

Value Focus

Construction Industry

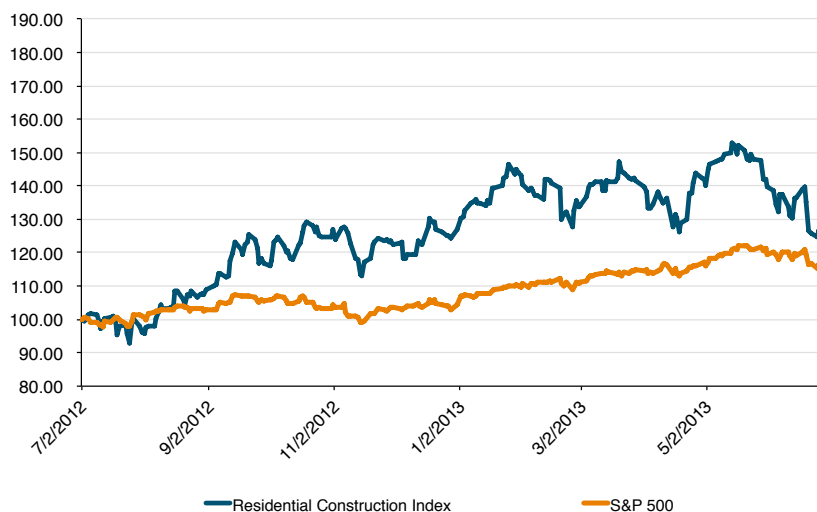
Residential Segment Second Quarter 2013

According to the Associated General Contractors of America (“AGCA”), equal numbers of states gained and lost construction jobs in June 2013. However, over two-thirds of the states in the U.S. (36 total) added jobs year-over-year. Despite that, nearly all states are below peak levels of construction employment.

Mercer Capital’s residential construction index illustrates the industry’s generally improving pricing relative to the S&P 500, as shown below.

Mercer Capital Residential Construction Index vs. S&P 500

July 2, 2012 - June 28, 2013



The National Association of Home Builders’ (“NAHB”) Housing Market Index, released April 15, 2013, registered a two-point drop in builder confidence to 42. The NAHB states that the drop in builder confidence reflects increasing costs for building materials and rising concerns about the supply of developed lots and labor.

According to the Department of Commerce:

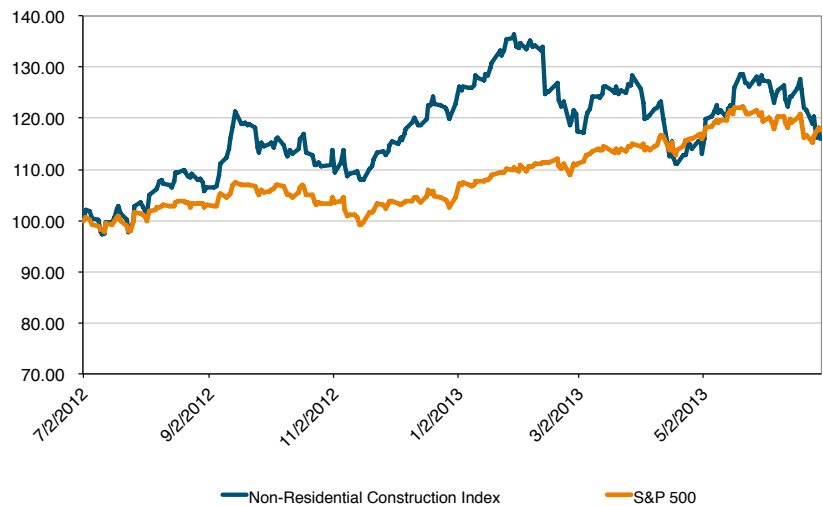
- Multi-family housing starts rose 7.0% in March 2013, while single-family production slipped 4.8% for the same month.
- Single-family housing starts in March 2013 were at a rate of 619,000 units, reflecting a decline due to a substantial upward revision to the February data. Without the revision, no change would have been recorded.
- Multi-family housing starts were at a seasonally adjusted annual rate of 417,000 units, which is the highest rate since January 2006.
- Total permit issuance fell 3.9% to 902,000 units, reflecting a 0.5% reduction on the single-family side and a 10% reduction on the multi-family side.

Non-Residential Segment Second Quarter 2013

Mercer Capital's non-residential construction index illustrates the industry's slightly less favorable pricing relative to the S&P 500, as shown below.

