

Industrial

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Industry Comment

Frederic Bastien CFA | 604.659.8232 | frederic.bastien@raymondjames.ca
Ben Cherniavsky | 604.659.8244 | ben.cherniavsky@raymondjames.ca
Theoni Pilarinos CFA (Associate) | 604.659.8234 | theoni.pilarinos@raymondjames.ca
Jamil Murji CFA (Associate) | 604.659.8261 | jamil.murji@raymondjames.ca
Greg Jackson (Associate) | 604.659.8262 | greg.jackson@raymondjames.ca

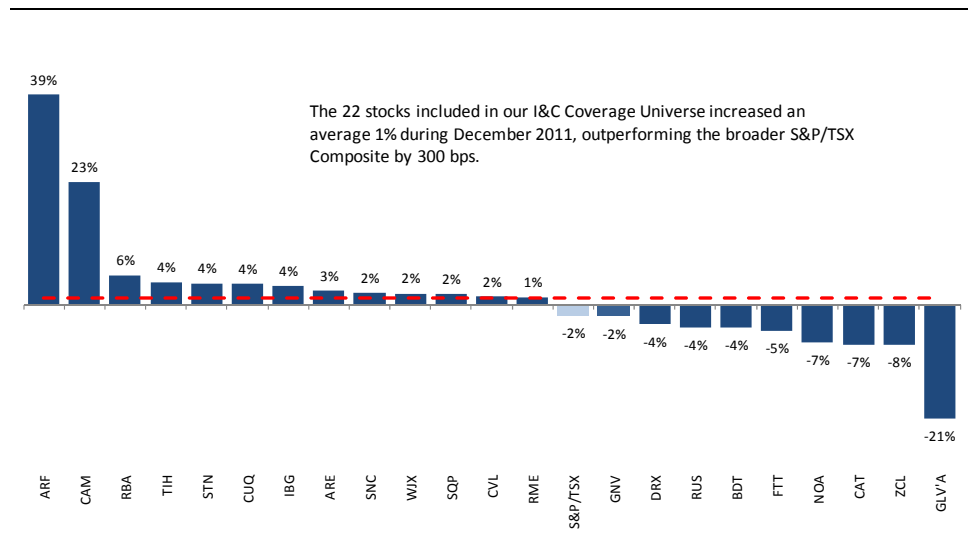
Infrastructure & Construction

The Infrastructure & Construction Monthly Monitor: January 2012

Our Monthly Monitor newsletter is designed to provide a quick overview of sector news flow, share price performance, and key macro data trends that are relevant to our universe of infrastructure and construction (I&C) related stocks. Despite the accentuated volatility that came to define the whole market in 2011, most of our I&C stocks ended December more or less where they started the month (see Exhibit 1). The three exceptions were Armtec Infrastructure and Canam, which were up 39% and 23% respectively, and GLV which was down 21% in the month. On average, our I&C coverage universe averaged a 1% return for December compared to the 2% decrease in the TSX. As we start a new year, some of the key I&C sector observations that we wish to highlight are as follows:

- Although signs emerged early last year that “Life After Stimulus” had effected a slowdown in Canada’s publicly-funded construction market, we believe the real litmus test will be 2012. Bond markets around the world are vigilantly ushering in a new ‘age of austerity.’ Canada remains in relatively good shape, yet many economists still expect the next federal budget (in February) to feature additional cutbacks in a number of areas, possibly including infrastructure investments. Many provincial governments are facing similar (and in some cases more alarming) pressure to proactively initiate fiscal discipline.
- Meanwhile, Canada’s private construction market should remain robust provided that current commodity prices prevail. On the other hand, the country’s residential construction market, which has thus far defied all odds, looks increasingly ‘toppy.’
- There has been more evidence lately that the US construction industry is finally (albeit slowly) pulling out of its long recession. We still expect Canada’s I&C market to outperform, despite the aforementioned headwinds. But given the low base upon which this recovery is starting, the related upside for companies with some US exposure could be significant.
- Consolidation remains a key theme across our universe of I&C stocks. One of the most recent examples of this trend in Canada is Vinici’s purchase of Carmacks, an Edmonton-based contractor specializing in heavy civil projects.

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



Source: Capital IQ, Raymond James Ltd.

