

Industrial

July 8, 2011

Industry Brief

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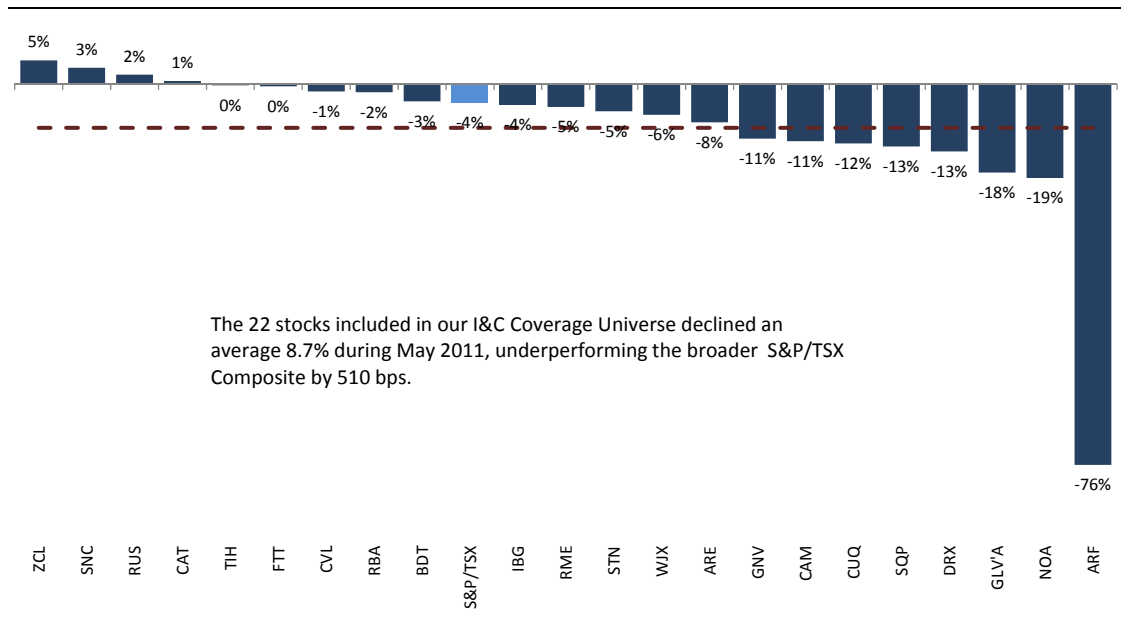
Infrastructure & Construction

The Infrastructure & Construction Monthly Monitor: June 2011

Our Monthly Monitor publication is designed to provide a quick overview of sector news flow, share price performance, and key macro data trends that are relevant to our universe of infrastructure and construction (I&C) related stocks. Compared to the 3.6% decline in the TSX index last month, our I&C index fell 8.7%. Although big drops in the shares of Armtec, North American Energy Partners and GLV heavily skewed this number, the entire group was generally weak in June (see Exhibit 1). Some of the key sector themes that we continue to highlight in our research include:

- ◆ The resource sector has been very volatile lately; however, commodity prices remain above investment threshold levels, which is key to the I&C outlook;
- ◆ Conditions in the US I&C market remain very depressed with little hope of an imminent recovery taking hold; in fact, recent indicators suggest that a ‘double dip’ is a high probability;
- ◆ Canada’s I&C market, by comparison, looks healthier, although the sustainability of current conditions is debatable;
- ◆ Construction activity in Western Canada has been moderately stronger than Eastern Canada due largely to the former region’s more concentrated exposure to resource industries and superior fiscal condition;
- ◆ Refleeting and renewal activity is driving a lot of replacement demand for the equipment stocks;
- ◆ The Canadian contractor group continues to execute low-margin work secured in the thick of the recession; however, current bidding conditions are improving;
- ◆ Our Strong Buy-rated stocks at present are Caterpillar, Cervus Equipment Corp., and Churchill Corp.

Exhibit 1: Stock Price Returns for RJL’s I&C Coverage Universe (June)



Source: Capital IQ, Raymond James Ltd.

INDUSTRY NEWS

Value of Canadian Building Permits Rises 21% in May

Source: *Statistics Canada, July-06-11*

Event: Following a 22% decline in April, the value of Canadian construction intentions increased 21% fuelled by strong growth in commercial intentions in Alberta and Quebec. Non-residential permits were up 51%—on a segmented basis, commercial intentions rose 81% (reaching its highest level since May 2008); industrial intentions improved 23%; and institutional intentions increased 3%. Meanwhile, residential permits increased 5%.

Potential Sector Implications: The bounce in building permits is positive for the Canadian I&C sector. In particular, strength in Alberta's commercial intentions support our view that said province will lead all other provinces in the speed of recovery. Furthermore, we believe the impressive recovery in commercial intentions will help soak up the excess capacity in construction markets and help drive an improvement in bid margins.

Stocks Impacted: Coverage Universe

Article Link: <http://www.statcan.gc.ca/daily-quotidien/110706/dq110706a-eng.htm>

Ottawa Launches RFQ on Light Rail DBM

Source: *Project Finance Magazine, July-05-11*

Event: The Ottawa city council has issued an RFQ on its \$2.1 bln BDM light rail projects. Financing has been approved in principle from the federal and provincial government. The line was first put out for tender as a public-private partnership (P3) in 2006 but cancelled in 2007 after a group comprised of Siemens, PCL, Dufferin and Stantec was named preferred bidder. The 5-year contract is expected to be awarded in December 2012.

