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Industrial

Industry Comment - Changes

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Infrastructure & Construction

Infrastructure & Construction: 2Q11 I&C Preview: A Dichotomy of Earnings Trends

Over the past few months we explored in detail the fundamentals of Canada's engineering and design business, launched our Infrastructure & Construction Monthly Monitor, produced countless company and industry updates, and successfully hosted our fourth annual conference in Toronto. Clearly obvious through these efforts was that the four sub-segments of our Infrastructure and Construction (I&C) coverage universe continue to march to a different drum. Highlighted below are the key components supporting our investment thesis for the I&C sector and their likely impact on the 2Q11 earnings season, which kicks off this Friday with Caterpillar. Our quarterly revenue, EBITDA and EPS expectations for the 22 I&C companies we cover are also outlined herein (see Exhibit 1).

At Different Phases of the Cycle. Equipment OEM and dealer stocks are currently benefiting from accelerating replacement demand for used machinery, healthy commodity prices and strong activity levels in unconventional oil and gas markets. In contrast, many of the design firms, contractors and fabricators we follow are poised to deliver poor results in the near term because they still have some low-margin business left to execute. This is largely a reflection of the abysmal bidding conditions that existed 12 - 18 months ago—not of the improving fundamentals underlying the Canadian I&C industry today. For these reasons we encourage investors to get back up to speed on the sector this summer; we feel those who do may uncover opportunities ripe for the picking this fall.

Markets, Verticals Still Split. We continue to believe the natural resources sector will remain the largest driver of growth for the I&C sector and, by default, highlight Western Canada as our investment region of choice. The strong commodity prices are not only supporting elevated levels of industrial activity, but also exerting positive influence on the economies of British Columbia, Alberta, Saskatchewan and Manitoba (which in turn drive investments in housing, civil and social infrastructure, and commercial developments). Notably, some of the stocks in our universe that offer significant exposure to the natural resources theme and/or Western Canada include Churchill, North American Energy Partners, Finning, Cervus, Rocky Mountain, and Wajax. Meanwhile, with the fiscal condition of the US federal government and US states still in dire straits and the architectural billings index rolling over, we expect the stocks of companies with material southern exposure to face ongoing market headwinds.

Weather a Big Problem in 2Q11. Canada suffered one of its worst springs on record this year, but it's not just sun lovers who felt the pain—many businesses also took it on the chin. Partly as a result of the lasting poor weather conditions, North American Energy Partners warned last week that its quarterly results would miss the Street's expectations while Armtec Infrastructure went as far as suspending its dividend. We believe the market has largely digested the negative impact of poor weather on the I&C companies that are exposed to this headwind. However, we cannot completely rule out the potential for more downside risk, nor do we want to be too dismissive of the problems they have caused.

Potential Beats and Misses. For reasons highlighted above and in our recent research, we believe the equipment group in general is poised to report another strong quarter of results for 2Q11 (recall all members of the group 'beat' in 1Q11). Finning and Ritchie Bros. are two stocks, in particular, where we see a high probability for positive surprises. Conversely, while our expectations for Armtec Infrastructure, Canam Group and GLV were revised lower following the last earnings parade, we don't feel particularly strongly about our current estimates.

Top picks. Our best ideas in the sector are currently Caterpillar, Churchill, Cervus, Toromont and Finning.

| Company | Ticker Primary | Ticker Secondary | Current Price | Target Price (6-12mo) Old | Target Price (6-12mo) New | Div. Yield | Tot. Return To Target | Rating Old | Rating New |
|---|----------------|------------------|---------------|---------------------------|---------------------------|------------|-----------------------|------------------|------------------|
| Construction | | | | | | | | | |
| Aecon Group | ARE-TSX | | C\$8.03 | C\$12.50 | C\$12.50 | 3% | 58% | Outperform 2 | Outperform 2 |
| Bird Construction Inc. | BDT-TSX | | C\$11.62 | C\$11.50 | C\$11.50 | 6% | 5% | Market Perform 3 | Market Perform 3 |
| North American Energy Partners | NOA-TSX | NOA-NYSE | C\$6.40 | C\$9.00 | C\$9.00 | NM | 41% | Market Perform 3 | Market Perform 3 |
| The Churchill Corp. | CUQ-TSX | | C\$17.83 | C\$24.00 | C\$24.00 | 3% | 37% | Strong Buy 1 | Strong Buy 1 |
| Original Equipment Manufacturers | | | | | | | | | |
| Caterpillar Inc. | CAT-NYSE | | US\$109.64 | US\$135.00 | US\$135.00 | 2% | 25% | Strong Buy 1 | Strong Buy 1 |
| Engineering | | | | | | | | | |
| Genivar Inc. | GNV-TSX | | C\$26.22 | C\$33.00 | C\$33.00 | 6% | 32% | Outperform 2 | Outperform 2 |
| IBI Group Inc. | IBG-TSX | | C\$13.67 | C\$16.50 | C\$16.50 | 8% | 29% | Outperform 2 | Outperform 2 |
| SNC-Lavalin | SNC-TSX | | C\$55.01 | C\$63.00 | C\$63.00 | 2% | 16% | Outperform 2 | Outperform 2 |
| Stantec Inc | STN-TSX | STN-NYSE | C\$27.00 | C\$33.75 | C\$33.75 | | 25% | Outperform 2 | Outperform 2 |
| Materials & Engineered Products | | | | | | | | | |
| Armtec Infrastructure Inc. | ARF-TSX | | C\$3.92 | C\$5.00 | C\$5.00 | 0% | 28% | Outperform 2 | Outperform 2 |
| GLV Inc. | GLV.A-TSX | | C\$6.21 | C\$9.50 | C\$9.50 | 0% | 53% | Outperform 2 | Outperform 2 |
| ZCL Composites | ZCL-TSX | | C\$3.62 | C\$3.25 | C\$3.25 | NM | -10% | Market Perform 3 | Market Perform 3 |
| Equipment Distributors | | | | | | | | | |
| Cervus Equipment Corp. | CVL-TSX | | C\$17.79 | C\$20.00 | C\$20.00 | 4% | 12% | Strong Buy 1 | Strong Buy 1 |
| Finning International | FTT-TSX | | C\$29.81 | C\$32.50 | C\$32.50 | 2% | 11% | Outperform 2 | Outperform 2 |
| Ritchie Bros. Auctioneers | RBA-NYSE | RBA.T-TSX | US\$27.35 | US\$34.50 | US\$34.50 | 2% | 28% | Outperform 2 | Outperform 2 |
| Rocky Mountain Dealerships Inc. | RME-TSX | | C\$9.95 | C\$14.00 | C\$14.00 | 2% | 43% | Outperform 2 | Outperform 2 |
| Strongco Corp. | SQP-TSX | | C\$5.20 | C\$7.00 | C\$7.00 | NA | 35% | Outperform 2 | Outperform 2 |
| Toromont Industries | TIH-TSX | | C\$18.77 | C\$22.75 | C\$22.75 | 2% | 23% | Outperform 2 | Outperform 2 |
| Wajax Corp. | WJX-TSX | | C\$37.50 | C\$48.75 | C\$48.75 | 6% | 36% | Outperform 2 | Outperform 2 |
| Steel Processors & Building Components | | | | | | | | | |
| ADF Group Inc. | DRX-TSX | | C\$1.62 | C\$2.50 | C\$2.50 | 1% | 56% | Outperform 2 | Outperform 2 |
| Canam Group | CAM-TSX | | C\$6.60 | C\$9.50 | C\$9.50 | 2% | 46% | Outperform 2 | Outperform 2 |
| Russel Metals | RUS-TSX | | C\$24.31 | C\$25.00 | C\$25.00 | 5% | 7% | Market Perform 3 | Market Perform 3 |

Raymond James Ltd.