Company	Ticker Primary	Ticker Secondary	Current Price	Target Price (6-12 months)	Dividend Yield	Total Return To Target	Rating
Construction							
Aecon Group	ARE-TSX		C\$10.29	C\$15.00	2%	48%	Outperform 2
Bird Construction Inc.	BDT-TSX		C\$12.20	C\$15.00	6%	31%	Outperform 2
North American Energy Partners	NOA-TSX	NOA-NYSE	C\$6.52	C\$8.50	NM	30%	Market Perform 3
The Churchill Corp.	CUQ-TSX		C\$10.19	C\$15.00	5%	52%	Market Perform 3
Original Equipment Manufacturers							
Caterpillar Inc.	CAT-NYSE		US\$95.76	US\$126.00	2%	33%	Outperform 2
Engineering							
Genivar Inc.	GNV-TSX		C\$27.10	C\$33.00	6%	32%	Outperform 2
IBI Group Inc.	IBG-TSX		C\$12.35	C\$16.50	9%	43%	Outperform 2
SNC-Lavalin	SNC-TSX		C\$52.83	C\$65.00	2%	39%	Strong Buy 1
Stantec Inc	STN-TSX	STN-NYSE	C\$26.54	C\$32.00	NM	21%	Outperform 2
Materials & Engineered Products							
Armtec Infrastructure Inc.	ARF-TSX		C\$2.42	C\$3.00	0%	88%	Market Perform 3
GLV Inc.	GLV.A-TSX		C\$4.50	C\$8.00	NM		Outperform 2
ZCL Composites	ZCL-TSX		C\$3.15	C\$3.75	NM	19%	Market Perform 3
Equipment Distributors							
Cervus Equipment Corp.	CVL-TSX		C\$15.77	C\$20.00	5%	39%	Strong Buy 1
Finning International	FTT-TSX		C\$23.75	C\$24.00	2%	11%	Market Perform 3
Ritchie Bros. Auctioneers	RBA-NYSE	RBA-TSX	US\$21.30	US\$25.00	2%	27%	Outperform 2
Rocky Mountain Dealerships Inc.	RME-TSX		C\$8.87	C\$13.50	2%	54%	Outperform 2
Strongco Corp.	SQP-TSX		C\$5.25	C\$9.50	NM	81%	Outperform 2
Toromont Industries	TIH-TSX		C\$20.29	C\$24.75	2%	24%	Strong Buy 1
Wajax Corp.	WJX-TSX		C\$40.62	C\$45.50	6%	25%	Outperform 2
Steel Processors & Building Components							
ADF Group Inc.	DRX-TSX		C\$1.28	C\$2.00	2%	58%	Outperform 2
Canam Group	CAM-TSX		C\$3.81	C\$5.50	0%	44%	Market Perform 3
Russel Metals	RUS-TSX		C\$22.24	C\$29.00	5%	36%	Outperform 2

Raymond James Ltd.

INDUSTRY NEWS

Value of Canadian Building Permits Decreases 3.6% in November

Source: *Statistics Canada, January-09-12*

Event: Following an 11.9% increase in October, November's building permits declined by 3.6%. By segment, a 6.9% increase in residential permits was overshadowed by a 17.6% decline in non-residential permits. On the non-residential side, all three segments experienced decreases. Specifically, the institutional, industrial and commercial subsets fell 34.1%, 12.3% and 5.1%, respectively.

Potential Sector Implications: YTD, overall Canadian permit data is flat y/y. That said, consistent with our longstanding belief that improving conditions in the industrial and commercial sectors will help offset a drop off in institutional work (i.e. the expiry of stimulus spending) permit values in the industrial and commercial segments have increased 2.9% and 0.9% YTD, respectively, while institutional permits have declined 6.2% YTD. We continue to believe this trend will prevail and thus help soak up excess capacity while improving bid margins moving forward.

Stocks Impacted: Coverage Universe

Article Link: <http://www.statcan.gc.ca/daily-quotidien/120109/dq120109a-eng.htm>

US Non-Residential Construction Spending Increases 0.9% in November

Source: *Associated Builders and Contractors Inc., January-03-12*

Event: Seasonally adjusted total non-residential construction spending in the US remained flat in November over the same period last year, although the figure rose 1% from the prior month. Private non-residential construction spending was unchanged from October 2011, but was 4.5% higher than November 2010. Public non-residential construction jumped 1.8% in November, but is still down 4.4% y/y. Residential construction spending increased 1.8% in November, and rose 2% during the last twelve months. Overall, total construction spending – which includes both non-residential and residential – rose 1.2% in for the month, and is 0.5% higher than November 2010.

Potential Sector Implications: November's construction spending report is generally a positive sign for the beleaguered US construction industry. Although a full recovery for the sector is still a long way off, the worst appears to have passed. A modest recovery trend in privately funded non-residential spending has become increasingly evident over the past few months, while the 2% m/m increase in publicly-funded spending halts a prolonged period of declines. This latter statistic was driven mainly by government spending on power, health care, office and sewage and waste disposal.

Stocks Impacted: CAT, CAM, IBG, RBA, STN, SQP, and ZCL

Article Link: http://www.abc.org/Hot_Links/ConstructionEconomicsIndex/Spending_January_2012.aspx

Brazil Kicks Off Airport Concessions for World Cup

Source: *Engineering News-Record, January-02-12*

Event: In an effort to support tourism for the 2014 World Cup, Brazil will host an auction on Feb-06-12 for the concessions of three airports which together will manage 30% of the country's passengers, 57% of its cargo and 19% of its aircraft. Winning bidders would take over the terminals in May 2012, make investments of at least \$1.5 bln for their modernization, and manage the airports over 20-30 year concessions.

