

Industrial

October 7, 2011

Industry Comment

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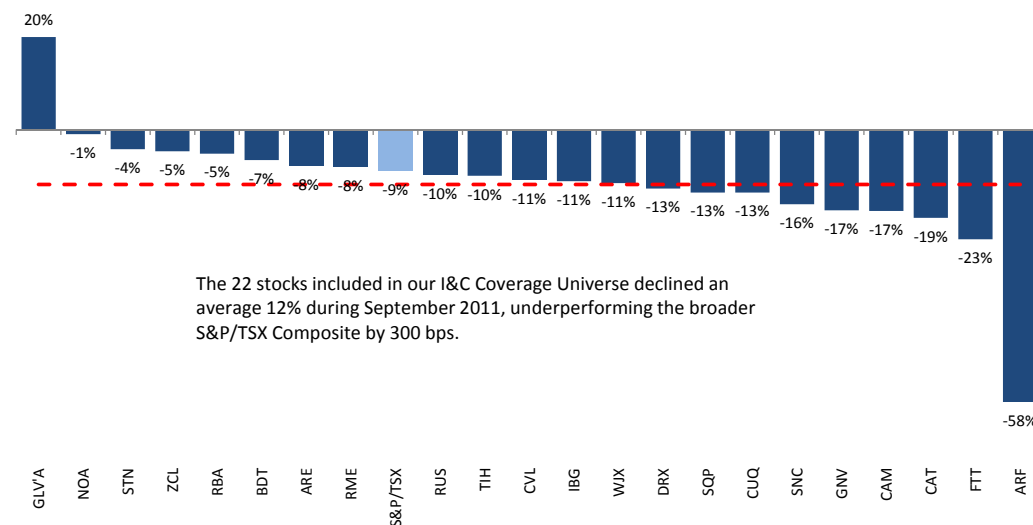
Infrastructure & Construction

The Infrastructure & Construction Monthly Monitor: October 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. The average 12% drop in the value of our coverage universe of I&C stocks over the month of September followed an 8% correction that was registered in August and a 3% drop in July—totaling a 22% drop in the index value over the past three months versus the S&P/TSX Composite down 13%. There is little for us to say in the wake of such dramatic losses other than goodbye and good riddance to 3Q11! Also, we are compelled to note that the market is now pricing in some fairly substantial earnings declines in this sector for next year even though most end market indicators continue to suggest that industry fundamentals remain generally sound at present. We will continue to monitor the situation closely. In the meantime, we note the following sector highlights as food for thought this month:

- ◆ Despite the recent volatility in financial markets, commodity prices remain above investment threshold levels. This should support continued capex and construction activity in the related markets for at least the next 6-12 months.
- ◆ Mining-related contracts continue to be awarded at a healthy pace across Canada. Some of the most recent examples include: (i) \$250 mln in awards to Aecon’s Lockerbie & Hole East unit for projects in British Columbia and New Brunswick; (ii) a \$100 mln earthworks job to Bird Construction’s newly acquired H.J. O’Connell subsidiary at Quebec’s Mount Wright mine; and (iii) a \$127 mln heavy civil construction contract to North American Energy Partners at Syncrude’s Base Mine.
- ◆ Consolidation is another trend that continues to unfold across all segments of the I&C market. In the past few months, for example, Stantec, SNC-Lavalin, and Bird have each announced meaningful acquisitions. Looking a little further back (i.e. to the start of the year), we have also seen the dealers (namely, Rocky, Wajax, and Strongco) get on the consolidation train.

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



Source: Capital IQ, Raymond James Ltd.

INDUSTRY NEWS

Value of Canadian Building Permits Fall 10% in August

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

Event: Overall building permits declined by 10.4% reversing a trend of three consecutive increases. By segment, both residential and non-residential permits experienced declines falling 6.0% and 16.6%, respectively. On the non-residential side, commercial permits fell 20.6% and institutional permits declined 17.1%. On a positive note, industrial permits managed to post a 1.8% increase.

Potential Sector Implications: Weakness in building permit data could signal that some macro concerns are beginning to surface in the Canadian I&C sector. Despite the decline in non-residential permits, the overall long-term trend continues to display positive characteristics and should help soak up excess capacity while improving bid margins moving forward (see Exhibit 2).

Stocks Impacted: Coverage Universe

Article Link: <http://www.statcan.gc.ca/daily-quotidien/111006/dq111006a-eng.htm>

Ottawa Announces 10-Year Plan to Replace Montreal's Champlain Bridge

Source: *The Globe and Mail*, October-04-11

Event: The federal government has announced a 10-year, \$5-bln plan to build a replacement for Montreal's deteriorating Champlain Bridge. A study by the Ministry of Transportation notably concluded that the 50-year-old bridge's rusting steel, support cables and disintegrating concrete wouldn't sustain a major earthquake. A new bridge could create an estimated 30,000 jobs.

Potential Sector Implications: The Champlain Bridge is a prime example of Canada's aging and crumbling civil infrastructure. Its current state highlights the need for continued long-term investments to close Canada's \$125 bln infrastructure gap.

Stocks Impacted: Coverage Universe

Article Link: <http://www.theglobeandmail.com/news/politics/ottawa-announces-10-year-plan-to-replace-montreals-champlain-bridge/article2191286/>

Construction Machinery Plant Investment in Brazil

Source: *AgriMarketing*, October-03-11

Event: Deere & Co. announced intentions to build two new plants in Brazil to serve increasing construction equipment demand in Brazil and other South American countries. Deere will solely own one plant; the cost and ownership of the second plant will be split with Hitachi Construction Machinery Co. Total investment is expected to be ~US\$180 mln. This announcement followed reports last month that Doosan, Hyundai, Sany and XCMG—Asian equipment manufacturers—plan to invest ~US\$610 mln collectively to construct factories in Brazil to serve expected growth of construction equipment demand in the region.

Potential Sector Implications: As the North American (NA) construction industry works its way through challenging economic times, growth in emerging markets is expected to become an increasingly important part of the demand equation. In particular, Brazil and some of the neighbouring countries has been identified as one of the fastest growing markets for construction equipment.

Stocks Impacted: CAT, FTT

Article Link: <http://www.agrimarketing.com/s/70087>

US Construction Spending Up But Pace is Still Weak

Source: *Engineer News-Record*, October-03-11

Event: Total US Construction spending increased 1.4% to US\$799 bln in August. That said, total spending remains well below healthy levels (i.e. ~US\$1,500 bln). Increased government spending (i.e. roads, schools etc.) accounted for the bulk of the increase—private spending remained in the doldrums.

Potential Sector Implications: Looking ahead, absent a recovery in the private sector, we believe constrained budgets at the Federal and State levels will limit total construction spending growth in the US. This has negative implications for the companies in our I&C universe with direct exposure to US markets.

Stocks Impacted: CAM, CAT, DRX, IBG, STN

Article Link: http://enr.construction.com/yb/enr/article.aspx?story_id=164247307

Equipment Finance Industry Confidence Declines in September

Source: *For Construction Pros*, September-29-11

Event: The Equipment Leasing & Finance Foundation monthly Confidence Index for the Equipment Finance Industry came in at 47.6 for September, down from 50.0 reported in August. In fact, 47.6 is the lowest reading stretching as far back as records indicate (May 2009). Since reaching its peak of 72.4 in March 2011, the index has declined in five of the last six months.

Potential Sector Implications: The precipitous fall in the Confidence Index signals spending, risk-taking and consumer outlooks remain depressed. This has obvious negative implications for our entire I&C coverage universe with particular ramifications for the equipment market given its dependency on leasing.

