



Optimize deals

PwC Deals

Global Engineering and Construction M&A Deals Insights Q4 2016

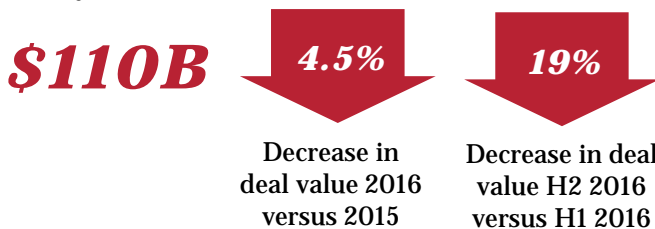
Executive summary

Global Engineering and Construction M&A activity remained strong in terms of deal volume and relatively stable from a deal value perspective in 2016. The year closed 4% lower in total deal value but experienced a 23% increase in total deal volume compared to 2015 as buyers remained active with smaller “tuck-in” or niche acquisitions.

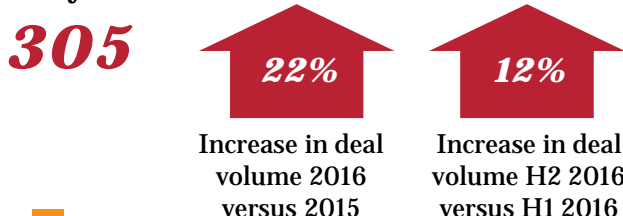
The majority of deal activity in 2016 occurred in the Construction Machinery and Materials Manufacturing categories, with notable influences from China, India, and the United States. Asia & Oceania continues to be the region with the most M&A activity by volume, accounting for 62% of acquirers and 63% of targets in global transactions this year.

Moving into 2017, continued uncertainties around the globe are likely to influence M&A activity despite a robust US economy. We see upside in the US with potential legislation around infrastructure spend and corporate tax reform increasing interest in US assets both domestically and inbound from buyers looking for growth. Globally, there continue to be a number of questions that could have significant implications. A number of these will likely start to play out in the first half of 2017; for now, we expect to see continued activity in the small to mid-size transactions and use of strategic partnerships as companies look to balance non-organic growth and risk.

Value by the numbers



Volume by the numbers



“Q4 M&A activity continued a trend seen all year: strength in small to medium-sized deals (reflected in a 23% increase in deal volume) with relatively flat (4% decrease) value. Despite a strong US economy, there remain a number of unanswered questions around the globe, which will likely have far-reaching implications on how 2017 trends.”

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

Key trends/highlights

- Total deal value for deals with disclosed value greater than \$50 million decreased by 4.5% in 2016. The E&C sector saw 305 deals in 2016, 22% higher than 2015.
- Deal volume increased by 18% in Q4 2016, to 87 deals. This is the fourth consecutive quarter with an increase in volume, indicating a positive trend. Similar trends are seen looking at H2 2016 versus H1 2016 and H2 2016 versus H2 2015 reflecting continued robustness of M&A in the sector.
- Deal value in 2016 was primarily driven by China Vanke’s acquisition of Shenzhen Metro, a \$10.8 billion transaction.
- With 59% of total volume, strategic investors made up the majority of transaction volume in 2016.
- Construction Materials Manufacturing contributed the largest share (30%) of overall deal value this year.
- The Asia & Oceania region continues to be the most active region in deal activity by volume, accounting for 62% of acquirers and 63% of targets in global transactions.



Source: Thomson Reuters and other publicly available sources
1. Total value and volume of announced deals with disclosed value greater than \$50 million.



Highlights of Q4 2016 deal activity

M&A activity intensified

Deal activity increased by 18% in Q4 2016, to 87 deals with disclosed value greater than \$50 million. Total deal value decreased from \$26.8 billion to \$22.4 billion in Q4 2016, with a 29% decrease in average deal size.