Potential Sector Implications: Public notices stipulate that the bidding consortiums are required to include at least one company with five years of experience in the management of an airport with over five mln passengers per year. Given the country's lack of private sector companies satisfying this requirement, participation from foreign players has become mandatory. This may present interesting opportunities for two Canadian firms—SNC-Lavalin and Aecon. In 2010, SNC joined forces with one of the largest private concession companies in Brazil, Alusa Engenharia, to form a cooperation alliance to tackle such mandates. We believe that Aecon's experience with Quiport, the Quito airport concession in which the firm is associated with Brazilian contractor Andrade Gutierrez, equally qualifies it for the mandates.

Stocks Impacted: SNC, ARE

Article Link: <http://enr.construction.com/infrastructure/transportation/2012/0102-brazil-kicks-off-airport-concessions-for-world-cup.asp>

Architectural Billings Index Rebounds in November

Source: *American Institute of Architects, December-21-11*

Event: The Architectural Billings Index (ABI) for November came in at 52.0, up from 49.4 in October. November's reading represented the third consecutive increase in the ABI. More importantly, the index now sits above 50 suggesting the industry is in an expansionary phase. One strong month, and furthermore, overall industry conditions do not indicate a permanent rebound has taken hold across the board. Rather, pockets of strength have emerged—the residential and commercial/industrial sectors have posted results above 50 for three consecutive months suggesting that a recovery in these sectors is underway.

Potential Sector Implications: The strong ABI results, and more specifically, the recovery in the residential and commercial/industrial sectors bode well for the companies with US exposure in our I&C coverage universe. That said, we continue to believe that constrained budgets and a lack of credit support from financial institutions will continue to limit the growth rate of the US construction industry.

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

Article Link: <http://www.aia.org/practicing/AIAB092227>

Big Bill Coming Due for Underspending on Water-Related Infrastructure

Source: *Engineering News-Record, December-15-11*

Event: According to the American Society of Civil Engineers (ASCE), there are some very serious economic ramifications that are looming around the decaying state of US water infrastructure. Specifically, the ASCE estimates that the costs associated with unreliable delivery and inadequate treatment will combine to cut the nation's GDP by as much as \$416 bln over the next decade if current spending levels remain unchanged. The analysis examines the economic consequences of aging drinking water, wastewater and wet weather management systems on businesses and households based on existing capital spending trends. Lacking any new investment in this infrastructure, the US Environmental Protection Agency's 2010 estimate of a \$55 bln shortfall in maintenance and upgrade needs could balloon to \$84 bln by 2020, and nearly double to \$144 bln by 2040.

Potential Sector Implications: Although the ASCE's language may be a tad alarmist, we believe that North America's water infrastructure network is in an increasing state of disrepair and that sizeable investments will be needed to maintain its current capabilities. Today's government austerity measures may preclude any imminent change. However, the water markets, in our view, represent a very significant longer-term opportunity for some of our I&C companies.

Stocks Impacted: STN, GLV, ZCL, GNV

Article Link: http://enr.construction.com/infrastructure/water_dams/2011/1215-big-bill-coming-due-for-underspending-on-water-related-infrastructure-.asp

Canadian 4WD Tractors, Combine Sales Strong in November

Source: *AgriMarketing, December-14-11*

Event: The Association of Equipment Manufacturers (AEM) reported that the sales of all tractors in Canada for November 2011 were up 4% y/y. For the month, two-wheel-drive smaller tractors (under 40 HP) were down 2%, and 40 & under HP were up 3% from last year. Sales of 100+ HP two-wheel-drive tractors were up 12% from year-ago levels. Four wheel drive tractors were up 33% for the month. YTD numbers are as follows: two-wheel-drive smaller tractors (under 40 HP) up 10%, 40 & under HP up 3%, 100+ HP two-wheel-drive tractors up 5%, and four wheel drive tractors up 2%. Total combine sales were up 35% for the month and 9% YTD.

Potential Sector Implications: The sale of larger, high horse power tractors is most relevant to our ag dealers stocks. The trends in this segment have been positive for the year.

Stocks Impacted: CVL and RME

Article Link: <http://www.agrimarketing.com/ss.php?id=71692>

Argentina Gets US\$400 mln Infrastructure Boost

Source: *KHL Group*, December-08-11

Event: The development of infrastructure for poor urban settlements in Argentina has received a US\$400 mln boost from the Inter-American Development Bank (IDB). The loan, which was awarded to the Argentinian Ministry of Federal Planning, Public Investment and Services, will help to fund the construction of basic services including water and sewage networks, electricity, infrastructure, storm drains, gas distribution and access roads in 70 poor urban settlements.

Potential Sector Implications: Growth in the infrastructure markets of the developing world continue to boost the prospects of many global I&C companies.