Stocks Impacted: Coverage Universe

Article Link: http://www.forconstructionpros.com/press_release/10367445/equipment-finance-industry-confidence-declines-in-september-2011

Barrick Earmarks over \$12-bln for Chilean projects

Source: *Mining Weekly*, September-22-11

Event: Barrick Gold expects to make major investments in Chile, where the world's biggest bullion producer is developing the Pascua Lama project. The mining firm has allocated \$5 bln dollars to the first bi-national gold and copper mine, in addition to the \$6 bln destined for its Cerro Casale project. Pascua Lama straddles the border between Chile and Argentina and is expected to average annual gold production of 800,000–850,000 ounces in the first full five years of operation. Engineering design work is reportedly about 90% complete with production scheduled to begin in 2013.

Potential Sector Implications: This is one of many recent examples we have seen of capital still flowing into the mining sector in spite of the ongoing volatility in financial markets. Investments in open-pit mines of this scale will involve a substantial purchase of mining machinery over the next few years, followed by years of on-going after-market support.

Stocks Impacted: FTT, CAT

Article Link: <http://www.miningweekly.com/article/barrick-earmarks-over-12bn-for-chilean-projects-2011-09-22>

Architectural Billings Index Reverses Downward Trend

Source: *American Institute of Architects*, September-20-11

Event: The Architectural Billings Index (ABI) for August came in at 51.4 (see Exhibit 3) reversing a trend of five consecutive declines and is the highest level reported since March 2011. Given the current economic climate, the 6.3 point M/M increase in the index was both encouraging and surprising.

Potential Sector Implications: Notwithstanding the break above 50, we prefer to wait for a sustained trend of results above 50 before gaining confidence that the current economic down drift has indeed reached a bottom and expansion is underway. Until then, we believe constrained state budgets and a lack of credit support from financial institutions will continue to plague the US construction industry.

Stocks Impacted: CAM, CAT, DRX, IBG, STN

Article Link: <http://www.aia.org/press/releases/AIAB091078>

Obama Signs Highway-Transit, FAA Extensions

Source: *Engineering News-Record*, September-16-11

Event: Congress has approved a measure extending federal highway, transit and aviation programs until March 31. President Obama signed the measure on September 16. The bill's enactment will continue a pattern of living by stopgaps for state transportation and airport officials, and construction companies, who have had to operate for many months under multiple extensions approved by Congress for the surface transportation and aviation programs. It is the eighth highway-transit extension since September 2009, when the last multi-year surface-transportation measure lapsed.

Potential Sector Implications: Another short-term extension (vs. a multi-year highway bill) does little in the way of supporting longer-term, larger-scale projects that would boost total construction activity and spending in the US.

Stocks Impacted: CAM, CAT, DRX, IBG, STN

Article Link: <http://enr.construction.com/infrastructure/transportation/2011/0916-highwaytransitfaaextensionsclearedbycongress.asp>

Canadian Tractor Sales Soar, Combines Sales Rise

Source: *AgriMarketing*, September-13-11

Event: The Association of Equipment Manufacturers reported that the sales of all tractors in Canada were up 37% y/y in August. YTD sales are up 5%. Sales of high horsepower two and four wheel tractors (i.e. the product that is most relevant to the dealers we cover) were up 52% and 180% respectively in the month. Meanwhile combine sales were up 22% in August and 7% YTD.

Potential Sector Implications: We believe that the large y/y growth numbers reported in August reflect the dry weather and improved farming conditions that hit the Prairies late this summer. They are also influenced by the very wet weather that depressed sales last year. Regardless, we view these trends positively for the ag-focused dealers that we cover.

Stocks Impacted: CVL, RME

Article Link: <http://www.agrimarketing.com/ss.php?id=69620>

CalPERS Targets \$800 mln for Investment in California Infrastructure

Source: *California Public Employees' Retirement System*, September-12-11

Event: The California Public Employees Retirement System (CalPERS) has approved \$800 mln for equity investments in infrastructure assets over the next three years. Investments will be \$150 mln or more and target assets in the transportation, energy, natural resource, utility, water, communications and social infrastructure sectors.

Potential Sector Implications: CalPERS' move matches existing strategies of other pension funds, including the Alberta Investment Management Corporation, to not only generate investment returns, but also support domestic services that are crucial to continued economic development, a safe environment, and healthy schools and communities.

Stocks Impacted: STN

Article Link: <http://www.calpers.ca.gov/index.jsp?bc=/about/press/pr-2011/sept/ca-infrastructure.xml>

Alberta Releases Evan-Thomas Water RFQ

Source: *Government of Alberta*, September-12-11

Event: Alberta Infrastructure has released a request for qualifications for the \$40 mln Evan-Thomas water and wastewater treatment plant upgrade concession. Interested parties must pony up roughly \$8 mln in equity to the project, with the remaining capital costs covered through a \$10 mln grant from P3 Canada and recovered through monthly availability payments from the grantor. The 10-year concession covers a replacement water treatment plant, storage facilities and a distribution system for the Evan-Thomas provincial recreation area in Kananaskis county.

Potential Sector Implications: We believe that the Evan-Thomas project, if successful, may serve as a P3 template for other water and wastewater projects across the country.

Stocks Impacted: ARE, BDT, GLV.A, GNV, STN, SNC

Article Link: <http://www.infrastructure.alberta.ca/>

US Needs Long-Term Transportation Investment, Not Short-Term Stimulus

Source: *Equipment World*, September-07-11

Event: This article discusses major impediments to the passage of a long-term federal highway and transit reauthorization bill—namely, “political dysfunction and intractable views on government spending.” Also highlighted was the disproportionate effect that stimulus dollars allocated to “shovel ready” projects yielded. In short, they produced temporary results in lieu of creating long-term economic value.

Potential Sector Implications: We believe that longer term project planning, total construction spending and construction unemployment will remain challenged until further clarity is reached on Capitol Hill concerning fiscal and monetary policy.

Stocks Impacted: CAM, CAT, DRX, IBG, STN

Article Link: <http://www.equipmentworld.com/u-s-needs-long-term-transportation-investment-not-short-term-stimulus/>

Sumitomo Applies to Invest US\$1.2 bln in Chile’s Sierra Gorda Mining Project

Source: *Foreign Investment Committee*, September-01-11

Event: The President of the Sumitomo Corporation and the Managing Director of Sumitomo Metal Mining handed in an investment application for US\$1.2 bln to the Executive Vice-President of Chile’s Foreign Investment Committee. This is the largest investment application received so far this year, and the most important by Sumitomo in Chile. The money is intended for the purchase of 45% of the Sierra Gorda copper and molybdenum project, located in the Antofagasta Region, which is set to create 5,000 jobs during the construction phase and 2,400 jobs for the operational phase.

Potential Sector Implications: This is another recent example we have seen of capital still flowing into the mining sector in spite of the ongoing volatility in financial markets. Investments in open-pit mines of this scale will involve a substantial purchase of mining machinery over the next few years, followed by years of on-going after-market support. There will also be considerable engineering services required to design, construct, and operate the mine.

Stocks Impacted: FTT, CAT

Article Link: http://www.foreigninvestment.cl/index.php?option=com_content&task=view&id=276

Global Construction Equipment Recovery

Source: *International Construction*, September 2011

Event: According to Freedonia—a US-based research company—global demand for construction machinery is poised to grow at a 6.5% CAGR through to 2015. China was singled out as an important growth contributor with forecasts suggesting it will account for 39% of all new equipment demand through to 2015.