Supported by a strong fourth quarter, M&A activity in 2016 was 23% higher than in 2015. Even so, total deal value decreased by 4% and average deal size decreased by 22% in 2016.

Source: Thomson Reuters and other publicly available sources

Largest transaction

In March, China Vanke announced the acquisition of Shenzhen Metro for \$10.8 billion. The deal would have given China's biggest property company a controlling stake in the state-owned subway operator, however, it was scrapped in December due to issues with the required timing.

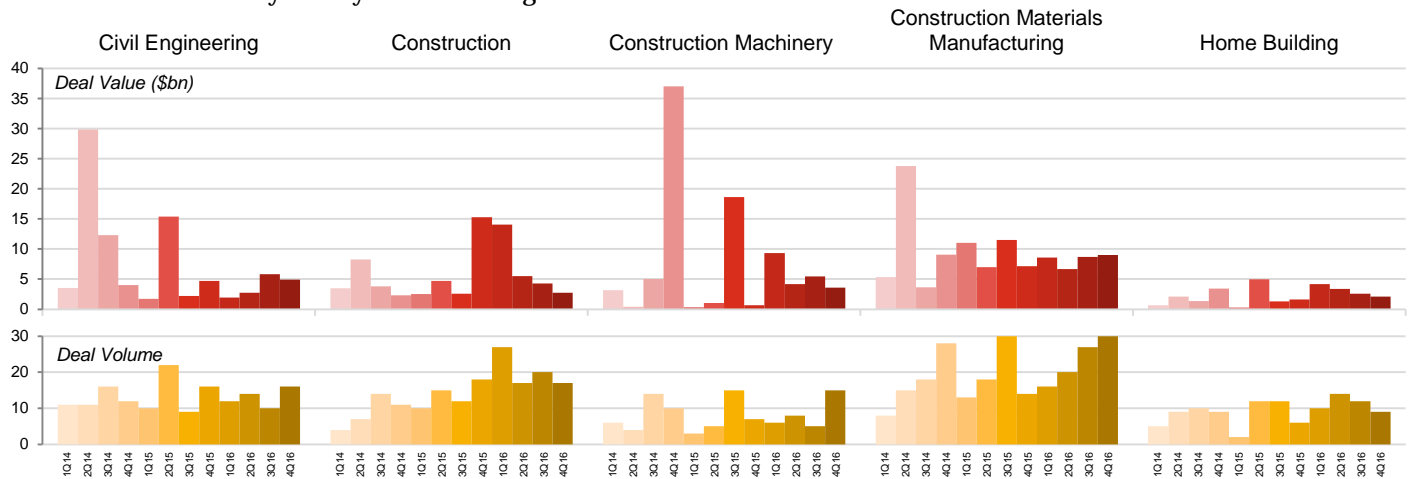
Megadeals

Four deals with disclosed value above \$1 billion were announced in Q4, accounting for 23% of total deal value this quarter. Megadeals made up 45% of total deal value in 2016, compared to 54% in 2015.

Source: Thomson Reuters and other publicly available sources

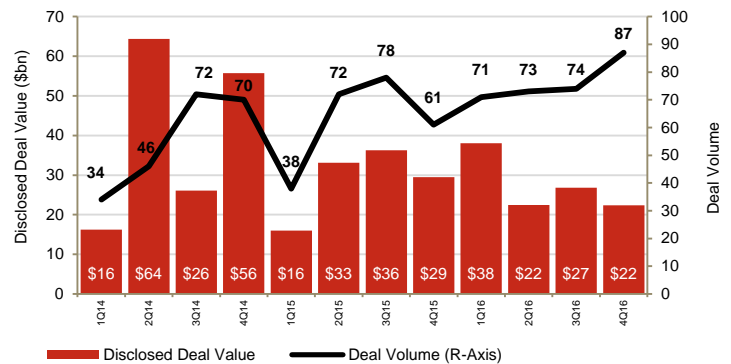
Sector category analysis

The Construction Materials Manufacturing category saw the highest deal value in Q4 2016 with 30% of the total deal value of the sector. The category also shows growing interest, as volumes have doubled in the last four quarters. The Construction and Construction Machinery categories followed closely with 24% and 21% respectively, however, volumes and value were relatively steady in these categories in 2016.