Stocks Impacted: FTT, CAT, SNC

Article Link: [http://www.khl.com/news/detail/item69531/Argentina-gets-US\\$400-mln-infrastructure-boost/](http://www.khl.com/news/detail/item69531/Argentina-gets-US$400-mln-infrastructure-boost/)

Survey: Ag Machinery Manufacturers Expect Sales to Slow in 2012-2014

Source: *AgriMarketing*, December-07-11

Event: According to the Association of Equipment Manufacturers, ag machinery manufacturers expect business conditions to slow in the US and Canada in 2012 through to 2014. In particular, US ag machinery is projected to grow by 4.9% in 2012; 2.9% in 2013; and 2.8% in 2014. In Canada, ag machinery is expected to grow 4.8% in 2012 before tapering off to 2.2% in 2013 and 1.7% in 2014. Overall, survey respondents believe that commodity prices, interest rates and increased export demand will be growth drivers while steel prices and overall economic malaise will be growth inhibitors.

Potential Sector Implications: The downward sloping ag machinery growth profile for both the US and Canada is mildly negative for the dealers with the most exposure to the agriculture theme within our coverage universe—namely Cervus and Rocky Mountain. We remain most focused on consolidation as the main growth driver for the companies.

Stocks Impacted: CVL and RME

Article Link: <http://www.agrimarketing.com/ss.php?id=71520>

Cuomo Proposes New York Tax Overhaul, Infrastructure Fund

Source: *Bloomberg Businessweek*, December-07-11

Event: As part of his plan to overhaul New York state's tax system and deal with a \$3.5 bln deficit, New York state's Governor, Andrew Cuomo, has proposed the use of P3 models to fix infrastructure in the state. To promote job growth, Cuomo said he wants to create an infrastructure fund to finance the repair and development of highways, bridges and major construction projects, without specifying the amount of money involved.

Potential Sector Implications: The P3 model is still in its infancy in the US. However, we are seeing more and more signs (such as the one above) that the federal and state governments are embracing this mechanism as an attractive means of addressing their widening infrastructure deficits. This trend is positive for the companies in our coverage universe that have demonstrated an expertise in the P3 model. It is also positive for any supplier to the US construction markets.

Stocks Impacted: STN, SNC, CAT, CAM

Article Link: <http://www.businessweek.com/news/2011-12-07/cuomo-proposes-new-york-tax-overhaul-infrastructure-fund.html>

Empire Industries Announces Agreement to Sell its Winnipeg and Welland Structural Steel Fabrication Operations**Source:** *Empire Industries*, December-05-11

Event: Empire Industries, a company that manufactures engineered products and provides steel fabrication & installation services, primarily to the industrial, commercial and infrastructure markets in western Canada, has agreed to sell its Empire Iron Works structural steel fabrication operations in Winnipeg and its Hopkins Steel Works facility in Welland to the Supreme Group, western Canada's largest steel fabrication company. The cash transaction is valued at approximately \$3.8 mln plus working capital.

Potential Sector Implications: Although small in size, the transaction by Empire is an indication that M&A is still active in the market place.

Stocks Impacted: Coverage Universe

Article Link: <http://www.empind.com/news/empire-industries-announces-agreement-to-sell-its-winnipeg-and-welland-structural-steel-fabrication-operations>

No Improvement in UK**Source:** *Construction Europe*, December-02-11

Event: According to the latest new order figures from the government's Office of National Statistics, the state of the UK construction market remains depressed. Specifically, new orders for the sector fell 5% in 3Q11 and are down 14% YTD. In absolute terms, new orders are now at their lowest level since 1980. Unsurprisingly, public sector construction has seen the sharpest declines following the government's austerity measures. Offsetting these negative developments (or perhaps in response to them) the UK government recently revealed a plan to spend an additional £5 bln on infrastructure to revitalize the industry.

Potential Sector Implications: While the UK's general construction markets have indeed been decimated, there are certain niches of the industry that have been showing some signs of resilience. They include coal, quarrying, and power systems. This has created some opportunities for select I&C companies to pursue while the rest of the market sorts itself out.

Stocks Impacted: FTT, CAT, STN

Article Link: <http://www.khl.com/magazines/construction-europe/detail/item69473/No-improvement-in-UK/?nltr=irn-rw>

COMPANY SPECIFIC NEWS

Skanska Acquires US Contractor

Source: *Skanska, December-29-11*

Event: Sweden-based global construction juggernaut Skanska acquired Evansville, Indiana-based Industry Contractors for US\$135 mln. With 2,400 employees and revenues of US\$500 mln, Industry Contractors serves the Midwest commercial, industrial and powers markets. Industry Constructors will join New York-based Skanska USA's 7,400 employees.

Potential Sector Implications: Industry consolidation continues to remain an ongoing theme for global contractors looking to grow outside their domestic markets. The transaction follows November's 51% purchase of Edmonton-based Clark builders by Hochtief's US subsidiary, Turner.

