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Industrial

Industry Comment - Changes

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Infrastructure & Construction

3Q11 Infrastructure & Construction Preview: Cycle Still Running its Course (for Now)

For the many reasons we outlined in our recent sector update piece, we believe investors should steer away from an overweight position in the Canadian Infrastructure and Construction (I&C) sector. In light of the financial market turmoil and renewed economic uncertainty, we believe the visibility heading into 2012 is too opaque to suggest a sizeable position in this space at present. Instead, we advise longer-term investors to focus on a handful of high-quality I&C stocks that we believe are trading at discounted prices (for more detail please refer to our Oct-11-11 report titled *'Life After Life After Stimulus'*).

We suspect that the negative news flow and mounting uncertainty in the financial world today will overshadow to a certain extent the earnings season that is rapidly approaching. This will be particularly true, in our opinion, of the later cycle I&C stocks within our coverage universe as their financial results typically lag the markets' movements by a few quarters. Accordingly, we expect the 3Q11 reporting period to reflect the improving trends that started building for the sector before the 'sovereign debt crisis' spiked in August/September. We are closely watching whether the resource markets in particular can maintain some of their momentum (and not collapse outright as they did in 2008) because we believe that where commodities go, Canada's I&C sector will generally follow. Highlighted below are the key factors expected to influence the 3Q11 performance of our I&C stocks. Our quarterly revenue, EBITDA and EPS expectations for each company we cover are also outlined in Exhibit 1.

Cycle Progressing Forward. Collectively, equipment OEM and dealer stocks should continue to see the benefits of replacement demand for used machinery and healthy commodity prices in 3Q11. We expect the engineering and design firms to also show healthy gains from the natural resources markets, as well as from some other private sectors of the Canadian construction industry, including commercial and multi-residential. And while we feel it is still too premature to be loading up on construction stocks, the reported 3Q11 margins may prove to be an inflection point for some contractors. Finally, our expectations for the firms populating the highly cyclical Materials & Engineered Products segment are lackluster, even as some deliver their seasonally strongest quarter. What should be universally felt, except perhaps for the equipment dealers which have territorial rights, is the heightened level of competition coming from abroad. Thank Canada's own economic success for this.

Canadian Heavy Civil and Industrial Work Still Where It's At. We anticipate the natural resources sector to represent the single largest driver of growth for the 22 I&C firms we cover in 3Q11. Healthy commodity prices have not only supported elevated levels of industrial activity, but also exerted a positive influence on the economies of the Western Canadian provinces. Meanwhile, we expect the quarterly results of companies with material US exposure to reflect the ongoing challenges still plaguing the world's largest economy.

Weather to Finally Help. After suffering one of their worst springs on record, many Canadian regions benefitted from a dry and extended summer. We have reason to believe this contributed to very robust levels of construction and harvest activity through September (and into October). On this basis, we suspect the market may once again be underestimating the role weather may have played for our I&C companies in 3Q11. One thing is sure: this time around firms can't use the 'bad weather' card as an excuse for a poor quarterly performance.

Potential Beats and Misses. For reasons highlighted above and in our recent research, we see a high probability for positive earnings surprises from Aecon Group and Genivar. Conversely we do not feel particularly strongly about the margins implied in our quarterly estimates for Armtec Infrastructure and Canam Group. That said, unless these two firms grossly disappoint, we can see the Street turn a blind eye on their results.

Top picks. Our best ideas in the sector are currently Bird Construction, Cervus, Russel Metals, SNC-Lavalin and Toromont.

Company	Ticker Primary	Ticker Secondary	Current Price	Target Price (6-12mo)		Div. Yield	Tot. Return To Target	Rating
				Old	New			
Construction								
Aecon Group	ARE-TSX		C\$7.48	C\$12.50	C\$12.50	3%	70%	Outperform 2
Bird Construction Inc.	BDT-TSX		C\$10.35	C\$15.00	C\$15.00	6%	51%	Outperform 2
North American Energy Partners	NOA-TSX	NOA-NYSE	C\$5.97	C\$6.75	C\$6.75	NM	13%	Market Perform 3
The Churchill Corp.	CUQ-TSX		C\$13.27	C\$21.00	C\$21.00	4%	62%	Outperform 2
Original Equipment Manufacturers								
Caterpillar Inc.	CAT-NYSE		US\$84.09	US\$116.00	US\$116.00	2%	40%	Outperform 2
Engineering								
Genivar Inc.	GNV-TSX		C\$24.00	C\$33.00	C\$33.00	6%	44%	Outperform 2
IBI Group Inc.	IBG-TSX		C\$12.50	C\$16.50	C\$16.50	9%	41%	Outperform 2
SNC-Lavalin	SNC-TSX		C\$47.04	C\$60.00	C\$60.00	2%	29%	Strong Buy 1
Stantec Inc	STN-TSX	STN-NYSE	C\$23.35	C\$27.00	C\$27.00	NM	16%	Outperform 2
Materials & Engineered Products								
Armtec Infrastructure Inc.	ARF-TSX		C\$2.22	C\$3.00	C\$3.00	NM	35%	Market Perform 3
GLV Inc.	GLV.A-TSX		C\$4.45	C\$8.00	C\$8.00	NM	80%	Outperform 2
ZCL Composites	ZCL-TSX		C\$3.26	C\$3.75	C\$3.75	NM	15%	Market Perform 3
Equipment Distributors								
Cervus Equipment Corp.	CVL-TSX		C\$14.75	C\$20.00	C\$20.00	5%	41%	Strong Buy 1
Finning International	FTT-TSX		C\$20.04	C\$25.00	C\$25.00	3%	27%	Outperform 2
Ritchie Bros. Auctioneers	RBA-NYSE	RBA-TSX	US\$18.62	US\$27.00	US\$27.00	2%	47%	Outperform 2
Rocky Mountain Dealerships Inc.	RME-TSX		C\$9.33	C\$15.00	C\$15.00	2%	63%	Outperform 2
Strongco Corp.	SQP-TSX		C\$4.75	C\$9.50	C\$9.50	NM	100%	Outperform 2
Toromont Industries	TIH-TSX		C\$17.90	C\$22.75	C\$22.75	3%	30%	Outperform 2
Wajax Corp.	WJX-TSX		C\$33.45	C\$45.50	C\$45.50	7%	43%	Outperform 2
Steel Processors & Building Components								
ADF Group Inc.	DRX-TSX		C\$1.51	C\$2.50	C\$2.50	1%	67%	Outperform 2
Canam Group	CAM-TSX		C\$3.60	C\$5.50	C\$5.50	NM	53%	Market Perform 3
Russel Metals	RUS-TSX		C\$21.45	C\$27.00	C\$27.00	6%	31%	Outperform 2

Raymond James Ltd.

