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M&A INTERNATIONAL INC.

Electrical Installation Services Industry's M&A Outlook: Making the Right Connections

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Executive Summary

While M&A activity in the broader construction sector fell off sharply with the bursting of the real estate bubble, electrical installation services deal volumes remained strong in 2008 and 2009, with deal numbers beginning to fall in 2010. This dynamic was largely the result of firms using the financial crisis as an opportunity to implement M&A in order to become vertically integrated players, expand their geographic footprint and build out their customer base by acquiring client relationships. While deal flow within the sector is currently depressed (particularly in value terms), we see a positive outlook for M&A in 2011. The electrical installation services sector tends to follow broader M&A trends in the construction industry, albeit with a noticeable time lag. Therefore, based on the broad-based recovery in deal value and volume in the construction industry, we believe that the electrical installation services sector should see a reasonable rebound.

The current M&A scenario in the electrical installation services industry provides some opportunities which, if tapped at the right time, will provide significant growth drivers. We consider the present rebound in deal valuations a good chance for smaller, independent companies to sell their stakes. At the same time, we clearly see the need for larger players to expand internationally and diversify their offerings so that they can provide a one-stop, integrated service in response to the expansion needs of their clients. Energy efficiency leading to the increased usage of smart grids is another factor to watch out for; if electrical installation services players want to maintain their competitive position in this dynamic market environment, they have to be aware of this emerging high-potential trend. In order to accelerate the process of acquiring necessary know-how, they may identify M&A targets which are already specializing in this field before the wider industry recognizes this need and their valuations shoot up.

M&A activity overview: still below 2008 highs

Between 2007 and 2010, the electrical installation services sector saw a total of 305 deals worth a combined $10.1bn (compared with 172 deals worth $4.2bn in the preceding four years), signaling increasing deal activity. The peak of this activity (based on M&A deal volume) was seen in 2008, with volumes reaching an all-time high as a result of the global construction industry boom. Also valuations reached their maximum levels that year, with EV/Revenue[1] rising sharply to 0.8x. Finally, 2008 saw the two largest transactions – the acquisition of Eiffage SA by a financial consortium for $3.0bn and that of Cegelec SA by Qatari Diar for $2.6bn; combined, these two deals accounted for 55.8% of total deal value between 2007 and 2010.

However, with the bursting of the real estate bubble, M&A deal values fell visibly. Average deal value came down from $270.9mn in 2008 to $79.8mn in 2009 and the average EV/Revenue multiple almost halved (although deal numbers increased from 75 to 90). The drastic fall off in deal values – signaling a massive reduction in overall transaction scale – was evidenced by the fact that in 2009 only private companies were the targets of M&A.

Despite the volatility in deal activity over the period, some salient trends and drivers emerged within M&A deal making in the sector. The first major driver is companies' desire to diversify their service portfolios, often through vertical as well as horizontal integration, in order to offer complete solutions to their clients. For example, the $3.7mn acquisition of Utilitec BV by GSH Group plc was driven by the firm wanting to establish a self-delivered service offering which would combine all client requirements into a single business solution.

Secondly, geographical expansion was also a major driver underpinning M&A activity in the space. For example, the acquisition of Cegelec SA by Vinci SA for $1.7bn in 2009, gave the company access to at least 30 different markets.

Increasing focus on energy efficiency was seen as another key M&A driver. For example, the transaction involving Service

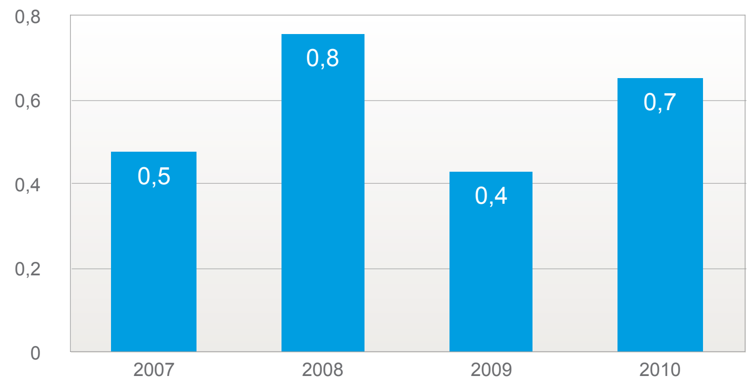
[1] Enterprise Value divided by Revenue

Executive Summary

Stream Limited and Serviceworks Private Metering Division was aimed at taking advantage of the rollout of smart meters mandated by the Australian State of Victoria.

