

Industrial

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Industry Comment

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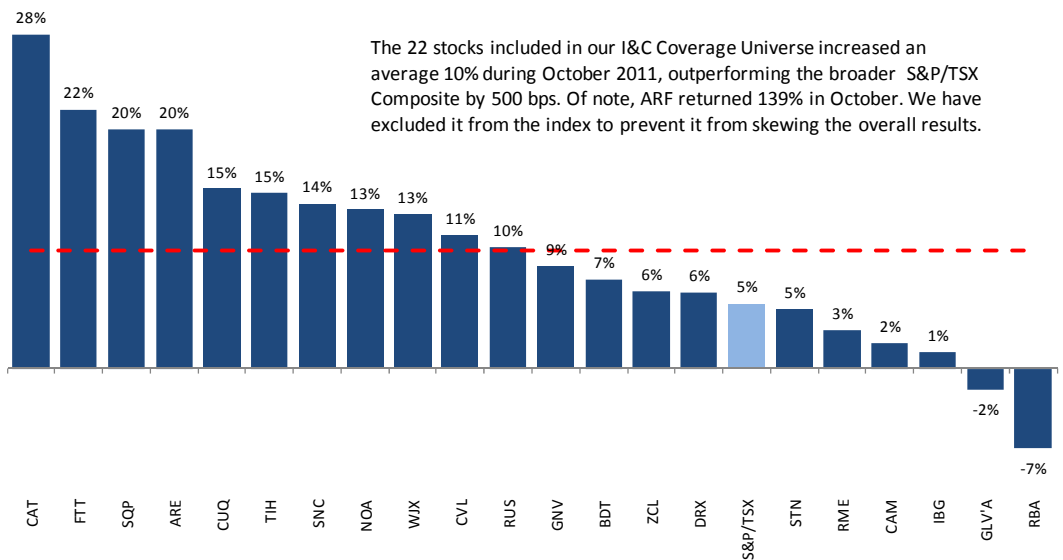
Infrastructure & Construction

The Infrastructure & Construction Monthly Monitor: November 2011

Our Monthly Monitor newsletter is designed to provide an 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. Excluding the 139% return in Armtec shares (from \$0.94 to \$2.25), our coverage universe of I&C stocks rebounded an average of 10% in October. This compares favourably to the 5% return in the TSX over the same period and demonstrates the generally pro-cyclical nature of the sector. Many of our equipment stocks had a particularly good month, with CAT, Finning and Strongco each generating returns in excess of 20%. This is consistent with our expectations that this subsegment is poised to outperform. Some of our contractors also had a relatively good month, after getting beaten up to very compelling valuation levels in September. Other key sector observations that are worth highlighting are as follows:

- ◆ The natural resource market continues to drive the lion’s share of the growth in Canada’s I&C sector, while residential and commercial activity remains at elevated, albeit less expansionary, levels. By contrast, the institutional category continues to roll over from historically high activity levels, reflecting (in part) the end of stimulus spending in Canada.
- ◆ The US I&C markets remain depressed, although signs continue to mount that a modest recovery off very low levels is underway. Given the country’s current fiscal and political realities, these trends are not expected to gather meaningful momentum for at least the next 12-18 months.
- ◆ Although bidding activity has been relatively robust for the contractor segment, excess capacity and increased competition remain lingering headwinds for the sector. We therefore believe that it will take at least another 6-12 months before reported margins begin to reflect a more balanced supply-demand environment.

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



Source: Capital IQ, Raymond James Ltd.

INDUSTRY NEWS

Value of Canadian Building Permits Fall 5% in September**Source:** *Statistics Canada, November-04-11*

Event: Overall Canadian building permits declined by 4.9% in September, falling for the second time in as many months. By segment, both residential and non-residential permits experienced declines falling 1.0% and 11.0%, respectively. On the non-residential side, institutional permits fell 40.8% while commercial permits declined a modest 0.5%. On a positive note, industrial permits managed to post a 2.3% 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/111104/dq111104b-eng.htm>**Hochtief Sale of Airport Business Said to Stall Amid Sovereign Debt Crisis****Source:** *Bloomberg, November-02-11*

Event: Recent market volatility and valuation concerns have stalled the potential sale of Hochtief's airport concession to Europe's Vinci and China's HNA Group. Hochtief values its airport-operating business at approximately €1.6 bln, but Vinci and HNA are only willing to pay a little more than €1 bln for it. In December 2009 Hochtief shelved an attempt at an initial public offering of its concessions unit, citing a slump in global capital markets. The company revived the monetization process earlier this year, but opted to focus the divestiture on the airport assets alone.

Potential Sector Implications: This current development has mixed implications for SNC-Lavalin and Aecon, the two companies under coverage with concession investments. It suggests market conditions may lower the value investors are willing to attribute to SNC's concession portfolio and Aecon's stake in the new Quito Airport. We feel, on the other hand, that the market uncertainty may allow well-capitalized pension funds to pick up solid assets on the cheap.

Stocks Impacted: SNC and ARE**Article Link:** <http://www.bloomberg.com/news/2011-11-02/hochtief-airport-unit-sale-said-to-stall-amid-sovereign-crisis.html>**Engineering Stocks Pick Up Top Honors at National Awards Gala****Source:** *Canadian Consulting Engineer, November-02-11*

Event: Genivar was awarded the top technical prize at the 2011 Canadian Consulting Engineering Awards gala, held in the nation's capital on Nov-01-11, for the rehabilitation of Xstrata Copper's Gaspé mines in Quebec. The \$116 mln mandate was the first smelter decommissioning project and the largest mining and metallurgical site closure in Canada. It involved demolishing the dust-filled mining building, decommissioning the mine tailings and removing polluted soil in nearby Murdochville. In addition, IBI Group, Stantec, and SNC-Lavalin received Awards of Excellence for their respective roles on the GO Transit Rail Infrastructure Improvement Program, the Oxford Pollution Control Plant Upgrade, and BC's Coast Meridian Overpass Design-Build Project.

Potential Sector Implications: These accolades support our view that the four firms comprising the engineering sub-segment of our I&C coverage universe are best-in-class. Our comprehensive May-03-11 report titled '*Canada's Engineering Firms: Designing Impressive Shareholder Returns*' elaborates on what differentiates these companies from the rest of the pack and explains why they are suitable for a broad range of investors.

Stocks Impacted: Engineering and design firms (GNV, IBG, SNC, and STN)**Article Link:** <http://www.canadianconsultingengineer.com/>

US Non-Residential Construction Spending Slips 0.1% in September

Source: *Associated Builders and Contractors Inc., November-01-11*

Event: US non-residential construction spending declined to \$551 bln or 0.1% sequentially in September. By segment, private non-residential construction spending increased 0.3% while public non-residential construction spending declined 0.4%. Of note, September's \$551 bln is down almost \$200 bln from the peak value of \$730 bln reported in September 2008.

Potential Sector Implications: The decline in US non-residential construction spending, albeit modest, corroborates our view that declines in publically financed construction activity (i.e. stimulus spending) will mitigate increases in private sector construction activity. This will create a challenging operating environment for the companies in our universe with exposure south of the border.

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

Article Link: http://www.abc.org/Hot_Links/ConstructionEconomicsIndex/Spending_November_2011.aspx

Canada Proposed New Anti-Corruption Laws

Source: *International Construction, October-31-11*

Event: On Oct-26-11 a new anti-corruption law in Quebec was proposed, which would allow the province's construction regulator to increase fines imposed for illegal activity, and prohibit contractors found guilty of tax fraud or other illegal activities from bidding for public contracts for years at a time. The law goes hand-in-hand with a second proposed bill requiring increased transparency from construction unions and limiting their powers over job placements.

Potential Sector Implications: Quebec's construction industry has been plagued for years with allegations of corruption and collusion, including back-room deals and involvement with organized crime. This summer, a special watchdog committee released a report suggesting such activities, forcing the Quebec government to launch an official inquiry into the granting of construction contracts over the past 15 years. The headline news of corruption has negatively affected the shares of companies with material operations in Quebec, namely Genivar and SNC-Lavalin. We expect, however, that the new laws aimed at stemming corruption will help lower the risk premiums presently applied to these stocks over time.

Stocks Impacted: GNV and SNC

Article Link: <http://www.khl.com/magazines/international-construction/detail/item68294/Canada-proposes-new-anti-corruption-law/?nltr=wcw>

Two Large Iowa John Deere Dealers Merge to Form Precision Equipment

Source: *AgriMarketing, October-31-11*

Event: Iowa-based Elder Implement and Farmers Implement are proud to announce their two John Deere dealer groups have united to form one entity, Precision Equipment. This move is designed to provide many benefits, including improved customer relations, a combined staff of knowledgeable and highly trained employees, and a larger resource of products and services. It comes with the full support of the OEM, John Deere. "In bringing these two organizations together as one, they will be able to implement the best practices from both organizations to enhance even further the services they are able to provide to the customers that they serve," Chuck Alexander, Territory Manager for John Deere, stated.

Potential Sector Implications: Ongoing dealer consolidation is a key component of our investment thesis on the equipment distribution sector in general, and Cervus Corp. in particular. Contrary to a common misconception that OEMs such as Deere are unwilling to let their dealers acquire each other, there is plenty of evidence that the industry is embracing consolidation and recognizes the benefits of having bigger, strong dealerships. The formation of Precision Equipment is just one of many examples of this trend.