Exhibit 1: 2Q11 Summary of Key Quarterly Forecasts

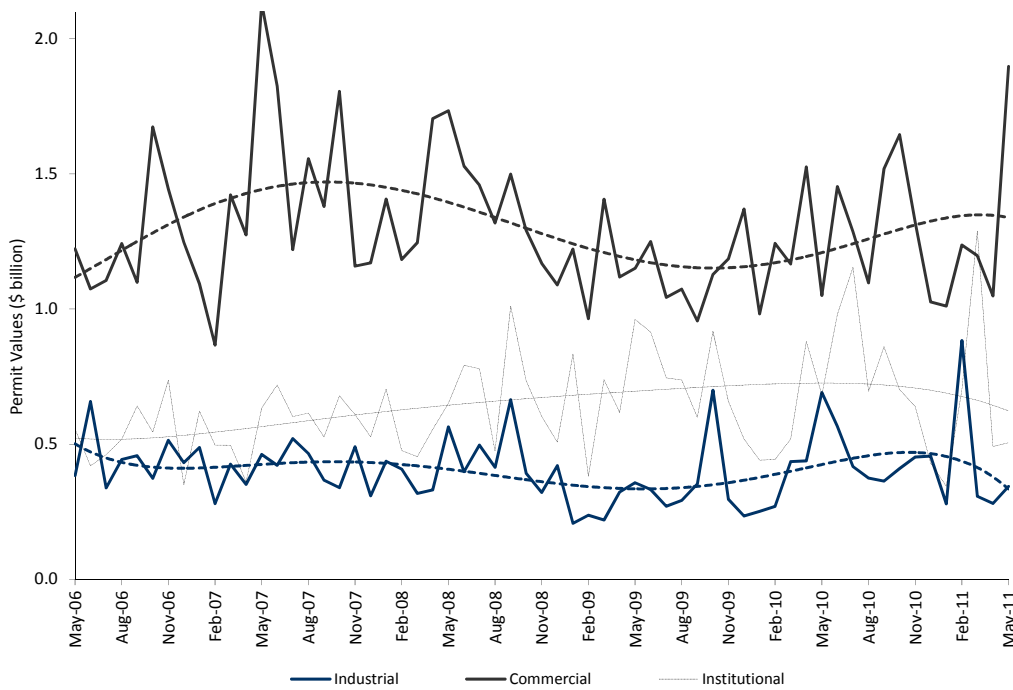
| Company Name | Ticker | Reporting Date | Revenue (\$ mln) | | | EBITDA (\$ mln) | | | EPS | | | |
|--|--------|----------------|------------------|--------|------|-----------------|-------|------|----------|----------|------|-----------|
| | | | 2Q11E | 2Q10A | %Δ | 2Q11E | 2Q10A | %Δ | 2Q11E | 2Q10A | %Δ | Consensus |
| CONSTRUCTION | | | | | | | | | | | | |
| Aecon Group | ARE | 2-Aug | 689 | 682 | 1% | 26.7 | 25.1 | 6% | \$0.05 | \$0.14 | -66% | \$0.03 |
| Bird Construction | BDT | 8-Aug | 214 | 204 | 5% | 8.6 | 19.7 | -56% | \$0.14 | \$0.37 | -61% | \$0.15 |
| Churchill Corp. | CUQ | 10-Aug | 355 | 223 | 59% | 19.9 | 19.0 | 5% | \$0.32 | \$0.76 | -58% | \$0.38 |
| North American Energy Partners | NOA | 3-Aug | 178 | 184 | -3% | 18.2 | 9.9 | 85% | (\$0.01) | (\$0.11) | n.m. | \$0.01 |
| | | | | | 16% | | | 10% | | | -62% | |
| ENGINEERING | | | | | | | | | | | | |
| Genivar Inc. | GNV | 10-Aug | 132 | 119 | 11% | 22.0 | 22.4 | -2% | \$0.39 | \$0.52 | -25% | \$0.42 |
| IBI Group | IBG | 15-Aug | 80 | 70 | 15% | 12.1 | 10.1 | 20% | \$0.25 | \$0.21 | 20% | \$0.25 |
| SNC Lavalin | SNC | 5-Aug | 1,594 | 1,426 | 12% | 198.0 | 203.8 | -3% | \$0.66 | \$0.64 | 3% | \$0.66 |
| Stantec Inc. | STN | 4-Aug | 409 | 371 | 10% | 43.7 | 39.6 | 10% | \$0.54 | \$0.52 | 4% | \$0.56 |
| | | | | | 12% | | | 6% | | | 0% | |
| MATERIALS & ENGINEERED PRODUCTS | | | | | | | | | | | | |
| ADF Group | DRX | TBC | 14 | 13 | 10% | 2.9 | 2.5 | 16% | \$0.03 | \$0.03 | 36% | n.m. |
| Armtec Infrastructure | ARF | 9-Aug | 118 | 131 | -10% | 7.6 | 18.2 | -58% | (\$0.15) | \$0.27 | n.m. | (\$0.08) |
| Canam Group Inc. | CAM | 4-Aug | 213 | 185 | 15% | 8.7 | 3.8 | n.m. | \$0.00 | (\$0.05) | n.m. | (\$0.05) |
| GLV Inc. | GLV.A | 11-Aug | 148 | 153 | -3% | 6.7 | 3.6 | n.m. | \$0.00 | (\$0.09) | n.m. | \$0.02 |
| Russel Metals | RUS | 4-Aug | 629 | 506 | 24% | 45.8 | 40.8 | 12% | \$0.39 | \$0.29 | 34% | \$0.44 |
| ZCL Composites | ZCL | 9-Aug | 31 | 31 | -2% | 1.0 | 0.8 | 25% | (\$0.01) | (\$0.02) | n.m. | n.m. |
| | | | | | 6% | | | -1% | | | 35% | |
| EQUIPMENT DISTRIBUTORS | | | | | | | | | | | | |
| Cervus Equipment Corp. | CVL | 9-Aug | 150 | 128 | 17% | 10.0 | 7.8 | 29% | \$0.53 | \$0.35 | 53% | \$0.49 |
| Finning International | FTT | 12-Aug | 1,320 | 1,075 | 23% | 147.4 | 107.0 | 38% | \$0.43 | \$0.27 | 58% | \$0.40 |
| Ritchie Bros. Auctioneers | RBA | 5-Aug | 121 | 103 | 17% | 54.5 | 44.8 | 22% | \$0.28 | \$0.24 | 18% | \$0.27 |
| Rocky Mountain Dealerships | RME | 9-Aug | 191 | 146 | 31% | 10.8 | 7.3 | 48% | \$0.25 | \$0.17 | 44% | \$0.28 |
| Strongco Corp. | SQP | 8-Aug | 100 | 70 | 44% | 10.9 | 4.3 | n.m. | \$0.15 | (\$0.05) | n.m. | \$0.13 |
| Toromont Industries | TIH | 12-Aug | 332 | n.m. | n.m. | 46.5 | n.m. | n.m. | \$0.30 | n.m. | n.m. | \$0.31 |
| Wajax Income Fund | WJX | 3-Aug | 319 | 272 | 17% | 23.7 | 15.0 | 58% | \$0.81 | \$0.72 | 13% | \$0.76 |
| | | | | | 25% | | | 39% | | | 37% | |
| ORIGINAL EQUIPMENT MANUFACTURERS | | | | | | | | | | | | |
| Caterpillar Inc. | CAT | 22-Jul | 13,355 | 10,409 | 28% | 2,350 | 1,539 | 53% | \$1.75 | \$0.99 | 76% | \$1.75 |

Notes:

- 1) Indicated revenues for Genivar, IBI and Stantec are net of subconsultants and other direct expenses
- 2) Figures presented for GLV and NOA are for F1Q12E, and F1Q11A, respectively
- 3) Figures presented for ADF are for F2Q12E, and F2Q11A, respectively
- 4) EBITDA and EPS figures for GLV are presented on a normalized basis
- 5) Figures presented for Ritchie Bros. are denominated in U.S. dollars.
- 6) Consensus EPS estimates are from Thomson One

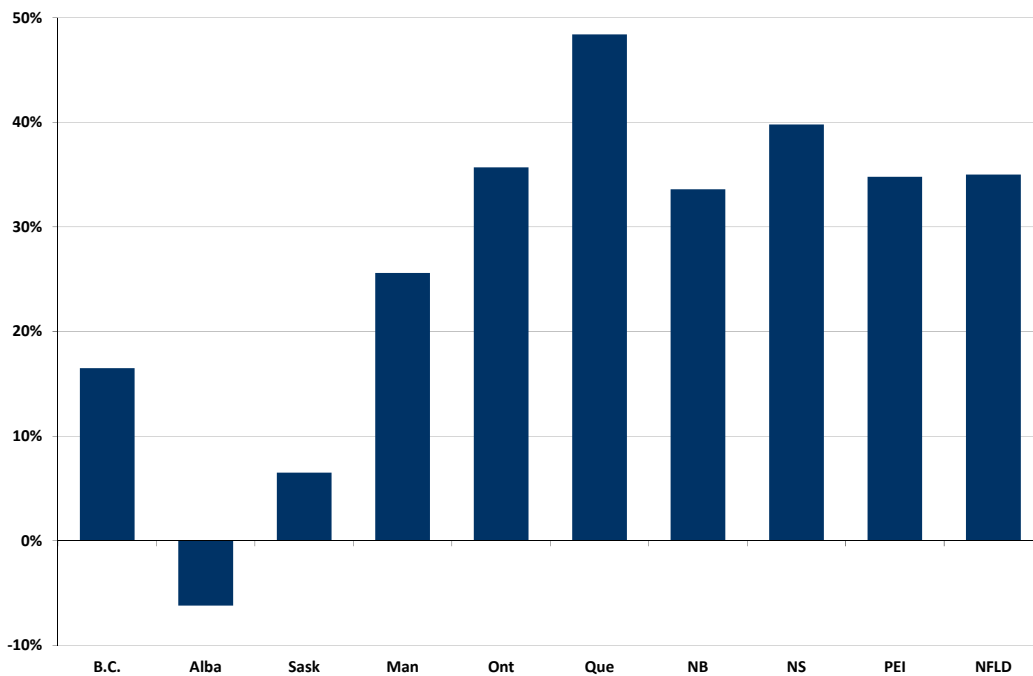
Source: Thomson One, Raymond James Ltd.