Mercer Capital Non-Residential Construction Index vs. S&P 500

July 2, 2012 - June 28, 2013



- The estimated annual rate of public construction spending in February 2013 was \$272.1 billion, 0.9% above the revised January 2013 estimate of \$269.6 billion. Highway construction was at a seasonally adjusted annual rate of \$81.4 billion, which was 3.4% above the revised January estimate of \$78.7 billion.
- According to the *Associated Builders and Contractors Construction Economic Update*, construction industry unemployment rate fell to 14.7% in March, down from 15.7% in February. 18,000 construction jobs were added in March.

Mercer Capital Residential Segment Construction Index

Closing Prices as of June 28, 2013

	Ticker	Current	52 Wk Perf (%)	Market Cap (\$M)	Ent. Value (\$M)	LTM Rev. (\$M)	EBITDA (\$M)	Rev. Growth (%)	EBITDA Margin (%)	EV/Rev. (x)	EV/EBITDA (x)
PULTE HOMES INC	PHM	\$18.97	73.9%	\$7,351.06	\$9,862.79	\$5,101.72	\$371.85	21.1%	7.3%	1.9	26.5
LENNAR CORP	LEN	\$36.04	15.9%	n/a	n/a	\$4,369.80	\$404.53	27.5%	n/a	n/a	n/a
TOLL BROTHERS INC	TOL	\$32.63	8.9%	\$5,523.15	\$8,012.06	\$2,127.75	\$129.98	40.2%	6.1%	3.8	61.6
KB HOME	KBH	\$19.63	103.0%	\$1,640.08	\$3,603.83	\$1,710.78	\$43.44	21.8%	n/a	2.1	n/a
NVR INC	NVR	\$922.00	8.3%	\$4,607.14	\$5,206.15	\$3,354.41	\$312.61	22.2%	9.3%	1.6	16.7

Mercer Capital Non-Residential Segment Construction Index

Closing Prices as of June 28, 2013

	Ticker	Current	52 Wk Perf (%)	Market Cap (\$M)	Ent. Value (\$M)	LTM Rev. (\$M)	EBITDA (\$M)	Rev. Growth (%)	EBITDA Margin (%)	EV/Rev. (x)	EV/EBITDA (x)
BAKER (MICHAEL) CORP	BKR	\$27.11	4.4%	\$262.05	\$262.05	\$585.71	\$26.07	2.9%	n/a	0.4	n/a
URS CORP	URS	\$47.22	35.3%	\$3,588.72	\$5,674.12	\$11,413.50	\$848.50	19.1%	7.4%	0.5	6.7
FOSTER WHEELER AG	FWLT	\$21.71	30.2%	\$2,238.60	n/a	\$3,277.83	\$284.66	n/a	8.7%	n/a	n/a
MCDERMOTT INTL INC	MDR	\$8.18	-26.6%	\$1,933.91	\$2,035.12	\$3,721.43	\$496.50	13.7%	13.3%	0.5	4.1
JACOBS ENGINEERING GRP INC	JEC	\$55.13	46.4%	\$7,206.60	\$7,657.42	\$11,153.88	\$744.54	3.3%	6.7%	0.7	10.3
GRANITE CONSTRUCTION INC	GVA	\$29.76	15.3%	\$1,154.99	n/a	\$2,151.58	\$99.95	4.3%	4.6%	n/a	n/a
FLUOR CORP	FLR	\$59.31	20.6%	\$9,659.30	\$10,174.05	\$28,472.63	\$1,020.39	15.7%	3.6%	0.4	10.0
VULCAN MATERIALS CO	VMC	\$48.41	21.4%	\$6,290.98	\$8,957.00	\$2,569.59	\$380.32	-1.7%	14.8%	3.5	23.6
INSITUFORM TECHNOLOGIES	AEGN	\$22.51	22.4%	\$882.17	\$1,132.77	\$1,029.02	\$103.65	7.3%	10.1%	1.1	10.9
CHICAGO BRIDGE & IRON CO	CBI	\$59.66	57.0%	\$6,383.14	\$8,280.57	\$6,535.37	\$575.40	36.2%	8.8%	1.3	14.4
SHAW GROUP INC	SHAW	\$47.61	74.7%	\$3,172.54	\$4,758.84	\$5,860.04	\$225.08	-2.9%	3.8%	0.8	21.1

Mercer Capital

Construction Industry
Services

Mercer Capital provides valuation and transaction advisory services to the construction and building materials industries.

Industry Segments

Construction

- Commercial
- Civil
- Residential

Building Materials

- Aluminum
- Brick
- Cement
- Concrete
- Glass
- Lumber
- Metals and mining
- Steel
- Special construction products

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