Stocks Impacted: CVL (Canada's Deere dealer), as well as FTT, TIH, WJX, RME, and SQP more generally

Article Link: <http://www.agrimarketing.com/s/70721>

US Non-Residential Fixed Investment up 16.3% in 3Q11

Source: *Associated Builders and Contractors Inc., October-27-11*

Event: On the heels of a 9.2% increase in 2Q11, non-residential fixed investment rose 16.3% in 3Q11 signaling that US corporations are making investments to support growth activity. According to the Associated Builders and Contractors Chief Economist, “what the US is now experiencing is acceleration in capital formation.”

Potential Sector Implications: We do not believe that the US economy is headed towards another recession. Rather, we feel the US economy will recover in a transitional phase of slow growth. Increasing fixed investments support labour expansion, job growth, and an eventual increase in construction demand in 2012 and beyond.

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

Article Link: http://www.abc.org/Hot_Links/ConstructionEconomicsIndex/GDP_3Q_2011.aspx

Equipment Financing New Business Volume Up in September 2011

Source: *ForConstructionPros.com, October-25-11*

Event: The Equipment Leasing and Finance Association's (ELFA) Monthly Leasing and Finance Index, which reports economic activity for the \$628 bln equipment finance sector, showed overall new business volume for September was \$7.1 bln, up 25% from volume of \$5.7 bln in the same period in 2010. Volume was also up 25% from the previous month. Year-to-date cumulative new business volume is up 25% as well.

Potential Sector Implications: The ELFA's data represent yet another indication of robust demand for and higher turnover rates of heavy equipment in North America. The support of leasing companies is critical to dealer and OEM sales.

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

Article Link: http://www.forconstructionpros.com/press_release/10441868/equipment-financing-new-business-volume-up-in-september-2011

Stave Lake Wins P3 Canada Grant

Source: *Vancouver Sun, October-24-11*

Event: The P3 Canada Fund has awarded the city of Abbotsford, BC a grant of up to \$66 mln for its \$284 mln Stave Lake water project. The grant would be applied towards the capital costs of the proposed 25-year DBFOM concession. The project, which is expected to increase the city's supply of drinkable water by 100 mln litres per day, includes transmission mains, a treatment plant, an intake and pump station, and expansion of the city's reservoir.

Potential Sector Implications: We expect water-related work to represent an increasingly larger proportion of Canadian P3s to break ground in the years to come. We believe this is good news for the firms that already boast strong expertise in the field, including Aecon, Bird Construction, Genivar, GLV, Stantec and ZCL.

Stocks Impacted: ARE, BDT, GNV, GLV, STN, ZCL

Article Link: <http://www.vancouversun.com/news/Feds+announce+million+Abbotsford+Stave+Lake+project/5589177/story.html>

UK Construction Gloom

Source: *Construction Europe, October-24-11*

Event: The latest edition of Construction Industry Forecasts, published by the UK's Construction Products Association, predicts the UK's worst decline in construction activity in 30 years. It also forecasts that construction activity is unlikely to return to growth until 2014. According to its calculations since the start of the economic downturn in 2007, more than £32 bln (£37 bln) of construction activity had been lost. The main problem reportedly is that the government is cutting capital expenditure by 20% over the next four years before the private sector recovery has gained full traction. Commercial construction is poised to be particularly weak while some sectors such as rails and energy-related projects are expected to buck the trend and maintain healthy growth rates.

Potential Sector Implications: We believe that Finning's strategic repositioning in the mining and power systems will help to partially offset these broader sector headwinds in the UK's general construction markets.

Stocks Impacted: FTT

Article Link: <http://www.khl.com/magazines/construction-europe/detail/item68149/UK-construction-gloom/>

Another Drop for the Architectural Billings Index

Source: *American Institute of Architects, October-19-11*

Event: The Architectural Billings Index (ABI) for September came in at 46.9 (see Exhibit 3), down from August's 51.4 reading. September's sub 50 result confirmed that the spike witnessed in August was an aberration and not the beginning of a new positive trend.

Potential Sector Implications: We continue to wait for a sustained trend of results above 50 before gaining confidence that the economic expansion is underway. As stated in previous missives, 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/AIAB091383>

Help Cut Commute Times in 2012, Cities Urge Ottawa

Source: *The Globe & Mail, October-18-11*

Event: In developing a long-term plan for public infrastructure spending, the Federation of Canadian Municipalities (FCM) believes that the Harper Government should fund a new infrastructure plan for Canada's cities aimed at reducing commute times. According to the FCM, commute times in Toronto and Montreal now exceed those of New York, Los Angeles, and London—some of the world's largest cities.

Potential Sector Implications: As stimulus spending expires, the implementation of a new long-term infrastructure spending plan could help support the Canadian economy in a period of economic uncertainty. Furthermore, implementation of a long-term infrastructure spending plan would be unambiguously positive for Canada's I&C sector.

Stocks Impacted: Coverage Universe

Article Link: http://www.theglobeandmail.com/news/politics/cities-pitch-commuter-aid-for-new-round-of-federal-stimulus/article2204330/?utm_medium=Feeds%3A%20RSS%2FAtom&utm_source=Toronto&utm_content=2204330

Canadian Sales of Smaller Tractors, Combines Strong in September

Source: *AgriMarketing, October-13-11*

Event: AEM reported that the sales of all tractors in Canada for September 2011 were up 7% compared to the same month last year. For the month, two-wheel-drive smaller tractors (under 40 HP) were up 14%, and 40 & under HP were up 12% from last year. Sales of 100+ HP two-wheel-drive tractors were down 15% from year-ago levels. Four wheel drive tractors were down 13% for the month. YTD numbers are as follows: two-wheel-drive smaller tractors (under 40 HP) up 9%, 40 & under HP up 2%, 100+ HP two-wheel-drive tractors up 2%, and four wheel drive tractors down 2%. Total combine sales were up 4% for the month and 4% YTD.

Potential Sector Implications: The sale of larger, high horse power tractors is more relevant to our ag dealer stocks. September numbers appear weak, although YTD trends remain stable.

Stocks Impacted: CVL and RME

Article Link: <http://www.agrimarketing.com/s/70297>

Los Angeles Metro Prefers PPP Structures for Three of Seven

Source: *Project Finance*, October-07-11

Event: The Los Angeles Metropolitan Transportation Authority has selected procurement models for six of its seven proposed public private partnerships. The degree of private sector involvement varies by project. Specifically, it prefers design-build-finance-operate-maintain concessions with toll revenue risk for the \$900 mln 100.8 km High Desert greenfield corridor, the \$6 bln 28.8 km I-710 south truck-only toll lanes, and the \$2.8 bln I-710 north gap tunnel projects. By contrast, the less 'integrated' design-build model is preferred for the 13.6 km Crenshaw light rail corridor and the 2.9 km regional light rail connector, and a design-build-maintain contract for the 13.6km Westside underground line.

Potential Sector Implications: We have long held the view that a heightened use of P3s and/or other 'alternative finance' models is one of the only ways that the US can effectively deal with its conflicting (and growing) fiscal versus infrastructure deficits. Although these projects by no means suggest that P3s are becoming more popular nation-wide, we are still encouraged to see them unfold, especially in state as large and influential as California. Notably, Stantec has considerable experience with the P3 model as well as a long-term agreement with LA Metro. We believe that both of these assets will favourably position the firm on these particular project opportunities.

Stocks Impacted: STN, CAT, SNC

Article Link: <http://www.projectfinancemagazine.com/Article/2913990/Los-Angeles-Metro-prefers-PPP-structures-for-three-of-seven.html?ArticleId=2913990&LS=EMS576082>

Cautious House Ready to Debate Obama's Infrastructure Bank Proposal

Source: *Roads & Bridges*, October-07-11

Event: The House Transportation and Infrastructure Committee will hold a hearing on President Barack Obama's infrastructure bank proposal on Wednesday, October 12. Obama is calling for a National Infrastructure Bank capitalized with \$10 bln in order to leverage private and public capital and to invest in a broad range of infrastructure projects of national and regional significance.

Potential Sector Implications: This development marks another gradual yet meaningful step towards the increased use of 'alternative financing' and greater involvement of the private sector in the US infrastructure markets. Obama's proposal, however, is unsurprisingly not without its opponents in Congress and will thus not likely transpire expediently. We expect SNC-Lavalin and other global P3 players to be active players in the US once stakeholders buy into the advantages of alternative financing approaches.

Stocks Impacted: STN, CAT, SNC

Article Link: <http://www.roadsbridges.com/Cautious-House-ready-to-debate-Obama%25E2%2580%2599s-infrastructure-bank-proposal-newsPiece24497>

Michigan's Roads, Bridges Listed in Serious Condition

Source: *Roads & Bridges*, October-05-11

Event: A report released by state lawmakers has revealed a deteriorating condition of Michigan's transportation infrastructure and not a whole lot of funding hope in the near future. According to recent data, 35% of the state's roads are in poor condition, while 47% were in fair shape, and just 18% were marked as good. Michigan spends approximately \$1.4 bln a year on construction projects, but the figure is expected to dip to below \$700 mln in 2012 due to weakening state fuel tax receipts and vehicle registrations.

Potential Sector Implications: This story highlights the alarming severity of the US infrastructure deficit and the growing dilemma of how to deal with the problem in the age of government austerity and political paralysis. We believe that sooner or later solutions—which could include P3s, alternative financing models, increased gas taxes, etc.—will have to be found, which would be beneficial for the I&C companies in our coverage universe that have exposure to the US market.

Stocks Impacted: STN, SNC, CAT, CAM

Article Link: <http://www.roadsbridges.com/Michigan%25E2%2580%2599s-roads-bridges-listed-in-serious-condition-newsPiece24486>

Chilean Consulting Engineers Set Sights on Toronto

Source: *Canadian Consulting Engineering*, October-05-11

Event: The Chilean association of consulting engineering is heading to Toronto in November in the hopes of making partnerships and other connections in the mining industry. They believe their expertise can provide valuable help to the large international engineering companies that are already established in the copper rich country. Over the next five years investments in mining projects are expected to reach \$42 bln in Chile, \$45 bln in Peru, and \$20 bln in Brazil.