Exhibit 1: 3Q11 Summary of Key Quarterly Forecasts

Company Name	Ticker	Reporting Date	Revenue (\$ mln)				EBITDA (\$ mln)				EPS (\$)			
			3Q11E	3Q10A	%Δ	Consensus	3Q11E	3Q10A	%Δ	Consensus	3Q11E	3Q10A	%Δ	Consensus
CONSTRUCTION														
Aecon Group	ARE	1-Nov	927	800	16%	879	69.7	43.1	62%	55.6	0.36	0.27	30%	0.38
Bird Construction	BDT	10-Nov	268	231	16%	273	11.5	8.8	31%	11.5	0.16	0.20	-21%	0.18
Churchill Corp.	CUQ	8-Nov	397	386	3%	416	23.2	28.6	-19%	22.0	0.37	0.53	-31%	0.38
North American Energy Partners	NOA	3-Nov	227	235	-3%	240	16.0	21.0	-24%	24.0	(0.07)	0.04	n.m.	(0.00)
					<u>8%</u>				<u>13%</u>				<u>-7%</u>	
ENGINEERING														
Genivar Inc.	GNV	9-Nov	142	124	14%	138	25.5	24.2	5%	24.5	0.48	0.61	-22%	0.46
IBI Group	IBG	10-Nov	84	77	10%	87	13.1	11.4	15%	13.4	0.28	0.25	14%	0.28
SNC Lavalin	SNC	3-Nov	1,794	1,607	12%	1,788	219.8	247.0	-11%	226.3	0.76	0.84	-10%	0.76
Stantec Inc.	STN	3-Nov	356	315	<u>13%</u>	350	47.2	43.9	<u>8%</u>	52.0	0.60	0.57	<u>4%</u>	0.60
					<u>12%</u>				<u>4%</u>				<u>-3%</u>	
MATERIALS & ENGINEERED PRODUCTS														
ADF Group	DRX	TBC	14	14	0%	n.m.	2.6	2.1	26%	n.m.	0.03	0.02	55%	n.m.
Armtec Infrastructure	ARF	TBC	132	144	-8%	139	11.4	22.2	-49%	12.1	(0.05)	0.35	n.m.	(0.03)
Canam Group Inc.	CAM	27-Oct	234	212	10%	220	9.9	9.0	11%	11.0	0.00	0.05	n.m.	0.01
GLV Inc.	GLV.A	TBC	168	169	-1%	164	6.5	(4.0)	n.m.	n.m.	0.01	(0.22)	n.m.	0.01
Russel Metals	RUS	3-Nov	649	582	12%	647	47.4	36.3	31%	48.1	0.40	0.28	46%	0.41
ZCL Composites	ZCL	5-Nov	37	33	<u>11%</u>	n.m.	4.4	1.2	<u>n.m.</u>	n.m.	0.08	0.03	<u>151%</u>	n.m.
					<u>4%</u>				<u>5%</u>				<u>84%</u>	
EQUIPMENT DISTRIBUTORS														
Cervus Equipment Corp.	CVL	29-Oct	186	164	13%	181	17.0	13.3	28%	16.0	0.79	0.54	n.m.	0.72
Finning International	FTT	8-Nov	1,286	1,220	5%	n.m.	97.9	134.1	-27%	n.m.	0.20	0.41	-51%	n.m.
Ritchie Bros. Auctioneers	RBA	1-Nov	102	82	24%	97	37.0	29.9	24%	33.0	0.17	0.13	33%	0.16
Rocky Mountain Dealerships	RME	10-Nov	215	170	26%	216	14.1	10.6	33%	14.0	0.32	0.26	24%	0.35
Strongco Corp.	SQP	9-Nov	118	80	48%	n.m.	11.2	6.8	63%	n.m.	0.23	0.07	248%	0.19
Toromont Industries	TIH	26-Oct	358	n.m.	n.m.	370	57.7	n.m.	n.m.	50.0	0.32	n.m.	n.m.	0.33
Wajax Income Fund	WJX	2-Nov	339	295	<u>15%</u>	338	24.2	21.8	<u>11%</u>	25.0	0.85	0.80	<u>7%</u>	0.88
					<u>22%</u>				<u>22%</u>				<u>52%</u>	
ORIGINAL EQUIPMENT MANUFACTURERS														
Caterpillar Inc.	CAT	24-Oct	15,250	11,134	37%	15,000	2,402	1,752	37%	2,262	1.55	1.22	27%	1.55

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 F2Q12E, and F2Q11A, respectively
- 3) Figures presented for ADF are for F3Q12E, and F3Q11A, respectively
- 4) EBITDA and EPS figures for GLV are presented on a normalized basis
- 5) Figures presented for Rictichie Bros. are denominated in U.S. dollars.
- 6) 3Q10 EPS figures for CVL and WJX are tax-adjusted at a 30% tax rate
- 7) Consensus EPS estimates are from Thomson One