Potential Sector Implications: There is a healthy pipeline of alternative financing and procurement opportunities across Canada (and especially in Ontario). This has mixed implications on the Canadian I&C sector to the extent the added visibility attracts increased competition from international contractors.

Stocks Impacted: ARE, GNV, IBG, SNC and STN

Article Link: <http://www.projectfinancemagazine.com/Article/2859596/Ottawa-launches-RFQ-on-light-rail-DBM.html?ArticleId=2859596&LS=EMS544191> (subscription required)

Top 250 Firms: Titans Maintain Lead While Industry Suffers

Source: *Architectural Records, July-2011*

Event: Architectural Records released its annual list of top US architectural firms for 2010. For the fourth year running AECOM ranked as the largest architectural practice, with Stantec moving up the ranks from the 51st to the 24th spot. It is worth highlighting Stantec would have placed even higher had the acquisition of Anshen+Allen in late 2010 been accounted for. The study also showed that the architectural industry remains depressed, with aggregate revenue for the top 250 firms sliding from \$10.2 bln in 2009 to \$9.1 bln in 2010.

Potential Sector Implications: The study corroborates our own assessment of the design and engineering industry. With the Architectural Billings Index rolling over recently, the hope for a late 2011 recovery has been pushed to 2012. This, however, may allow the three pure design firms under our research coverage to accelerate their acquisition growth plans in the US (especially in light of the strong Canadian currency).

Stocks Impacted: GNV, IBI and STN

Article Link: <http://archrecord.construction.com/practice/top250/2011/top250-architecture-firms-1.asp>

Ontario Launches Infrastructure Plan (with few details)

Source: *Project Finance Magazine*, Jun-27-11

Event: The Province of Ontario rolled out a 10-year infrastructure program that includes a minimum of \$35 bln in investment and expands the types of P3s Infrastructure Ontario (IO) will procure. The plan, called "Building Together," sets guidelines for spending over the next decade, but contains no lists of potential projects or even annual investment targets beyond the first three years. Under Ontario's plans education, information technology and water-related projects will join IO's existing slate of healthcare, justice and transportation concessions. All projects exceeding \$100 mln in value will be screened for PPP suitability and IO may even begin procuring projects as small as \$50 mln (such as community health centres) as long-term design-build-finance-maintain concessions.

Potential Sector Implications: Over the past few years, the province has produced a strong pipeline of projects and made significant headway in standardised documentation and establishing its risk transfer model in the market. This has drawn the interest of many global sponsors and, in our view, intensified the level of competition among I&C players in Ontario.

Stocks Impacted: ARE, BDT, CAT, GNV, IBG, SNC, SQP, STN, TIH and WJX

Article Link: <http://www.projectfinancemagazine.com/Article/2854890/Ontario-launches-infrastructure-plan-with-few-details.html?LS=EMS541370> (subscription required)

Architectural Billings Index Remains in Reverse

Source: *The American Institute of Architects*, Jun-22-11

Event: On the heels of a sizeable decrease in April, the Architectural Billings Index continued to slow in May, erasing whatever positive momentum had been building since the end of 2010. The May ABI score was 47.2, a slight decrease from a reading of 47.6 for the previous month (any score below 50 indicates a decrease in billings).

Potential Sector Implications: We believe the poor ABI reading is reflective of the weakening broader economy, ongoing state budget constraints and a conspicuous lack of credit support from financial institutions. This has obvious negative implications for the US commercial construction sector, which typically lags engineering and design activity to the tune of nine to twelve months.

Stocks Impacted: CAM, DRX, IBG and STN

Article Link: <http://www.aia.org/press/releases/AIAB090040>

Power Producers Validate One Bright Spot in Mid-year Outlook

Source: *Engineering News-Record*, Jun-22-11

Event: In the mid-year update to the 2011 McGraw-Hill Construction Outlook, one of the few sectors holding onto any gain in the US is the electric utility market. Robert Murray, chief economist for MHC, notably forecasts an overall growth of 3% for the sector this year.

Potential Sector Implications: We have observed similarly strong trends for the electric utility market in Canada. The hydroelectric sector, in particular, is poised to see increased construction activity with the recent sanctioning of British Columbia's Waneta Expansion, Ontario's Lower Mattagami Project and Newfoundland's Lower Churchill Project.

Stocks Impacted: Coverage universe

Article Link: http://enr.construction.com/infrastructure/power_industrial/2011/0627-powerproducersvalidateonebrightspotinmidyearoutlook.asp

Lack of Skilled Workers Slows Growth

Source: *ReNew Canada*, Jun-21-11

Event: A study from the Construction Sector Council shows the construction industry will need roughly 320,000 workers over the next nine years to meet demand for new construction and to replace retirements and mortalities. The forecast estimates

that only half of Canada's labour needs will be met with new entrants, forcing the industry to recruit from non-traditional sources (youth, women, aboriginal people and foreign workers) as well as from other industries such as automotive.

Potential Sector Implications: A labour shortage could curb the government and industry's plans for large infrastructure developments and the resource projects slated to meet domestic needs and international demands. One corollary is that the labour crunch may also put upward pressure on pricing which, as the industry experienced between 2006 and 2008, drove to record levels the earnings of many I&C firms under our coverage.