Exhibit 2: Canadian Non-Residential Building Permits



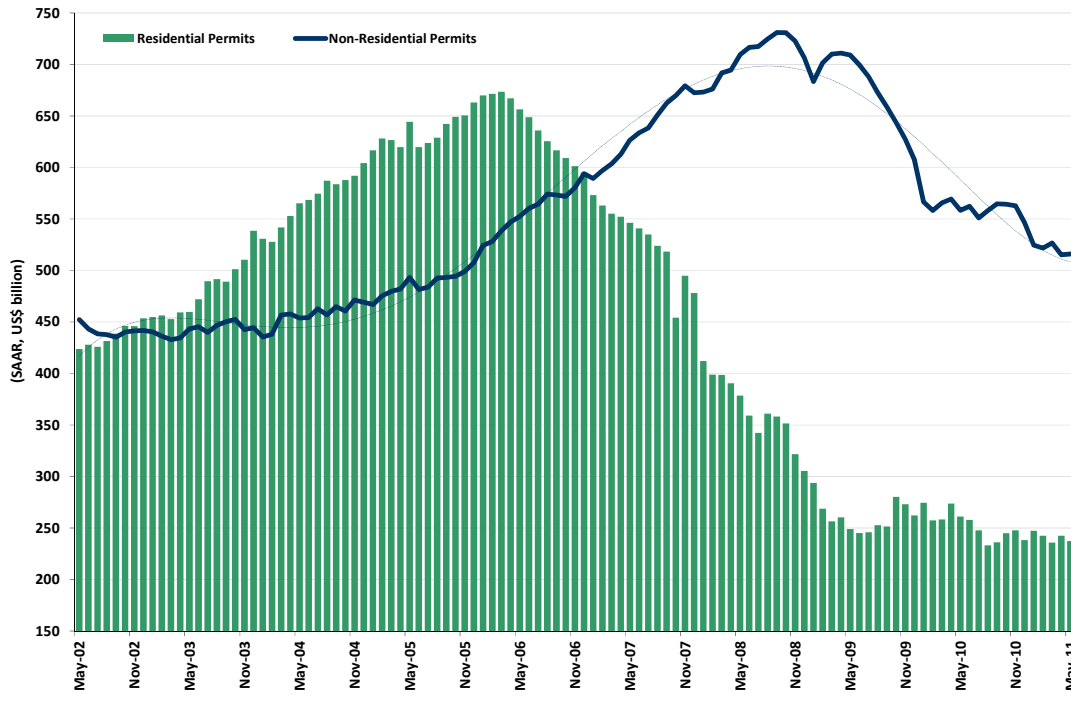
Source: Statistics Canada, Raymond James Ltd.

Exhibit 3: Projected Provincial Government Debt-to-GDP Ratios (F2011)



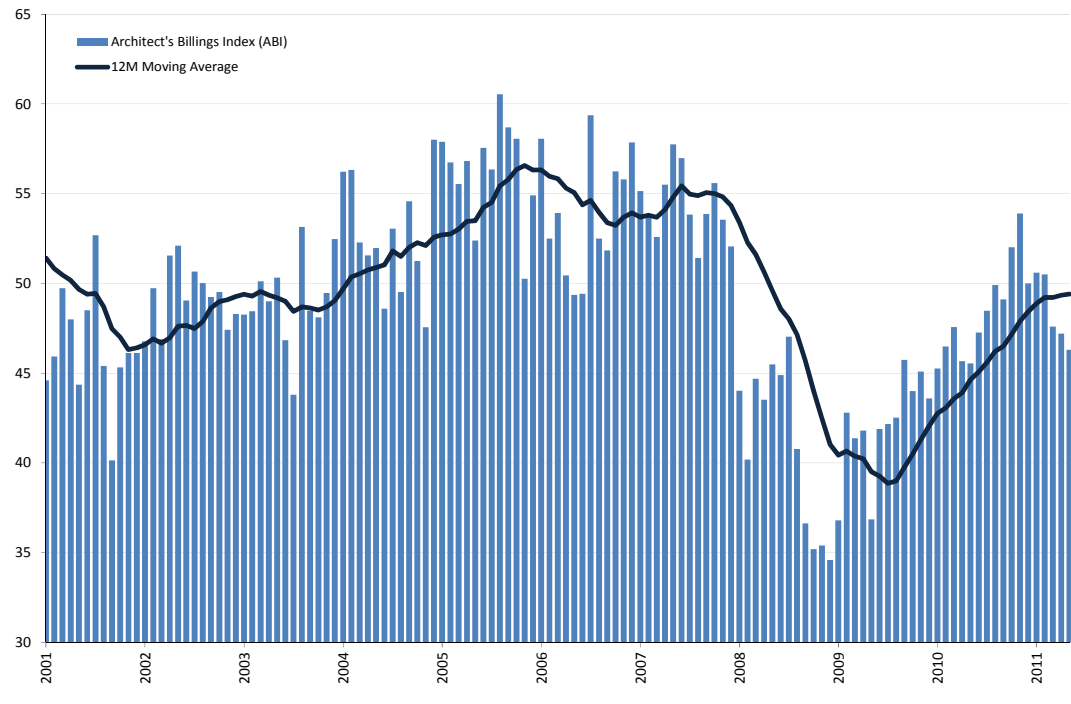
Source: Conference Board of Canada, Globe and Mail

Exhibit 4: U.S. Non-Residential and Residential Building Permits



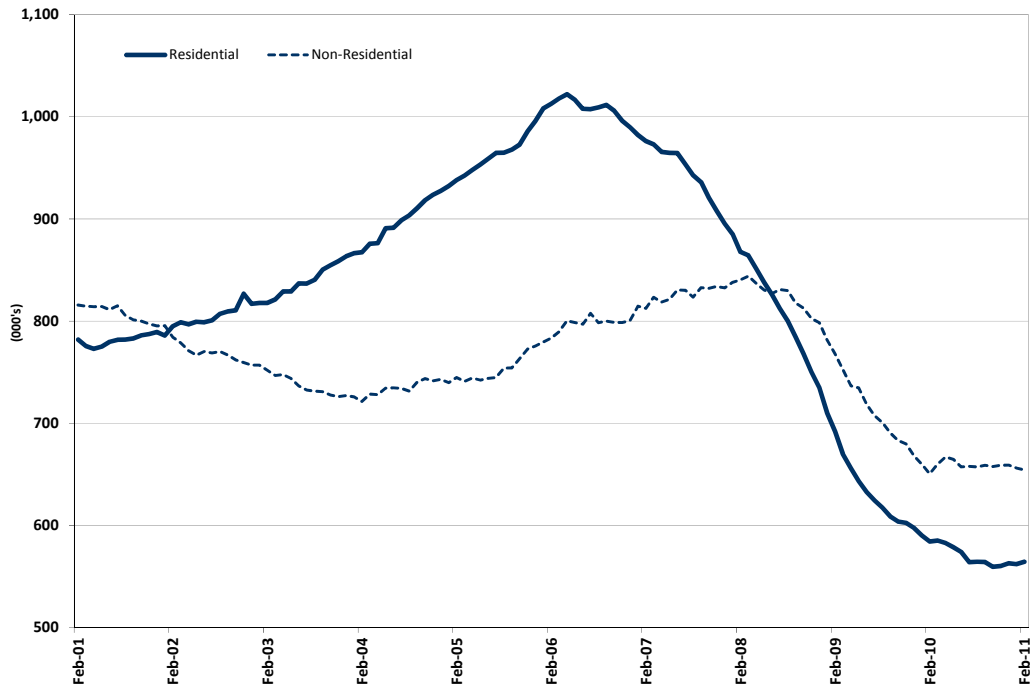
Source: U.S. Census, Raymond James Ltd.

Exhibit 5: Architectural Billings Index



Source: American Institute of Architects, Raymond James Ltd.

Exhibit 6: US Construction Employment Levels



Source: U.S. Bureau of Labor Statistics, Raymond James Ltd.