Source: Thomson One, 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	\$7.48	70.3	\$526	\$182	\$709	16.7	9.8	5.4	11.3	4.1	3.0	25.7	1.0	2.7
BIRD CONSTRUCTION	BDT.CA	CAD	DEC	\$10.35	42.2	\$436	(\$129)	\$308	11.1	18.1	9.0	5.5	7.7	3.7	n.m.	2.8	6.4
CHURCHILL CORP-A	CUQ.CA	CAD	DEC	\$13.27	28.4	\$377	\$23	\$400	6.7	10.6	6.2	4.6	5.0	3.5	5.8	1.3	3.6
FLINT ENERGY SERVICES LTD	FES.CA	CAD	DEC	\$10.91	45.9	\$500	\$153	\$654	15.2	21.6	6.9	5.0	5.2	3.3	23.4	0.9	--
NORTH AMERICAN ENERGY PARTNERS	NOA.CA	CAD	MAR	\$5.97	36.2	\$216	\$317	\$533	n.m.	n.m.	5.2	n.m.	6.3	3.6	59.4	1.6	--
									12.4	15.0	6.5	6.6	5.7	3.4			
U.S. CONTRACTORS																	
EMCOR GROUP INC	EME.US	USD	DEC	\$23.14	66.9	\$1,548	(\$253)	\$1,296	12.7	12.7	10.2	5.3	4.9	4.1	n.m.	n.m.	1.0
GRANITE CONSTRUCTION INC	GVA.US	USD	DEC	\$21.41	38.7	\$828	(\$94)	\$734	n.m.	23.0	14.5	n.m.	5.3	4.3	n.m.	1.1	2.9
HILL INTERNATIONAL INC	HILL.US	USD	DEC	\$5.58	38.5	\$215	\$66	\$281	15.5	n.m.	5.3	9.8	n.m.	2.8	23.5	n.m.	--
TUTOR PERINI CORPORATION	TPC.US	USD	DEC	\$13.59	47.3	\$643	\$216	\$859	6.4	6.7	5.7	4.2	4.0	3.3	25.2	0.5	--
QUANTA SERVICES INC	PWR.US	USD	DEC	\$20.06	211.3	\$4,239	(\$379)	\$3,860	n.m.	n.m.	17.4	9.6	9.4	6.8	n.m.	1.3	--
									11.5	14.1	10.6	7.2	5.9	4.3			
EUROPEAN CONTRACTORS																	
ACCIONA SA	ANA.ES	EUR	DEC	€ 69.40	63.6	€ 4,410	€ 6,668	€ 11,079	n.m.	n.m.	20.2	9.1	8.4	7.6	60.2	0.8	7.0
ACS ACTIVIDADES CONS Y SERV	ACS.ES	EUR	DEC	€ 28.00	314.7	€ 8,811	€ 9,609	€ 18,419	9.1	9.3	9.2	12.2	n.m.	n.m.	52.2	1.6	10.9
BALFOUR BEATTY PLC	BBY.GB	BNP	DEC	£ 2.60	687.2	£ 1,784	£ 592	£ 1,876	7.5	7.3	7.2	5.7	5.2	5.0	4.9	0.1	5.9
BILFINGER BERGER	GBF.DE	EUR	JAN	€ 62.62	46.0	€ 2,882	-€ 554	€ 2,328	13.5	12.3	11.4	4.6	4.5	4.3	n.m.	0.3	4.6
HOCHTIEF	HOT.DE	EUR	DEC	€ 51.60	77.0	€ 3,973	€ 846	€ 4,819	12.0	24.1	10.6	3.5	5.3	3.1	17.6	1.3	4.6
SKANSKA	SKAB.SE	SEK	DEC	100.50 kr	399.9	40,193 kr	-4,168 kr	36,025 kr	10.4	12.9	12.2	5.3	6.4	5.9	n.m.	2.1	13.2
VINCI SA	DG.FR	EUR	DEC	€ 35.57	564.2	€ 20,069	€ 14,701	€ 34,770	10.8	10.2	9.7	6.7	6.4	6.2	42.3	2.0	8.3
									10.5	12.7	11.5	6.7	6.0	5.3			
									11.5	13.9	9.6	6.9	5.9	4.3			
Blended Group Average																	
ENGINEERING																	
AECOM TECHNOLOGIES CORP	ACM.US	USD	SEP	\$19.43	119.4	\$2,321	\$815	\$3,135	9.5	8.3	7.0	7.5	5.9	5.2	26.0	1.1	--
AMEC	AMEC.GB	BNP	DEC	£ 8.59	332.2	£ 2,854	-£ 455	£ 2,399	13.7	12.5	10.8	9.1	7.6	6.6	n.m.	0.0	4.4
ARCADIS NV	ARCAD.NL	EUR	DEC	€ 14.26	68.8	€ 982	€ 286	€ 1,268	12.4	11.6	10.4	7.8	7.4	7.1	22.6	2.4	3.5
GENIVAR INC	GNV.CA	CAD	DEC	\$24.00	26.0	\$624	\$109	\$733	14.1	12.0	10.4	8.7	7.8	5.9	14.9	1.8	6.3
IBI GROUP	IBG.CA	CAD	DEC	\$12.50	24.1	\$301	\$83	\$384	11.3	13.9	8.4	9.0	7.7	6.2	21.6	2.1	8.8
STANTEC INC	STN.CA	CAD	DEC	\$23.35	45.9	\$1,071	\$316	\$1,387	11.3	10.3	8.6	8.8	7.6	6.5	22.8	1.6	--
TETRA TECH INC	TTEK.US	USD	NOV	\$21.00	62.5	\$1,312	\$17	\$1,329	16.9	14.8	13.0	8.4	6.7	6.2	1.3	1.7	--