Stocks Impacted: ARE, BDT, CUQ, and NOA

Article Link: <http://www.skanska.com/en/Media/Display-news/?nid=LDFXQMy3>

Volvo Rents Expands into Canada

Source: *ForConstructionPros.com, December-21-11*

Event: Volvo Rents, a subsidiary of the OEM giant Volvo Group, announced its first acquisition in Canada with the recent signing of the Centreline Group of Rental Companies, a six-location construction equipment rental company found throughout Ontario. Together with its established presence in the US, Volvo Rents now boasts more than 90 stores across North America. The new Canadian Volvo Rents stores are located in Windsor, Leamington, Chatham, London, Dumfries and Hamilton. In contrast to Caterpillar, Volvo has generally circumvented its dealers (such as Strongco) and established a direct-to-market strategy for the rental channel.

Potential Sector Implications: The emergence of Volvo Rents in Canada is a reflection of the growing popularity of the rental channel in North America. It also represents a competitive threat to incumbent rental companies such as Toromont's CAT Rental Store.

Stocks Impacted: TIH (and potentially FTT if Volvo pushes west)

Article Link: <http://www.forconstructionpros.com/news/10568325/volvo-rents-expands-to-canada>

HSE to Acquire Flint Energy's Safety Unit

Source: *HSE Integrated, December-19-11*

Event: HSE Integrated, Canada's largest provider of essential industrial health and safety services further increased its focus on energy, oil and gas, and heavy industry with the tuck-in acquisition of the assets of Flint Safety Unit from Flint Energy Services. The agreement includes: (i) a multi-year master services agreement under which HSE may be called upon to provide services to Flint across North America, (ii) a non-compete clause for Flint to suspend offering stand-alone, onsite health and safety services to third parties, (iii) the retention of Flint's right to provide safety services on projects it provides other services to.

Potential Sector Implications: Although small in size, the transaction by HSE is an indication that M&A is still active in the marketplace.

Stocks Impacted: Coverage Universe

Article Link: <http://www.newswire.ca/en/story/897459/hse-integrated-announces-intent-to-purchase-the-assets-of-flint-safety-unit-from-flint-energy-services-ltd>

Amendment to the Canam Group Inc. Common Share Buyback Program

Source: *Canam Group, December-15-11*

Event: Canam amended its normal course issuer bid (NCIB) to double the number of shares it can purchase from 1,629,274 shares or 5% of its float, to 3,258,549 shares or 10% of its float. Since the NCIB's original approval date on Oct-27-11, the

company has repurchased 1,629,000 shares. Over the same time period, Chairman and CEO Marcel Dutil acquired 935,000 shares, increasing his ownership to 6.8 mln shares or 15.3% of the company.

Potential Sector Implications: Despite an uninspiring commercial construction market (see Exhibit 3), share repurchases by the company and its leader suggests a level comfort with the firm's current and projected financial position. Generally speaking, it also bodes well for the sector, perhaps suggesting that the worst may be behind it.

Stocks Impacted: CAM

Article Link: http://www.canamgroup.ws/www/v4/press.nsf/va_press!openview&menu=investisseurs&frame=cg

Joy Global Inc. Announces Fourth Quarter and Fiscal 2011 Year-End Operating Results

Source: Joy Global, December-14-11

Event: Joy Global (JOYG), the OEM that competes with CAT's acquired BUCY line, reported 4Q11 EPS of \$1.83, a marked improvement from \$1.39 last year. Bookings increased 33% y/y to \$1.4 bln and revenue increased 27% to \$1.3 bln. JOYG commented that despite slowing global growth, which has resulted in softer commodity prices, miners remain focused on deploying capex to generate organic growth throughout the cycle with a number of major mining companies announcing increases to their 2012 budgets. Part of this optimism is based on historically low levels (in days of supply) of industrial sector inventories and spot prices for coal and copper still at levels well above historical average. Finally, disruptions and declining ore grades should keep the copper market in a supply deficit and prices above \$3.50/lb, with significant long-term opportunity to the upside.

Potential Sector Implications: The positive long-term outlook for commodities and sustained capex spending by mining companies is positive for CAT and the equipment dealers that distribute mining equipment.

Stocks Impacted: CAT, FTT, TIH, WJX

Article Link: <http://investors.joyglobal.com/releaseDetail.cfm?ReleaseID=633108>

Sany Signs Dealer in New Jersey; LiuGong Expands Finance Program to Europe

Source: constructionequipment.com, prweb.com, December-13-11

Event: Sany America, based in Georgia, is partnering with Binder Machinery of South Plainfield, N.J., giving the company a distribution network in the Northeastern US. Binder Machinery was established in 1957 and covers New York and New Jersey with a specialty in cranes for road and bridge construction work. As well, Liugong has partnered with BNP Paribas Leasing Solutions to provide customer leasing and financing program in Europe. This follows the introduction of its program in North America earlier this year.

Potential Sector Implications: These articles speak to the steps Chinese OEMs are taking to make inroads in developed markets that have typically been dominated by American and Japanese manufacturers. Along these same lines in September this year, Sany partnered with GE Capital to expand wholesale and retail financing solutions for distributors and their end users.