Potential Sector Implications: The Canadian engineering firms under our I&C coverage universe all consider the mining sector to be an integral part of their long-term strategy. These firms have traditionally assisted their Canadian clients with specific projects abroad, but they are increasingly seeing the benefit of establishing a local presence in key mining jurisdictions, often through acquisitions. We speculate that the Chilean engineers' visit to Canada will not only serve to showcase their proficiency in the mining field, but also potentially elicit some M&A activity down the road.

Stocks Impacted: GNV, SNC, STN

Article Link: <http://www.canadianconsultingengineer.com/news/chilean-consulting-engineers-set-sights-on-toronto/1000614924/>

Myanmar's Surprising Government; Dammed if They Don't

Source: *The Economist*, October-04-11

Event: On Sep-30-11, Myanmar's president, Thein Sein, announced the suspension of work on the \$3.6 bln Myitsone dam until at least 2015. The reason given for the suspension is that the dam was "contrary to the will of the people." The decision came as a surprise to most but especially to the Chinese, who were not only contracted to build the dam, but also set to buy almost all the electricity generated by the associated 6,000 MW hydropower plant.

Potential Sector Implications: The article clearly illustrates the risks involved with international construction; it also helps explain why global construction companies prefer doing business in politically stable countries such as Canada.

Stocks Impacted: Coverage universe

Article Link: <http://www.economist.com/blogs/banyan/2011/10/myanmars-surprising-government>

COMPANY SPECIFIC NEWS

Flint Energy Services Announces Stronger 3Q11 Results**Source:** *Flint Energy Services*, November-03-11

Event: Calgary-based Flint Energy Services reported a quarterly profit of \$0.37 per share for 3Q11, easily surpassing the consensus estimate of \$0.20. During the quarter the company added contracts worth \$440 mln to its Facility Infrastructure backlog, bringing the division's total backlog to \$740 mln at the end of Sep-30-11.

Potential Sector Implications: The growth in Flint's Infrastructure Facility backlog is further evidence that oil sands contracts are finally being awarded after long delays. This bodes well for the other industry players serving this expansive market.

Stocks Impacted: ARE, BDT, CUQ, NOA, CAT, FTT, WJX

Article Link: <http://flintenergy.mediaroom.com/index.php?s=4932&item=79945>

Rio Tinto Boosts Driverless Truck Fleet to 150 under Mine of the Future™ Program**Source:** *Rio Tinto*, November-02-11

Event: Rio Tinto signed a deal to buy at least 150 driverless trucks from Komatsu Limited over the next four years. The new trucks, which will start arriving in 2012, will be used in Rio Tinto's Pilbara iron ore mines in Western Australia and can be controlled from its Operations Centre in Perth more than 1,500 km away. The move signals a 15-fold expansion from its previous plan to double the fleet to 10 trucks and will make Rio Tinto the owner of the world's largest fleet of driverless trucks.

Potential Sector Implications: This announcement denotes a movement towards more automation in the equipment mining industry. Automated trucks have been in the works at major OEMs such as Komatsu and Caterpillar for over 10 years. In collaboration with end users such as Rio Tinto, these trucks have developed as a result of the increasingly remote locations of new mine sites and also as a way for end users to reduce costs. This release follows that of Caterpillar's last July, which announced the sale of its autonomous 793F truck to Fortescue Metals Group. In this case, the total automated fleet size was notably smaller (45 autonomous haul trucks by 2015).

Stocks Impacted: CAT, FTT, TIH, WJX

Article Link:

http://www.riotinto.com/documents/111102_Rio_Tinto_boosts_driverless_truck_fleet_to_150_under_Mine_of_the_Future_programme.pdf

Heartland Transmission Project Approved**Source:** *Heartland Transmission*, November-01-11

Event: The Alberta Utilities Commission (AUC) has approved AltaLink and Epcor's 83 km Heartland transmission project (which includes a 65 km 500kV line, an 18 km 240kV connection, and a substation stretching from Edmonton to near Fort Saskatchewan). A transmission tariff on ratepayers' bills will cover costs of the \$610 mln project, a key component of Alberta's decade long \$14.5 bln transmission system investment plan.

Potential Sector Implications: The Heartland transmission project bodes well for SNC-Lavalin's AltaLink, which owns and operates more than half of the transmission lines used in Alberta's power grid (servicing 85% of the province's population). We remind investors that SNC recently purchased from Macquarie Essential Assets Partnership the 23% stake it did not already own in the utility (refer to our Feb-14-11 Comment titled '*To Privatize AltaLink With Latest Concession Investment*' for more detail, price: \$60.00).

Stocks Impacted: SNC

Article Link: <http://www.heartlandtransmission.ca/new/index.asp>

Jacobs Announces Acquisition of KlingStubbins

Source: *Jacobs Engineering Group, November-01-11*

Event: Jacobs announced its acquisition of KlingStubbins, an internationally recognized design firm with over 60 years of experience on a wide range of projects. The 500-employee strong firm operates from five US offices (Philadelphia, Cambridge, Raleigh, San Francisco, Washington) and one in Beijing, China. KlingStubbins' areas of market focus and specialization include Corporate/Commercial, Government, Science and Technology, Higher Education, Mission Critical, and Interiors.

Potential Sector Implications: We expect the engineering and design sector to continue consolidating at a steady pace in the years to come. Acquisitions not only provide design firms with an increasingly comprehensive range of engineering services to promote and cross-sell, but also help address the scalability issues often faced when targeting new opportunities. Moreover, if done right, they allow employees to enjoy greater career opportunities—effecting a powerful and attractive virtuous circle for these firms. For more on the sector's compelling investment characteristics please refer to our May-03-11 report titled '*Canada's Engineering Firms: Designing Impressive Shareholder Returns*'.

Stocks Impacted: GNV, IBG, SNC, STN

Article Link: <http://phx.corporate-ir.net/phoenix.zhtml?c=117895&p=irol-newsArticle&ID=1624457&highlight=>

Structal-Bridges Lands \$27 mln Contract in Connecticut

Source: *Canam Group, October-31-11*

Event: Canam's Structural-Bridges division secured a \$27 mln contract to fabricate the steel structure that will replace and expand the Moses Wheeler Bridge in Milford, Connecticut. Shipment of the ~400 steel girders will take place from March 2012 through May 2014 from Canam's New Hampshire plant. Built in 1958, the Moses Wheeler Bridge is one of the longest and most heavily traveled bridges in the state of Connecticut.

Potential Sector Implications: This project highlights that while government budgets across the US remain tight, infrastructure projects continue to be awarded on a selected basis. We believe it also solidifies Canam's position as a leading fabricator of structural steel bridges across North America.

Stocks Impacted: CAM

Article Link:

http://www.canamgroup.ws/www/v4/press.nsf/va_press/6A55B1391AEF1BDE85257917006B0E0C!opendocument&frame=cg

Komatsu Sales Rise

Source: *International Construction, October-27-11*

Event: Komatsu reported a 15% y/y rise in sales for 1H11, to JPY 986 bln (US\$13 bln), while net income increased 48.5% to JPY 94.7 bln (US\$1.2 bln). Overall, sales of construction, mining, and utility equipment increased by 11.8% y/y to reach JPY 853.6 bln (US\$11.1 bln). But the positive results were overshadowed by declining demand for construction, mining, and utility equipment in China.

Potential Sector Implications: Komatsu's results bear a striking resemblance to what CAT reported for 3Q11. Namely, demand for new equipment is very robust worldwide, except for China where inventories have been rising. The direct implications for our coverage universe are limited to CAT, although the dealers would certainly be affected if these trends translated into broader weakness in global equipment prices and/or China's demand for commodities.

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

Article Link: <http://www.khl.com/magazines/international-construction/detail/item68249/Komatsu-sales-rise/>

Volvo Sales Up

Source: *International Construction*, October-26-11

Event: Volvo Construction Equipment saw net sales rise 18% in 3Q11. Adjusted for currency movements, net sales increased by 27% during the period. Order bookings were also up considerably, with the value of the order book at September 30 being 30% higher than on the same date in 2010. Market conditions for the full year 2011 are projected to increase by between 15-20%, down slightly from the company's previous forecast of 15-25%. The European market is expected to rise by 20-25% while North America is expected to increase by between 35-40%. South America meanwhile, is predicted to rise by between 15-20% and Asia (excluding China) is forecast to rise by between 20-25%. China itself is projected to rise 5-10% during 2011.

Potential Sector Implications: Volvo's 3Q11 results are consistent with the strong performance that has been broadly reported by the equipment sector so far. Once again, China stood out as the only notable region where demand was relatively soft.

Stocks Impacted: **SQP (Canada's Volvo dealer), as well as CAT, RBA, FTT, TIH, WJX, RME, and CVL more generally**

Article Link: <http://www.constructionequipment.com/volvo-ce-sales-27%-third-quarter>

Aecon, SNC-Lavalin Shortlisted for Ottawa Light Rail Transit Project

Source: *Infrastructure Ontario*, October-21-11

Event: The City of Ottawa and Infrastructure Ontario short-listed three teams for the Ottawa Light Rail Transit DBFM (design, build, finance, and maintain) project. This project is the first of several phases to implement light rail transit in the nation's capital and includes: (i) a 12.5 km line along the existing Bus Route System (BRT) corridor; (ii) a tunnel through the downtown core, and (iii) 13 stations, including three underground stations. The bidders short-listed for the project are Ottawa Transit Partners (which includes Aecon Group as a contractor), Rideau Transit Group (jointly led by ACS and SNC-Lavalin) and Rideau Transit Partners.