Finally, the prominence of long-term client relationships within the electrical installation services industry also provided another trigger for M&A activity with companies finding acquisitions to be an efficient way of increasing their customer bases. This was a prime motivation behind the $100mn acquisition of TIMEC Company by Transfield Services Ltd. in 2007.

Figure 1: Global statistics on Average implied EV / Revenue

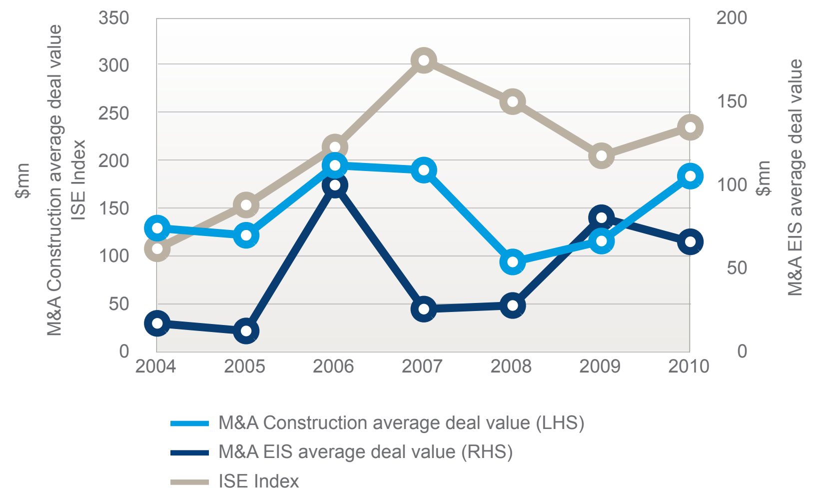


Source: Copal Analysis, Capital IQ

Valuations

Unsurprisingly, M&A valuations bottomed in 2009. Difficult credit conditions and an overall deterioration in European M&A, historically the most prominent region in terms of deal activity, exerted pressure on global asset prices, resulting in a 43.2% YoY decrease in the average implied EV/Revenue multiple. However, the decline occurred from a historically high average EV/Revenue multiple in 2008 (Figure 1). Significantly, valuations rebounded visibly in 2010, exceeding their four-year average of 0.6x and coming close to 2008 highs. They did so despite a further decrease in both the number of transactions and the average total deal value, indicating that although fewer deals were concluded, and at lower average transaction values, asset prices had rebounded sharply. The recovery in asset pricing combined with improving construction markets supports an optimistic future outlook for overall growth in M&A activity both in terms of deal numbers and values.

Figure 2: M&A activity in the Construction and Electrical Installation Services industries vs. ISE Global Construction and Engineering Index



Source: Copal Analysis, Capital IQ

By region, Europe reported the highest valuations during the period, with an average implied EV/Revenue multiple of 0.7x. Both North America and Asia Pacific were almost 50% lower at around 0.4x. Also in Europe, valuations increased the most in 2010, exceeding their 2008 levels by 12.6%. While European pricing appears unlikely to go much higher, we still see further upside potential in North America and Asia Pacific.

Future M&A prospects: last in, last out?

