/03/15	Areva NP-Nuclear Reactor Design & Equipment Activities	France	Electricite de France SA	France	Pending	2,011	Construction
07/28/15	Italcementi Fabbriche Riunite Cemento SpA Bergamo	Italy	HeidelbergCement France SAS	France	Completed	1,778	Construction materials manufacturing

1.) In US\$ millions

2.) The top 10 E&C deals in 2015 were incorrectly captured in the Q1 2017 report and has been corrected in this release.

Source: Thomson Reuters and other publicly available sources

About PwC

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Smart deal makers are perceptive enough to see value others have missed, flexible enough to adjust for the unexpected, aggressive enough to win favorable terms in a competitive environment, and circumspect enough to envision the challenges they will face from the moment the contract is signed. But in a business environment where information can quickly overwhelm, the smartest deal makers look to experienced advisors to help them fashion a deal that works.

PwC's Deals group can advise engineering and construction companies and engineering and construction-focused private equity firms on key M&A decisions, from identifying acquisition or divestiture candidates and performing detailed buy-side diligence, to developing strategies for capturing post-deal profits and exiting a deal through a sale, carve-out, or IPO. With more than 9,800 deals professionals in 75 countries, we can deploy seasoned teams that combine engineering and construction industry skills with local market knowledge virtually anywhere and everywhere your company operates or executes transactions.

Although every deal is unique, most will benefit from the broad experience we bring to delivering strategic M&A advice, due diligence, transaction structuring, M&A tax, merger integration, valuation, and post-deal services.

In short, we offer integrated solutions, tailored to your particular deal situation and designed to help you extract peak value within your risk profile. Whether your focus is deploying capital through an acquisition or joint venture, raising capital through an IPO or private placement, or harvesting an investment through the divestiture process, we can help.

For more information about M&A and related services in the global engineering and construction industry, please visit www.pwc.com/us/deals or www.pwc.com/us

About the data

The information presented in this report is an analysis of deals in the global engineering and construction industry. Deal information was sourced from Thomson Reuters and includes deals for which targets have an SIC code that falls into one of the 60 engineering and construction industry groups. Certain adjustments have been made to the information to exclude transactions which are not specific to engineering and construction or incorporate relevant transactions that were omitted from the SIC industry codes.

This analysis includes all individual mergers, acquisitions, and divestitures for disclosed or undisclosed values, leveraged buyouts, privatizations, minority stake purchases, and acquisitions of remaining interest announced between July 1, 2014 and June 30, 2017, with a deal status of completed, partially completed, pending, pending regulatory and pending completion and excludes all rumors and seeking buyers. Additionally, transactions that are spin-offs through distribution to existing shareholders are included.

Percentages and values are rounded to the nearest whole number, which may result in minor differences when summing totals.