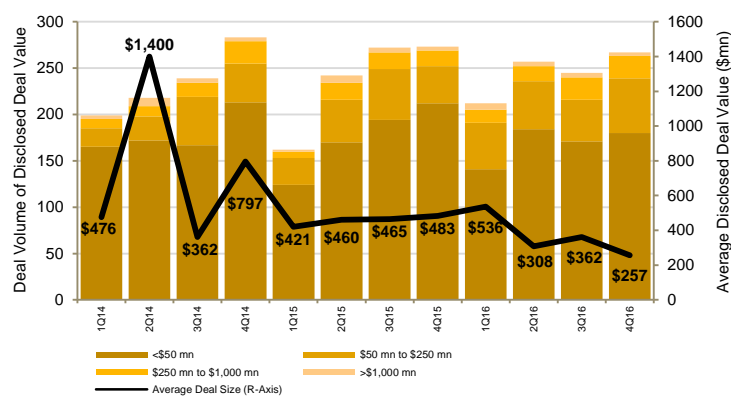


Source: Thomson Reuters and other publicly available sources

Global E&C M&A Deal Volume and Value



Global E&C M&A Deals by Disclosed Value

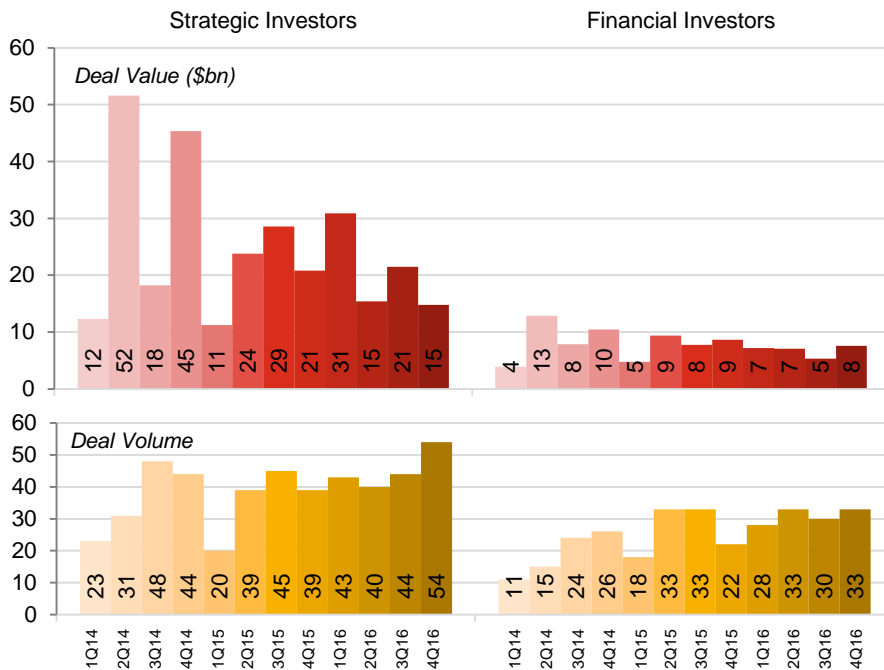




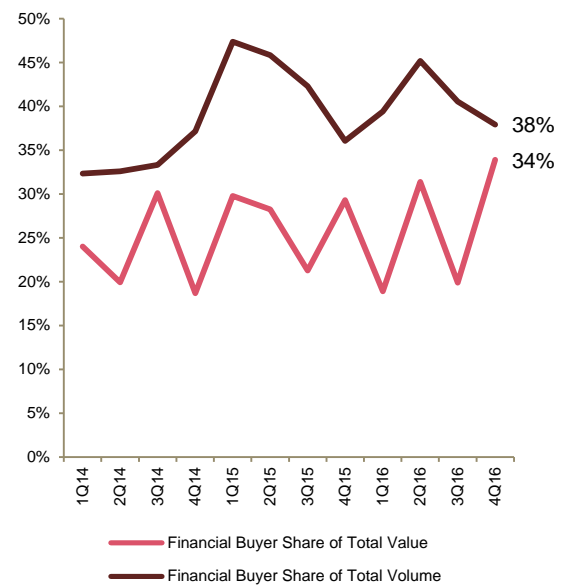
Key trends and insights

Financial vs. strategic investors

Strategic investors continue to contribute to the majority of deal value and volume—62% of deals this quarter and 59% for the full year were executed within the industry. Despite an increasing volume of acquisitions from the financial sector, financial investors only accounted for 25% of deal value in 2016, down slightly from 27% in 2015.



Financial Investor Share of M&A Activity

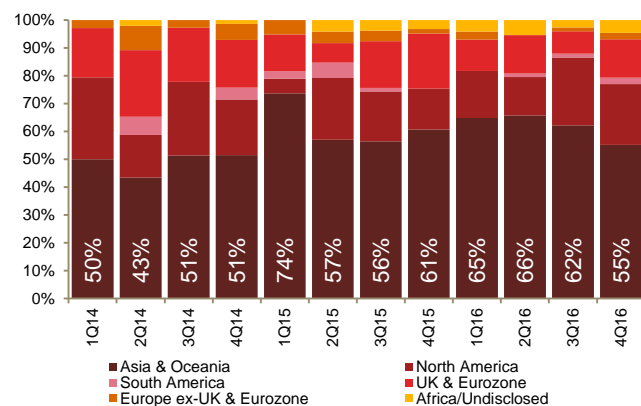