Potential Sector Implications: A key tenet of our investment thesis on the equipment dealers is our belief that the industry will continue to expand notwithstanding current recessionary fears. In our view, replacement demand and the need to address global infrastructure deficits are two key drivers that will support long-term demand for construction machinery. Also, we believe that OEMs and dealers alike will (have to) continue to monitor conditions in China as it increases its presence in the global equipment demand growth equation.

Stocks Impacted: Equipment Distributors, CAT

Article Link: <http://edition.pagesuite-professional.co.uk/launch.aspx?referral=other&pnum=&refresh=7x0PnS815i0E&EID=cce7755e-492d-4b11-8711-065a05a8724d&skip=>

European Economic Outlook: Debt Burden

Source: *International Construction*, September 2011

Event: European construction markets are expected to be flat this year—a welcoming sign following three years of successive declines. Despite the encouraging data point, ongoing political posturing and the need for austerity measures will limit growth prospects in Europe for several years to come.

Potential Sector Implications: This has negative implications for CAT and Finning—the only two companies in our equipment dealer universe with a meaningful exposure to European markets.

Stocks Impacted: CAT, FTT

Article Link: <http://edition.pagesuite-professional.co.uk/launch.aspx?referral=other&pnum=&refresh=7x0PnS815i0E&EID=cce7755e-492d-4b11-8711-065a05a8724d&skip=>

COMPANY SPECIFIC NEWS

SNC-Lavalin Acquires Arcturus Realty Corporation

Source: *SNC-Lavalin*, October-06-11

Event: SNC-Lavalin's *Operations & Maintenance* division announced its intention to acquire Arcturus Realty, a property management and realty services company with over 350 employees. The Toronto-based firm manages over 35 mln sqft of office, retail and industrial space nationally. The transaction is slated to close by November-30-11.

Potential Sector Implications: While immaterial to our forecasts for the company, the addition of Arcturus will further diversify SNC's services offering; it may also lead to interesting opportunities for its engineering and construction business.

Stocks Impacted: SNC

Article Link: http://www.snclavalin.com/news.php?lang=en&id=1554&action=latest_news_details

Genivar Acquires Automated Systems Integration Firm

Source: *Genivar Inc.*, October-05-11

Event: Genivar acquired Quebec-based ISACTION (ISAC), a 40-employee automated systems integration firm founded in 1993. ISAC's team of specialists integrates equipment, software and associated networks to form a functional and effective system. The addition is expected to help Genivar serve clients across Canada integrate services in the field of automated systems, particularly in the aluminum and mining sectors.

Potential Sector Implications: The transaction is a reminder of just how fragmented the engineering services sector remains. We expect further consolidation in the years to come, especially in the US, where the ten biggest design firms make up only 13% of the market (for more detail on this please refer to our May-03-11 report titled: '*Canada's Engineering Firms: Designing Impressive Shareholder Returns*').

Stocks Impacted: IBI, GNV, SNC, STN

Article Link: <http://genivar.mediaroom.com/index.php?s=19319&item=67114>

Liugong Buys into Off-Highway Truck Business

Source: *international construction*, September-29-11

Event: Liugong has acquired a 42% share in mining truck manufacturer Beijing Capital Steel Heavy Duty Truck Co. Ltd. The deal is described as a strategic co-operation that will allow Liugong to add construction and mining trucks to its product portfolio. Liugong will participate in R&D activities, manufacture and sales of the trucks.

Potential Sector Implications: This deal brings Liugong into the off-highway market, increasing competition for CAT and its dealers. Chinese OEMs typically produce equipment for their home market where CAT has not traditionally been dominant. However, the company has shifted its focus towards growing sales in China, which is evidently becoming an increasingly crowded market.

Stocks Impacted: CAT, FTT, TIH

Article Link: <http://www.khl.com/magazines/international-construction/detail/item67622/Liugong-buys-into-off-highway-truck-business/>

CH2M Hill Set to Buy U.K. Designer Halcrow in \$356 mln Deal

Source: *Engineering News-Record*, September-26-11

Event: Engineering and consulting behemoth CH2M Hill has agreed to buy UK-based Halcrow for roughly \$193 mln in cash. The US firm will also assume Halcrow's outstanding debt and pension liability, bringing the value of the deal to approximately \$356 mln.

Potential Sector Implications: We believe this development shows that no design firm is too big to be acquired. Halcrow, with 6,000 employees, will bolster the transportation and infrastructure practices of CH2M Hill, which is known to have a slightly broader focus, including wastewater and sports projects.

Stocks Impacted: GNV, IBG, SNC, STN

Article Link: <http://newsroom.ch2mhill.com/pr/ch2m/ch2m-hill-announces-intent-to-216162.aspx>

Italian Oil Firm Eni Resumes Libya

Source: *BBC News, September-26-11*

Event: Italian oil firm Eni has restarted production at an oil field in Libya, as opponents of Muammar Gaddafi tighten their control on the economy. Eni, the biggest foreign oil producer in Libya before Gaddafi was overthrown, said it planned to reopen other fields in the coming days. Other firms, including French company Total, have also restarted operations.

Potential Sector Implications: We expect SNC-Lavalin to return to the oil-rich country imminently to finish some outstanding projects once conditions allow. These include Benghazi's new airport and the extension of the Great Man Made River, two large-scale projects deemed essential to the people and prosperity of Libya.

Stocks Impacted: SNC

Article Link: <http://www.bbc.co.uk/news/world-africa-15064704>

Volvo CEO Highlights Advances in North American Market

Source: *Construction Equipment Magazine, September-26-11*

Event: Speaking at a media briefing for Americas-based trade press journalists, Volvo CE's president and chief executive Pat Olney outlined the progress on the company's investment plans for North America. This includes \$US100 mln that has been allocated to the expansion of a production facility and the construction of a customer and demonstration centre. According to Olney "North America is obviously far from being at full strength, but from a low level we are cautiously optimistic and believe our previous forecast for growth of between 25-35% in 2011 to be accurate. The recovery in South America is more robust, with strong growth occurring across the whole of the continent – increasing by up to 20% this year."

Potential Sector Implications: Volvo's investment plans reflect the prevailing capacity constraints that are globally evident across the entire construction equipment industry. They are also consistent with the OEM's plans to get more aggressive in the North American market.

Stocks Impacted: Equipment Distributors and OEMs, especially SQP (because it carries the Volvo line)

Article Link: <http://www.constructionequipment.com/volvo-ceo-highlights-advances-north-american-market>

Titan Machinery Announces Agreement to Acquire Jewell Implement Co.

Source: *AgriMarketing, September-22-11*

Event: Titan Machinery, a CNH dealer, entered into a definitive agreement to acquire Jewell Implement Company Inc. (Jewell), a case IH agriculture dealership located in Jewell, Iowa. Jewell generated revenues of ~US\$9.8 mln in its most recent fiscal year. With this acquisition, Titan now represents 90 CNH dealerships.

Potential Sector Implications: This article highlights the trend of consolidation that we continue to see in the equipment dealer universe.

Stocks Impacted: Equipment Distributors

Article Link: <http://www.agrimarketing.com/ss.php?id=69833>

Titan Machinery Increases Revenues 48% in Fiscal Second Quarter

Source: *Rental Equipment Registrar*, September-09-11

Event: Titan Machinery reported financial results for the second quarter ended July 31. Revenue increased 48.3% to \$310.8 mln from \$209.7 mln last year. All three of the company's main revenue sources — equipment, parts and service — contributed to this period-over-period revenue growth. Net income was \$6.3 million, compared to \$2.7 million last year. EPS was \$0.30 compared to \$0.15 last year.