Appendix: Infrastructure & Construction Peer Group Comparables

| Company Name | Ticker | Fx | FY END | Market Price | Shares O/S (mln) | Market Cap (mln) | Net Debt (mln) | Ent. Value (mln) | P / E | | | EV / EBITDA | | | Net Debt/ Cap (%) | Price / Book (x) | Div. Yield (%) |
|--|----------|-----|--------|--------------|------------------|------------------|----------------|------------------|-------|-------|-------|-------------|-------|-------|-------------------|------------------|----------------|
| | | | | | | | | | 2010A | 2011E | 2012E | 2010A | 2011E | 2012E | | | |
| CONSTRUCTION | | | | | | | | | | | | | | | | | |
| CANADIAN CONTRACTORS | | | | | | | | | | | | | | | | | |
| AECOM GROUP (core business only) | ARE.CA | CAD | DEC | \$8.03 | 70.6 | \$567 | \$100 | \$667 | 22.0 | 9.8 | 5.8 | 10.6 | 3.8 | 2.8 | 15.0 | 1.1 | 2.5 |
| BIRD CONSTRUCTION | BDT.CA | CAD | DEC | \$11.62 | 42.2 | \$490 | (\$226) | \$264 | 12.4 | 19.4 | 11.6 | 4.7 | 7.3 | 4.5 | n.m. | 3.1 | 5.7 |
| CHURCHILL CORP-A | CUQ.CA | CAD | DEC | \$17.83 | 28.6 | \$509 | \$9 | \$519 | 9.0 | 11.5 | 7.4 | 6.0 | 5.7 | 4.1 | 1.8 | 1.5 | 2.7 |
| FLINT ENERGY SERVICES LTD | FES.CA | CAD | DEC | \$13.26 | 45.8 | \$608 | \$156 | \$764 | 18.4 | n.m. | 10.3 | 5.8 | 7.3 | 4.8 | 20.4 | 1.1 | -- |
| NORTH AMERICAN ENERGY PARTNERS | NOA.CA | CAD | MAR | \$6.40 | 35.4 | \$227 | \$316 | \$543 | n.m. | 12.5 | 5.7 | n.m. | 5.3 | 4.0 | 58.3 | 1.5 | -- |
| | | | | | | | | | 15.5 | 13.3 | 8.2 | 6.8 | 5.9 | 4.0 | | | |
| U.S. CONTRACTORS | | | | | | | | | | | | | | | | | |
| EMCOR GROUP INC | EME.US | USD | DEC | \$29.02 | 66.8 | \$1,940 | (\$479) | \$1,461 | 15.9 | 15.8 | 12.7 | 6.0 | 5.6 | 4.6 | n.m. | n.m. | -- |
| GRANITE CONSTRUCTION INC | GVA.US | USD | DEC | \$24.44 | 38.6 | \$944 | (\$129) | \$815 | n.m. | 23.2 | 16.3 | n.m. | 5.5 | 4.6 | n.m. | 1.2 | 2.2 |
| HILL INTERNATIONAL INC | HIL.US | USD | DEC | \$5.93 | 38.3 | \$227 | \$66 | \$293 | 16.5 | n.m. | 5.3 | 10.2 | n.m. | 3.6 | 22.5 | n.m. | -- |
| TUTOR PERINI CORPORATION | TPC.US | USD | DEC | \$17.60 | 47.1 | \$829 | \$55 | \$885 | 8.3 | 8.0 | 7.0 | 4.3 | 3.9 | 3.4 | 6.2 | n.m. | -- |
| QUANTA SERVICES INC | PWR.US | USD | DEC | \$19.31 | 211.7 | \$4,089 | (\$502) | \$3,587 | n.m. | n.m. | 17.3 | 8.9 | 8.8 | 6.5 | n.m. | 1.2 | -- |
| | | | | | | | | | 13.6 | 15.7 | 11.7 | 7.4 | 5.9 | 4.5 | | | |
| EUROPEAN CONTRACTORS | | | | | | | | | | | | | | | | | |
| ACCIONA SA | ANA.ES | EUR | DEC | € 68.39 | 63.6 | € 4,346 | € 6,703 | € 11,049 | n.m. | 21.0 | 20.2 | 9.1 | 8.3 | 7.7 | 60.7 | 0.8 | 6.0 |
| ACS ACTIVIDADES CONS Y SERV | ACS.ES | EUR | DEC | € 29.01 | 314.7 | € 9,128 | € 8,804 | € 17,992 | 9.4 | 9.7 | 9.3 | 11.9 | n.m. | n.m. | 49.1 | 1.7 | 9.4 |
| BALFOUR BEATTY PLC | BBY.GB | BPN | DEC | £2.99 | 686.6 | £2,052 | -£117 | £1,935 | 8.6 | 8.3 | 8.0 | 5.9 | 5.1 | 4.9 | n.m. | 0.1 | 4.7 |
| BILFINGER BERGER | GBF.DE | EUR | JAN | € 67.66 | 46.0 | € 3,114 | -€ 761 | € 2,353 | 14.6 | 12.5 | 12.3 | 4.6 | 4.6 | 4.3 | n.m. | 0.3 | 3.7 |
| HOCHTIEF | HOT.DE | EUR | DEC | € 57.24 | 77.0 | € 4,407 | € 511 | € 4,919 | 13.3 | 14.4 | 12.0 | 3.5 | 4.9 | 3.2 | 10.4 | 1.5 | 3.5 |
| SKANSKA | SKAB.SE | SEK | DEC | 107.20 kr | 399.9 | 42,872 kr | -5,049 kr | 37,823 kr | 11.1 | 13.2 | 12.1 | 5.6 | 6.3 | 5.9 | n.m. | 2.2 | 11.2 |
| VINCI SA | DG.FR | EUR | DEC | € 40.01 | 564.0 | € 22,562 | € 13,250 | € 35,811 | 12.1 | 11.4 | 10.6 | 6.9 | 6.5 | 6.3 | 37.0 | 2.2 | 6.3 |
| | | | | | | | | | 11.5 | 12.9 | 12.1 | 6.8 | 6.0 | 5.4 | | | |
| | | | | | | | | | 13.5 | 14.0 | 10.7 | 7.0 | 5.9 | 4.6 | | | |
| Blended Group Average | | | | | | | | | | | | | | | | | |
| ENGINEERING | | | | | | | | | | | | | | | | | |
| AECOM TECHNOLOGIES CORP | ACM.US | USD | SEP | \$26.33 | 119.2 | \$3,138 | \$766 | \$3,904 | 12.8 | 11.0 | 9.4 | 9.3 | 7.2 | 6.2 | 19.6 | 1.5 | -- |
| AMEC | AMEC.GB | BPN | DEC | £10.98 | 332.0 | £3,645 | -£740 | £2,905 | 17.6 | 15.7 | 13.5 | 11.0 | 9.3 | 8.0 | n.m. | 0.0 | 2.7 |
| ARCADIS NV | ARCAD.NL | EUR | DEC | € 16.22 | 67.7 | € 1,097 | € 255 | € 1,352 | 14.1 | 12.6 | 11.2 | 8.3 | 7.5 | 7.1 | 18.9 | 2.7 | 2.9 |
| GENIVAR INC | GNV.CA | CAD | DEC | \$26.22 | 26.0 | \$682 | \$92 | \$774 | 15.4 | 12.2 | 10.5 | 9.1 | 7.6 | 5.8 | 11.9 | 2.0 | 5.7 |
| IBI GROUP | IBG.CA | CAD | DEC | \$13.67 | 24.1 | \$329 | \$83 | \$412 | 12.3 | 15.2 | 9.1 | 9.7 | 8.3 | 6.6 | 20.1 | 4.9 | 8.0 |
| STANTEC INC | STN.CA | CAD | DEC | \$27.00 | 45.9 | \$1,240 | \$290 | \$1,531 | 13.0 | 11.9 | 10.0 | 9.7 | 8.5 | 7.2 | 19.0 | 2.0 | -- |
| TETRA TECH INC | TTEK.US | USD | NOV | \$22.20 | 62.3 | \$1,384 | \$55 | \$1,439 | 17.9 | 15.9 | 13.9 | 9.1 | 7.2 | 6.7 | 3.8 | 1.8 | -- |
| | | | | | | | | | 14.7 | 13.5 | 11.1 | 9.5 | 8.0 | 6.8 | | | |
| INTEGRATED ENGINEERING & CONSTRUCTION | | | | | | | | | | | | | | | | | |
| CHICAGO BRIDGE & IRON | CBI.US | USD | DEC | \$40.60 | 99.9 | \$4,055 | (\$345) | \$3,710 | 19.9 | 16.9 | 14.4 | 9.9 | 8.5 | 7.4 | n.m. | 3.8 | 0.5 |
| FLUOR CORP | FLR.US | USD | DEC | \$65.75 | 174.3 | \$11,459 | (\$2,263) | \$9,196 | n.m. | 19.9 | 16.6 | 9.7 | 7.9 | 6.8 | n.m. | 1.4 | 0.8 |
| FOSTER WHEELER AG | FWLT.US | USD | JAN | \$27.63 | 120.7 | \$3,334 | (\$926) | \$2,408 | 16.8 | 18.7 | 12.3 | 6.8 | 7.5 | 5.3 | n.m. | 5.3 | -- |
| JACOBS ENGR GROUP INC | JEC.US | USD | SEP | \$41.46 | 126.8 | \$5,258 | (\$314) | \$4,944 | 16.7 | 16.0 | 13.8 | 8.6 | 8.1 | 7.2 | n.m. | 1.8 | -- |
| KBR INC | KBR.US | USD | DEC | \$37.45 | 151.6 | \$5,676 | (\$682) | \$4,994 | 17.9 | 15.8 | 14.3 | 7.4 | 7.7 | 6.9 | n.m. | 2.5 | 0.5 |
| SHAW GROUP INC | SHAW.US | USD | AUG | \$25.64 | 72.2 | \$1,852 | (\$104) | \$1,749 | 11.7 | n.m. | 11.2 | 4.8 | n.m. | 5.2 | n.m. | 1.4 | -- |
| SNC-LAVALIN (E&C Business only) | SNC.CA | CAD | DEC | \$55.01 | 152.3 | \$8,378 | \$784 | \$9,161 | 14.3 | 15.0 | 11.9 | 7.7 | 8.1 | 6.8 | 8.6 | 4.2 | 1.5 |
| URS CORPORATION | URS.US | USD | DEC | \$43.30 | 78.6 | \$3,405 | \$207 | \$3,612 | 12.2 | 11.9 | 10.8 | 5.3 | 4.9 | 4.7 | 5.7 | 0.9 | -- |
| WORLEYPARSONS | WOR.AU | AUS | DEC | \$28.73 | 241.7 | \$6,943 | \$534 | \$7,477 | 24.5 | 22.9 | 18.4 | 14.4 | 13.6 | 11.4 | 7.1 | 3.9 | 2.7 |
| | | | | | | | | | 16.8 | 17.1 | 13.8 | 8.3 | 8.3 | 6.8 | | | |
| ENGINEERED PRODUCTS | | | | | | | | | | | | | | | | | |
| ALBANY INTERNATIONAL | AIN.US | USD | DEC | \$25.99 | 31.3 | \$812 | \$282 | \$1,094 | 19.5 | 12.5 | 11.6 | 7.4 | 6.1 | 5.7 | 25.7 | 2.4 | 2.0 |
| ALFA LAVIAL AB | ALFA.SE | SEK | DEC | 139.40 kr | 419.5 | 58,472 kr | -1,138 kr | 57,334 kr | 19.0 | 16.2 | 13.7 | 11.0 | 9.7 | 8.3 | n.m. | 4.3 | 2.2 |
| ANDRITZ AG | ANDR.AT | EUR | DEC | € 72.61 | 52.0 | € 3,776 | -€ 1,297 | € 2,478 | 21.0 | 17.6 | 15.1 | 8.1 | 6.8 | 5.9 | n.m. | 5.0 | 2.3 |
| ARMTEC INFRASTRUCTURE | ARF.CA | CAD | DEC | \$3.92 | 23.9 | \$94 | \$290 | \$384 | n.m. | n.m. | 7.9 | 7.8 | 9.2 | 6.0 | 75.6 | 0.0 | 0.0 |
| CALGON CARBON CORPORATION | CCC.US | USD | DEC | \$16.26 | 56.5 | \$918 | \$0 | \$918 | 21.7 | 19.9 | 16.5 | 11.5 | 9.3 | 8.0 | 0.0 | n.m. | -- |
| FLOWSERVE CORP | FLS.US | USD | DEC | \$106.40 | 55.8 | \$5,940 | \$238 | \$6,178 | 15.5 | 13.6 | 11.6 | 9.0 | 8.4 | 7.3 | 3.8 | 2.8 | 1.2 |
| GLV INC. | GLV/A.CA | CAD | MAR | \$6.21 | 44.1 | \$274 | \$58 | \$331 | n.m. | n.m. | 12.5 | 16.0 | 10.1 | 6.7 | 17.4 | 1.1 | -- |
| ITT CORP | ITT.US | USD | JUL | \$56.20 | 184.1 | \$10,346 | \$365 | \$10,711 | 12.7 | 11.7 | 10.9 | 6.8 | 6.4 | 6.1 | 3.4 | 2.3 | 1.8 |
| KADANT | KAI.US | USD | DEC | \$33.40 | 12.3 | \$411 | (\$36) | \$375 | 22.6 | 15.3 | 12.9 | 11.7 | 7.9 | 7.0 | n.m. | n.m. | -- |
| KURITA WATER | 6370.JP | JPY | MAR | JPY 2,330 | 132.8 | JPY 309,425 | -JPY 55,073 | JPY 254,352 | 17.4 | 16.7 | 15.6 | 5.9 | 5.6 | 5.4 | n.m. | 1.5 | 1.6 |
| METSO OYJ | MEQ1V.FI | EUR | DEC | € 37.38 | 150.3 | € 5,620 | € 350 | € 5,970 | 17.8 | 13.7 | 10.9 | 9.6 | 7.7 | 6.5 | 5.9 | 2.7 | 4.1 |
| NALCO HOLDING CO | NLC.US | USD | DEC | \$28.87 | 138.7 | \$4,005 | \$2,635 | \$6,640 | 16.9 | 17.7 | 14.1 | 8.9 | 9.1 | 8.1 | 39.7 | 5.7 | 0.5 |
| PALL CORPORATION | PLL.US | USD | JUL | \$54.12 | 116.3 | \$6,295 | \$146 | \$6,441 | 25.5 | 18.7 | 16.4 | 13.3 | 10.9 | 9.8 | 2.3 | 5.4 | 1.3 |
| PENTAIR INC | PNR.US | USD | AUG | \$40.71 | 98.4 | \$4,007 | \$765 | \$4,772 | 20.4 | 16.6 | 13.8 | 11.4 | 9.4 | 8.1 | 16.0 | 1.9 | 2.0 |
| WATTS WATER TECHNOLOGIES INC | WTS.US | USD | DEC | \$36.22 | 37.2 | \$1,347 | \$48 | \$1,396 | 18.8 | 17.9 | 13.7 | 7.9 | 7.4 | 6.3 | 3.5 | 1.5 | 1.2 |
| ZCL COMPOSITES INC | ZCL.CA | CAD | DEC | \$3.62 | 28.8 | \$104 | \$18 | \$122 | n.m. | n.m. | 14.6 | n.m. | 17.1 | 7.1 | 14.4 | 2.6 | 0.0 |
| | | | | | | | | | 19.1 | 16.0 | 13.2 | 9.8 | 8.8 | 7.0 | | | |