Potential Sector Implications: This release supports our view that there is a strong pipeline of transportation projects waiting to break ground across Canada, and that both Aecon and SNC-Lavalin are well positioned for growth in this sector. The former company operates one of the nation's leading civil construction businesses while the latter boasts a long track record of success investing in Canadian P3 concessions.

Stocks Impacted: **ARE, SNC**

Article Link: <http://www.infrastructureontario.ca/What-We-Do/Projects/Project-Profiles/Ottawa-Light-Rail-Transit/>

Titan Machinery Acquires South Dakota Case IH, New Holland Dealer

Source: *AgriMarketing*, October-19-11

Event: Titan Machinery, a CNH dealer, has entered into a definitive agreement to acquire Van Der Werff Implement Inc, a Case IH and New Holland agriculture equipment dealership located in Platte, South Dakota. Van Der Werff generated ~\$9 mln of revenue in its most recently reported fiscal year.

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=70427>

United Rentals Reports Strong 3Q11

Source: *United Rentals*, October-18-11

Event: United Rentals, the world's largest rental company, posted adjusted EPS of \$0.92 vs. consensus of \$0.76 and last year's \$0.40. Total revenue increased 17.9% y/y to \$713 mln and adjusted EBITDA margins of 39.6% were a record for the company. The company generated \$42 mln from used equipment sales at a gross margin of 35.7%, compared to \$32 mln of proceeds at a gross margin of 31.3% last year. Rental volumes increased 19.1% y/y, rental rates increased 7.5% y/y, and time utilization was a record 73.5%. Finally, the company announced that it will continue to invest in its fleet, spending \$219 mln this quarter and increasing rental capex guidance for the year once again.

Potential Sector Implications: Increasing rental volumes, rental rates, and record time utilization indicate that end market demand remains strong and is accepting price increases. Higher proceeds from used equipment sales and at a higher gross margin implying strength in used equipment pricing remains strong. Finally, continued fleet expansion is consistent with the theme of equipment replacement demand which has been a sales driver for CAT and its dealers.

Stocks Impacted: CAT and the Equipment Distributors

Article Link: <http://www.ur.com/index.php/news/2011-10-18/>

Brookfield Raises Equity for Chilean Roads and Australian Rail

Source: *Brookfield Infrastructure, October-18-11*

Event: Brookfield Infrastructure agreed to issue roughly 14 mln Limited Partnership (LP) units, on a bought deal basis, at a price of \$24.75 per unit. The syndicate of underwriters rapidly increased its offer to 16.8 mln units and subsequently exercised its option to purchase an additional 2.5 mln units, bringing the offering's total gross proceeds to \$479 mln. In connection with this deal, Brookfield Asset Management acquired \$204 mln worth of redeemable partnership units from Brookfield Infrastructure to maintain its 30% interest in the partnership. Approximately \$150 mln of proceeds will be used to acquire interests in two Chilean toll roads while another \$150 mln be is earmarked to grow Brookfield Infrastructure's Australian railroad assets.

Potential Sector Implications: Many institutional investors—particularly pension fund managers—now view infrastructure investments as an asset class in their own right. This is because they provide stable, very long-term income streams which effectively match many of their long-term liabilities. The growing appetite for infrastructure investments is evident in the many large global funds that have recently been formed, and in Brookfield's successful offering.

Stocks Impacted: Coverage Universe

Article Link: http://www.brookfieldinfrastructure.com/content/press_releases/2011_press_releases-25814.html

Ritchie Bros. to Sell Late Model Heavy Construction Equipment in Sept-Iles, Quebec

Source: *Ritchie Bros. Auctioneers, October-13-11*

Event: Ritchie Bros. announced it would sell over 200 pieces of heavy construction equipment for Eastern Canadian heavy civil engineering firms Construction Polaris and Pennecon Heavy Civil Ltd. at its upcoming Sept-Iles auction. Some of the equipment was used in the Vale Inco Project in Long Harbour, Newfoundland and to build 40 km of access roads for Hydro Québec's La Romaine hydroelectric project.

Potential Sector Implications: The sale may imply that both firms have insufficient work ahead of them to maintain their fleets. This runs contrary to the recent successes Bird's H.J. O'Connell division experienced in this region and its need to bulk up its fleet to undertake the additional work secured. For Ritchie Bros. the Sept-Iles sale is yet another example of how volatility in the market can trigger turnover in used equipment.

Stocks Impacted: BDT, RBA

Article Link: <http://www.ctl.ca/press-releases/story.aspx?id=1000625454>

AECOM Wins Master Plan Design Contract for the 2016 Rio de Janeiro Olympic Games

Source: *AECOM Technology Corporation, October-13-11*

Event: AECOM announced that its master plan for the 2016 Rio Olympic and Paralympic Games has been accepted by the city of Rio de Janeiro. The firm's master plan focuses on roughly 300 acres of land in the district of Barra de Tijuca and includes three phases: the Rio Olympic Park area during the 2016 Games, a transition plan, and the final position showcasing the site in legacy mode after 2016.

Potential Sector Implications: This contract award underscores just how competitive the pursuit of high-profile engineering and construction mandates are becoming globally. AECOM's entry—the product of a team effort with Rio-based DG Architecture as well as Wilkinson Eyre Architects, Pujol Barcelona Architects, and IMG Sports and Expedition—was reportedly chosen from a field of 59 teams originating from 18 countries. This development also demonstrates the important role domestic firms play in helping global firms secure such contracts. Another example of this is SNC-Lavalin's October 2010 partnership with Alusa Engenharia of

Brazil to pursue EPC and concession opportunities in the BRIC country (including those related to the 2014 FIFA World Cup and the 2016 Olympics).

Stocks Impacted: CAT, SNC

Article Link: <http://pr.aecom.com/phoenix.zhtml?c=211994&p=irol-newsArticle&ID=1616716&highlight=>

Deere Leader Sees Recovery in Rising Rental Rates

Source: *ForConstructionPros.com*, October-13-11

Event: Speaking at a visit to Yellowhouse Machinery Co. in Sand Springs, Oklahoma, Deere's Chairman and CEO, Samuel Allen, commented that rental rates for equipment in North America continue to climb from their lows of 2008 and 2009. "There's been good improvement this year and last year" he said. Allen singled out robust demand in the oil and gas sector as one of the contributing forces to this trend.

Potential Sector Implications: Equipment rental rates are typically seen as a leading indicator of construction activity and, more specifically, demand for new machines. Rental companies spent much of 2009 and 2010 scaling back capex, ageing fleets, and shrinking capacity. Hence, reduced supply as much as improved demand is contributing to better pricing trends. This is positive for equipment stocks in general and supports our outlook for continued growth into 2012.

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

Article Link: <http://www.forconstructionpros.com/news/10416605/deere-leader-sees-recovery-in-rising-rental-rates>

Jacobs Receives Contracts for Alberta Oil Sands Projects

Source: *Jacobs Engineering Group*, October-10-11

Event: US based engineering and construction firm Jacobs Engineering announced it received over the three months end Sep-30-11 new contracts worth US\$1.4 bln from seven clients in the Alberta Oil Sands to support steam assisted gravity drainage (SAGD) and bitumen upgrading expansion projects. Project scopes range from engineering procurement and construction (EPC) and front end engineering and design (FEED) to fabrication and construction management (CM) on a variety of mid- and large-cap projects.

Potential Sector Implications: This development supports our call for increased capital spending in the Alberta oil sands in the quarters and years to come. That has positive implications for the companies within our coverage universe, particularly the contractors, which are exposed to the sector.

Stocks Impacted: ARE, BDT, CUQ, NOA, FTT, SNC, STN, WJX

Article Link: <http://phx.corporate-ir.net/phoenix.zhtml?c=117895&p=irol-newsArticle&ID=1615579&highlight=>

IBI Group Acquires the Professional Practice of Dull Olson Weekes Architects

Source: *IBI Group*, October-01-11

Event: The architectural leader acquired Dull Olson Weekes Architects (DOWA), a Portland, OR-based firm employing 35 professionals. Since its inception 25 years ago, DOWA has established an outstanding reputation for its high quality of design, technical competence, as well as social consciousness in its approach to sustainability and other societal values. The focus of the firm's work has been in educational facilities in the State of Oregon, centered in Portland, but DOWA has also been recognized with projects undertaken in the State of Washington and elsewhere in the US, as well as some international projects.

Potential Sector Implications: This transaction demonstrates yet again the synergistic potential offered to design firms when they layer more professional services to their existing offering. For IBI the acquisition of DOAW will complement the existing practice of IBI Group in the Northwest well, to the extent the latter has been primarily based in the transportation infrastructure sectors.