Potential Sector Implications: While Titan operates in the US (vs. Western Canada for the dealers noted below), these strong results still speak to the strong fundamentals in ag end markets.

Stocks Impacted: CVL, RME

Article Link: http://rermag.com/trends_analysis/headlinenews/titan-machinery-fiscal-2q11-090911/

UPCOMING RJ EVENTS

October 19-20: 48 Hours in Edmonton Investor Conference

RECENT RJ RESEARCH

Industry Comments and Reports

Sept-30-2011: [Steel Periodical VIII: Industry in Wait-and-See Mode, But Repeat of 2008 Not in](#)

Jul-20-2011: [Infrastructure & Construction: 2Q11 I&C Preview: A Dichotomy of Earnings Trends](#)

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!](#)

Other Company Comments

Oct-05-2011: [ARE: Lockerbie Mines Two Big Ones](#)

Oct-05-2011: [SNC: Rides Into Mass Transit with Interfleet Acquisition](#)

Sept-30-2011: [FTT: Looking for the Canary in the Coal Mine](#)

Sept-23-2011: [STN: Keeping its Acquisition Strategy ENTRAC](#)

Sept-20-2011: [CAT: Reports Positive August Dealer Stats](#)

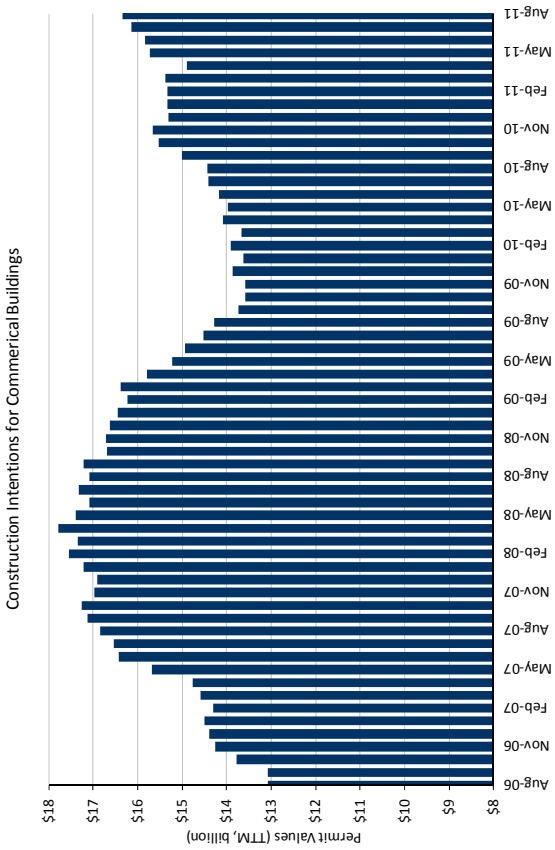
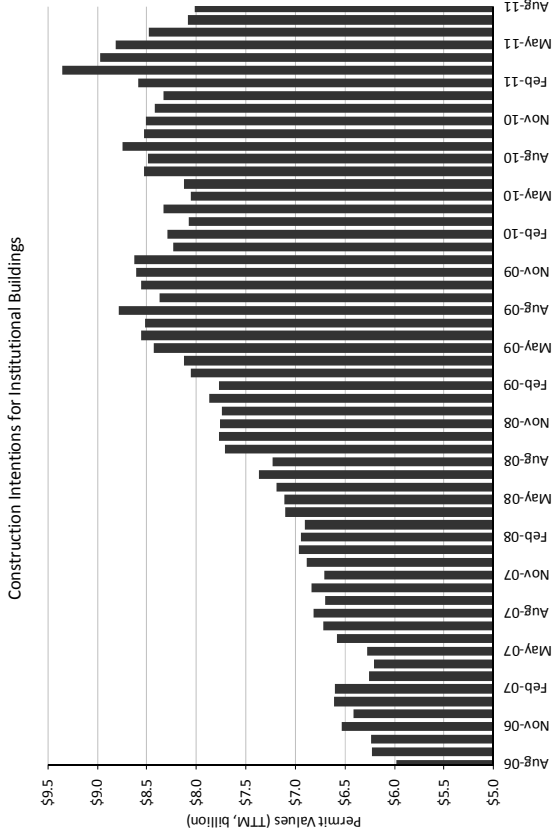
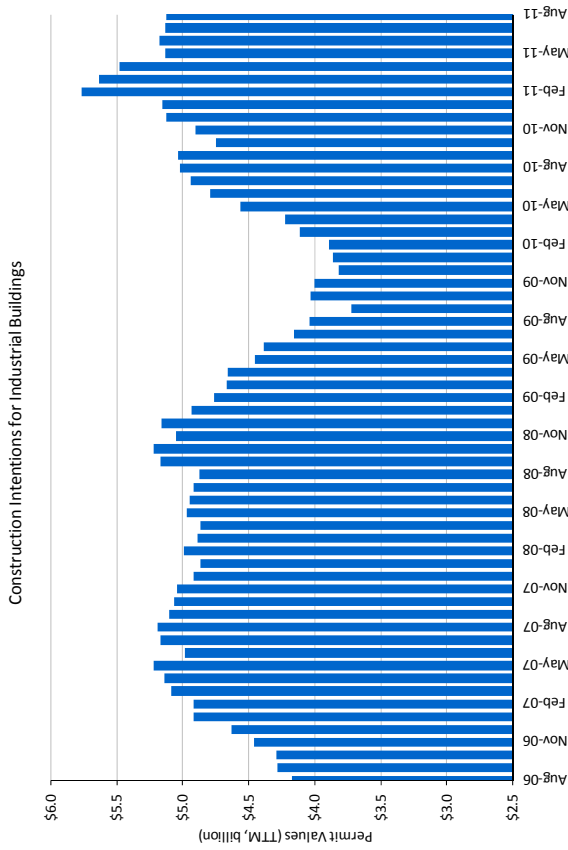
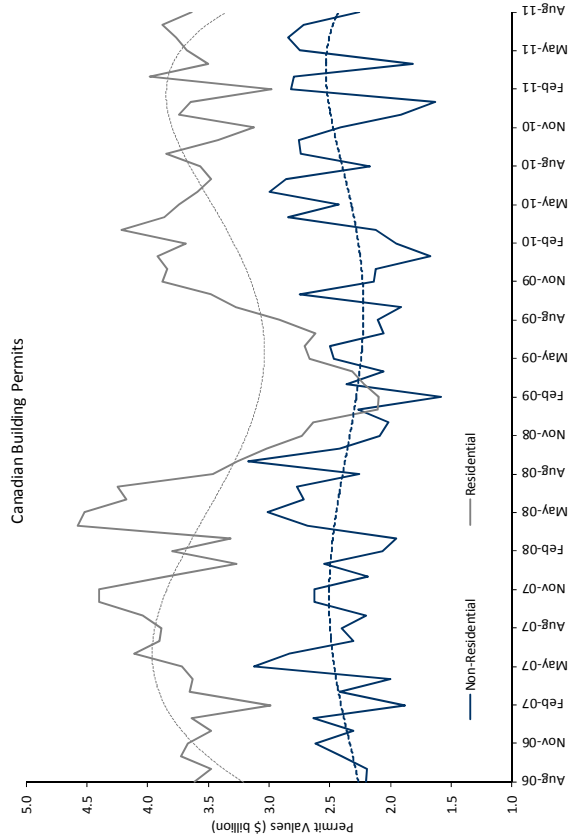
Sept-19-2011: [CAT: Time for Another Trim](#)

Sept-19-2011: [RBA: The Evolution of a Category Killer](#)

Sept-16-2011: [BDT: H.J. O'Connell Quickly Pulls in a Big One](#)