Stocks Impacted: CAT and the Equipment Distributors

Article Link: <http://www.constructionequipment.com/sany-signs-dealer-new-jersey;>
<http://www.prweb.com/releases/2011/12/prweb9037464.htm>

Titan Lifts Guidance, Citing 'Strong Ag Market'

Source: Agrimoney, December-09-11

Event: Titan Machinery lifted its full-year guidance after reporting growth in quarterly earnings well above analyst expectations. Management cited "strong agriculture markets" as the main source of growth, although acquisitions have also been a key part of the story. The North Dakota-based farm machinery retailer, which recently announced plans to acquire dealer franchise in Eastern Europe, raised its estimate for sales for the year to the end of next month to \$1.4 bln – \$1.5 bln, from \$1.3 bln – \$1.4bln.

Potential Sector Implications: Although the US and Canadian farming markets operate with materially different dynamics, we see Titan's growth as a positive indicator for the sector.

Stocks Impacted: RME and CVL

Article Link: <http://www.agrimoney.com/news/news.php?id=3945>

Sany Eyes Plants in 10 Countries as China Digger Sales Slow

Source: *Bloomberg BusinessWeek*, December-07-11

Event: Chinese OEM Sany Heavy Industry Co. plans to build factories in more than 10 foreign countries as domestic demand slows. Its goal is to generate 40% of its sales from abroad over the next five years (vs. 10% today) by adding facilities in emerging markets and resource-rich nations. Sany wants to become a 'global brand' and has to-date increased its share in excavator market domestically at the expense of the (foreign) current market leaders Komatsu, Hitachi and Doosan. The company has also started to challenge Komatsu and Caterpillar in markets overseas as Chinese demand—which accounts for 45% of global construction-equipment retail sales—slows with tighter lending standards.

Potential Sector Implications: This development represents a competitive threat to CAT and the Equipment Distributors in Canada's "resource rich" market. However, it is one that we believe will take a very long time to unfold given North America's Tier IV emissions standards (which Chinese product generally does not meet at present) and the engrained distribution networks and aftermarket support that established CAT dealers (and other incumbents) have established.

Stocks Impacted: CAT and the Equipment Distributors

Article Link: <http://www.businessweek.com/news/2011-12-07/sany-eyes-plants-in-10-countries-as-china-digger-sales-slow.html>

UPCOMING RJ EVENTS

Feb-01-12: Ben Cherniavsky, Analyst Marketing, New York
Feb-07-12: Ben Cherniavsky, Analyst Marketing, Regina
Feb-08-12: Ben Cherniavsky, Analyst Marketing, Winnipeg
May-23-12: Infrastructure & Construction Conference, Toronto

RECENT RJ RESEARCH

Industry Comments and Reports

Jan-06-12: [Infrastructure & Construction: More Consolidation Coming Your Way in 2012](#)
Dec-23-11: [Steel Periodical IX: Steady as She Goes](#)
Nov-25-11: [Equipment Dealers: Capitalizing on Consolidation](#)
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!](#)