									12.7	11.9	9.8	8.4	7.2	6.2			
INTEGRATED ENGINEERING & CONSTRUCTION																	
CHICAGO BRIDGE & IRON	CBI.US	USD	DEC	\$33.44	98.7	\$3,300	(\$290)	\$3,010	16.4	13.6	11.0	8.0	7.0	5.7	n.m.	3.1	0.7
FLUOR CORP	FLR.US	USD	DEC	\$55.67	173.8	\$9,676	(\$2,180)	\$7,496	24.2	16.2	13.8	7.9	6.3	5.6	n.m.	1.1	1.1
FOSTER WHEELER AG	FWLT.US	USD	JAN	\$21.33	116.9	\$2,494	(\$865)	\$1,628	13.0	13.1	10.0	4.6	5.1	3.9	n.m.	4.9	--
JACOBS ENGR GROUP INC	JEC.US	USD	SEP	\$37.81	127.6	\$4,823	(\$223)	\$4,600	15.2	14.6	12.7	8.0	7.5	6.7	n.m.	1.7	--
KBR INC	KBR.US	USD	DEC	\$28.63	150.8	\$4,317	(\$610)	\$3,707	13.7	10.6	10.3	5.5	5.4	5.0	n.m.	1.9	0.9
SHAW GROUP INC	SHAW.US	USD	AUG	\$21.20	72.2	\$1,532	(\$104)	\$1,428	9.7	n.m.	9.4	4.0	n.m.	4.2	n.m.	1.2	--
SNC-LAVALIN (E&C Business only)	SNC.CA	CAD	DEC	\$47.04	152.0	\$7,148	\$936	\$8,084	10.9	13.1	9.4	5.6	6.3	4.9	11.6	3.7	1.8
URS CORPORATION	URS.US	USD	DEC	\$34.23	79.6	\$2,725	\$324	\$3,049	9.7	9.6	8.8	4.5	4.2	4.1	10.6	0.7	--
WORLEYPARSONS	WOR.AU	AUS	DEC	\$27.16	241.7	\$6,564	\$504	\$7,068	22.5	17.2	14.5	12.4	10.6	9.2	7.1	3.6	3.5
									15.0	13.5	11.1	6.7	6.6	5.5			
ENGINEERED PRODUCTS																	
ALBANY INTERNATIONAL	AIN.US	USD	DEC	\$21.07	31.2	\$657	\$263	\$921	15.8	11.6	10.4	6.2	5.2	5.0	28.6	2.0	3.0
ALFA LAVAL AB	ALFA.SE	SEK	DEC	115.10 kr	419.5	48,279 kr	4,753 kr	53,032 kr	15.7	13.4	12.2	10.2	9.0	8.2	9.0	3.6	2.9
ANDRITZ AG	ANDR.AT	EUR	DEC	€ 66.49	52.0	€ 3,457	-€ 1,116	€ 2,341	19.2	16.1	14.1	7.6	6.5	5.7	n.m.	4.6	3.0
ARMTEC INFRASTRUCTURE	ARF.CA	CAD	DEC	\$2.22	28.0	\$62	\$273	\$336	n.m.	n.m.	n.m.	6.9	n.m.	7.4	81.5	0.5	0.0
CALGON CARBON CORPORATION	CCC.US	USD	DEC	\$15.23	56.5	\$860	\$11	\$872	20.3	18.9	15.5	10.9	9.2	7.5	1.3	n.m.	--
FLOWSERVE CORP	FLS.US	USD	DEC	\$84.21	55.7	\$4,694	\$301	\$4,994	12.2	11.0	9.5	7.3	6.9	6.0	6.0	2.2	1.8
GLV INC.	GLV/A.CA	CAD	MAR	\$4.45	44.1	\$196	\$68	\$264	n.m.	n.m.	8.9	12.7	8.8	5.3	25.6	0.8	--
ITT CORP	ITT.US	USD	JUL	\$45.43	185.3	\$8,418	\$268	\$8,686	10.3	9.5	8.9	5.5	5.3	5.1	3.1	1.9	2.5
KADANT	KAI.US	USD	DEC	\$18.00	12.3	\$222	(\$25)	\$197	12.2	8.3	7.1	6.1	4.1	3.7	n.m.	n.m.	--
KURITA WATER	6370.JP	JPY	MAR	JPY 2,159	132.8	JPY 286,716	-JPY 59,116	JPY 227,600	16.1	15.6	14.5	5.3	5.1	4.9	n.m.	1.4	1.7
METSO OYJ	MEQ1.V.FI	EUR	DEC	€ 26.34	150.3	€ 3,960	€ 507	€ 4,467	12.5	11.0	9.4	7.2	6.1	5.5	11.3	1.9	7.7
NALCO HOLDING CO	NLC.US	USD	DEC	\$36.97	138.8	\$5,131	\$2,700	\$7,831	21.6	21.9	18.0	10.5	10.6	9.5	34.5	7.3	0.4
PALL CORPORATION	PLL.US	USD	JUL	\$49.00	116.3	\$5,700	\$150	\$5,849	17.7	15.6	13.9	10.3	9.5	8.6	2.6	3.8	1.7
PENTAIR INC	PNR.US	USD	AUG	\$36.34	98.8	\$3,589	\$1,339	\$4,929	18.2	14.7	12.7	11.8	9.5	8.3	27.2	1.7	2.6
WATTS WATER TECHNOLOGIES INC	WTS.US	USD	DEC	\$29.75	37.2	\$1,108	\$205	\$1,313	15.4	15.4	12.0	7.5	7.1	6.1	15.6	1.2	1.8
ZCL COMPOSITES INC	ZCL.CA	CAD	DEC	\$3.26	28.8	\$94	\$20	\$114	n.m.	17.6	9.3	n.m.	9.3	5.8	17.8	2.4	0.0
									15.9	14.3	11.8	8.4	7.5	6.4			