Stocks Impacted: Coverage universe

Article Link: <http://renewcanada.net/2011/lack-of-skilled-workers-slows-growth/>

China Pours Billions Into Latin America

Source: *Engineering News-Record*, Jun-19-11

Event: This article speaks to the various investments China has made in Latin America in return for a guaranteed flow of commodities. Recent deals in countries such as Venezuela and Argentina have not only given China controlling stakes in lucrative natural gas and oil resources, but also allowed Chinese contractors to carry out public works project for the borrowing governments. With direct investment totalling over \$15 bln last year alone, the country now accounts for Latin America's third largest investment source, behind the US and the Netherlands.

Potential Sector Implications: We believe the development of Latin America's massive natural resources will be beneficial to the OEMs, equipment dealers and engineering services firms with already established market presences.

Stocks Impacted: CAT, FTT and SNC

Article Link: http://enr.construction.com/yb/enr/article.aspx?story_id=160419452

Construction Material Costs Increase in May

Source: *Construction Equipment*, Jun-14-11

Event: The most recent data from the Associated General Contractors of America indicate that the US producer price index for all construction materials increased by 0.9% in May and 7.5% over the past 12 months. The year-over-year figure has accelerated steadily for the past four months. Meanwhile, the price of finished buildings was flat in May and rose only 1.8% or less over the past year, depending on building type. The AGCA notes that this does not bode well for contractor margins.

Potential Sector Implications: We do not cover US contractors but some of the engineering and equipment stocks that generate revenue in the market could still be adversely impacted by the negative implications that these headwinds have for sector activity in general.

Stocks Impacted: STN, IBG, and CAT

Article Link: <http://www.constructionequipment.com/article/construction-material-costs-increase-may>

Canadian Tractor Sales up 8% in May

Source: *AgriMarketing*, Jun-14-11

Event: AEM reported that the sales of all tractors in Canada for May 2011 were up 8% compared to the same month last year. For the month, two-wheel-drive smaller tractors (under 40 HP) were up 13%, and 40 & under HP were down 17% from last year. Sales of 100+ HP two-wheel-drive tractors were up 16% from year-ago levels. Four wheel drive tractors were up 57% for the month.

Potential Sector Implications: The sale of larger, high horse power tractors is relevant to our ag dealer stocks. These trends are therefore positive.

Stocks Impacted: CVL and RME

Article Link: <http://www.agrimarketing.com/ss.php?ccitiid=67793>

Canada's Cities: Poor Relations

Source: *The Economist*, Jun-11-11

Event: This article discusses the growing infrastructure deficit in Canada's cities and the alarming fiscal dilemma that the country's municipal governments face in addressing this issue.

Potential Sector Implications: This article echoes the *Life After Stimulus* message that we have been communicating in our research over the past 18 months. That is to say, although we believe the growing infrastructure needs of Canada's cities remain a long-term growth opportunity for our I&C coverage universe, the changing fiscal priorities of governments represent a near-term headwind.

Stocks Impacted: Coverage universe

Article Link: http://www.economist.com/node/18805931?story_id=18805931

Congressional Committees Prepare to Unveil Highway Bills

Source: *Pit & Quarry*, Jun-10-11

Event: The House Transportation and Infrastructure Committee is planning to unveil its version of the long-awaited surface transportation reauthorization bill during the week of July 4, and the Senate's version may come even sooner. Reforms expected in the bill include more public-private partnerships and tolling. Funding levels are expected to reflect the 30% reduction in highway funding Senate bill is likely to be of shorter duration at current funding levels.

Potential Sector Implications: The much postponed and debated passing of a highway bill will provide US States with more funding and stability to plan for long-term related projects. This has positive implications for the names in our universe with exposure to P3s and US infrastructure programs.

Stocks Impacted: CAT, STN and SNC

Article Link: <http://www.pitandquarry.com/government/highway-funding/news/congressional-committees-prepare-unveil-highway-bi-2683>

Buenos Aires Seeks EIB Funds for US\$900 mln Metro Line

Source: *Business News Americas*, Jun-09-11

Event: Argentina's Buenos Aires province government is seeking up to €200 mln (US\$290 mln) from the European Investment Bank (EIB) to build a new line on the capital's metro system. The line will stretch 11 km with 14 stations linking the southern part of the city with the north. The project's total cost is estimated at roughly €620 mln (US\$900 mln), including rolling stock, according to an EIB project document.

Potential Sector Implications: This is a good example of the growing infrastructure needs and related construction activity in some of the emerging markets that are relevant to a few of the I&C stocks in our coverage universe. A project of this scope would involve large fleets of earth-moving equipment in particular.

Stocks Impacted: FTT and CAT

Article Link: <http://bnamericas.mobi/news/infrastructure/buenos-aires-seeks-eib-funds-for-us900mn-metro-line>

Emission Impossible

Source: *ReNew Canada*, Jun-08-11

Event: According to a Conference Board of Canada report, Canada's lack of cross-jurisdictional cooperation has been a major roadblock to the reduction of greenhouse gas (GHG) emissions. The International Energy Agency's World Energy Outlook found that 44%, 36% and 20% of Canada's estimated CO₂ emissions in 2010 came from coal, oil and natural gas, respectively—making Alberta's plan to reduce emissions through greener energy production and technologies such as carbon capture and storage critical.

Potential Sector Implications: We believe the trend highlighted herein will be favourable to SNC-Lavalin, which won on Mar-04-10 an EPC contract for SaskPower's Boundary Dam Integrated Carbon Capture and Sequestration Demonstration Project.