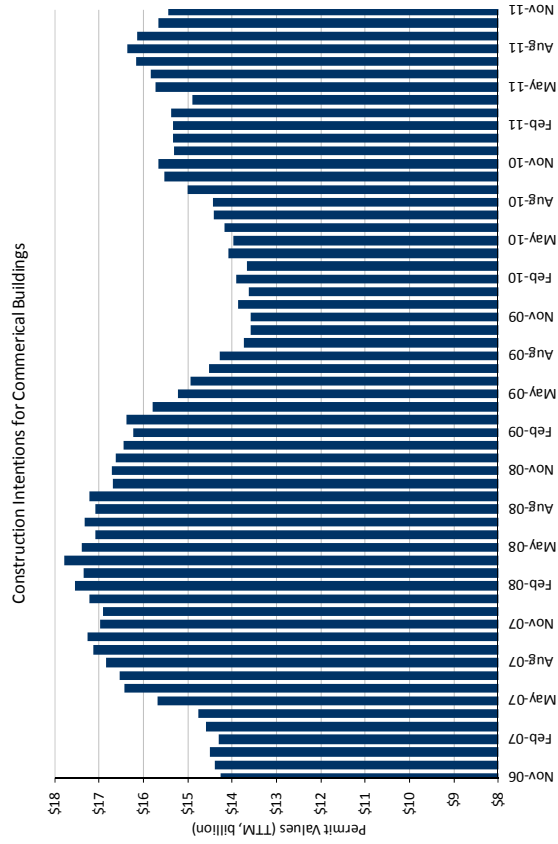
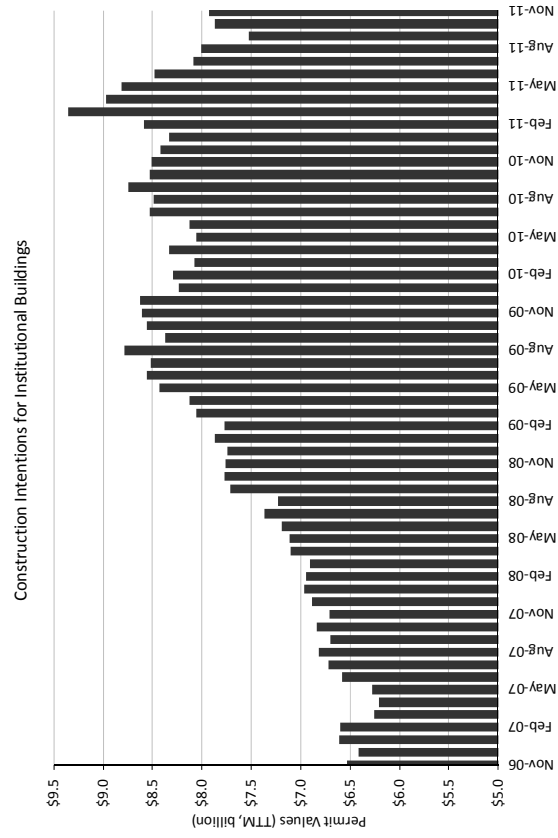
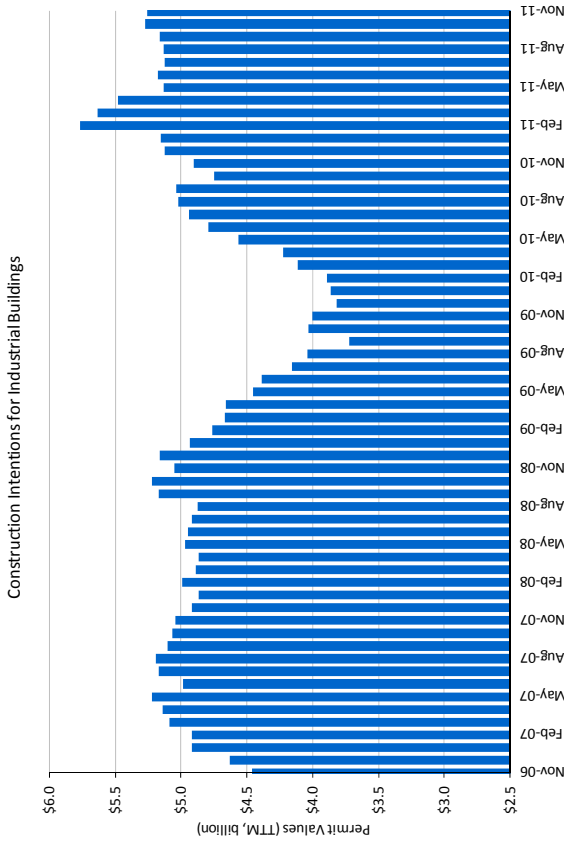
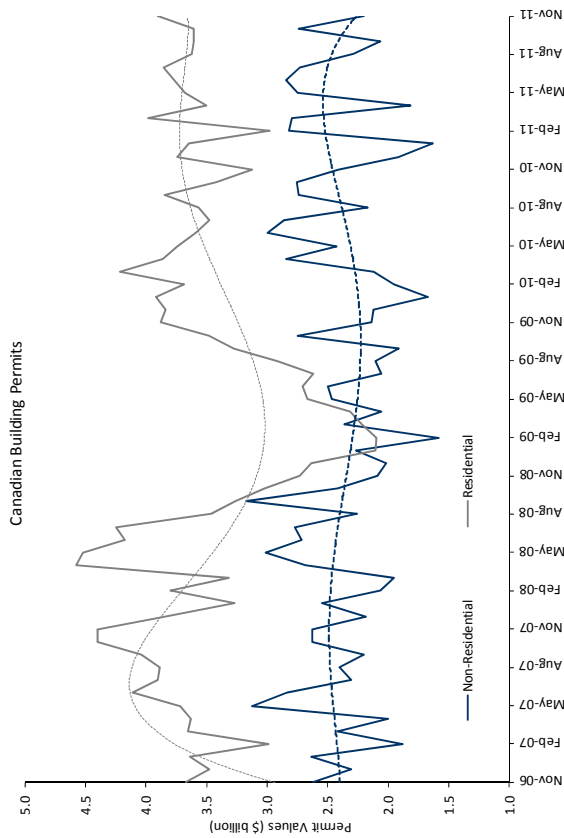
Quarterly Results

Dec-09-11: [DRX: Posts Weak F3Q12, But Too Cheap to Ignore](#)