Continued on next page...

| Company Name | Ticker | Fx | FY END | Market Price | Shares O/S (mln) | Market Cap (mln) | Net Debt (mln) | Ent. Value (mln) | P / E | | | EV / EBITDA | | | Net Debt/ Cap (%) | Price /Book (x) | Div. Yield (%) |
|---|-----------|-----|--------|--------------|------------------|------------------|----------------|------------------|-------------|-------------|-------------|-------------|------------|------------|-------------------|-----------------|----------------|
| | | | | | | | | | 2010A | 2011E | 2012E | 2010A | 2011E | 2012E | | | |
| EQUIPMENT DISTRIBUTORS | | | | | | | | | | | | | | | | | |
| ASHTAD GROUP PLC | AHT.GB | BPN | APR | \$1.55 | 503.3 | \$779 | \$776 | \$1,554 | n.m. | 20.2 | 13.2 | 5.5 | 4.9 | 4.3 | 49.9 | 1.8 | 2.2 |
| CERVUS EQUIPMENT CORP. | CVL.CA | CAD | DEC | \$17.79 | 14.7 | \$261 | \$9 | \$270 | 20.2 | 12.7 | 10.4 | 11.0 | 7.1 | 6.2 | 3.4 | 1.5 | 4.0 |
| FINNING INTERNATIONAL INC | FTT.CA | CAD | DEC | \$29.81 | 172.5 | \$5,142 | \$838 | \$5,980 | n.m. | 16.5 | 14.2 | 13.2 | 9.6 | 8.5 | 14.0 | 4.1 | 1.7 |
| H&E EQUIPMENT SERVICES INC | HEES.US | USD | DEC | \$12.35 | 35.0 | \$433 | \$317 | \$750 | n.m. | n.m. | 15.5 | 9.3 | 6.0 | 4.3 | 42.3 | 1.7 | -- |
| RITCHE BROS AUCTIONEERS INC | RBA.US | USD | DEC | \$27.35 | 106.6 | \$2,916 | \$31 | \$2,947 | n.m. | n.m. | 23.9 | n.m. | 17.1 | 13.3 | 1.0 | 4.8 | 1.5 |
| ROCKY MOUNTAIN DEALERSHIPS | RME.CA | CAD | DEC | \$9.95 | 21.1 | \$210 | \$201 | \$411 | 12.0 | 8.6 | 6.9 | 12.1 | 8.5 | 6.9 | 48.9 | 1.9 | 1.8 |
| RUSH ENTERPRISES INC | RUSHA.US | USD | DEC | \$11.77 | 27.1 | \$319 | \$470 | \$789 | 18.4 | 9.4 | 6.5 | 13.8 | 7.5 | 5.5 | 59.6 | 0.9 | -- |
| SPEEDY HIRE PLC | SDY.GB | BPN | MAR | £0.31 | 517.2 | £158 | £115 | £272 | n.m. | 17.5 | n.m. | 4.7 | 3.8 | 3.3 | 42.1 | 0.0 | 0.0 |
| STRONGCO CORP. | SQP.CA | CAD | DEC | \$5.20 | 12.7 | \$66 | \$113 | \$179 | n.m. | 9.4 | 8.0 | 7.9 | 4.9 | 4.4 | 63.1 | 1.2 | 0.0 |
| TITAN MACHINERY INC | TITN.US | USD | JAN | \$26.94 | 20.7 | \$557 | \$314 | \$871 | 21.9 | 16.5 | 14.9 | 16.4 | 12.6 | 11.2 | 36.0 | n.m. | -- |
| TOROMONT INDS LTD | TIH.CA | CAD | DEC | \$18.77 | 77.5 | \$1,455 | \$46 | \$1,501 | 19.7 | 15.8 | 14.4 | 9.5 | 8.4 | 7.6 | 3.1 | 4.0 | 2.1 |
| UNITED RENTALS INC | URI.US | USD | DEC | \$23.01 | 61.1 | \$1,405 | \$2,658 | \$4,063 | n.m. | 15.6 | 8.7 | 5.9 | 4.8 | 4.0 | 65.4 | n.m. | -- |
| WAJAX CORP. | WJX.CA | CAD | DEC | \$37.50 | 16.9 | \$634 | \$77 | \$711 | n.m. | 11.5 | 11.5 | 15.3 | 10.9 | 7.6 | 10.8 | 3.1 | 5.5 |
| | | | | | | | | | 18.4 | 14.0 | 12.3 | 10.4 | 8.2 | 6.7 | | | |
| ORIGINAL EQUIPMENT MANUFACTURERS | | | | | | | | | | | | | | | | | |
| AGCO CORP | AGCO.US | USD | DEC | \$48.14 | 94.8 | \$4,564 | \$350 | \$4,914 | 20.7 | 12.3 | 10.8 | 10.2 | 6.8 | 5.8 | 7.1 | 1.7 | -- |
| CATERPILLAR INCORPORATED | CAT.US | USD | DEC | \$109.64 | 664.9 | \$72,900 | \$20,363 | \$93,263 | n.m. | 16.3 | 12.3 | 14.9 | 9.9 | 7.9 | 21.8 | 5.8 | 1.6 |
| CNH GLOBAL NV | CNH.US | USD | DEC | \$35.77 | 238.4 | \$8,529 | \$11,968 | \$20,497 | 17.2 | 12.4 | 10.2 | n.m. | 12.4 | 11.0 | 58.4 | 1.2 | -- |
| DEERE & COMPANY | DE.US | USD | OCT | \$80.88 | 419.7 | \$33,946 | \$22,610 | \$56,556 | 17.4 | 12.7 | 10.9 | 13.1 | 12.9 | 11.3 | 40.0 | 5.4 | 2.1 |
| DOOSAN INFRACORE | 042670.KR | KRW | DEC | KRW 25,800 | 168.6 | KRW 4,348,590 | KRW 4,493,963 | KRW 8,842,553 | n.m. | 9.3 | 7.5 | n.m. | n.m. | n.m. | 50.8 | n.m. | -- |
| HARSCO CORP. | HSC.US | USD | DEC | \$31.37 | 80.7 | \$2,531 | \$824 | \$3,355 | n.m. | 22.6 | 15.2 | 7.0 | 6.4 | 5.6 | 24.6 | 1.8 | 2.7 |
| HITACHI | 6305.JP | JPY | MAR | JPY 1,691 | 215.1 | JPY 363,760 | JPY 268,875 | JPY 632,635 | n.m. | 16.9 | 12.4 | n.m. | 6.4 | 5.4 | 42.5 | 1.2 | 1.2 |
| TEREX CP | TEX.US | USD | DEC | \$26.02 | 109.6 | \$2,852 | \$326 | \$3,178 | n.m. | n.m. | 10.9 | n.m. | 9.7 | 5.0 | 10.3 | 1.4 | -- |
| VOLVO AB | VOLVB.SE | SEK | DEC | 103.60 kr | 1,455.8 | 150,821 kr | 92,052 kr | 242,873 kr | 19.3 | 11.6 | 9.2 | 8.9 | 5.9 | 5.0 | 37.9 | 2.9 | 2.4 |
| | | | | | | | | | 18.7 | 14.3 | 11.0 | 10.8 | 8.8 | 7.1 | | | |
| STEEL RELATED STOCKS | | | | | | | | | | | | | | | | | |
| FABRICATORS & PROCESSORS | | | | | | | | | | | | | | | | | |
| ADF GROUP INC. | DRX.CA | CAD | JAN | \$1.62 | 33.4 | \$54 | (\$17) | \$37 | 14.8 | 10.6 | 8.1 | 3.4 | 2.9 | 2.0 | n.m. | 0.6 | 1.2 |
| CANAM GROUP INC | CAM.CA | CAD | DEC | \$6.60 | 45.4 | \$300 | \$132 | \$432 | n.m. | n.m. | 9.4 | n.m. | n.m. | 5.6 | 30.6 | #DIV/0! | 2.4 |
| GIBRALTAR INDUSTRIES | ROCK.US | USD | DEC | \$10.95 | 30.4 | \$333 | \$103 | \$436 | n.m. | 18.2 | 12.5 | 10.3 | 5.7 | 4.6 | 23.6 | n.m. | -- |
| NCI BUILDING SYS INC | NCS.US | USD | DEC | \$11.23 | 19.8 | \$222 | \$72 | \$294 | n.m. | n.m. | n.m. | n.m. | n.m. | 3.3 | 24.5 | n.m. | -- |
| VICWEST INC. | VIC.CA | CAD | DEC | \$13.75 | 17.2 | \$237 | \$54 | \$291 | 17.6 | 15.7 | 9.0 | 13.6 | 8.9 | 5.8 | 18.6 | 4.2 | 8.0 |
| | | | | | | | | | 16.2 | 14.8 | 9.8 | 9.1 | 5.8 | 4.3 | | | |