Stocks Impacted: SNC

Article Link: <http://renewcanada.net/2011/emission-impossible/>

Public-Private Gets Mega Boost

Source: *National Post*, Jun-08-11

Event: The Canadian public-private partnership (P3) world took a major leap forward earlier in June when a large bond financing for the University of Montreal's new hospital campus made its way through the markets. The transaction achieved a number of firsts: (i) the largest and lowest rated deal in the modern era of Canadian P3s; (ii) the project has the longest construction period of any Canadian P3, and (iii) interest is being paid on the deeply subordinated debt during the second construction phase (a first in the industry).

Potential Sector Implications: The article speaks not only to the ever-changing nature of P3 financing, but also its flexibility. Few publicly-traded firms have experience in this field, giving SNC-Lavalin a competitive advantage over its E&C peers.

Stocks Impacted: SNC

Article Link: <http://www.nationalpost.com/todays-paper/Public+private+gets+mega+boost/4909351/story.html>

EPA Objects to Proposed Oil Pipeline from Canada

Source: *Business Week*, Jun-07-11

Event: The Environmental Protection Agency raised new objections to the \$7 bln Keystone XL pipeline that would carry oil from western Canada to the Texas Gulf Coast. The EPA cited concerns about the risk of oil spills, which could affect drinking water and sensitive ecosystems, and the effect of greenhouse gas emissions associated with the proposed pipeline.

Potential Sector Implications: If this project is not built, the oil sands industry faces the prospect of being "landlocked in bitumen" as existing pipelines could be constrained in as little as four years.

Stocks Impacted: ARE, BDT, CUQ, FTT and NOA

Article Link: <http://www.businessweek.com/ap/financialnews/D9NN8CVO2.htm>

ENR's Top-100 Construction Management-At-Risk and Design-Build Firms

Source: *Engineering News-Record*, Jun-01-11

Event: ENR's annual ranking shows that the Top 100 US firms specializing in construction management-at-risk (CM-at-risk) saw their revenues shrink to \$78 bln in 2010 from \$89 bln in 2009, as more owners favoured the traditional hard-bid approach in an attempt to squeeze the best price out a frantic industry. The authors caution that owners who take this approach "may be in for a rude awakening" should the low bidding firm fail in delivering the project.

Potential Sector Implications: Some Canadian governments have resisted the temptation to go hard bid during the recession to guarantee (or at the very least maximize) collaboration among all contracting parties. This is the case in Alberta, which plans to roll out new health-care projects via the CM-at-risk approach.

Stocks Impacted: CUQ

Article Link: http://enr.construction.com/business_management/companies/2011/0601-TheTop100ProjectDeliveryFirms-1.asp

COMPANY SPECIFIC NEWS

SNC-Lavalin Acquires MDH Engineered Solutions

Source: *SNC-Lavalin, July-05-11*

Event: SNC-Lavalin announced recently that it has acquired Saskatchewan-based MDH Engineered Solutions, a 30-year old firm with 175 employees. MDH has four offices in its home province and two in Alberta (Fort McMurray and Edmonton), and specializes in oil and gas, environmental and mining engineering.

Potential Sector Implications: The acquisition adds to SNC's engineering expertise in the western Canadian natural resources sector; it also speaks to the vast industry fragmentation and ongoing consolidation in the North American engineering sector. (Refer to our May-03-11 report titled: '[Canada's Engineering Firms: Designing Impressive Shareholder Returns](#)').

Stocks Impacted: IBI, GNV, SNC and STN

Article Link: http://www.snclavalin.com/news.php?lang=en&id=1472&action=latest_news_details

Tutor Perini Acquires Lunda Construction and GreenStar Services Corp.

Source: *Tutor Perini Corporation, July-01-11*

Event: Tutor Perini acquired Lunda of Black River Falls, Wisconsin and New York-based GreenStar Services Corp. The deals bolster Tutor Perini's civil construction expertise in the U.S. Midwest and its presence in the electrical and mechanical markets in the northeastern U.S.; they also build on the acquisition of Frontier-Kemper completed last month.

Potential Sector Implications: These developments are consistent with our view that in order to tackle increasingly larger and complex projects and maintain adequate returns, contractors need to merge.

Stocks Impacted: ARE, BDT, CUQ and NOA

Article Link: <http://investor.perini.com/phoenix.zhtml?c=106886&p=IROL-news&nyo=0>

AECOM, KPMG and Nossaman Win Washington State P3 Study Contract

Source: *Project Finance Magazine, Jun-30-11*

Event: An AECOM, KPMG and Nossaman consortium has been selected by the Washington state Joint Transportation Committee to consult with state legislators on P3s and their development. An RFP for the consulting work identified five road projects to evaluate for P3 procurement.

Potential Sector Implications: The growing infrastructure deficit in the United States represents an enormous long-term opportunity for the country's I&C industry and the P3 sector. We expect the model to continue facing significant political and funding hurdles in the short-term, however.

Stocks Impacted: CAT, IBG, STN, SNC

Article Link: <http://www.projectfinancemagazine.com/Article/2857496/AECOM-KPMG-and-Nossaman-win-Washington-state-PPP-contract.html> (subscription required)

Full Year: JCB's Sales Up 48%, Earnings Nearly Double

Source: *Agri-Marketing, Jun-21-11*

Event: JCB celebrated 65 years of business and a strong finish to 2010. Sales and earnings growth were driven primarily by 'BRIC' nations, which is also where the company plans to invest in expanded manufacturing facilities. Germany and the UK were also noted as relatively strong markets. In 2010 JCB sold 51,600 machines vs. 36,000 machines in 2009.