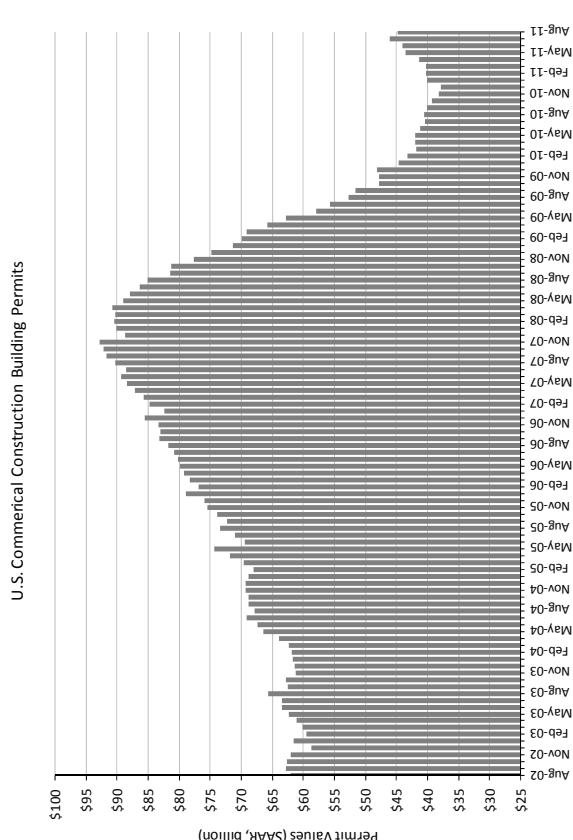
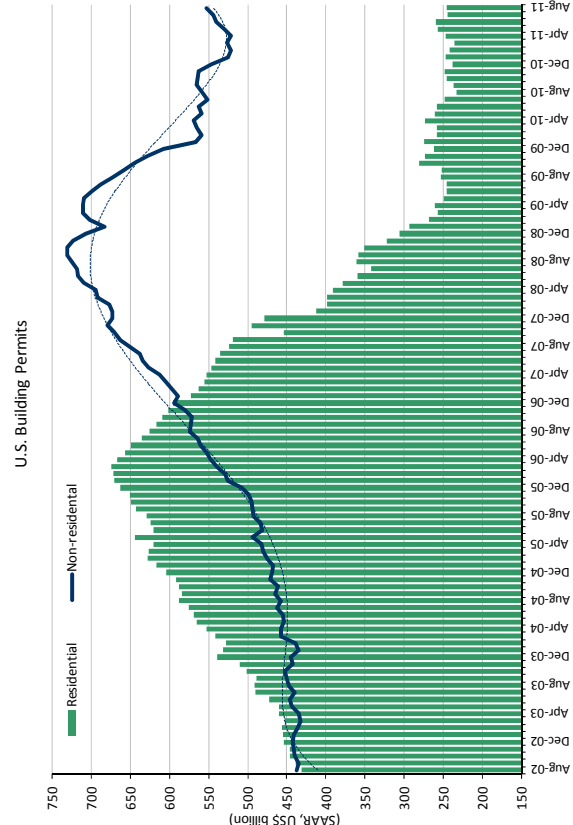
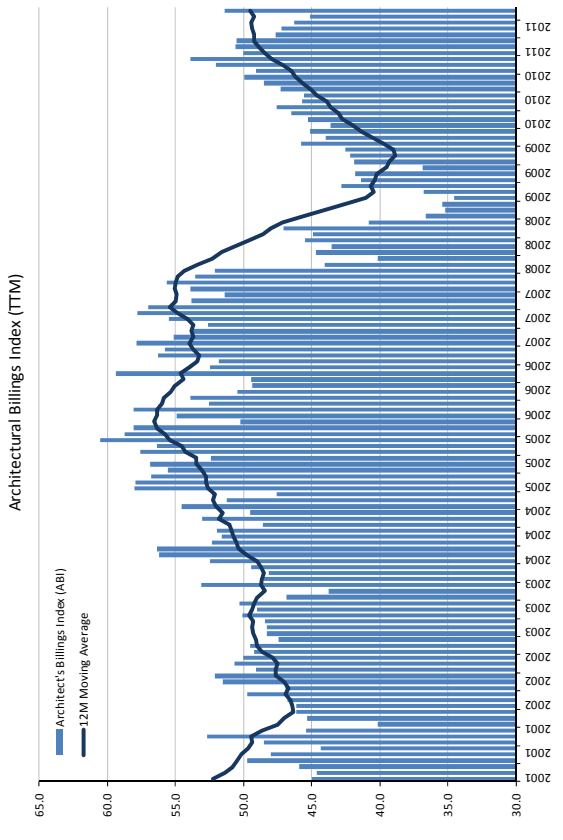
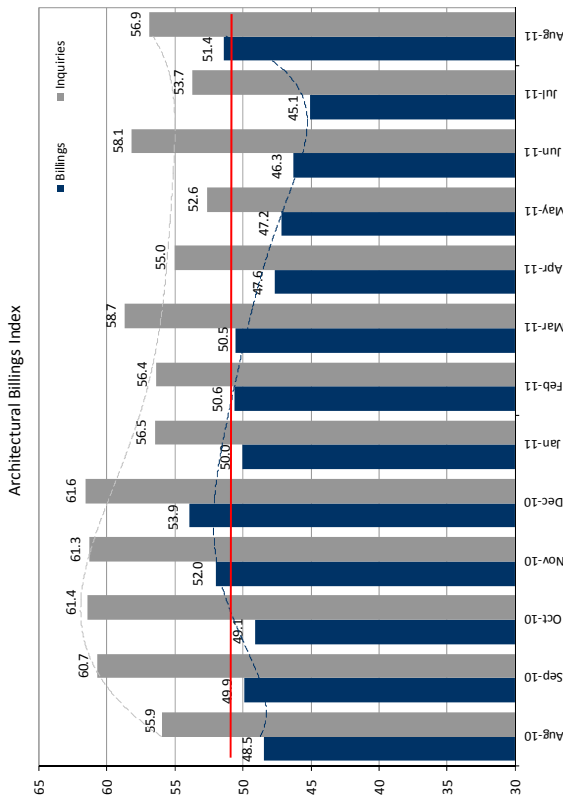
Sept-15-2011: [STN: Impressions from Beantown; Buy the Stock before the Sprout](#)

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.