Source: Thomson Reuters and other publicly available sources

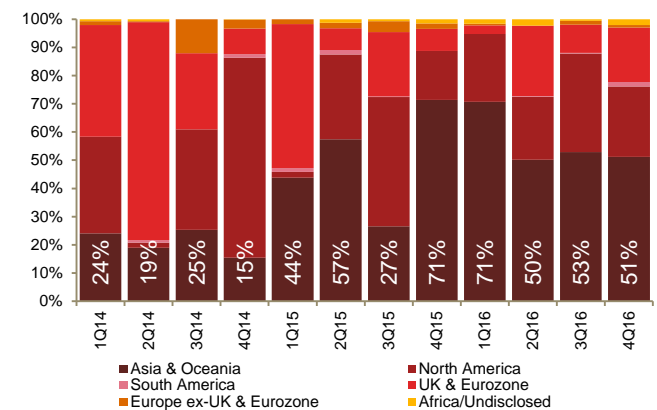
Regional analysis

The Asia & Oceania region continues to be the most active region in deal activity by volume, accounting for 62% of acquirers and 63% of targets in global transactions. Local deals (transactions between parties in the same country) typically constitute a majority of the E&C transactions. This year, however, we saw an increase in cross-border activity, from 24% of deal activity by volume in 2015 to 31% in 2016.

Share of Deal Volume by Acquirer Region



Share of Deal Value by Acquirer Region



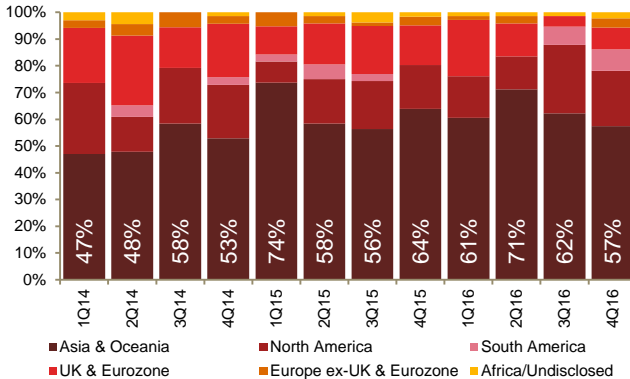
Source: Thomson Reuters and other publicly available sources