Stocks Impacted: IBG

Article Link: <http://www.ibigroup.com/Pages/NewsDetails.aspx?newsId=133&filter=Investor>

UPCOMING RJ EVENTS

Nov-15-11: Bird Construction (BDT-TSX), Company Marketing, New York
Dec-13-11: Frederic Bastien, Analyst Marketing, Montreal
Dec-14-11: Frederic Bastien, Analyst Marketing, Montreal

RECENT RJ RESEARCH

Industry Comments and Reports

Oct-24-11: [Industrial: 48 Hours in Edmonton: Help \(Still\) Wanted](#)
Oct-11-11: [Infrastructure & Construction Sector Update: Life After Life After Stimulus](#)
Sep-30-11: [Steel Periodical VIII: Industry in Wait-and-See Mode, But Repeat of 2008 Not in the Cards](#)
Jul-20-11: [Infrastructure & Construction: 2Q11 I&C Preview: A Dichotomy of Earnings Trends](#)
Jun-28-11: [Steel Periodical VII: Uncertainty Reigning Over Sector](#)
May-03-11: [Canada's Engineering Firms: Designing Impressive Shareholder Returns](#)
Apr-29-11: [Equipment Distributors: Replacement Demand Alive and Kicking!](#)

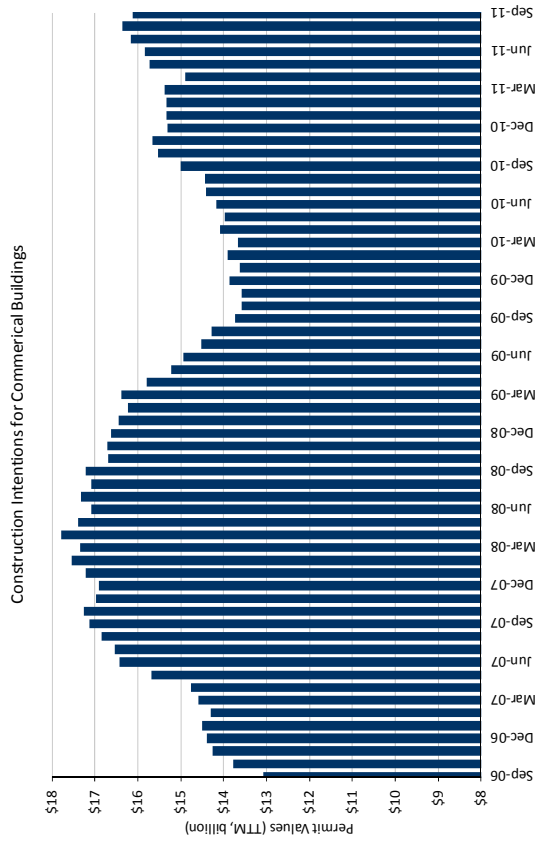
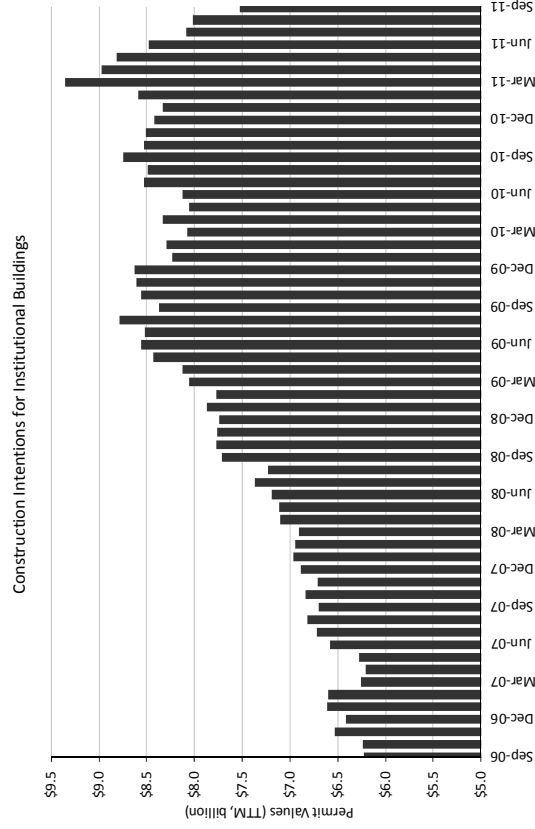
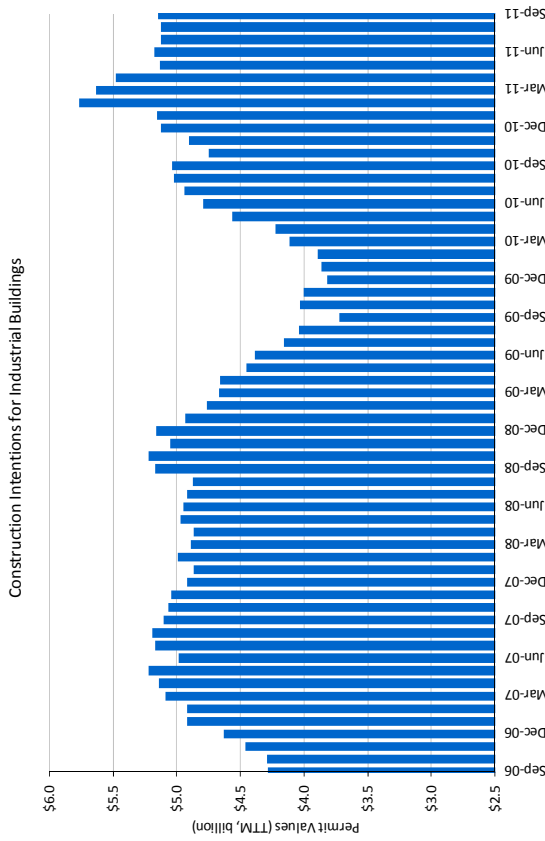
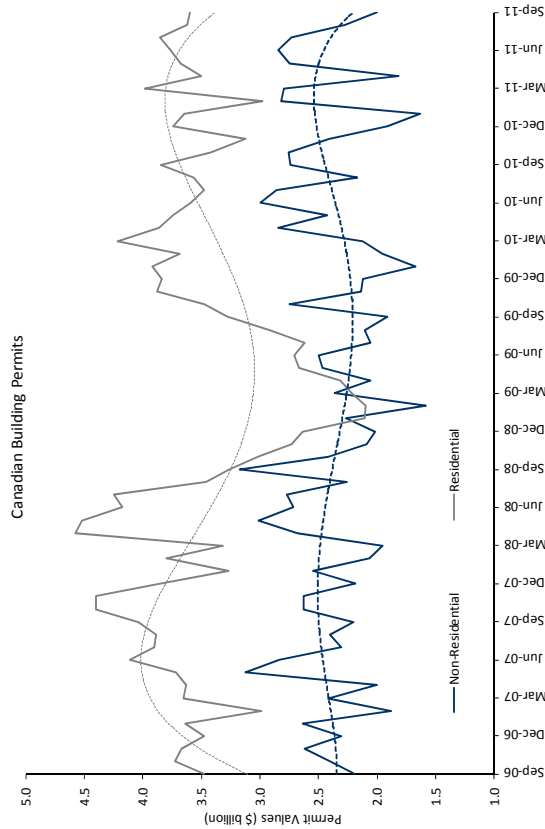
Quarterly Results

Nov-07-11: [SNC: Robust 3Q11 Results; Geared Up For Growth Again](#)
Nov-04-11: [RUS: Healthy Volumes Drive 3Q11 Earnings Beat](#)
Nov-04-11: [STN: 3Q11 Results: Steady as She 'Grows'](#)
Nov-03-11: [NOA: F2Q12 Results: A Nice 'Beat' But...](#)
Nov-02-11: [WJX: 3Q11 Another Solid Quarter](#)
Nov-01-11: [TIH: Strong 3Q11 Results from One of Our 'Top Picks'](#)
Nov-01-11: [RBA: 3Q11 Results Soft but No Need to Panic](#)
Oct-28-11: [CAM: In-line 3Q11; More Work Needed to Shore Up Balance Sheet](#)
Oct-25-11: [CAT: No Sign of Recession in Record 3Q11 Results](#)