Exhibit 4: I&C Peer Group Comparables

Company Name	Ticker	Fx	FY END	Market Price	Shares O/S (min)	Market Cap (min)	Net Debt (min)	Ent. Value (min)	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	\$7.59	70.3	\$534	\$182	\$716	17.0	9.9	5.4	11.5	4.2	3.1	25.5	1.0	2.6
BIRD CONSTRUCTION	BDT.CA	CAD	DEC	\$9.60	42.2	\$405	(\$129)	\$276	10.3	16.8	8.4	4.9	6.9	3.3	n.m.	2.6	6.9
CHURCHILL CORP-A	CUQ.CA	CAD	DEC	\$13.15	28.4	\$373	\$23	\$396	6.7	10.5	6.1	4.6	4.9	3.4	5.8	1.2	3.7
FLINT ENERGY SERVICES LTD	FES.CA	CAD	DEC	\$10.20	45.9	\$468	\$153	\$621	14.2	20.2	6.5	4.7	4.9	3.1	24.6	0.9	--
NORTH AMERICAN ENERGY PARTNERS	NOA.CA	CAD	MAR	\$5.61	36.2	\$203	\$317	\$520	n.m.	n.m.	4.9	n.m.	6.2	3.6	60.9	1.5	--
									12.0	14.4	6.3	6.4	5.4	3.3			
U.S. CONTRACTORS																	
EMCOR GROUP INC	EME.US	USD	DEC	\$21.75	66.9	\$1,455	(\$253)	\$1,203	12.0	11.9	9.6	5.0	4.6	3.8	n.m.	n.m.	1.0
GRANITE CONSTRUCTION INC	GVA.US	USD	DEC	\$20.57	38.7	\$795	(\$94)	\$702	n.m.	22.1	13.9	n.m.	5.1	4.1	n.m.	1.0	2.9
HILL INTERNATIONAL INC	HILL.US	USD	DEC	\$5.18	38.5	\$199	\$66	\$265	14.4	n.m.	5.0	9.3	n.m.	2.7	24.9	n.m.	--
TUTOR PERINI CORPORATION	TPC.US	USD	DEC	\$12.34	47.3	\$584	\$216	\$800	5.8	6.1	5.2	3.9	3.7	3.1	27.0	0.5	--
QUANTA SERVICES INC	PWR.US	USD	DEC	\$19.63	211.3	\$4,148	(\$379)	\$3,769	n.m.	n.m.	17.0	9.4	9.2	6.7	n.m.	1.2	--
									10.7	13.3	10.1	6.9	5.6	4.1			
EUROPEAN CONTRACTORS																	
ACCIONA SA	ANA.ES	EUR	DEC	€ 64.66	63.6	€ 4,109	€ 6,668	€ 10,778	24.6	23.7	18.8	8.9	8.1	7.4	61.9	0.7	7.0
ACS ACTIVIDADES CONS Y SERV	ACS.ES	EUR	DEC	€ 26.71	314.7	€ 8,405	€ 9,609	€ 18,013	8.7	8.9	8.8	12.0	11.8	n.m.	53.3	1.5	10.9
BALFOUR BEATTY PLC	BBY.GB	BPN	DEC	€ 2.50	687.2	€ 1,715	€ 92	€ 1,807	7.2	7.0	6.9	5.5	5.0	4.8	5.1	0.1	5.9
BILFINGER BERGER	GBF.DE	EUR	JAN	€ 58.17	46.0	€ 2,677	-€ 554	€ 2,123	12.5	11.5	10.6	4.2	4.1	3.9	n.m.	0.2	4.6
HOCHTIEF	HOT.DE	EUR	DEC	€ 48.13	77.0	€ 3,706	€ 846	€ 4,552	11.2	22.5	9.9	3.3	5.0	3.0	18.6	1.2	4.6
SKANSKA	SKAB.SE	SEK	DEC	96.35 kr	399.9	38,533 kr	-4,168 kr	34,365 kr	10.0	12.4	11.7	5.1	6.1	5.6	n.m.	2.0	13.2
VINCI SA	DG.FR	EUR	DEC	€ 33.01	564.2	€ 18,622	€ 14,701	€ 33,323	10.0	9.4	9.0	6.5	6.1	5.9	44.1	1.8	8.3
									12.0	13.6	10.8	6.5	6.6	5.1			
									11.6	13.8	9.1	6.6	5.9	4.2			
Blended Group Average																	
ENGINEERING																	
AECOM TECHNOLOGIES CORP	ACM.US	USD	SEP	\$18.76	119.4	\$2,241	\$815	\$3,055	9.2	8.0	6.8	7.3	5.7	5.1	26.7	1.0	--
AMEC	AMEC.GB	BPN	DEC	€ 8.18	332.2	€ 2,717	-€ 455	€ 2,262	13.1	11.9	10.3	8.6	7.2	6.3	n.m.	0.0	4.4
ARCADIS NV	ARCAD.NL	EUR	DEC	€ 13.97	68.8	€ 961	€ 286	€ 1,247	12.2	11.3	10.2	7.6	7.2	7.0	22.9	2.3	3.5
GENIVAR INC	GNV.CA	CAD	DEC	\$21.99	26.0	\$572	\$109	\$681	12.9	11.0	9.6	8.0	7.2	5.5	16.0	1.7	6.8
IBI GROUP	IBG.CA	CAD	DEC	\$11.10	24.1	\$267	\$83	\$350	10.0	12.3	7.4	8.2	7.0	5.6	23.7	1.9	9.9
STANTEC INC	STM.CA	CAD	DEC	\$23.42	45.9	\$1,074	\$316	\$1,390	11.3	10.4	8.7	8.8	7.7	6.5	22.7	1.6	--
TETRA TECH INC	TTEK.US	USD	NOV	\$19.09	62.5	\$1,193	\$17	\$1,210	15.4	13.5	11.8	7.7	6.1	5.6	1.4	1.6	--
									12.0	11.2	9.2	8.0	6.9	5.9			
INTEGRATED ENGINEERING & CONSTRUCTION																	
CHICAGO BRIDGE & IRON	CBI.US	USD	DEC	\$29.83	98.7	\$2,944	(\$290)	\$2,653	14.6	12.1	9.8	7.1	6.1	5.0	n.m.	2.8	0.7
FLUOR CORP	FLR.US	USD	DEC	\$51.74	173.8	\$8,993	(\$2,180)	\$6,813	22.5	15.1	12.8	7.2	5.7	5.1	n.m.	1.0	1.1
FOSTER WHEELER AG	FWLT.US	USD	JAN	\$20.10	116.9	\$2,350	(\$865)	\$1,485	12.3	12.4	9.4	4.2	4.6	3.6	n.m.	4.5	--
JACOBS ENGR GROUP INC	JEC.US	USD	SEP	\$34.98	127.6	\$4,462	(\$223)	\$4,239	14.1	13.5	11.7	7.4	6.9	6.1	n.m.	1.5	--
KBR INC	KBR.US	USD	DEC	\$26.06	150.8	\$3,930	(\$610)	\$3,320	12.5	9.6	9.4	4.9	4.9	4.5	n.m.	1.8	0.9
SHAW GROUP INC	SHAW.US	USD	AUG	\$21.89	72.2	\$1,581	(\$104)	\$1,478	10.0	n.m.	9.7	4.1	n.m.	4.3	n.m.	1.2	--
SNC-LAVALIN (E&C Business only)	SNC.CA	CAD	DEC	\$45.09	152.0	\$6,852	\$936	\$7,788	10.1	12.1	8.7	5.1	5.7	4.5	12.0	3.5	1.9
URS CORPORATION	URS.US	USD	DEC	\$32.94	79.6	\$2,622	\$324	\$2,946	9.3	9.2	8.5	4.3	4.1	4.0	11.0	0.7	--
WORLEYPARSONS	WOR.AU	AUS	DEC	\$26.31	241.7	\$6,358	\$504	\$6,863	21.8	16.7	14.0	12.0	10.3	8.9	7.3	3.5	3.5
									14.1	12.6	10.5	6.3	6.1	5.1			
ENGINEERED PRODUCTS																	
ALBANY INTERNATIONAL	AIN.US	USD	DEC	\$19.45	31.2	\$607	\$263	\$870	14.6	10.7	9.6	5.9	4.9	4.7	30.3	1.8	3.0
ALFA LAVAL AB	ALFA.SE	SEK	DEC	109.80 kr	419.5	46,056 kr	4,753 kr	50,809 kr	15.0	12.8	11.7	9.8	8.6	7.9	9.4	3.4	2.9
ANDRITZ AG	ANDR.AT	EUR	DEC	€ 62.18	52.0	€ 3,233	-€ 1,116	€ 2,117	18.0	15.0	13.2	6.9	5.8	5.2	n.m.	4.3	3.0
ARMTEC INFRASTRUCTURE	ARF.CA	CAD	DEC	\$2.85	28.0	\$80	\$273	\$353	n.m.	n.m.	n.m.	7.2	n.m.	7.8	77.4	0.6	0.0
CALGON CARBON CORPORATION	CCC.US	USD	DEC	\$15.31	56.5	\$865	\$11	\$876	20.4	19.0	15.6	11.0	9.3	7.6	1.3	n.m.	--
FLOWSERVE CORP	FLS.US	USD	DEC	\$80.00	55.7	\$4,459	\$301	\$4,760	11.6	10.4	9.0	7.0	6.5	5.7	6.3	2.1	1.8
GLV INC.	GLV/A.CA	CAD	MAR	\$4.61	44.1	\$203	\$68	\$271	n.m.	n.m.	9.2	13.1	9.0	5.5	25.0	0.8	--
ITT CORP	ITT.US	USD	JUL	\$43.97	185.3	\$8,148	\$268	\$8,416	10.0	9.2	8.6	5.3	5.1	4.9	3.2	1.8	2.5
KADANT	KAI.US	USD	DEC	\$17.32	12.3	\$214	(\$25)	\$189	11.7	8.0	6.8	5.9	3.9	3.5	n.m.	n.m.	--
KURITA WATER	6370.JP	JPY	MAR	JPY 2,182	132.8	JPY 289,770	-JPY 59,116	JPY 230,654	16.3	15.8	14.7	5.3	5.2	5.0	n.m.	1.4	1.7
METSO OYJ	MEO1V.FI	EUR	DEC	€ 22.87	150.3	€ 3,438	€ 507	€ 3,945	10.9	9.6	8.2	6.3	5.4	4.9	12.9	1.7	7.7
NALCO HOLDING CO	NLC.US	USD	DEC	\$35.53	138.8	\$4,931	\$2,700	\$7,631	20.8	21.0	17.3	10.2	10.4	9.3	35.4	7.0	0.4
PALL CORPORATION	PLL.US	USD	JUL	\$45.02	116.3	\$5,237	\$150	\$5,386	16.3	14.3	12.8	9.4	8.8	7.9	2.8	3.5	1.7
PENTAIR INC	PNR.US	USD	AUG	\$34.48	98.8	\$3,405	\$1,339	\$4,745	17.2	14.0	12.1	11.3	9.1	8.0	28.2	1.6	2.6
WATTS WATER TECHNOLOGIES INC	WTS.US	USD	DEC	\$26.66	37.2	\$993	\$205	\$1,198	13.8	13.8	10.8	6.8	6.5	5.5	17.1	1.1	1.8
ZCL COMPOSITES INC	ZCL.CA	CAD	DEC	\$3.11	28.8	\$90	\$20	\$110	n.m.	16.7	8.9	n.m.	8.9	5.6	18.5	2.3	0.0
									15.1	13.6	11.2	8.1	7.2	6.2			