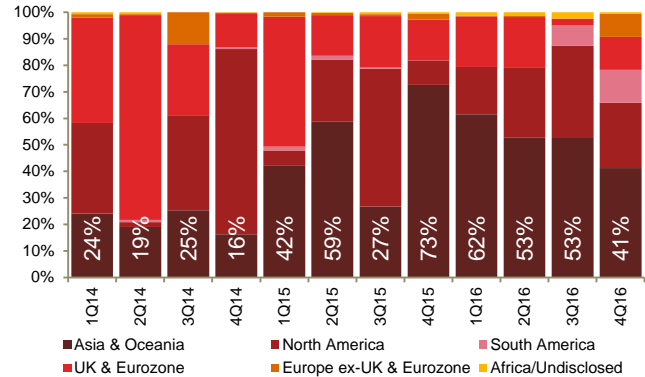
Key trends, insights and outlook

Regional analysis (continued)

Share of Disclosed Deal Volume by Target Region

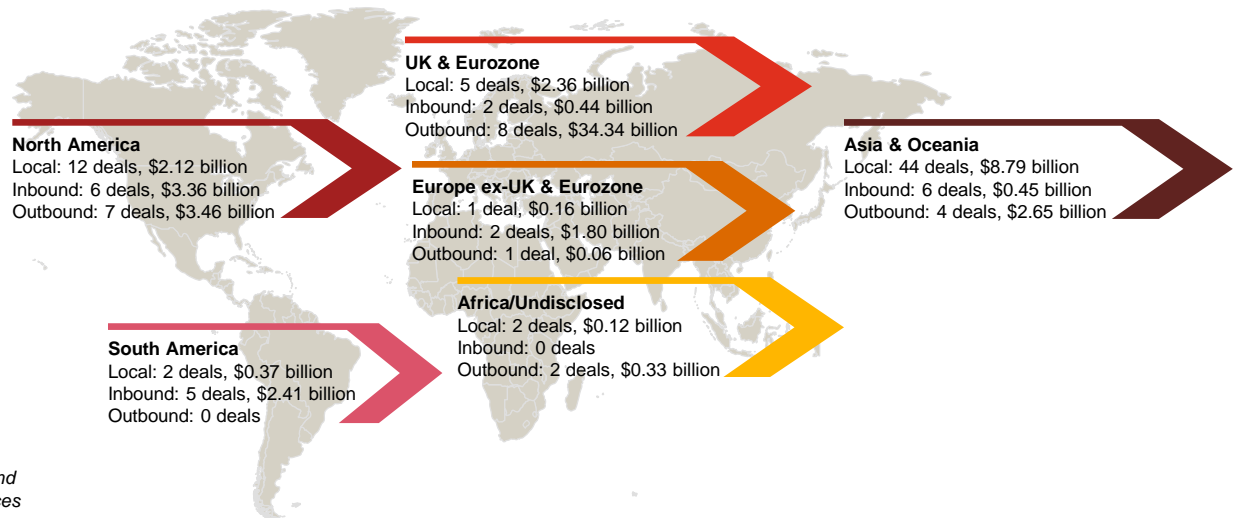


Share of Disclosed Deal Value by Target Region



Source: Thomson Reuters and other publicly available sources

Engineering and construction deals by region



Source: Thomson Reuters and other publicly available sources

Our early view of 2017

Carrying on trends from previous quarters, we expect E&C M&A volume to remain healthy with small and mid-sized deals, driving trends in the nearer term. We see the potential for upside in the US and select pockets around the globe but with greater uncertainty outside the US and particularly in Europe in 2017.

With the US elections complete and transition of power in full swing, attention turns to the legislative agenda and what campaign speak will turn in to real policy. Two key areas of focus are the potential for meaningful US corporate tax reform and a new infrastructure spending bill in 2017, both of which we believe could further fuel both domestic and inbound M&A activity in the US.