Potential Sector Implications: These results are consistent with the bounce back in replacement demand we've seen at OEMs and dealers alike. We expect replacement demand will continue to be a sales driver in the foreseeable future. Strength in Europe, and the UK in particular, are positive for CAT and Finning, which have exposure to these regions in addition to developing markets.

Stocks Impacted: CAT and the Dealer Universe

Article Link: <http://www.agrimarketing.com/ss.php?id=67959>

Titan Machinery Profits as Farm Equipment Sells

Source: *Investor's Business Daily, Jun-21-11*

Event: Titan raised \$75 mln in cash in a follow-on offering last month, with proceeds to be used in part for acquisitions. The company has seen strong equipment sales to farmers who have been benefiting from strong commodity prices and a US federal tax incentive that allows them to deduct the purchase price of most heavy equipment purchased this year.

Potential Sector Implications: This article speaks to the ongoing trend of consolidation we are seeing in the dealer market. It also describes how high ag prices and farmer profits are driving demand for farm equipment, which is positive for the equipment dealers in our universe, CVL and RME.

Stocks Impacted: CVL, RME and the Dealer Universe

Article Link: <http://www.farm-equipment.com/pages/Industry-News----Titan-Machinery-Profits-as-Farm-Equipment-Sells.php>

Emeco to Invest \$72 mln in Canadian Fleet

Source: *Rental Equipment Register, Jun-10-11*

Event: Emeco, the Australia-based earthmoving rental specialist, announced that it plans to spend an additional ~\$175 mln on capex during the next 12 months, in addition to the previously announced \$110 mln to \$130 mln. Emeco will spend about \$72 mln on equipment for its Canadian operations in Alberta, supporting the oil sands and coal mining markets.

Potential Sector Implications: These kinds of investments are consistent with other accelerated capex plans that we have recently seen in the oil sands. We believe they bode well for equipment OEMs and their respective dealers in the Alberta region (Emeco is a large Finning customer). They are also indicative of the increased activity rates and growing fleet requirements of the oil sands contractors.

Stocks Impacted: CAT, FTT, WJX, NOA, ARE and RBA

Article Link: http://rermag.com/trends_analysis/headlinenews/emeco-to-invest-canadian-rental-fleet-061011/

LiuGong Earnings Up 72% in 1Q11

Source: *Construction Equipment, Jun-08-11*

Event: LiuGong Machinery, a China-based construction equipment manufacturer, announced first quarter earnings, reporting \$93 mln in net profit on \$905 mln total sales revenue. This represents nearly a 72% increase in revenue from the same period the previous year. After posting record profits for 2010, LiuGong shows no slowdown of its pace of sales as it enters 2011. LiuGong executives noted total 2011 first quarter profits were \$111 mln. The company reported \$0.12 in earnings per share. Company performance outstripped first quarter 2010's reported figures by a huge margin. During the same time last year, LiuGong had reported \$507 mln in total sales revenue.

Potential Sector Implications: Chinese manufacturers represent a longer-term competitive threat the incumbent OEMs such as CAT and their respective dealerships. Strong dealer and after-market representation remains the primary challenge for Chinese OEMs such as LiuGong. Although their quality is improving, they also need to overcome a prevailing negative stigma associated with machines made in China. At this point, they primarily compete on prices.

Stocks Impacted: CAT, FTT, TIH, WJX, CVL and RME

Article Link: <http://www.constructionequipment.com/article/liugong-earnings-72-percent-1q-2011>

Joy Global Looking to Expand Equipment Lines and Acquires LeTourneau

Source: *The Wall Street Journal*, Jun-02-11

Event: Joy Global Inc. (JOYG) will continue to look for acquisitions to fill out its product lines of mining equipment, including the addition of hydraulic mining excavators and underground hard-rock mining machinery. This follows JOYG's recent acquisition of LeTourneau Technologies Inc., which gave it exposure to oil-and gas-drilling equipment and expanded its line of high-horsepower wheel loaders. The LeTourneau deal was widely seen as JOYG's response to CAT's acquisition of mining equipment manufacturer Bucyrus International Inc. JOYG also expressed plans to expand its production capacity in response to strong demand from mining companies, many of which shelved mine expansions during the recession. JOYG believes we are in the early stages of a multiyear expansion of mine capacity, with global mine capacity currently operating in the mid-90% range.

Potential Sector Implications: OEMs serving the mining industry will face increased competition (and consolidation) as they try to achieve the status of 'one-stop-shop' to the mining industry. Companies with mining exposure will continue to benefit from mine expansion capex and related equipment demand.

Stocks Impacted: CAT, FTT, TIH and WJX

Article Link: <http://online.wsj.com/article/BT-CO-20110602-710364.html>

UPCOMING RJ EVENTS

July 7-8: Frederic Bastien, Analyst Marketing, Montreal

September 20: Russel Metals (RUS-TSX), Company Marketing, Toronto

October 19-20: 48 Hours in Edmonton Investor Conference

RECENT RJ RESEARCH

Industry Comments and Reports

June-28-2011: [Steel Periodical VII: Uncertainty Reigning Over Sector](#)

May-03-2011: [Canada's Engineering Firms: Designing Impressive Shareholder Returns](#)

April-29-2011: [Equipment Distributors: Replacement Demand Alive and Kicking!](#)

Quarterly Results

June-15-2011: [DRX: In-Line F1Q12 Results](#)