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Appendix: Infrastructure & Construction 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			
EQUIPMENT DISTRIBUTORS																	
ASSTEAD GROUP PLC	AHT.GB	BPN	APR	£1.53	503.3	£772	£848	£1,619	n.m.	16.5	12.3	5.7	5.0	4.5	52.4	1.8	2.7
CERVUS EQUIPMENT CORP.	CVL.CA	CAD	DEC	\$14.75	15.1	\$222	\$9	\$231	16.8	10.6	8.7	9.4	6.4	5.3	3.8	1.3	4.9
FINNING INTERNATIONAL INC	FTT.CA	CAD	DEC	\$20.04	172.5	\$3,457	\$1,245	\$4,701	16.8	10.7	8.8	10.3	7.5	6.4	26.5	2.7	2.6
H&E EQUIPMENT SERVICES INC	HEES.US	USD	DEC	\$9.62	35.1	\$338	\$329	\$666	n.m.	n.m.	13.7	8.3	5.2	3.9	49.3	1.3	--
RITCHEY BROS AUCTIONEERS INC	RBA.US	USD	DEC	\$18.62	107.0	\$1,992	(\$52)	\$1,940	n.m.	23.0	16.2	14.7	11.7	8.7	n.m.	3.2	2.4
ROCKY MOUNTAIN DEALERSHIPS	RME.CA	CAD	DEC	\$9.33	21.5	\$201	\$195	\$396	11.2	7.7	6.2	11.7	7.9	6.2	49.3	1.8	1.9
RUSH ENTERPRISES INC	RUSHA.US	USD	DEC	\$9.39	27.2	\$255	\$514	\$769	14.7	7.5	5.4	13.4	7.2	5.5	66.8	0.8	--
SPEEDY HIRE PLC	SDY.GB	BPN	MAR	£0.22	517.2	£115	£115	£230	n.m.	12.7	n.m.	4.0	3.2	2.9	49.9	0.0	0.0
STRONGCO CORP.	SQP.CA	CAD	DEC	\$4.75	13.2	\$63	\$107	\$169	n.m.	5.4	5.0	7.5	4.5	3.7	63.0	1.1	0.0
TITAN MACHINERY INC	TITN.US	USD	JAN	\$21.15	20.8	\$439	\$428	\$867	17.2	12.7	11.3	16.4	12.4	10.8	49.4	n.m.	--
TOROMONT INDS LTD	TIH.CA	CAD	DEC	\$17.90	77.6	\$1,389	\$115	\$1,504	18.8	15.1	13.8	9.5	8.4	7.6	7.6	3.8	2.5
UNITED RENTALS INC	URI.US	USD	DEC	\$21.50	61.1	\$1,313	\$2,918	\$4,231	n.m.	15.0	9.1	6.2	4.9	4.2	69.0	n.m.	--
WAJAX CORP.	WJX.CA	CAD	DEC	\$33.45	16.9	\$566	\$94	\$660	16.3	9.7	9.6	10.1	6.8	6.8	14.2	2.6	7.2
									16.0	12.2	10.0	9.8	7.0	5.9			
ORIGINAL EQUIPMENT MANUFACTURERS																	
AGCO CORP	AGCO.US	USD	DEC	\$39.63	96.5	\$3,823	\$155	\$3,978	17.1	9.7	8.8	8.2	5.2	4.7	3.9	1.4	--
CATERPILLAR INCORPORATED	CAT.US	USD	DEC	\$84.09	667.2	\$56,105	\$23,667	\$79,772	20.1	12.5	9.4	12.7	8.6	6.8	29.7	4.4	2.1
CNH GLOBAL NV	CNH.US	USD	DEC	\$30.72	238.4	\$7,325	\$12,109	\$19,434	14.8	9.0	8.0	n.m.	10.9	9.8	62.3	1.0	--
DEERE & COMPANY	DE.US	USD	OCT	\$71.39	413.9	\$29,550	\$22,855	\$52,405	15.3	11.1	9.9	12.1	12.0	10.9	43.6	4.8	2.7
DOOSAN INFRACORE	042670.KR	KRW	DEC	KRW 16,950	168.6	KRW 2,857,024	KRW 4,888,438	KRW 7,745,462	n.m.	5.9	5.2	n.m.	n.m.	n.m.	63.1	n.m.	--
HARSCO CORP.	HSC.US	USD	DEC	\$22.84	80.7	\$1,843	\$860	\$2,703	n.m.	16.2	11.6	5.7	5.2	4.6	31.8	1.3	4.5
HITACHI	6305.JP	JPY	MAR	JPY 1,405	215.1	JPY 302,237	JPY 272,830	JPY 575,067	n.m.	13.4	10.2	n.m.	5.8	5.0	47.4	1.0	1.6
TEREX CP	TEX.US	USD	DEC	\$13.59	109.6	\$1,489	\$470	\$1,959	n.m.	n.m.	7.3	n.m.	6.6	3.4	24.0	0.7	--
VOLVO AB	VOLVB.SE	SEK	DEC	76.55 kr	1,464.9	112,137 kr	93,933 kr	206,070 kr	14.3	8.4	7.7	7.5	4.9	4.8	45.6	2.1	3.8
									16.3	10.8	8.7	9.3	7.4	6.2			
STEEL RELATED STOCKS																	
FABRICATORS & PROCESSORS																	
ADF GROUP INC.	DRX.CA	CAD	JAN	\$1.51	33.4	\$50	(\$21)	\$30	13.8	13.6	9.8	2.7	3.0	2.3	n.m.	0.5	1.3
CANAM GROUP INC	CAM.CA	CAD	DEC	\$3.60	45.4	\$163	\$253	\$416	n.m.	n.m.	17.9	n.m.	n.m.	9.0	60.7	0.5	0.0
GIBRALTAR INDUSTRIES	ROCK.US	USD	DEC	\$10.29	30.4	\$313	\$206	\$519	n.m.	15.5	12.0	12.2	6.3	4.8	39.7	n.m.	--
NCI BUILDING SYS INC	NCS.US	USD	DEC	\$8.50	20.0	\$170	\$78	\$248	n.m.	n.m.	n.m.	n.m.	7.4	2.9	31.5	n.m.	--
VICWEST INC.	VIC.CA	CAD	DEC	\$9.15	17.2	\$158	\$87	\$245	11.7	12.3	6.8	11.5	8.4	5.4	35.7	2.8	11.2
									12.8	13.8	11.6	8.8	6.3	4.9			
SERVICE CENTERS																	
AM CASTLE & CO.	CAS.US	USD	DEC	\$12.97	23.0	\$299	\$55	\$353	n.m.	20.1	9.7	n.m.	9.1	5.6	15.5	1.0	--
CARPENTER TECHNOLOGY CORP.	CRS.US	USD	JUN	\$49.43	44.2	\$2,183	(\$16)	\$2,167	n.m.	19.2	13.1	13.3	8.3	6.5	n.m.	2.8	1.7
RELIANCE STEEL & ALUMINUM CO.	RS.US	USD	DEC	\$39.80	74.9	\$2,980	\$1,020	\$4,001	15.2	8.9	7.7	8.3	5.6	5.0	25.5	1.1	1.5
RUSSEL METALS	RUS.CA	CAD	DEC	\$21.45	66.8	\$1,434	(\$100)	\$1,334	18.4	11.3	10.2	9.0	6.1	5.7	n.m.	1.6	5.6
WORTHINGTON INDS INC	WOR.US	USD	MAY	\$16.30	72.6	\$1,184	\$423	\$1,606	10.9	9.7	8.3	9.0	7.7	8.7	26.3	1.7	3.5
									14.8	13.8	9.8	9.9	7.4	6.3			
STEEL PRODUCERS																	
AK STEEL HOLDING CORP.	AKS.US	USD	DEC	\$7.52	110.3	\$829	\$880	\$1,710	n.m.	15.9	6.2	11.2	5.4	3.7	51.5	1.3	3.5
ALLEGHENY TECHNOLOGIES	ATI.US	USD	DEC	\$40.59	106.3	\$4,316	\$1,283	\$5,599	n.m.	15.0	9.5	n.m.	7.2	5.1	22.9	2.0	2.1
COMMERCIAL METALS COMPANY	CMC.US	USD	AUG	\$11.10	115.5	\$1,282	\$1,140	\$2,423	n.m.	n.m.	7.5	n.m.	9.1	4.9	47.1	1.0	5.5
NUCOR CORPORATION	NUE.US	USD	DEC	\$35.88	316.1	\$11,340	\$2,096	\$13,436	n.m.	14.5	10.5	12.9	6.6	5.2	15.6	1.6	4.7
OLYMPIC STEEL INC.	ZEUS.US	USD	DEC	\$19.40	10.9	\$211	\$89	\$300	n.m.	8.6	7.6	13.6	5.0	4.3	29.6	0.8	0.5
STEEL DYNAMICS INCORPORATED	STD.US	USD	DEC	\$11.42	218.7	\$2,497	\$2,102	\$4,599	17.0	8.7	6.5	7.6	5.3	4.5	45.7	1.2	4.3
US STEEL CORP.	X.US	USD	DEC	\$24.64	144.0	\$3,548	\$3,508	\$7,056	n.m.	18.1	6.1	12.9	5.2	3.7	49.7	0.9	1.0
									17.0	13.5	7.7	11.6	6.3	4.5			
									n.m.	13.7	9.7	9.4	6.6	5.2			
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: Thomson One, Raymond James Ltd.