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Exhibit 4: I&C 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			
EQUIPMENT DISTRIBUTORS																	
ASHTED GROUP PLC	AHT.GB	BPN	APR	£1.37	503.3	£690	£848	£1,538	n.m.	14.7	11.0	5.4	4.7	4.2	55.1	1.6	2.7
CERVUS EQUIPMENT CORP.	CVL.CA	CAD	DEC	\$14.45	15.1	\$218	\$9	\$227	16.4	10.3	8.5	9.2	6.3	5.2	3.9	1.2	5.0
FINNING INTERNATIONAL INC	FTT.CA	CAD	DEC	\$20.44	172.5	\$3,526	\$1,245	\$4,770	17.2	10.9	9.0	10.5	7.6	6.5	26.1	2.7	2.5
H&E EQUIPMENT SERVICES INC	HEES.US	USD	DEC	\$8.66	35.1	\$304	\$329	\$633	n.m.	n.m.	12.4	7.9	4.9	3.7	52.0	1.2	--
RITCHIE BROS AUCTIONEERS INC	RBA.US	USD	DEC	\$19.20	107.0	\$2,054	(\$52)	\$2,002	n.m.	23.7	16.7	15.2	12.1	9.0	n.m.	3.3	2.3
ROCKY MOUNTAIN DEALERSHIPS	RME.CA	CAD	DEC	\$9.14	21.5	\$197	\$195	\$392	11.0	7.6	6.1	11.6	7.8	6.2	49.8	1.7	2.0
RUSH ENTERPRISES INC	RUSHA.US	USD	DEC	\$8.91	27.2	\$243	\$514	\$756	13.9	7.1	5.2	13.2	7.1	5.4	67.9	0.7	--
SPEEDY HIRE PLC	SDY.GB	BPN	MAR	£0.23	517.2	£118	£115	£232	n.m.	13.0	n.m.	4.0	3.3	2.9	49.3	0.0	0.0
STRONGCO CORP.	SQP.CA	CAD	DEC	\$4.48	13.2	\$59	\$107	\$166	n.m.	5.1	4.7	7.4	4.4	3.6	64.4	1.0	0.0
TITAN MACHINERY INC	TITN.US	USD	JAN	\$18.60	20.8	\$386	\$428	\$814	15.1	11.2	10.0	15.4	11.6	10.2	52.6	n.m.	--
TOROMONT INDS LTD	TIH.CA	CAD	DEC	\$17.43	77.6	\$1,353	\$115	\$1,467	18.3	14.7	13.4	9.3	8.2	7.5	7.8	3.7	2.5
UNITED RENTALS INC	URI.US	USD	DEC	\$20.04	61.1	\$1,224	\$2,918	\$4,142	n.m.	14.0	8.5	6.1	4.8	4.1	70.5	n.m.	--
WAJAX CORP.	WJX.CA	CAD	DEC	\$28.80	16.9	\$487	\$94	\$581	14.1	8.3	8.2	8.9	6.0	6.0	16.2	2.3	8.3
									15.1	11.7	9.5	9.5	6.8	5.7			
ORIGINAL EQUIPMENT MANUFACTURERS																	
AGCO CORP	AGCO.US	USD	DEC	\$35.11	96.5	\$3,387	\$155	\$3,542	15.1	8.6	7.8	7.3	4.6	4.2	4.4	1.2	--
CATERPILLAR INCORPORATED	CAT.US	USD	DEC	\$77.09	667.2	\$51,434	\$23,667	\$75,101	18.4	11.4	8.6	12.0	8.1	6.4	31.5	4.0	2.3
CNH GLOBAL NV	CNH.US	USD	DEC	\$27.47	238.4	\$6,550	\$12,109	\$18,659	13.2	8.0	7.2	n.m.	10.4	9.4	64.9	0.9	--
DEERE & COMPANY	DE.US	USD	OCT	\$66.57	413.9	\$27,555	\$22,855	\$50,410	14.3	10.4	9.2	11.7	11.5	10.5	45.3	4.5	2.7
DOOSAN INFRACORE	042670.KR	KRW	DEC	KRW 15,300	168.6	KRW 2,578,907	KRW 4,888,438	KRW 7,467,345	n.m.	5.3	4.7	n.m.	n.m.	n.m.	65.5	n.m.	--
HARSCO CORP.	HSC.US	USD	DEC	\$21.21	80.7	\$1,712	\$860	\$2,572	23.3	15.0	10.8	5.4	4.9	4.4	33.4	1.2	4.5
HITACHI	6305.JP	JPY	MAR	JPY 1,317	215.1	JPY 283,307	JPY 272,830	JPY 556,137	n.m.	12.5	9.6	n.m.	5.6	4.8	49.1	0.9	1.6
TEREX CP	TEX.US	USD	DEC	\$12.06	109.6	\$1,322	\$470	\$1,792	n.m.	24.9	6.4	n.m.	6.0	3.1	26.2	0.6	--
VOLVO AB	VOLVB.SE	SEK	DEC	72.00 kr	1,464.9	105,472 kr	93,933 kr	199,405 kr	13.4	7.9	7.3	7.3	4.8	4.6	47.1	2.0	3.8
									16.3	11.6	8.0	8.7	7.0	5.9			
STEEL RELATED STOCKS																	
FABRICATORS & PROCESSORS																	
ADF GROUP INC.	DRX.CA	CAD	JAN	\$1.26	33.4	\$42	(\$21)	\$21	11.5	11.4	8.1	2.0	2.1	1.7	n.m.	0.5	1.6
CANAM GROUP INC	CAM.CA	CAD	DEC	\$3.55	45.4	\$161	\$253	\$414	n.m.	n.m.	17.6	n.m.	n.m.	8.9	61.0	0.5	0.0
GIBRALTAR INDUSTRIES	ROCKT.US	USD	DEC	\$9.43	30.4	\$287	\$206	\$493	n.m.	14.2	11.0	11.6	6.0	4.5	41.8	n.m.	--
NCI BUILDING SYS INC	NCS.US	USD	DEC	\$8.30	20.0	\$166	\$78	\$244	n.m.	n.m.	n.m.	n.m.	7.3	2.9	32.0	n.m.	--
VICWEST INC.	VIC.CA	CAD	DEC	\$8.40	17.2	\$145	\$87	\$232	10.8	11.3	6.3	10.9	7.9	5.1	37.6	2.6	11.2
									11.2	12.3	10.7	8.1	5.8	4.6			
SERVICE CENTERS																	
AM CASTLE & CO.	CAS.US	USD	DEC	\$12.16	23.0	\$280	\$55	\$335	n.m.	18.9	9.1	n.m.	8.6	5.3	16.3	0.9	--
CARPENTER TECHNOLOGY CORP.	CRS.US	USD	JUN	\$46.13	44.2	\$2,037	(\$16)	\$2,021	29.0	17.9	12.3	12.4	7.7	6.1	n.m.	2.7	1.7
RELIANCE STEEL & ALUMINUM CO.	RS.US	USD	DEC	\$37.28	74.9	\$2,792	\$1,020	\$3,812	14.2	8.3	7.2	7.9	5.3	4.7	26.8	1.0	1.5
RUSSEL METALS	RUS.CA	CAD	DEC	\$20.30	66.8	\$1,357	(\$100)	\$1,257	17.4	10.7	9.7	8.5	5.8	5.3	n.m.	1.5	5.9
WORTHINGTON INDS INC	WOR.US	USD	MAY	\$15.10	72.6	\$1,097	\$423	\$1,519	10.1	9.0	7.7	8.5	7.3	8.2	27.8	1.6	3.5
									17.7	13.0	9.2	9.3	6.9	5.9			
STEEL PRODUCERS																	
AK STEEL HOLDING CORP.	AKS.US	USD	DEC	\$6.97	110.3	\$769	\$880	\$1,649	n.m.	14.7	5.7	10.8	5.2	3.6	53.4	1.2	3.5
ALLEGHENY TECHNOLOGIES	ATI.US	USD	DEC	\$38.18	106.3	\$4,060	\$1,283	\$5,343	n.m.	14.2	9.0	16.3	6.9	4.8	24.0	1.8	2.1
COMMERCIAL METALS COMPANY	CMC.US	USD	AUG	\$10.00	115.5	\$1,155	\$1,140	\$2,296	n.m.	n.m.	6.7	n.m.	8.6	4.6	49.7	0.9	5.5
NUCOR CORPORATION	NUE.US	USD	DEC	\$33.83	316.1	\$10,692	\$2,096	\$12,789	n.m.	13.7	9.9	12.2	6.3	5.0	16.4	1.5	4.7
OLYMPIC STEEL INC.	ZEUS.US	USD	DEC	\$17.70	10.9	\$193	\$89	\$282	n.m.	7.9	6.9	12.8	4.7	4.0	31.5	0.7	0.5
STEEL DYNAMICS INCORPORATED	STLD.US	USD	DEC	\$10.95	218.7	\$2,394	\$2,102	\$4,496	16.3	8.3	6.2	7.5	5.2	4.4	46.7	1.1	4.3
US STEEL CORP.	X.US	USD	DEC	\$23.10	144.0	\$3,326	\$3,508	\$6,834	n.m.	17.0	5.7	12.5	5.1	3.6	51.3	0.9	1.0
									16.3	12.6	7.2	12.0	6.0	4.3			
									n.m.	12.6	9.0	8.7	6.3	4.9			
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 and CUQ) exclude non-recourse project debt and restricted cash balances; net debt (cash) positions for the engineering firms (GNV, IBG 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: Capital IQ, Thomson ONE, Raymond James Ltd.