Other Company Comments

July-06-2011: [CUQ: Stuart Olson Dominion Capitalizes on Alberta's Health Care Plan](#)

July-05-2011: [IBG: Buys Landscape Architectural Firm; Wins Big Transit Job in Israel](#)

July-04-2011: [ARF: Brookfield Lends A Helping Hand; Upgrading Stock](#)

July-04-2011: [SNC: Inks AECL Deal](#)

June-30-2011: [FTT: Stellar Outperformance Prompts Downgrade](#)

June-28-2011: [SNC: Set to Buy Commercial Operations from AECL](#)

June-20-2011: [RBA: Update on 2Q11 Auctions](#)

June-20-2011: [FTT: Canada's Growing "Spring of Discontent" Continues as Potential Strike Looms](#)

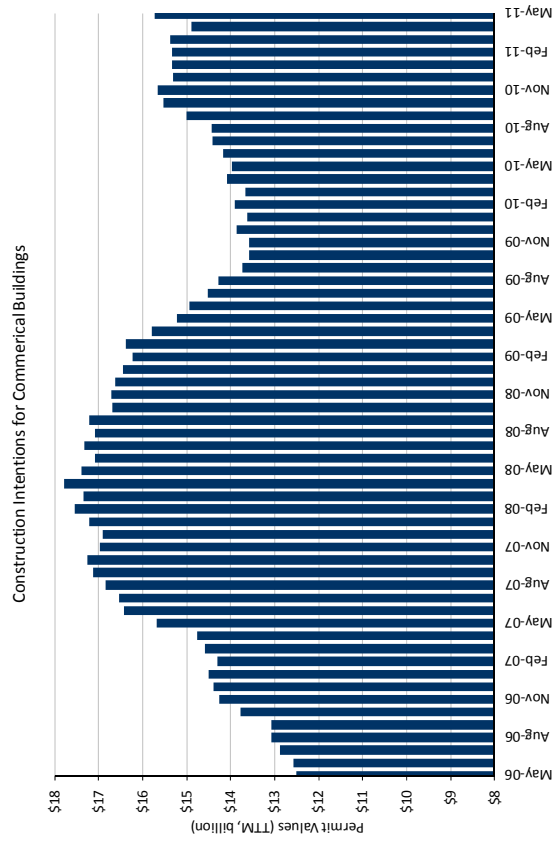
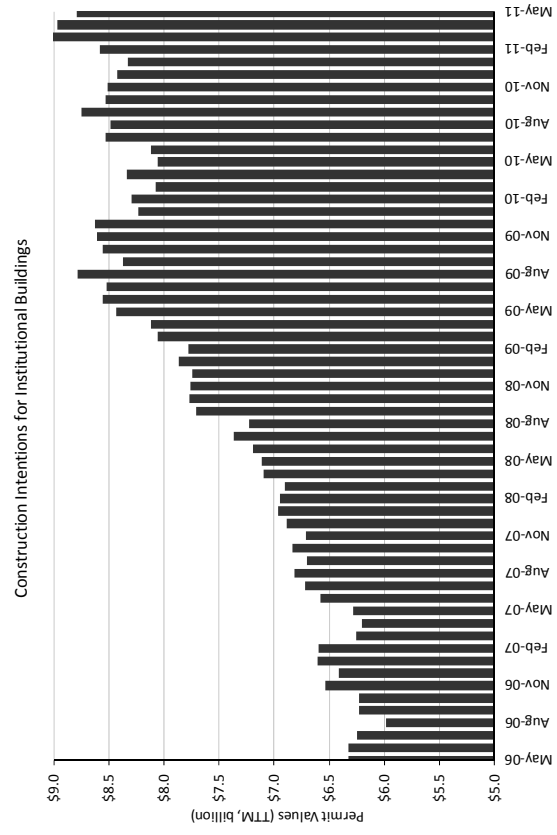
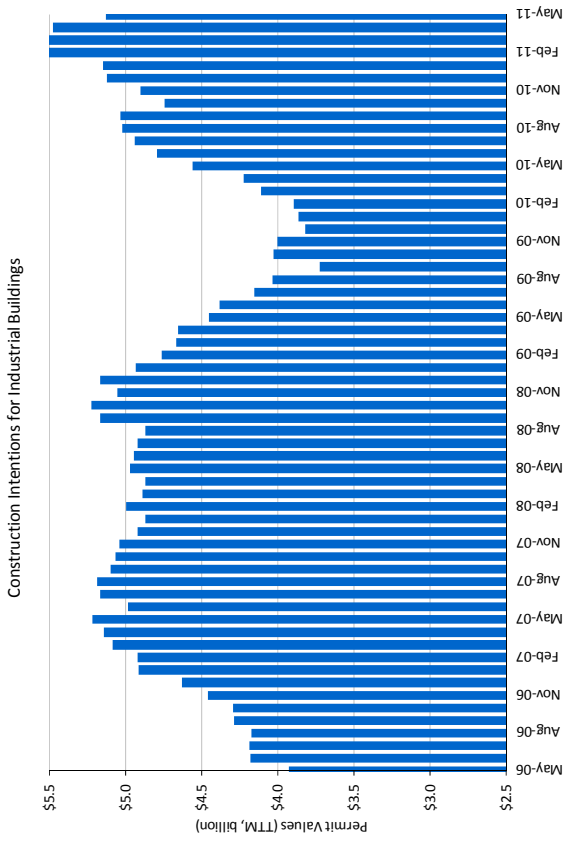
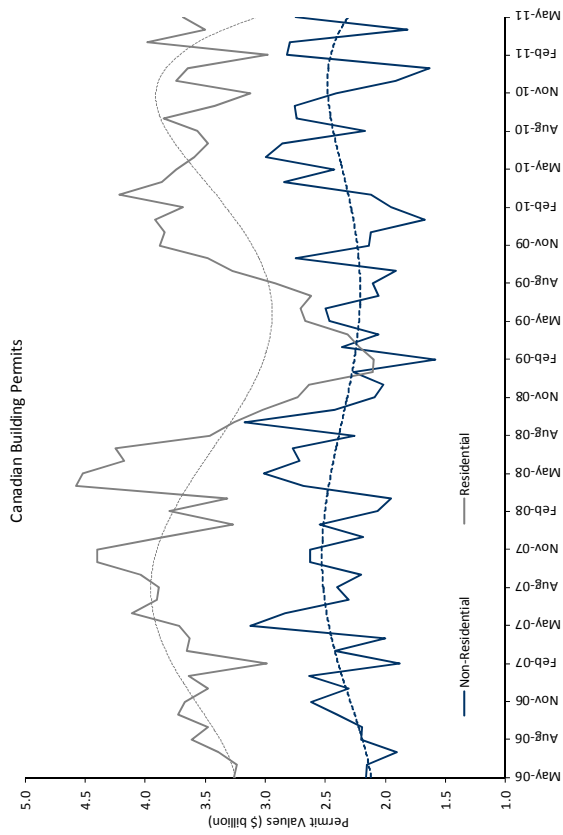
June-20-2011: [CAT: This CAT Will Come Roaring Back; Upgrading to Strong Buy](#)