| SERVICE CENTERS | | | | | | | | | | | | | | | | | |
| AM CASTLE & CO. | CAS.US | USD | DEC | \$17.66 | 23.0 | \$407 | \$26 | \$433 | n.m. | 21.3 | 12.1 | n.m. | 11.2 | 6.9 | 6.0 | n.m. | -- |
| CARPENTER TECHNOLOGY CORP. | CRS.US | USD | JUN | \$57.95 | 44.0 | \$2,551 | \$39 | \$2,590 | n.m. | n.m. | 21.9 | n.m. | 15.5 | 10.2 | 1.5 | 4.5 | 1.3 |
| RELIANCE STEEL & ALUMINUM CO. | RS.US | USD | DEC | \$49.67 | 74.8 | \$3,716 | \$1,011 | \$4,727 | 19.0 | 10.9 | 8.3 | 9.8 | 6.6 | 5.4 | 21.4 | 1.3 | 1.0 |
| RUSSEL METALS | RUS.CA | CAD | DEC | \$24.31 | 66.8 | \$1,625 | (\$145) | \$1,480 | 20.9 | 13.9 | 12.8 | 10.0 | 7.3 | 6.9 | n.m. | 1.9 | 4.1 |
| WORTHINGTON INDS INC | WOR.US | USD | MAY | \$23.00 | 74.3 | \$1,708 | \$327 | \$2,035 | 15.4 | 12.4 | 10.6 | 11.3 | 9.4 | 9.4 | 16.1 | 2.4 | 2.1 |
| | | | | | | | | | 18.4 | 14.6 | 13.2 | 10.4 | 10.0 | 7.7 | | | |
| STEEL PRODUCERS | | | | | | | | | | | | | | | | | |
| AK STEEL HOLDING CORP. | AKS.US | USD | DEC | \$15.57 | 110.3 | \$1,717 | \$672 | \$2,389 | n.m. | 13.1 | 9.3 | 15.6 | 5.3 | 4.3 | 28.1 | 2.7 | 1.3 |
| ALLEGHENY TECHNOLOGIES | ATI.US | USD | DEC | \$64.82 | 106.1 | \$6,879 | \$746 | \$7,625 | n.m. | 21.3 | 14.0 | n.m. | 8.8 | 6.7 | 9.8 | 3.1 | 1.1 |
| COMMERCIAL METALS COMPANY | CMC.US | USD | AUG | \$14.41 | 115.5 | \$1,665 | \$1,140 | \$2,805 | n.m. | n.m. | 8.9 | n.m. | 10.0 | 5.4 | 40.7 | 1.3 | 3.5 |
| NUCOR CORPORATION | NUE.US | USD | DEC | \$39.55 | 316.1 | \$12,500 | \$2,001 | \$14,501 | n.m. | 15.0 | 10.6 | 13.9 | 6.8 | 5.3 | 13.8 | 1.8 | 3.7 |
| OLYMPIC STEEL INC. | ZEUS.US | USD | DEC | \$28.05 | 10.9 | \$306 | \$78 | \$384 | n.m. | 12.1 | 10.2 | n.m. | 6.4 | 5.3 | 20.4 | 1.2 | 0.3 |
| STEEL DYNAMICS INCORPORATED | STLD.US | USD | DEC | \$16.12 | 218.4 | \$3,521 | \$2,219 | \$5,740 | 24.1 | 10.4 | 7.7 | 9.5 | 6.0 | 4.9 | 38.7 | 1.7 | 2.6 |
| US STEEL CORP. | X.US | USD | DEC | \$42.93 | 143.8 | \$6,172 | \$3,314 | \$9,486 | n.m. | 18.0 | 8.2 | n.m. | 5.9 | 4.3 | 34.9 | 1.6 | 0.5 |
| | | | | | | | | | 24.1 | 15.0 | 9.8 | 13.0 | 7.0 | 5.2 | | | |
| | | | | | | | | | n.m. | 14.8 | 10.9 | 9.7 | 7.6 | 5.7 | | | |
| Blended Group Average | | | | | | | | | | | | | | | | | |

Notes:

- 1) Estimates for ARE, ARF.UN, BDT.UN, CAM, CAT, DRX, CVL, CUQ, FTT, GLV.A, GNV.UN, IBG.UN, NOA, RBA, RME, RUS, SNC, STN, TIH, WJX.UN and ZCL are from Raymond James; all other estimates are consensus from Thomson One.
- 2) Net debt (cash) positions for the contractors (ARE, BDT.UN and CUQ) exclude non-recourse project debt and restricted cash balances; net debt (cash) positions for the engineering firms (GNV.UN, IBG.UN and STN) include balances of purchase price payable.
- 3) Net debt (cash) position for Aecon is shown proforma of the Cow Harbour asset purchase, Cross Israel Highway interest sale, proceeds from the sale of its 15% interest in Churchill, and \$92 mln convertible debt offering.
- 4) 2010 P/E calculations for Bird Construction, Cervus Equipment, Genivar, IBI and Wajax are tax effected to provide more accurate comparisons between companies.
- 5) P/E and EV/EBITDA calculations for Aecon have been adjusted to reflect the company's interest in the Quito International Airport concession, which we currently estimate at \$1.39 per share.
- 6) P/E and EV/EBITDA calculations for SNC-Lavalin are for the engineering and construction business only; they exclude the company's Infrastructure Concession Investments, which we currently estimate at \$21.65 per share.
- 7) Our target price for CVL includes the present value of tax losses that amount to ~\$3.50/share
- 8) Our net debt calculations for RME and CVL include our estimate of the interest bearing portion of their floor plan financing

Source: Thomson One, Raymond James Ltd.

Construction

Aecon Group ARE-TSX

Rating: **Outperform**

| | | | |
|--------------------------------|--------------------|-------------------------|--------------|
| Current Price(Jul-18-11) | C\$8.03 | Target Price (6-12 mos) | C\$12.50 |
| 52-Week Range | C\$12.79 - C\$7.54 | Total Return to Target | 58% |
| Market Capitalization (mln) | C\$567 | Dividend/Yield | C\$0.20/2.5% |
| Shares Outstanding (mln, f.d.) | 70.6 | Net Debt (mln) | C\$0 |
| Average Daily Volume (000s) | 123 | Enterprise Value (mln) | C\$567 |

| EPS | 1Q | 2Q | 3Q | 4Q | Full | Revenue | EBITDA | P/E | EV/EBITDA |
|------------------|----------------|-------------|-------------|-------------|-------------|--------------|------------|--------------|-------------|
| | Mar | Jun | Sep | Dec | Year | (mln) | (mln) | | |
| 2010A | C\$(0.12) | C\$0.14 | C\$0.27 | C\$0.16 | C\$0.49 | C\$2,746 | C\$102 | 10.9x | 5.5x |
| Old 2011E | (0.39)A | 0.09 | 0.47 | 0.72 | 0.80 | 2,938 | 171 | | |
| New 2011E | (0.49)A | 0.05 | 0.49 | 0.59 | 0.80 | 2,938 | 172 | 10.0x | 3.3x |
| Old 2012E | (0.12) | 0.21 | 0.52 | 0.61 | 1.30 | 3,116 | 226 | | |
| New 2012E | (0.25) | 0.17 | 0.57 | 0.69 | 1.30 | 3,116 | 227 | 6.2x | 2.5x |