Company Citations

Company Name	Ticker	Exchange	Currency	Closing Price	RJ Rating	RJ Entity
ADF Group Inc.	DRX	TSX	C\$	1.26	2	RJ LTD.
Aecon Group	ARE	TSX	C\$	7.52	2	RJ LTD.
Armtec Infrastructure Inc.	ARF	TSX	C\$	2.28	3	RJ LTD.
Barrick Gold Corp.	ABX	TSX			NC	
Bird Construction Inc.	BDT	TSX	C\$	9.20	2	RJ LTD.
Canam Group	CAM	TSX	C\$	3.65	3	RJ LTD.
Caterpillar Inc.	CAT	NYSE	US\$	74.26	2	RJ LTD.
Cervus Equipment Corp.	CVL	TSX	C\$	14.00	1	RJ LTD.
Commercial Solutions	CSA	TSX	C\$	0.90	UR	RJ LTD.
Deere & Co.	DE	NYSE			NC	
Eni S.p.A.	E	NYSE			NC	
Finning International	FTT	TSX	C\$	19.32	2	RJ LTD.
Genivar Inc.	GNV	TSX	C\$	21.27	2	RJ LTD.
GLV Inc.	GLV.A	TSX	C\$	4.27	2	RJ LTD.
IBI Group Inc.	IBG	TSX	C\$	11.10	2	RJ LTD.
McCoy Corporation	MCB	TSX	C\$	2.65	2	RJ LTD.
North American Energy Partners	NOA	TSX	C\$	5.55	3	RJ LTD.
Ritchie Bros. Auctioneers	RBA	NYSE	US\$	19.50	2	RJ LTD.
Rocky Mountain Dealerships Inc.	RME	TSX	C\$	8.90	2	RJ LTD.
Russel Metals	RUS	TSX	C\$	20.50	2	RJ LTD.
SNC-Lavalin	SNC	TSX	C\$	42.71	1	RJ LTD.
Stantec Inc	STN	TSX	C\$	23.04	2	RJ LTD.
Strongco Corp.	SQP	TSX	C\$	4.23	2	RJ LTD.
The Churchill Corp.	CUQ	TSX	C\$	12.41	2	RJ LTD.
Titan Machinery Inc.	TITN	NASDAQ			NC	
Toromont Industries	TIH	TSX	C\$	16.81	2	RJ LTD.
Total S.A.	TOT	NYSE			NC	
Wajax Corp.	WJX	TSX	C\$	28.50	2	RJ LTD.
ZCL Composites	ZCL	TSX	C\$	3.05	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 U.S. national exchange may not be approved for sale in all U.S. states. NC=not covered.

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