Outside the US, 2017 will likely see formal notification to

the European Commission (EC) of the UK's intent to exit.

This will be new territory unwinding and replacing decades of policies. The outcome of those discussions may be further influenced by the pending elections in three key European countries which are likely to not only impact the Brexit discussions, but could have an impact on the EC itself. We believe that all of this uncertainty is likely to continue to influence M&A activity and have far-reaching consequences that will play out in 2017 and beyond.

In the near term, we expect to see continued healthy activity in the smaller to medium-sized deals as companies balance the need for growth and managing risk.



Optimize deals

Top deals

Top 10 Engineering and Construction Deals 2016

Announced	Target name	Target nation	Acquirer name	Acquirer nation	Status	Deal value*	Category
03/13/16	Shenzhen Metro Qianhai International Development Co. Ltd.	China	China Vanke Co. Ltd.	China	Withdrawn	10,806	Construction
02/26/16	KUKA AG	Germany	MECCA International (BVI) Ltd.	British Virgin Islands	Pending	4,663	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
01/26/16	Terex Corp.	United States	Zoomlion Heavy Industry Science & Technology Co. Ltd.	China	Withdrawn	3,364	Construction machinery
07/21/16	Joy Global Inc.	United States	Komatsu America Corp.	United States	Pending	2,778	Construction machinery
06/21/16	SolarCity Corp.	United States	Tesla Motors Inc.	United States	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	Pending	2,424	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.	United States	Completed	1,943	Construction materials manufacturing

Top 10 Engineering and Construction Deals 2015

Announced	Target name	Target nation	Acquirer name	Acquirer nation	Status	Deal value*	Category
08/26/15	Cameron International Corp.	United States	Schlumberger Ltd.	United States	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	United States	Completed	3,220	Construction materials manufacturing
08/11/15	Terex Corp.	United States	Konecranes Abp	Finland	Withdrawn	2,762	Construction machinery
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.	United States	Completed	2,150	Construction materials manufacturing
06/14/15	Ryland Group Inc.	United States	Standard Pacific Corp.	United States	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

Top 10 Engineering and Construction Deals 2014

Announced	Target name	Target nation	Acquirer name	Acquirer nation	Status	Deal value*	Category
11/14/14	Baker Hughes Inc.	United States	Halliburton Co.	United States	Withdrawn	35,274	Construction machinery
04/07/14	Lafarge SA	France	Holcim Ltd.	Switzerland	Completed	20,618	Construction materials manufacturing
04/30/14	Alstom SA-Energy Businesses	France	General Electric Co.-Energy Assets	United States	Completed	10,702	Civil engineering
04/23/14	Queensland Motorways Ltd.	Australia	Investor Group	Australia	Completed	6,609	Construction
04/27/14	Alstom SA-Gas Business	France	Siemens AG	Germany	Withdrawn	5,850	Civil engineering
04/27/14	Alstom SA-Steam & Nuclear Business	France	Mitsubishi Heavy Industries Ltd.	Japan	Withdrawn	5,306	Civil engineering
07/13/14	URS Corp.	United States	AECOM Technology Corp.	United States	Completed	3,886	Civil engineering
07/24/14	Balfour Beatty PLC	United Kingdom	Carillion PLC	United Kingdom	Withdrawn	3,465	Civil engineering
01/13/14	Foster Wheeler AG	United Kingdom	AMEC PLC	United Kingdom	Completed	3,140	Construction
06/20/14	Alstom SA	France	France	France	Intended	2,938	Civil engineering

* In \$US millions

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 divesture 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 January 1, 2013 and December 31, 2016, with a deal status of completed, intended, partially completed, pending, pending regulatory, pending completion, withdrawn, and unconditional (i.e., initial conditions set forth by the buyer have been met but deal has not been withdrawn 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.