Construction Construction Construction Construction

| | Business: EPS | Business: P/E | Business: EBITDA (mln) | Business: EV/EBITDA |
|------------------|---------------|---------------|------------------------|---------------------|
| 2010A | C\$0.18 | 18.2x | C\$54 | 10.6x |
| Old 2011E | 0.69 | | 150 | |
| New 2011E | 0.68 | 9.8x | 149 | 3.8x |
| Old 2012E | 1.16 | | 203 | |
| New 2012E | 1.15 | 5.8x | 202 | 2.8x |

Source: Raymond James Ltd., Thomson One

Bird Construction Inc. BDT-TSX

Rating: **Market Perform**

| | | | |
|--------------------------------|--------------------|-------------------------|--------------|
| Current Price(Jul-18-11) | C\$11.62 | Target Price (6-12 mos) | C\$11.50 |
| 52-Week Range | C\$13.00 - C\$9.66 | Total Return to Target | 5% |
| Market Capitalization (mln) | C\$490 | Dividend/Yield | C\$0.66/6.0% |
| Shares Outstanding (mln, f.d.) | 42.0 | Net Debt (mln) | -C\$226 |
| Average Daily Volume (000s) | 60 | Enterprise Value (mln) | C\$264 |

| EPS | 1Q | 2Q | 3Q | 4Q | Full | Revenue | EBITDA | P/E | EV/EBITDA |
|------------------|--------------|-------------|-------------|-------------|-------------|--------------|-----------|--------------|-------------|
| | Mar | Jun | Sep | Dec | Year | (mln) | (mln) | | |
| 2010A | C\$0.33 | C\$0.37 | C\$0.20 | C\$0.21 | C\$1.12 | C\$842 | C\$56 | 10.4x | 4.7x |
| Old 2011E | 0.10A | 0.15 | 0.17 | 0.18 | 0.60 | 884 | 35 | | |
| New 2011E | 0.10A | 0.14 | 0.18 | 0.18 | 0.60 | 884 | 36 | 19.4x | 7.3x |
| Old 2012E | 0.16 | 0.23 | 0.30 | 0.31 | 1.00 | 1,017 | 58 | | |
| New 2012E | 0.16 | 0.23 | 0.30 | 0.31 | 1.00 | 1,017 | 59 | 11.6x | 4.5x |

| | Distributable cash/share | Dividend | Payout Ratio (%) |
|------------------|--------------------------|-------------|------------------|
| 2010A | C\$1.12 | C\$0.60 | 54% |
| Old 2011E | 0.62 | 0.66 | 109% |
| New 2011E | 0.63 | 0.66 | 106% |
| Old 2012E | 1.03 | 0.66 | 65% |
| New 2012E | 1.05 | 0.66 | 64% |

Source: Raymond James Ltd., Thomson One

Construction

North American Energy Partners NOA-TSX

Rating: Market Perform

| | | | |
|--------------------------------|--------------------|-------------------------|---------|
| Current Price(Jul-18-11) | C\$6.40 | Target Price (6-12 mos) | C\$9.00 |
| 52-Week Range | C\$13.80 - C\$6.69 | Total Return to Target | 41% |
| Market Capitalization (mln) | C\$230 | Dividend/Yield | NM/NM |
| Shares Outstanding (mln, f.d.) | 36.0 | Current Net Debt (mln) | C\$316 |
| Average Daily Volume (000s) | 25 | Enterprise Value (mln) | C\$547 |

| EPS | 1Q | 2Q | 3Q | 4Q | Full | Revenue | EBITDA | P/E | EV/EBITDA |
|------------------|---------------|-------------|-------------|---------------|---------------|------------|------------|--------------|--------------|
| | Jun | Sep | Dec | Mar | Year | (mln) | (mln) | | |
| 2010A | C\$0.00 | C\$0.19 | C\$0.40 | C\$0.00 | C\$0.57 | C\$759 | C\$118 | 12.8x | 5.0x |
| Old 2011A | (0.11) | 0.04 | 0.06 | (0.84) | (0.85) | 858 | 32 | | |
| New 2011A | (0.11) | 0.04 | 0.06 | (0.84) | (0.85) | 858 | 32 | NM | 17.0x |
| Old 2012E | NM | NM | NM | NM | 0.51 | 941 | 103 | | |
| New 2012E | (0.01) | 0.05 | 0.19 | 0.28 | 0.51 | 941 | 103 | 12.5x | 5.3x |

| | EBITDA Margin (%) | Segmented Revenue (mln): Mining & Site Prep. | Segmented Revenue (mln): Piling | Segmented Revenue (mln): Pipeline |
|------------------|-------------------|--|---------------------------------|-----------------------------------|
| 2010A | 15.5% | C\$666 | C\$69 | C\$25 |
| Old 2011A | | 667 | 106 | 85 |
| New 2011A | 3.7% | 667 | 106 | 85 |
| Old 2012E | | 707 | 140 | 93 |
| New 2012E | 10.9% | 707 | 140 | 93 |

Fiscal years ending before May are treated as previous year. Source: Raymond James Ltd., Thomson One

Original Equipment Manufacturers

Rating: Strong Buy

Caterpillar Inc. CAT-NYSE

| | | | |
|--------------------------------|------------------------|------------------------|---------------|
| Current Price(Jul-18-11) | US\$109.64 | Target Price (6-12 m) | US\$135.00 |
| 52-Week Range | US\$116.55 - US\$63.34 | Total Return to Target | 25% |
| Market Capitalization (mln) | US\$72,900 | Dividend/Yield | US\$1.84/1.7% |
| Shares Outstanding (mln, f.d.) | 665.0 | Current Net Debt (mln) | US\$20,363 |
| Average Daily Volume (000s) | 8,004 | Enterprise Value (mln) | US\$93,263 |

| EPS | 1Q | 2Q | 3Q | 4Q | Full | Revenue | EBITDA | P/E | EV/EBITDA |
|------------------|--------------|-------------|-------------|-------------|-------------|---------------|---------------|--------------|-------------|
| | Mar | Jun | Sep | Dec | Year | (mln) | (mln) | | |
| 2010A | US\$0.50 | US\$0.99 | US\$1.22 | US\$1.47 | US\$4.19 | US\$42,588 | US\$6,259 | 26.2x | 14.9x |
| Old 2011E | 1.84A | 1.67 | 1.67 | 1.56 | 6.75 | 56,200 | 9,414 | | |
| New 2011E | 1.84A | 1.75 | 1.57 | 1.57 | 6.75 | 56,200 | 9,414 | 16.3x | 9.9x |
| Old 2012E | na | na | na | na | 8.95 | 65,280 | 11,779 | | |
| New 2012E | NA | NA | NA | NA | 8.95 | 65,280 | 11,779 | 12.3x | 7.9x |

| | EBITDA Margin (%) | Segmented Revenue (mln): Machinery & Engines | Segmented Revenue (mln): Financial Products |
|------------------|-------------------|--|---|
| 2010A | 15.6% | US\$39,867 | US\$2,721 |
| Old 2011E | | 53,400 | 2,800 |
| New 2011E | 18.0% | 53,400 | 2,800 |
| Old 2012E | | 62,180 | 3,100 |
| New 2012E | 18.0% | 62,180 | 3,100 |

Source: Raymond James Ltd., Thomson One

Engineering

Genivar Inc. GNV-TSX

Rating: Outperform

| | | | |
|--------------------------------|---------------------|-------------------------|--------------|
| Current Price(Jul-18-11) | C\$26.22 | Target Price (6-12 mos) | C\$33.00 |
| 52-Week Range | C\$34.55 - C\$25.02 | Total Return to Target | 32% |
| Market Capitalization (mln) | C\$682 | Dividend/Yield | C\$1.50/6.0% |
| Shares Outstanding (mln, f.d.) | 26.0 | Current Net Debt (mln) | C\$92 |
| Average Daily Volume (000s) | 49 | Enterprise Value (mln) | C\$774 |

| EPS | 1Q | 2Q | 3Q | 4Q | Full | Revenue | EBITDA | P/E | EV/EBITDA |
|------------------|--------------|-------------|-------------|-------------|-------------|------------|------------|--------------|-------------|
| | Mar | Jun | Sep | Dec | Year | (mln) | (mln) | | |
| 2010A | C\$0.41 | C\$0.52 | C\$0.61 | C\$0.16 | C\$1.70 | C\$469 | C\$85 | 15.4x | 13.4x |
| Old 2011E | 0.62A | 0.43 | 0.56 | 0.54 | 2.15 | 563 | 101 | | |
| New 2011E | 0.62A | 0.39 | 0.56 | 0.58 | 2.15 | 563 | 101 | 12.2x | 7.6x |
| Old 2012E | 0.52 | 0.61 | 0.74 | 0.63 | 2.50 | 701 | 133 | | |
| New 2012E | 0.52 | 0.60 | 0.74 | 0.63 | 2.50 | 700 | 133 | 10.5x | 5.8x |

| | EBITDA | Revenue/ | Distributable | Dividend/ | Payout |
|------------------|--------------|----------------|---------------|-------------|--------------|
| | Margin | Employee | cash/share | Share | Ratio (%) |
| 2010A | 18.0% | 106,559 | C\$2.66 | C\$2.05 | 77.0% |
| Old 2011E | | 110,556 | 2.85 | 1.50 | 52.7% |
| New 2011E | 18.0% | 111,475 | 2.85 | 1.50 | 52.7% |
| Old 2012E | | 115,208 | 3.24 | 1.50 | 46.3% |
| New 2012E | 19.0% | 116,490 | 3.24 | 1.50 | 46.2% |

Source: Raymond James Ltd.