Other Company Comments

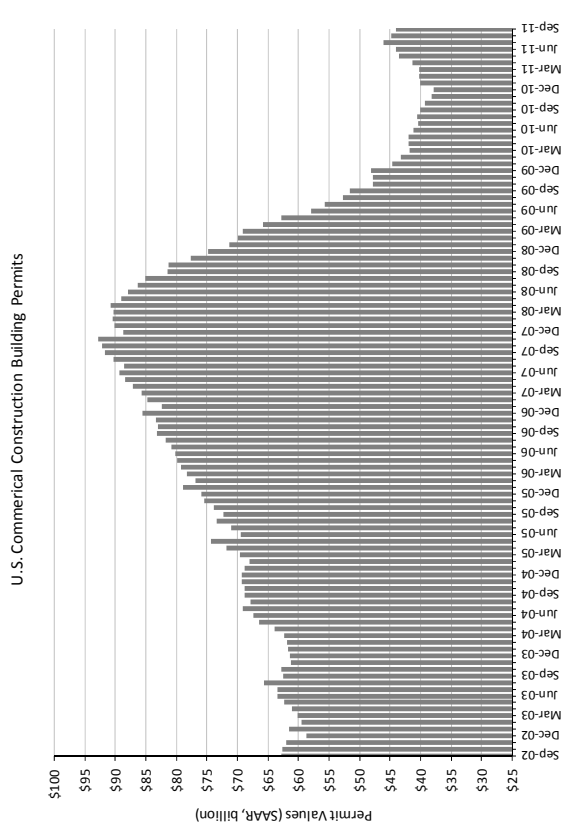
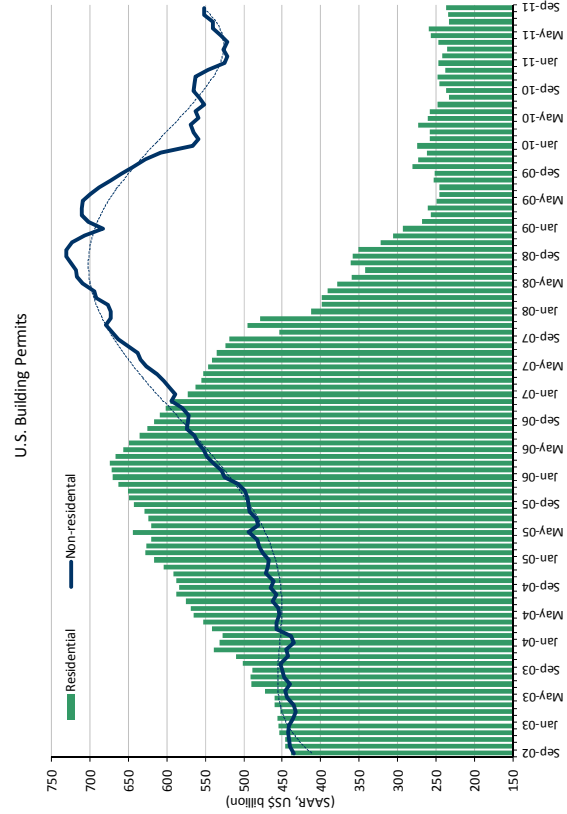
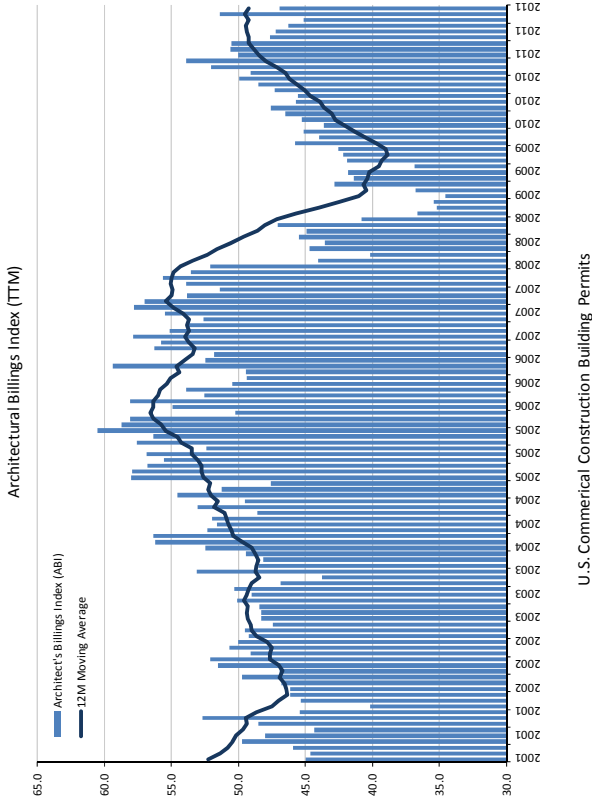
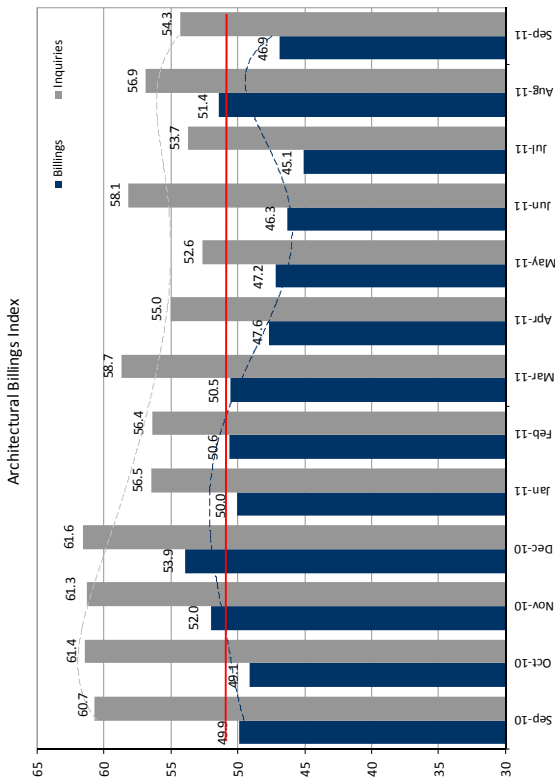
Nov-03-11: [ARE: Adds Industrial, Utilities and Civil Work to the Mix](#)
Oct-27-11: [BDT: Another One in the \(Mail\) Bag; 3Q11 Preview](#)
Oct-27-11: [ARE: Secures Yet Another Mining Job; 3Q11 Preview](#)
Oct-25-11: [SNC: JV Finalizes Edmonton North LRT Project; 3Q11 Preview](#)
Oct-25-11: [ARE: AirLINX Construction JV Takes Flight](#)
Oct-24-11: [ARF: CEO Steps Down; Industry Veteran Takes Over Reigns](#)
Oct-22-11: [FTT: Getting Back on Tracker](#)
Oct-20-11: [ARE: Scores Fab and Module Assembly Work for Big SAGD Project](#)
Oct-18-11: [RUS: Service Center Shipments Meet Expectations; 3Q11 Preview](#)
Oct-17-11: [WJX: LeTourneau Line Discontinued](#)
Oct-14-11: [RBA: Buy It While It's Beat Up](#)
Oct-14-11: [FTT: Provides Clarity on ERP](#)
Oct-14-11: [FTT: Update on the E\(vidently\) a R\(eal\) P\(roblem\) Implementation](#)
Oct-11-11: [GNV: Steps Firmly Into Geomatics and Surveying Field](#)