Other Company Comments

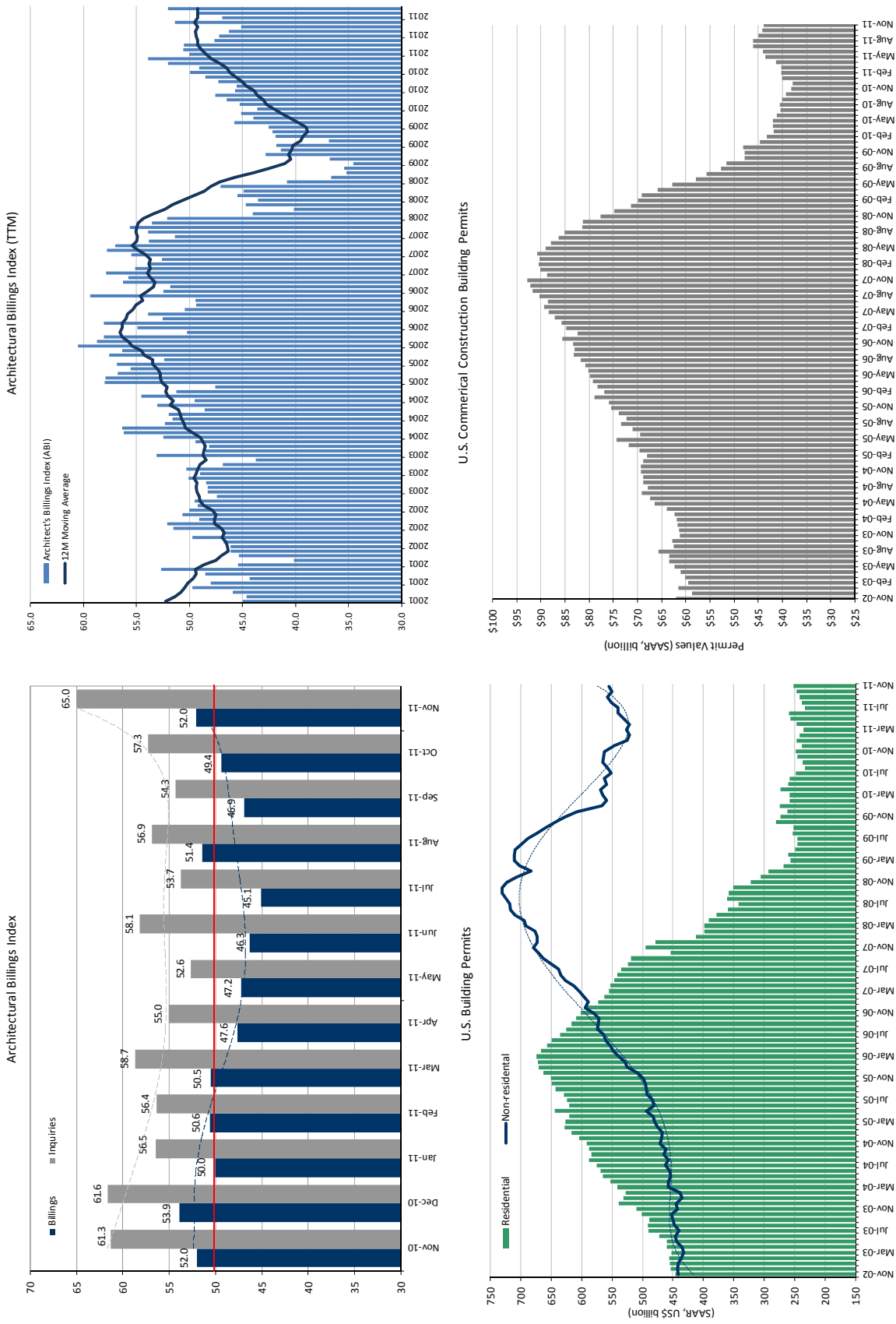
Dec-23-11: [NOA: Announces MOU just in time for Christmas](#)
Dec-22-11: [ARF: Mines Work in Northern BC](#)
Dec-22-11: [GNV: Fills War Chest With Big, Smart Money](#)
Dec-22-11: [SNC: Wraps Up 2011 With Another Oil Sands Contract Win](#)
Dec-21-11: [ARF: Secures Contracts in the GTA](#)
Dec-21-11: [RBA: Closes the Gap with Solid 4Q11 GAP](#)
Dec-19-11: [CAT: November Dealer Stats: Another Month of Strong Results](#)
Dec-16-11: [FTT: Impressions from the Investor Day](#)
Dec-14-11: [CAT Makes First Sale of BUCY Distribution Rights to Dealer; Readthrough for FTT](#)
Dec-13-11: [WJX: Wajax Announces New Leader at the Helm](#)
Dec-07-11: [CVL: Pursuing a New Growth Frontier](#)
Dec-07-11: [CVL: Keeps on Truckin' with LOI for Frontier Peterbilt](#)

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



Source: Statistics Canada, Raymond James Ltd.

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



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

Company Citations

Company Name	Ticker	Exchange	Currency	Closing Price	RJ Rating	RJ Entity
Empire Industries Ltd.	EIL	TSXV			NC	
Flint Energy Services Ltd.	FES	TSX			NC	
Hitachi Ltd.	HIT	NYSE			NC	
HSE Integrated Ltd.	HSL	TSX			NC	
Joy Global Inc.	JOYG	NYSE			NC	
Titan Machinery Inc.	TITN	NASDAQ			NC	

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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