Stantec Inc STN-TSX

Rating: Outperform

| | | | |
|--------------------------------|---------------------|-------------------------|--------------|
| Current Price(Jul-18-11) | C\$27.00 | Target Price (6-12 mos) | C\$33.75 |
| 52-Week Range | C\$30.33 - C\$23.38 | Total Return to Target | 25% |
| Market Capitalization (mln) | C\$1,240 | Dividend/Yield | C\$0.00/0.0% |
| Shares Outstanding (mln, f.d.) | 46.0 | Current Net Debt (mln) | C\$290 |
| Average Daily Volume (000s) | 95 | Enterprise Value (mln) | C\$1,531 |

| EPS | 1Q | 2Q | 3Q | 4Q | Full | Revenue | EBITDA | P/E | EV/EBITDA |
|------------------|--------------|-------------|-------------|-------------|-------------|--------------|------------|--------------|-------------|
| | Mar | Jun | Sep | Dec | Year | (mln) | (mln) | | |
| 2010A | C\$0.43 | C\$0.52 | C\$0.57 | C\$0.54 | C\$2.07 | C\$1,513 | C\$158 | 13.0x | 9.7x |
| Old 2011E | 0.46 | 0.58 | 0.67 | 0.55 | 2.26 | 1,673 | 181 | | |
| New 2011E | 0.52A | 0.54 | 0.61 | 0.59 | 2.26 | 1,673 | 181 | 11.9x | 8.5x |
| Old 2012E | NA | NA | NA | NA | 2.70 | 1,948 | 213 | | |
| New 2012E | NA | NA | NA | NA | 2.70 | 1,948 | 213 | 10.0x | 7.2x |

| | EBITDA | # |
|------------------|--------------|--------------------|
| | Margin (%) | Acquired Employees |
| 2010A | 12.9% | 1,400 |
| Old 2011E | | 1,300 |
| New 2011E | 13.1% | 50 |
| Old 2012E | | 2,000 |
| New 2012E | 13.2% | 2,000 |

Source: Raymond James Ltd., Thomson One

Equipment Distributors

Cervus Equipment Corp. CVL-TSX

Rating: Strong Buy

| | | | |
|--------------------------------|---------------------|-------------------------|--------------|
| Current Price(Jul-18-11) | C\$17.79 | Target Price (6-12 mos) | C\$20.00 |
| 52-Week Range | C\$18.40 - C\$10.10 | Total Return to Target | 12% |
| Market Capitalization (mln) | C\$262 | Dividend/Yield | C\$0.72/4.0% |
| Shares Outstanding (mln, f.d.) | 15.0 | Current Net Debt (mln) | C\$9 |
| Average Daily Volume (000s) | 14 | Enterprise Value (mln) | C\$271 |

| EPS | 1Q | 2Q | 3Q | 4Q | Full | Revenue | EBITDA | P/E | EV/EBITDA |
|------------------|---------------|-------------|-------------|-------------|-------------|------------|-----------|--------------|-------------|
| | Mar | Jun | Sep | Dec | Year | (mln) | (mln) | | |
| 2010A | C\$(0.04) | C\$0.25 | C\$0.54 | C\$0.16 | C\$0.92 | C\$469 | C\$25 | 20.2x | 11.0x |
| Old 2011E | NA | NA | NA | NA | 1.38 | 526 | 35 | | |
| New 2011E | (0.01) | 0.37 | 0.74 | 0.29 | 1.40 | 533 | 36 | 12.7x | 7.4x |
| Old 2012E | NA | NA | NA | NA | 1.71 | 556 | 43 | | |
| New 2012E | NA | NA | NA | NA | 1.71 | 559 | 44 | 10.4x | 6.2x |

| EBITDA Margin (%) | |
|-------------------|-------------|
| 2010A | 5.2% |
| Old 2011E | |
| New 2011E | 6.8% |
| Old 2012E | |
| New 2012E | 7.9% |

Source: Raymond James Ltd., Thomson One. EPS figures are tax adjusted.

Rocky Mountain Dealerships Inc. RME-TSX

Rating: Outperform

| | | | |
|--------------------------------|--------------------|-------------------------|--------------|
| Current Price(Jul-18-11) | C\$9.95 | Target Price (6-12 mos) | C\$14.00 |
| 52-Week Range | C\$11.00 - C\$7.50 | Total Return to Target | 43% |
| Market Capitalization (mln) | C\$210 | Dividend/Yield | C\$0.18/1.8% |
| Shares Outstanding (mln, f.d.) | 21.0 | Current Net Debt (mln) | C\$201 |
| Average Daily Volume (000s) | 33 | Enterprise Value (mln) | C\$411 |

| EPS | 1Q | 2Q | 3Q | 4Q | Full | Revenue | EBITDA | P/E | EV/EBITDA |
|------------------|-------------|-------------|-------------|-------------|-------------|------------|-----------|-------------|-------------|
| | Mar | Jun | Sep | Dec | Year | (mln) | (mln) | | |
| 2010A | C\$0.10 | C\$0.17 | C\$0.20 | C\$0.34 | C\$0.83 | C\$633 | C\$34 | 12.0x | 12.1x |
| Old 2011E | 0.14 | NA | NA | NA | 1.15 | 787 | 50 | | |
| New 2011E | 0.14 | 0.25 | 0.34 | 0.42 | 1.15 | 787 | 50 | 8.6x | 8.2x |
| Old 2012E | NA | NA | NA | NA | 1.44 | 909 | 61 | | |
| New 2012E | NA | NA | NA | NA | 1.44 | 909 | 61 | 6.9x | 6.7x |

| EBITDA Margin (%) | |
|-------------------|-------------|
| 2010A | 5.3% |
| Old 2011E | |
| New 2011E | 6.4% |
| Old 2012E | |
| New 2012E | 6.7% |

Source: Raymond James Ltd., Thomson One

Equipment Distributors

Strongco Corp. SQP-TSX

Rating: Outperform

| | | | |
|--------------------------------|-------------------|-------------------------|---------|
| Current Price(Jul-18-11) | C\$5.20 | Target Price (6-12 mos) | C\$7.00 |
| 52-Week Range | C\$6.24 - C\$2.81 | Total Return to Target | 35% |
| Market Capitalization (mln) | C\$66 | Dividend/Yield | NA/NA |
| Shares Outstanding (mln, f.d.) | 13.0 | Current Net Debt (mln) | C\$113 |
| Average Daily Volume (000s) | 5 | Enterprise Value (mln) | C\$179 |

| EPS | 1Q | 2Q | 3Q | 4Q | Full | Revenues | EBITDA | P/E | EV/EBITDA |
|------------------|--------------|-------------|-------------|-------------|-------------|------------|-----------|-------------|-------------|
| | Mar | Jun | Sep | Dec | Year | (mln) | (mln) | | |
| 2010A | C\$(0.20) | C\$(0.05) | C\$0.07 | C\$0.14 | C\$(0.04) | C\$295 | C\$22 | NM | 7.9x |
| Old 2011E | 0.05A | 0.12 | 0.15 | 0.24 | 0.55 | 409 | 36 | | |
| New 2011E | 0.05A | 0.15 | 0.16 | 0.20 | 0.55 | 409 | 36 | 9.4x | 4.9x |
| Old 2012E | NA | NA | NA | NA | 0.65 | 445 | 41 | | |
| New 2012E | NA | NA | NA | NA | 0.65 | 445 | 41 | 8.0x | 4.4x |

EBITDA Margin (%)

| | |
|------------------|-------------|
| 2010A | 7.6% |
| Old 2011E | |
| New 2011E | 8.8% |
| Old 2012E | |
| New 2012E | 9.2% |

Source: Raymond James Ltd., Thomson One

Toromont Industries TIH-TSX

Rating: Outperform

| | | | |
|--------------------------------|---------------------|-------------------------|--------------|
| Current Price(Jul-18-11) | C\$18.77 | Target Price (6-12 mos) | C\$22.75 |
| 52-Week Range | C\$20.60 - C\$14.58 | Total Return to Target | 23% |
| Market Capitalization (mln) | C\$1,455 | Dividend/Yield | C\$0.40/2.1% |
| Shares Outstanding (mln, f.d.) | 77.0 | Current Net Debt (mln) | C\$46 |
| Average Daily Volume (000s) | 181 | Enterprise Value (mln) | C\$1,500 |

| EPS | 1Q | 2Q | 3Q | 4Q | Full | Revenue | EBITDA | P/E | EV/EBITDA |
|------------------|--------------|-------------|-------------|-------------|-------------|--------------|------------|--------------|-------------|
| | Mar | Jun | Sep | Dec | Year | (mln) | (mln) | | |
| 2010A | C\$0.08 | C\$0.30 | C\$0.34 | C\$0.46 | C\$1.18 | C\$2,332 | C\$235 | 19.7x | 9.5x |
| Old 2011E | NA | NA | NA | NA | 1.19 | 1,326 | 179 | | |
| New 2011E | 0.32A | 0.30 | 0.32 | 0.25 | 1.19 | 1,326 | 179 | 15.8x | 8.4x |
| Old 2012E | NA | NA | NA | NA | 1.30 | 1,544 | 197 | | |
| New 2012E | NA | NA | NA | NA | 1.30 | 1,544 | 197 | 14.4x | 7.6x |

EBITDA Margin (%)

| | |
|------------------|--------------|
| 2010A | 10.1% |
| Old 2011E | |
| New 2011E | 13.5% |
| Old 2012E | |
| New 2012E | 12.8% |

Source: Raymond James Ltd., Thomson One

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|--|---------------------------------------|-----|---------------------------------|-----|
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