Construction

Aecon Group ARE-TSX

Rating: **Outperform**

Current Price(Oct-14-11)	C\$7.48	Target Price (6-12 mos)	C\$12.50
52-Week Range	C\$12.79 - C\$6.62	Total Return to Target	70%
Market Capitalization (mln)	C\$526	Dividend/Yield	C\$0.20/2.7%
Shares Outstanding (mln, f.d.)	70.3	Net Debt (mln)	C\$216
Average Daily Volume (000s)	110	Enterprise Value (mln)	C\$742

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	10.2x	7.3x
Old 2011E	(0.49)A	0.07A	0.41	0.52	0.75	3,055	173		
New 2011E	(0.49)A	0.07A	0.36	0.59	0.75	3,055	173	10.0x	4.3x
Old 2012E	(0.23)	0.24	0.57	0.62	1.30	3,125	227		
New 2012E	(0.23)	0.24	0.56	0.63	1.30	3,125	227	5.8x	3.3x

Construction Construction Construction Construction

Business:	Business:	Business:	Business:	
EPS	P/E	EBITDA (mln)	EV/EBITDA	
2010A	C\$0.18	16.7x	C\$54	11.3x
Old 2011E	0.62		148	
New 2011E	0.63	9.7x	148	4.1x
Old 2012E	1.14		201	
New 2012E	1.14	5.4x	201	3.0x

Source: Raymond James Ltd., Thomson One

The Churchill Corp. CUQ-TSX

Rating: **Outperform**

Current Price(Oct-14-11)	C\$13.27	Target Price (6-12 mos)	C\$21.00
52-Week Range	C\$21.40 - C\$12.03	Total Return to Target	62%
Market Capitalization (mln)	C\$377	Dividend/Yield	C\$0.48/3.6%
Shares Outstanding (mln, f.d.)	28.0	Current Net Debt (mln)	C\$23
Average Daily Volume (000s)	33	Enterprise Value (mln)	C\$400

EPS	1Q	2Q	3Q	4Q	Full	Revenue	EBITDA	P/E	EV/EBITDA
	Mar	Jun	Sep	Dec	Year	(mln)	(mln)		
2010A	C\$0.39	C\$0.40	C\$0.53	C\$0.43	C\$1.85	C\$1,155	C\$83	6.7x	4.6x
Old 2011E	0.24A	0.19A	0.41	0.38	1.25	1,417	80		
New 2011E	0.24A	0.19A	0.37	0.41	1.25	1,417	80	10.6x	5.0x
Old 2012E	0.27	0.44	0.73	0.71	2.15	1,621	116		
New 2012E	0.27	0.44	0.73	0.71	2.15	1,621	116	6.2x	3.5x

EBITDA	General	Commercial	Industrial	
Margin	Contracting	Systems	Services	
	Revenue	Revenue	Revenue	
	(mln)	(mln)	(mln)	
2010A	7.4%	C\$812	C\$80	C\$301
Old 2011E		938	185	345
New 2011E	5.7%	938	185	345
Old 2012E		1,078	222	371
New 2012E	7.1%	1,078	222	371

Source: Raymond James Ltd., Thomson One

Genivar Inc. GNV-TSX**Rating: Outperform**

Current Price(Oct-14-11)	C\$24.00	Target Price (6-12 mos)	C\$33.00
52-Week Range	C\$34.55 - C\$19.83	Total Return to Target	44%
Market Capitalization (mln)	C\$624	Dividend/Yield	C\$1.50/6.0%
Shares Outstanding (mln, f.d.)	26.0	Current Net Debt (mln)	C\$109
Average Daily Volume (000s)	64	Enterprise Value (mln)	C\$733

EPS	1Q Mar	2Q Jun	3Q Sep	4Q Dec	Full Year	Revenue (mln)	EBITDA (mln)	P/E	EV/EBITDA
2010A	C\$0.41	C\$0.52	C\$0.61	C\$0.16	C\$1.70	C\$469	C\$85	14.1x	8.7x
Old 2011E	0.62A	0.38A	0.48	0.51	2.00	546	94		
New 2011E	0.62A	0.38A	0.48	0.52	2.00	544	95	12.0x	7.8x
Old 2012E	0.49	0.55	0.62	0.64	2.30	655	125		
New 2012E	0.49	0.55	0.62	0.64	2.30	655	125	10.4x	5.9x

	EBITDA Margin	Revenue/Em plovee	Dividend/Sh Distributable cash/share	are	Payout Ratio (%)
2010A	18.0%	106,559	C\$2.66	C\$2.05	77.0%
Old 2011E		112,788	2.61	1.50	57.6%
New 2011E	17.4%	113,589	2.61	1.50	57.6%
Old 2012E		116,173	2.95	1.50	50.8%
New 2012E	19.1%	118,644	2.95	1.50	50.8%

Source: Raymond James Ltd.