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 (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	\$9.10	70.3	\$640	\$182	\$823	21.1	12.3	6.8	13.4	4.9	3.6	22.2	1.2	2.2
BIRD CONSTRUCTION	BDT.CA	CAD	DEC	\$10.69	42.2	\$451	(\$129)	\$322	11.4	18.7	9.3	5.7	8.1	3.8	n.m.	2.9	6.2
CHURCHILL CORP-A	CUQ.CA	CAD	DEC	\$15.04	28.4	\$427	\$23	\$450	7.6	12.0	7.0	5.2	5.6	3.9	5.1	1.4	3.2
FLINT ENERGY SERVICES LTD	FES.CA	CAD	DEC	\$12.79	48.0	\$614	\$153	\$767	17.8	25.0	8.0	5.8	6.1	3.8	20.0	1.1	--
NORTH AMERICAN ENERGY PARTNERS	NOA.CA	CAD	MAR	\$7.53	36.2	\$273	\$317	\$590	n.m.	n.m.	6.6	n.m.	7.0	4.0	53.7	2.1	--
									14.5	17.0	7.5	7.5	6.3	3.8			
U.S. CONTRACTORS																	
EMCOR GROUP INC	EME.US	USD	DEC	\$24.41	66.7	\$1,628	(\$323)	\$1,305	13.4	13.5	10.8	5.4	4.9	4.2	n.m.	n.m.	0.8
GRANITE CONSTRUCTION INC	GVA.US	USD	DEC	\$25.42	38.7	\$983	(\$107)	\$876	n.m.	24.3	17.6	n.m.	6.2	5.2	n.m.	1.3	2.0
HILL INTERNATIONAL INC	HILL.US	USD	DEC	\$5.57	38.5	\$214	\$66	\$280	15.5	n.m.	5.3	9.8	n.m.	2.8	23.5	n.m.	--
TUTOR PERINI CORPORATION	TPL.US	USD	DEC	\$15.45	47.3	\$731	\$216	\$947	7.3	7.6	6.4	4.6	4.4	3.6	22.8	0.6	--
QUANTA SERVICES INC	PWR.US	USD	DEC	\$21.91	211.3	\$4,630	(\$258)	\$4,373	n.m.	n.m.	18.4	10.9	11.2	7.5	n.m.	1.4	--
									12.0	15.2	11.7	7.7	6.7	4.7			
EUROPEAN CONTRACTORS																	
ACCIONA SA	ANA.ES	EUR	DEC	€ 68.08	63.6	€ 4,326	€ 6,668	€ 10,995	n.m.	24.4	19.9	9.1	8.3	7.6	60.7	0.8	4.6
ACS ACTIVIDADES CONS Y SERV	ACS.ES	EUR	DEC	€ 26.23	314.7	€ 8,252	€ 9,609	€ 17,861	8.5	9.1	8.8	11.9	11.9	n.m.	53.8	1.5	7.8
BALFOUR BEATTY PLC	BBY.GB	BNP	DEC	£2.45	687.3	£1,684	£92	£1,776	7.1	6.9	6.9	5.4	4.9	4.8	5.2	0.1	5.9
BILFINGER BERGER	GBF.DE	EUR	JAN	€ 66.81	46.0	€ 3,075	-€ 554	€ 2,521	14.4	13.3	12.4	4.9	4.9	4.7	n.m.	0.3	3.7
HOCHTIEF	HOT.DE	EUR	DEC	€ 51.28	77.0	€ 3,949	€ 846	€ 4,795	11.9	n.m.	10.9	3.4	5.6	3.1	17.7	1.3	3.9
SKANSKA	SKAB.SE	SEK	DEC	105.30 kr	399.9	42,112 kr	-4,168 kr	37,944 kr	10.9	12.7	12.9	5.6	6.6	6.2	n.m.	2.2	11.4
VINCI SA	DG.FR	EUR	DEC	€ 34.38	565.0	€ 19,421	€ 14,701	€ 34,123	10.4	9.8	9.5	6.6	6.3	6.1	43.1	1.9	7.4
									10.5	12.7	11.6	6.7	6.9	5.4			
									12.3	15.0	10.3	7.3	6.6	4.6			
Blended Group Average																	
ENGINEERING																	
AECOM TECHNOLOGIES CORP	ACM.US	USD	SEP	\$21.08	119.4	\$2,518	\$815	\$3,332	10.3	9.1	7.8	7.9	6.3	5.7	24.4	1.2	--
AMEC	AMEC.GB	BNP	DEC	£9.03	332.2	£3,000	-£455	£2,545	14.5	13.1	11.4	9.6	8.1	7.0	n.m.	0.0	3.6
ARCADIS NV	ARCAD.NL	EUR	DEC	€ 13.90	68.8	€ 957	€ 306	€ 1,263	12.1	11.8	10.3	7.7	7.4	6.8	24.2	2.3	3.4
GENIVAR INC	GNV.CA	CAD	DEC	\$23.50	26.0	\$611	\$109	\$720	13.8	11.8	10.2	8.5	7.6	5.8	15.1	1.8	6.4
IBI GROUP	IBG.CA	CAD	DEC	\$11.65	24.1	\$280	\$83	\$363	10.5	13.0	7.8	8.5	7.2	5.8	22.8	2.0	9.4
STANTEC INC	STN.CA	CAD	DEC	\$25.61	45.7	\$1,171	\$281	\$1,453	13.3	11.1	10.1	8.3	7.2	6.5	19.4	1.7	--
TETRA TECH INC	TTEK.US	USD	NOV	\$21.98	62.5	\$1,373	\$17	\$1,391	17.7	15.5	13.5	8.8	7.0	6.4	1.2	1.8	--
									13.2	12.2	10.2	8.5	7.3	6.3			
INTEGRATED ENGINEERING & CONSTRUCTION																	
CHICAGO BRIDGE & IRON	CBI.US	USD	DEC	\$37.54	98.5	\$3,698	(\$460)	\$3,238	18.4	14.9	12.4	8.6	7.6	6.3	n.m.	3.5	0.5
FLUOR CORP	FLR.US	USD	DEC	\$54.86	173.8	\$9,535	(\$1,928)	\$7,607	23.9	16.1	14.2	8.0	6.5	5.9	n.m.	1.0	0.9
FOSTER WHEELER AG	FWLT.US	USD	JAN	\$19.84	116.9	\$2,320	(\$798)	\$1,522	12.1	12.6	10.1	4.3	5.1	4.1	n.m.	5.1	--
JACOBS ENGR GROUP INC	JEC.US	USD	SEP	\$39.24	127.6	\$5,005	(\$223)	\$4,783	15.8	15.1	13.2	8.3	7.9	7.0	n.m.	1.7	--
KBR INC	KBR.US	USD	DEC	\$27.42	148.9	\$4,082	(\$591)	\$3,491	13.1	8.6	10.2	5.2	5.3	4.9	n.m.	1.8	0.7
SHAW GROUP INC	SHAW.US	USD	AUG	\$25.07	71.3	\$1,788	(\$192)	\$1,596	23.4	12.0	9.9	n.m.	5.2	4.4	n.m.	n.m.	--
SNC-LAVALIN (E&C Business only)	SNC.CA	CAD	DEC	\$49.99	151.8	\$7,588	\$1,067	\$8,655	12.3	14.3	10.2	6.7	7.5	5.8	12.3	4.1	1.7
URS CORPORATION	URS.US	USD	DEC	\$36.47	79.6	\$2,903	\$324	\$3,227	10.3	10.2	9.4	4.8	4.5	4.3	10.0	0.7	--
WORLEYPARSONS	WOR.AU	AUS	DEC	\$28.14	241.7	\$6,802	\$504	\$7,306	23.3	17.8	15.0	12.8	10.9	9.5	6.9	3.8	3.1
									17.0	13.5	11.6	7.3	6.7	5.8			
ENGINEERED PRODUCTS																	
ALBANY INTERNATIONAL	AIN.US	USD	DEC	\$23.47	31.2	\$732	\$260	\$993	17.6	13.2	12.1	6.7	5.9	5.7	26.2	2.2	2.2
ALFA LAVAL AB	ALFA.SE	SEK	DEC	122.90 kr	419.5	51,551 kr	4,102 kr	55,653 kr	16.7	14.7	13.6	10.7	9.5	8.9	7.4	3.8	2.4
ANDRITZ AG	ANDR.AT	EUR	DEC	€ 66.63	52.0	€ 3,465	-€ 1,116	€ 2,348	19.3	16.1	14.4	7.6	6.5	5.8	n.m.	4.6	2.6
ARMTEC INFRASTRUCTURE	ARF.CA	CAD	DEC	\$2.60	28.0	\$73	\$273	\$346	n.m.	n.m.	n.m.	7.1	n.m.	7.6	78.9	0.6	0.0
CALGON CARBON CORPORATION	CCC.US	USD	DEC	\$14.68	56.5	\$829	\$18	\$847	19.6	18.1	14.8	10.6	9.1	7.5	2.1	n.m.	--
FLOWSERVE CORP	FLS.US	USD	DEC	\$99.80	55.6	\$5,545	\$282	\$5,827	14.5	13.0	11.4	8.5	8.1	7.0	4.8	2.6	1.3
GLV INC.	GLV/A.CA	CAD	MAR	\$4.02	44.1	\$177	\$68	\$245	n.m.	n.m.	8.0	11.8	8.2	4.9	27.6	0.7	--
ITT CORP	ITT.US	USD	JUL	\$20.10	92.8	\$1,864	\$487	\$2,351	2.3	2.3	2.2	1.5	1.4	1.4	20.7	0.4	10.0
KADANT	KAI.US	USD	DEC	\$21.38	12.3	\$264	(\$29)	\$235	14.4	10.2	10.0	7.3	4.9	5.0	n.m.	n.m.	--
KURITA WATER	6370.JP	JPY	MAR	JPY 2,095	132.8	JPY 278,217	-JPY 64,513	JPY 213,704	15.6	15.2	14.4	4.9	4.8	4.7	n.m.	1.3	1.8
METSO OYJ	MEO1V.FI	EUR	DEC	€ 27.80	150.3	€ 4,180	€ 290	€ 4,470	13.2	11.4	10.1	7.2	6.0	5.6	6.5	2.0	5.6
NALCO HOLDING CO	NLC.US	USD	DEC	\$38.32	138.8	\$5,318	\$2,639	\$7,957	22.4	22.3	18.6	10.6	10.8	9.7	33.2	7.6	0.4
PALL CORPORATION	PLL.US	USD	JUL	\$52.18	115.0	\$6,002	\$150	\$6,152	18.8	16.7	14.8	10.8	10.0	9.1	2.4	4.0	1.3
PENTAIR INC	PNR.US	USD	AUG	\$36.96	98.6	\$3,643	\$1,306	\$4,949	18.5	15.1	13.2	11.8	9.6	8.5	26.4	1.7	2.2
WATTS WATER TECHNOLOGIES INC	WTS.US	USD	DEC	\$35.67	37.2	\$1,328	\$204	\$1,532	18.5	18.6	14.8	8.7	8.3	7.2	13.3	1.5	1.2
ZCL COMPOSITES INC	ZCL.CA	CAD	DEC	\$3.20	28.8	\$92	\$20	\$113	n.m.	17.2	9.2	n.m.	9.2	5.7	18.1	2.3	0.0
									16.3	14.6	12.1	8.4	7.5	6.5			

Source: Capital IQ, Thomson ONE, Raymond James Ltd.

Continued on next page...