June-16-2011: [GNV: Extends Architectural Footprint to Atlantic Canada](#)

June-10-2011: [ARF: Stock Price Falls after Suspension of Dividend](#)

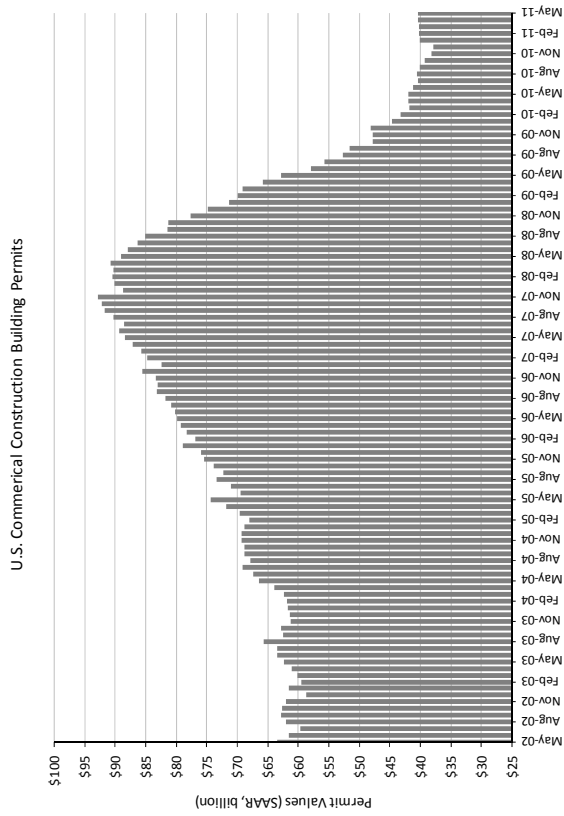
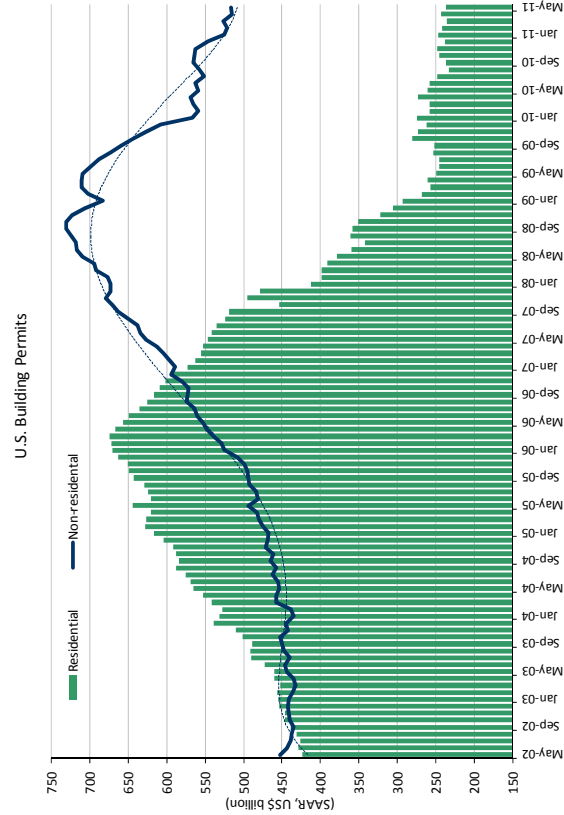
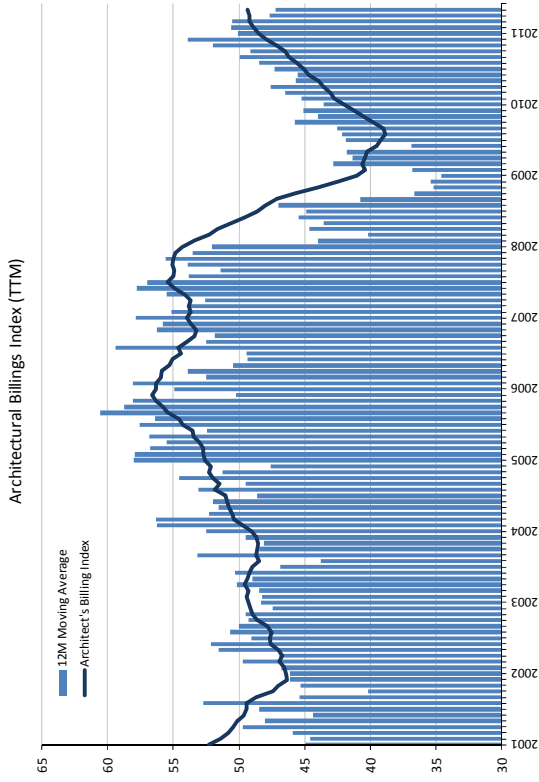
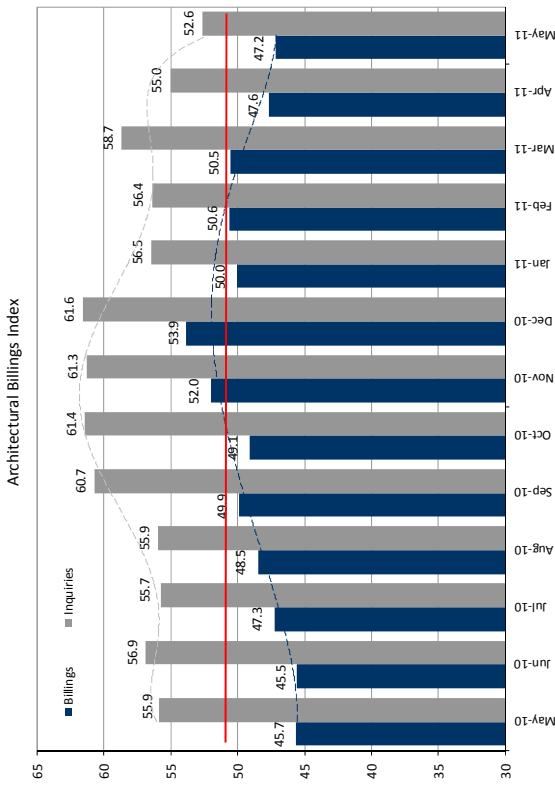
June-10-2011: [GLV.A: Earnings Recovering, But at Slower Pace than Expected](#)