IBI Group Inc. IBG-TSX**Rating: Outperform**

Current Price(Oct-14-11)	C\$12.50	Target Price (6-12 mos)	C\$16.50
52-Week Range	C\$15.94 - C\$10.05	Total Return to Target	41%
Market Capitalization (mln)	C\$301	Dividend/Yield	C\$1.10/8.8%
Shares Outstanding (mln, f.d.)	24.0	Net Debt (mln)	C\$104
Average Daily Volume (000s)	23	Enterprise Value (mln)	C\$405

EPS	1Q Mar	2Q Jun	3Q Sep	4Q Dec	Full Year	Revenue (mln)	EBITDA (mln)	P/E	EV/EBITDA
2010A	C\$0.22	C\$0.21	C\$0.25	C\$0.43	C\$1.11	C\$290	C\$43	11.3x	9.5x
Old 2011E	0.02A	0.25	0.30	0.31	0.90	331	50		
New 2011E	0.02A	0.26A	0.28	0.31	0.90	332	51	13.9x	8.0x
Old 2012E	0.31	0.37	0.39	0.42	1.50	381	62		
New 2012E	0.31	0.38	0.40	0.41	1.50	384	63	8.3x	6.5x

	EBITDA Margin	Rev/Employ ee	Dividend/Sh Distributable Cash/Share	are	Payout Ratio (%)
2010A	14.7%	124,155	C\$1.59	C\$1.60	101%
Old 2011E		125,135	1.39	1.10	79%
New 2011E	15.3%	124,692	1.39	1.10	79%
Old 2012E		125,650	2.04	1.10	54%
New 2012E	16.3%	125,559	2.05	1.10	54%

Note: 2011 and 2012 est's reflect IBI's conversion to a taxable corporation. Source: Raymond James Ltd.

SNC-Lavalin SNC-TSX**Rating: Strong Buy**

Current Price(Oct-14-11)	C\$47.04	Target Price (6-12 mos)	C\$60.00
52-Week Range	C\$63.23 - C\$38.51	Total Return to Target	29%
Market Capitalization (mln)	C\$7,148	Dividend/Yield	C\$0.84/1.8%
Shares Outstanding (mln, f.d.)	152.0	Current Net Debt (mln)	C\$936
Average Daily Volume (000s)	386	Enterprise Value (mln)	C\$8,084

EPS	1Q Mar	2Q Jun	3Q Sep	4Q Dec	Full Year	Revenue (mln)	EBITDA (mln)	P/E	EV/EBITDA
2010A	C\$0.47	C\$0.64	C\$0.84	C\$0.91	C\$2.87	C\$6,315	C\$879	16.4x	9.2x
Old 2011E	0.49A	0.66A	0.81	0.69	2.65	7,074	786		
New 2011E	0.49A	0.66A	0.76	0.74	2.65	7,074	786	17.7x	10.3x
Old 2012E	0.77	0.77	0.89	0.92	3.35	7,963	937		
New 2012E	0.77	0.77	0.89	0.92	3.35	7,963	937	14.0x	8.6x

	E&C Business: EPS	E&C Business: P/E	E&C Business: EBITDA (mln)	E&C Business: EV/EBITDA
2010A	C\$2.33	10.9x	C\$551	5.6x
Old 2011E	1.94		488	
New 2011E	1.94	13.1x	488	6.3x
Old 2012E	2.69		626	
New 2012E	2.69	9.4x	626	4.9x

Source: Raymond James Ltd., Thomson One

Armtec Infrastructure Inc. ARF-TSX**Rating: Market Perform**

Current Price(Oct-14-11)	C\$2.22	Target Price (6-12 mos)	C\$3.00
52-Week Range	C\$20.65 - C\$0.78	Total Return to Target	35%
Market Capitalization (mln)	C\$62	Dividend/Yield	C\$0.00/NM
Shares Outstanding (mln, f.d.)	28.0	Net Debt (mln)	C\$273
Average Daily Volume (000s)	166	Enterprise Value (mln)	C\$336

EPS	1Q Mar	2Q Jun	3Q Sep	4Q Dec	Full Year	Revenue (mln)	EBITDA (mln)	P/E	EV/EBITDA
2010A	C\$(0.60)	C\$0.27	C\$0.35	C\$0.08	C\$0.06	C\$463	C\$49	nm	6.9x
Old 2011E	(0.65)A	(5.78)A	0.03	(0.15)	(6.10)	440	20		
New 2011E	(0.65)A	(5.78)A	(0.05)	(0.07)	(6.10)	440	18	nm	nm
Old 2012E	(0.34)	0.11	0.28	(0.10)	(0.05)	469	45		
New 2012E	(0.34)	0.11	0.28	(0.10)	(0.05)	469	45	nm	7.4x

	CIA Revenues (mln)	ES Revenues (mln)
2010A	C\$244	C\$219
Old 2011E	225	215
New 2011E	225	215
Old 2012E	248	221
New 2012E	248	221

Source: Raymond James Ltd., Thomson One

GLV Inc. GLV.A-TSX**Rating: Outperform**

Current Price(Oct-14-11)	C\$4.45	Target Price (6-12 mos)	C\$8.00
52-Week Range	C\$8.65 - C\$3.57	Total Return to Target	80%
Market Capitalization (mln)	C\$196	Dividend/Yield	C\$0.00/NM
Shares Outstanding (mln, f.d.)	44.1	Net Debt (mln)	C\$68
Average Daily Volume (000s)	54	Enterprise Value (mln)	C\$264

	Normalized					Full Year	Revenue (mln)	Normalized EBITDA (mln)	Normalized	
	EPS	1Q Jun	2Q Sep	3Q Dec	4Q Mar				P/E	Normalized EV/EBITDA
2011A	C\$(0.09)	C\$(0.22)	C\$0.05	C\$(0.14)	C\$(0.30)	C\$672	C\$21	NA	12.7x	
Old 2012E	(0.09)A	(0.01)	0.09	0.07	0.05	672	30			
New 2012E	(0.09)A	0.01	0.07	0.07	0.05	672	30	NA	8.8x	
Old 2013E	0.08	0.08	0.18	0.15	0.50	726	50			
New 2013E	0.08	0.08	0.18	0.15	0.50	726	50	8.9x	5.3x	