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			
EQUIPMENT DISTRIBUTORS																	
ASHTAD GROUP PLC	AHT.GB	BPN	APR	£1.63	503.3	£821	£848	£1,668	n.m.	17.5	13.0	5.9	5.1	4.6	50.8	1.9	2.0
CERVUS EQUIPMENT CORP.	CVL.CA	CAD	DEC	\$16.50	15.1	\$249	\$9	\$258	18.7	15.8	12.8	10.5	7.1	5.9	3.4	1.4	4.4
FINNING INTERNATIONAL INC	FTT.CA	CAD	DEC	\$24.39	172.5	\$4,207	\$1,245	\$5,452	20.5	16.2	12.2	12.0	10.0	8.1	22.8	3.3	2.1
H&E EQUIPMENT SERVICES INC	HEES.US	USD	DEC	\$12.18	35.1	\$427	\$261	\$689	n.m.	n.m.	19.7	8.6	5.2	4.0	37.9	1.7	--
RITCHIE BROS AUCTIONEERS INC	RBA.US	USD	DEC	\$20.59	106.9	\$2,201	(\$18)	\$2,183	n.m.	n.m.	19.3	16.6	14.3	10.1	n.m.	3.7	2.1
ROCKY MOUNTAIN DEALERSHIPS	RME.CA	CAD	DEC	\$9.00	21.5	\$194	\$195	\$389	10.8	7.4	6.0	11.5	7.8	6.1	50.2	1.7	2.0
RUSH ENTERPRISES INC	RUSHA.US	USD	DEC	\$11.61	27.2	\$316	\$573	\$889	18.1	8.8	6.7	15.5	8.2	6.3	64.5	0.9	--
SPEEDY HIRE PLC	SDY.GB	BPN	MAR	£0.20	517.2	£103	£115	£218	n.m.	11.8	n.m.	3.8	3.1	2.8	52.5	0.0	0.0
STRONGCO CORP.	SQP.CA	CAD	DEC	\$5.02	13.2	\$66	\$107	\$173	n.m.	5.7	5.3	7.7	4.6	3.8	61.7	1.2	0.0
TITAN MACHINERY INC	TITN.US	USD	JAN	\$23.88	20.8	\$496	\$428	\$924	19.4	14.4	12.8	17.4	13.2	11.5	46.4	n.m.	--
TOROMONT INDS LTD	TIH.CA	CAD	DEC	\$20.25	77.2	\$1,563	\$131	\$1,694	21.2	15.1	13.1	10.7	8.7	7.9	7.7	4.0	2.2
UNITED RENTALS INC	URL.US	USD	DEC	\$24.60	61.1	\$1,502	\$2,991	\$4,493	n.m.	15.3	10.5	6.6	5.1	4.5	66.6	n.m.	--
WAJAX CORP.	WJX.CA	CAD	DEC	\$37.92	16.9	\$642	\$86	\$728	18.5	10.2	10.1	11.1	7.1	7.0	11.8	2.9	6.3
									18.2	12.6	11.8	10.6	7.7	6.3			
ORIGINAL EQUIPMENT MANUFACTURERS																	
AGCO CORP	AGCO.US	USD	DEC	\$46.24	96.5	\$4,461	\$81	\$4,542	19.9	10.7	9.9	9.4	5.9	5.4	1.8	1.6	--
CATERPILLAR INCORPORATED	CAT.US	USD	DEC	\$95.74	667.2	\$63,878	\$10,715	\$74,593	22.9	13.0	10.2	11.9	7.8	6.0	14.4	5.7	1.8
CNH GLOBAL NV	CNH.US	USD	DEC	\$39.36	238.4	\$9,385	\$11,945	\$21,330	18.9	10.8	9.8	n.m.	11.5	11.0	56.0	1.3	--
DEERE & COMPANY	DE.US	USD	OCT	\$75.39	413.9	\$31,206	\$22,855	\$54,061	16.2	11.8	10.7	12.5	12.0	11.3	42.3	5.1	2.2
DOOSAN INFRACORE	042670.KR	KRW	DEC	KRW 19,400	168.6	KRW 3,269,986	KRW 4,888,438	KRW 8,158,425	n.m.	8.1	7.3	n.m.	n.m.	n.m.	59.9	n.m.	--
HARSCO CORP.	HSC.US	USD	DEC	\$23.87	80.7	\$1,927	\$811	\$2,738	n.m.	18.0	13.7	5.7	5.3	4.9	29.6	1.3	3.4
HITACHI	6305.JP	JPY	MAR	JPY 1,524	215.1	JPY 327,835	JPY 280,766	JPY 608,601	n.m.	14.9	12.0	n.m.	6.1	5.4	46.1	1.1	1.3
TEREX CP	TEX.US	USD	DEC	\$16.95	109.6	\$1,858	\$1,629	\$3,487	n.m.	n.m.	10.4	n.m.	11.9	6.2	46.7	0.9	--
VOLVO AB	VOLVB.SE	SEK	DEC	81.90 kr	1,464.9	119,976 kr	98,457 kr	218,433 kr	15.3	9.4	9.6	8.0	5.3	5.4	45.1	2.3	3.1
									18.6	12.1	10.4	9.5	8.2	7.0			
STEEL RELATED STOCKS																	
FABRICATORS & PROCESSORS																	
ADF GROUP INC.	DRX.CA	CAD	JAN	\$1.36	33.4	\$45	(\$21)	\$25	12.5	12.3	8.8	2.3	2.5	1.9	n.m.	0.5	1.5
CANAM GROUP INC	CAM.CA	CAD	DEC	\$3.77	45.4	\$171	\$257	\$428	n.m.	n.m.	18.9	n.m.	n.m.	8.5	60.1	0.5	0.0
GIBRALTAR INDUSTRIES	ROCK.US	USD	DEC	\$12.52	30.4	\$381	\$174	\$555	n.m.	18.3	14.1	13.1	6.7	4.4	31.4	n.m.	--
NCI BUILDING SYS INC	NCS.US	USD	DEC	\$9.38	20.0	\$187	\$78	\$265	n.m.	n.m.	n.m.	n.m.	8.0	3.1	29.4	n.m.	--
VICWEST INC.	VIC.CA	CAD	DEC	\$8.15	17.2	\$140	\$87	\$228	10.4	12.4	7.0	10.7	8.3	5.5	38.3	2.5	13.3
									11.5	14.3	12.2	8.7	6.4	4.7			
SERVICE CENTERS																	
AM CASTLE & CO.	CAS.US	USD	DEC	\$13.33	23.0	\$307	\$78	\$385	n.m.	22.0	10.1	n.m.	10.3	6.0	20.2	1.0	--
CARPENTER TECHNOLOGY CORP.	CRS.US	USD	JUN	\$57.13	44.2	\$2,523	\$93	\$2,616	n.m.	21.8	15.3	16.1	9.4	7.1	3.6	3.3	1.3
RELIANCE STEEL & ALUMINUM CO.	RS.US	USD	DEC	\$45.52	74.9	\$3,409	\$1,387	\$4,796	17.4	10.3	8.9	10.0	6.9	5.9	28.9	1.2	1.1
RUSSEL METALS	RUS.CA	CAD	DEC	\$23.82	66.9	\$1,593	(\$96)	\$1,497	20.5	12.7	11.3	10.2	6.9	6.3	n.m.	1.7	5.0
WORTHINGTON INDS INC	WOR.US	USD	MAY	\$17.76	70.6	\$1,254	\$433	\$1,687	11.9	11.0	9.1	9.4	8.1	9.6	25.7	1.8	2.7
									16.6	15.5	10.9	11.4	8.3	7.0			
STEEL PRODUCERS																	
AK STEEL HOLDING CORP.	AKS.US	USD	DEC	\$9.05	110.3	\$998	\$887	\$1,885	n.m.	n.m.	11.0	12.3	7.2	4.6	47.1	1.5	2.2
ALLEGHENY TECHNOLOGIES	ATI.US	USD	DEC	\$49.62	106.3	\$5,277	\$1,197	\$6,473	n.m.	20.0	13.5	n.m.	9.4	6.7	18.5	2.4	1.5
COMMERCIAL METALS COMPANY	CMC.US	USD	AUG	\$13.09	115.5	\$1,512	\$1,181	\$2,693	n.m.	11.6	7.3	10.3	6.1	5.0	43.8	1.3	3.7
NUCOR CORPORATION	NUE.US	USD	DEC	\$39.01	316.1	\$12,330	\$1,874	\$14,203	n.m.	16.1	12.5	13.6	7.1	5.9	13.2	1.7	3.7
OLYMPIC STEEL INC.	ZEUS.US	USD	DEC	\$22.62	10.9	\$247	\$250	\$496	n.m.	10.0	8.9	n.m.	8.3	7.1	50.3	0.9	0.4
STEEL DYNAMICS INCORPORATED	STLD.US	USD	DEC	\$13.48	218.7	\$2,948	\$1,924	\$4,871	20.1	10.6	9.1	8.1	5.8	5.2	39.5	1.4	3.0
US STEEL CORP.	X.US	USD	DEC	\$27.92	144.0	\$4,020	\$3,663	\$7,683	n.m.	n.m.	10.9	14.0	7.1	4.9	47.7	1.0	0.7
									20.1	13.7	10.4	11.7	7.3	5.6			
									n.m.	14.5	11.2	10.0	7.3	5.8			
Blended Group Average																	
									n.m.	14.5	11.2	10.0	7.3	5.8			

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\$	1.36	2	RJ LTD.
Aecom Technology Corp	ACM	NYSE			NC	
Aecon Group	ARE	TSX	C\$	9.10	2	RJ LTD.
Armtec Infrastructure Inc.	ARF	TSX	C\$	2.60	3	RJ LTD.
Bird Construction Inc.	BDT	TSX	C\$	10.69	2	RJ LTD.
Brookfield Asset Management	BAM	NYSE			NC	
Brookfield Infrastructure Partners L.P.	BIP	NYSE			NC	RJ LTD.
Canam Group	CAM	TSX	C\$	3.77	3	RJ LTD.
Caterpillar Inc.	CAT	NYSE	US\$	95.74	2	RJ LTD.
Cervus Equipment Corp.	CVL	TSX	C\$	16.50	1	RJ LTD.
Deere & Co.	DE	NYSE			NC	
Finning International	FTT	TSX	C\$	24.39	2	RJ LTD.
Flint Energy Services	FES	TSX			NC	
Fortescue Metals Corp.	FMG	ASX			NC	
Genivar Inc.	GNV	TSX	C\$	23.50	2	RJ LTD.
GLV Inc.	GLV.A	TSX	C\$	4.02	2	RJ LTD.
IBI Group Inc.	IBG	TSX	C\$	11.65	2	RJ LTD.
Jacobs Engineering Group Inc.	JEC	NYSE			NC	
North American Energy Partners	NOA	TSX	C\$	7.53	3	RJ LTD.
Rio Tinto	RIO	NYSE			NC	
Ritchie Bros. Auctioneers	RBA	NYSE	US\$	20.59	2	RJ LTD.
Rocky Mountain Dealerships Inc.	RME	TSX	C\$	9.00	2	RJ LTD.
Russel Metals	RUS	TSX	C\$	23.82	2	RJ LTD.
SNC-Lavalin	SNC	TSX	C\$	49.99	1	RJ LTD.
Stantec Inc	STN	TSX	C\$	25.61	2	RJ LTD.
Strongco Corp.	SQP	TSX	C\$	5.02	2	RJ LTD.
The Churchill Corp.	CUQ	TSX	C\$	15.04	2	RJ LTD.
Titan Machinery Inc.	TITN	NASDAQ			NC	
Toromont Industries	TIH	TSX	C\$	20.25	1	RJ LTD.
United Rentals Inc.	URI	NYSE			NC	
Wajax Corp.	WJX	TSX	C\$	37.92	2	RJ LTD.
ZCL Composites	ZCL	TSX	C\$	3.20	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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	Coverage Universe Rating Distribution			Investment Banking Distribution		
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Market Perform (Hold)	23%	37%	53%	29%	5%	3%
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