Exhibit 2: Value of Canadian Residential and Non-Residential Building Permits



Source: Statistics Canada, Raymond James Ltd.

Exhibit 3: Architectural Building Index and Value of U.S. Building Permits



Source: U.S. Census Bureau, American Institute of Architects, Raymond James Ltd.

Company Citations

Company Name	Ticker	Exchange	Currency	Closing Price	RJ Rating	RJ Entity
ADF Group Inc.	DRX	TSX	C\$	1.72	2	RJ LTD.
Aecom Technology Corp	ACM.N	NYSE			NC	
Aecon Group	ARE	TSX	C\$	8.53	2	RJ LTD.
Armtec Infrastructure Inc.	ARF	TSX	C\$	4.39	2	RJ LTD.
Bird Construction Inc.	BDT	TSX	C\$	11.65	3	RJ LTD.
Bucyrus International	BUCY				NC	
Canam Group	CAM	TSX	C\$	6.56	2	RJ LTD.
Caterpillar Inc.	CAT	NYSE	US\$	110.08	1	RJ LTD.
Cervus Equipment Corp.	CVL	TSX	C\$	17.25	1	RJ LTD.
Finning International	FTT	TSX	C\$	28.87	2	RJ LTD.
Genivar Inc.	GNV	TSX	C\$	26.80	2	RJ LTD.
GLV Inc.	GLV.A	TSX	C\$	6.60	2	RJ LTD.
IBI Group Inc.	IBG	TSX	C\$	14.18	2	RJ LTD.
Joy Global Inc.	JOYG				NC	
North American Energy Partners	NOA	TSX	C\$	7.25	3	RJ LTD.
Ritchie Bros. Auctioneers	RBA	NYSE	US\$	27.42	2	RJ LTD.
Rocky Mountain Dealerships Inc.	RME	TSX	C\$	9.87	2	RJ LTD.
Russel Metals	RUS	TSX	C\$	24.60	3	RJ LTD.
Siemens	SI	NYSE			NC	
SNC-Lavalin	SNC	TSX	C\$	57.68	2	RJ LTD.
Stantec Inc	STN	TSX	C\$	28.49	2	RJ LTD.
Strongco Corp.	SQP	TSX	C\$	5.25	2	RJ LTD.
The Churchill Corp.	CUQ	TSX	C\$	18.30	1	RJ LTD.
Titan Machinery Inc.	TITN	NASDAQ			NC	
Toromont Industries	TIH	TSX	C\$	19.40	2	RJ LTD.
Wajax Corp.	WJX	TSX	C\$	37.84	2	RJ LTD.
ZCL Composites	ZCL	TSX	C\$	3.62	3	RJ LTD.

Notes: Prices are as of the most recent close on the indicated exchange and may not be in US\$. See Disclosure section for rating definitions. Stocks that do not trade on a US national exchange may not be approved for sale in all US states. NC=not covered.

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