	Reported EPS	Reported EBITDA	Reported P/E	Reported EV/EBITDA
2011A	C\$(0.30)	C\$21	NA	NA
Old 2012E	0.05	30		
New 2012E	0.05	30	NA	8.8x
Old 2013E	0.50	50		
New 2013E	0.50	50	8.9x	5.3x

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

Cervus Equipment Corp. CVL-TSX**Rating: Strong Buy**

Current Price(Oct-14-11)	C\$14.75	Target Price (6-12 mos)	C\$20.00
52-Week Range	C\$18.40 - C\$11.52	Total Return to Target	41%
Market Capitalization (mln)	C\$222	Dividend/Yield	C\$0.72/4.9%
Shares Outstanding (mln, f.d.)	15.0	Current Net Debt (mln)	C\$9
Average Daily Volume (000s)	18	Enterprise Value (mln)	C\$231

	EPS	1Q Mar	2Q Jun	3Q Sep	4Q Dec	Full Year	Revenue (mln)	EBITDA (mln)	P/E	EV/EBITDA
2010A	C\$(0.04)	C\$0.25	C\$0.54	C\$0.16	C\$0.92	C\$469	C\$25	16.0x	9.4x	
Old 2011E	(0.01)	0.37	0.74	0.29	1.40	533	36			
New 2011E	(0.01)A	0.37A	0.79	0.25	1.40	549	36	10.5x	6.4x	
Old 2012E	NA	NA	NA	NA	1.71	559	44			
New 2012E	NA	NA	NA	NA	1.71	579	44	8.6x	5.3x	

	EBITDA Margin (%)
2010A	5.2%
Old 2011E	
New 2011E	6.6%
Old 2012E	
New 2012E	7.6%

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

Strongco Corp. SQP-TSXRating: **Outperform**

Current Price(Oct-14-11)	C\$4.75	Target Price (6-12 mos)	C\$9.50
52-Week Range	C\$6.24 - C\$3.35	Total Return to Target	100%
Market Capitalization (mln)	C\$63	Dividend/Yield	NM/NM
Shares Outstanding (mln, f.d.)	13.0	Current Net Debt (mln)	C\$107
Average Daily Volume (000s)	4	Enterprise Value (mln)	C\$169

EPS	1Q Mar	2Q Jun	3Q Sep	4Q Dec	Full Year	Revenues (mln)	EBITDA (mln)	P/E	EV/EBITDA
2010A	C\$(0.20)	C\$(0.05)	C\$0.07	C\$0.14	C\$(0.04)	C\$295	C\$22	NM	7.7x
Old 2011E	0.05A	0.28A	0.27	0.29	0.88	448	37		
New 2011E	0.05A	0.28A	0.23	0.32	0.88	448	37	5.4x	4.5x
Old 2012E	NA	NA	NA	NA	0.95	497	46		
New 2012E	NA	NA	NA	NA	0.95	497	46	5.0x	3.7x

**EBITDA
Margin (%)**

2010A	7.6%
Old 2011E	
New 2011E	8.4%
Old 2012E	
New 2012E	9.2%

Source: Raymond James Ltd., Thomson One

Canam Group CAM-TSXRating: **Market Perform**

Current Price(Oct-14-11)	C\$3.60	Target Price (6-12 mos)	C\$5.50
52-Week Range	C\$8.85 - C\$3.45	Total Return to Target	53%
Market Capitalization (mln)	C\$163	Dividend/Yield	C\$0.00/NM
Shares Outstanding (mln, f.d.)	45.4	Current Net Debt (mln)	C\$253
Average Daily Volume (000s)	42	Enterprise Value (mln)	C\$416

EPS	1Q Mar	2Q Jun	3Q Sep	4Q Dec	Full Year	Revenue (mln)	EBITDA (mln)	P/E	EV/EBITDA
2010A	C\$(0.02)	C\$(0.05)	C\$0.05	C\$0.02	C\$0.00	C\$751	C\$15	nm	nm
Old 2011E	(0.88)A	(0.13)A	0.02	0.06	(0.94)	854	(24)		
New 2011E	(0.88)A	(0.13)A	0.00	0.06	(0.94)	844	(24)	nm	nm
Old 2012E	(0.15)	0.00	0.15	0.19	0.20	936	46		
New 2012E	(0.15)	0.00	0.14	0.20	0.20	936	47	18.4x	8.8x

**Gross
Margin (%)**

2010A	12.5%
Old 2011E	
New 2011E	7.6%
Old 2012E	
New 2012E	15.0%

Source: Raymond James Ltd., Thomson One

Russel Metals RUS-TSX**Rating: Outperform**

Current Price(Oct-14-11)	C\$21.45	Target Price (6-12 mos)	C\$27.00
52-Week Range	C\$27.75 - C\$18.90	Total Return to Target	31%
Market Capitalization (mln)	C\$1,434	Dividend/Yield	C\$1.20/5.6%
Shares Outstanding (mln, f.d.)	66.8	Net Debt (mln)	-C\$100
Average Daily Volume (000s)	163	Enterprise Value (mln)	C\$1,334

EPS	1Q Mar	2Q Jun	3Q Sep	4Q Dec	Full Year	Revenue (mln)	EBITDA (mln)	P/E	EV/EBITDA
2010A	C\$0.28	C\$0.31	C\$0.28	C\$0.29	C\$1.16	C\$2,175	C\$148	18.4x	9.0x
Old 2011E	0.53A	0.50A	0.38	0.48	1.90	2,602	218		
New 2011E	0.53A	0.50A	0.40	0.46	1.90	2,602	218	11.3x	6.1x
Old 2012E	0.53	0.50	0.50	0.56	2.10	2,775	235		
New 2012E	0.53	0.50	0.50	0.56	2.10	2,775	235	10.2x	5.7x

	Metals Service Centers Revenue (mln)	Energy Tubular Products Revenue (mln)	Steel Distributors Revenue (mln)
2010A	C\$1,212	C\$704	C\$248
Old 2011E	1,491	789	312
New 2011E	1,491	789	312
Old 2012E	1,566	868	328
New 2012E	1,566	868	328

Source: Raymond James Ltd., Thomson One

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