Although the economic outlook remains uncertain, we believe that the near-term outlook is bright. M&A transactions in 2010 reported rising asset valuations (average EV/Revenue multiples in 2010 increased by 51.8% YoY) suggesting industry

Executive Summary

participants were willing to switch from repairing their balance sheets and cost savings to positioning themselves for growth. The tenor of the recovery was clearest in North America where both deal number (25 deals in 2010 vs. 17 in 2009) and value (average deal value of $140.5mn in 2010 against $15.8mn in 2009) recovered strongly. The US was very much the "canary in the coal mine" for the housing crisis and it is expec-ted that it will also be among the first regions to fully recover. We expect global M&A deal flow to follow the accelerating momentum seen in North America in 2011 as general business conditions continue to improve. This is underpinned by the clear rebound in construction industry M&A, which has historically been a leading indicator for electrical installation services deal flow. Since not only the construction M&A activity, but also the ISE Global Construction Index are on their way up (clear rebound in 2010 with an improved performance expected in 2011 due to a strengthening economic outlook), there is convincing evidence that electrical installation services M&A activity should follow suit.

The trends present during the financial crisis are likely to remain key drivers. Companies will continue to seek greater geographical reach in order to cater to an increasingly global client base. Both vertical and horizontal integration will also be important drivers, with buyers coming from diverse yet associated sectors. This will further be supported by ongoing harmonisation initiatives intended to unify international electrical installation standards. Finally, we believe companies will continue to seek to increase the number of their long-term client relationships through acquisitions of their industry peers.

Emerging economies, particularly India and China, will have an increasing contribution to global M&A due to their rapidly growing construction sectors. While domestic M&A activity within these economies will strengthen, foreign entrants will also be encouraged to buy access to these markets, while local companies will increasingly buy technology from the developed world, driving both inbound and outbound deals.

Finally, we expect long-term trends developing within the broader power industry to underpin increasing M&A. A key theme which has emerged is the growing need for energy efficiency, which has triggered the introduction of technology such as smart grids and smart meters. Although currently the majority of electricity transmission systems worldwide is still traditional, the growing scale of smart electricity infrastructure utilisation will lead to the replacement of a large part of the entire system. Moreover, growing demand for smart buildings with integrated installations will provide a boost for electrical installation services demand and inevitably impact the M&A scene.

Continuous growth

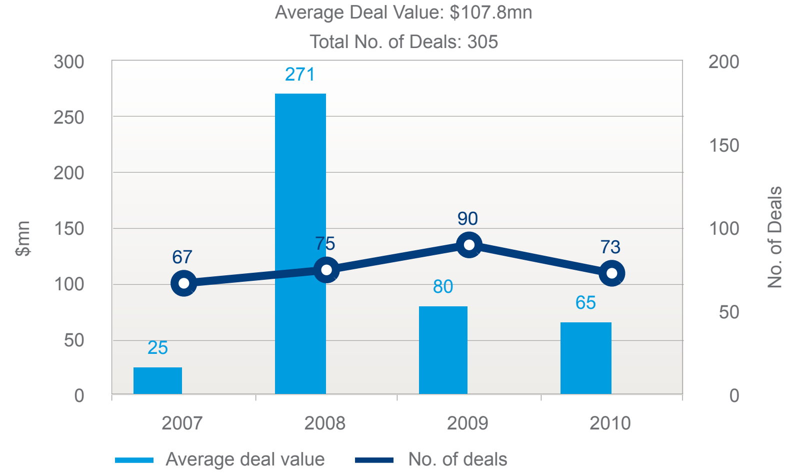
"Going forward, M&A activity in the electrical installation services industry is expected to be driven by the continuing growth in construction markets especially in emerging economies, business and geographical diversification allowing for better response to clients' needs, and energy efficiency trends."

Jonas P. Knudsen
Head of M&A International Inc.'s Business Support Services Group

M&A Overview & Analysis

Being closely related to the construction sector, the electrical installation services industry also suffered from the housing-induced financial crisis in the United States, which resulted in a global economic slowdown. Despite this, the number of M&A deals occurring in the electrical installation services industry increased steadily between 2007 and 2009 (though they fell in 2010) growing by a CAGR of 2.9% over the whole period. The economic downturn had a greater impact on average deal values which, after hitting a record high in 2008, fell sharply in 2009 followed by a further decline in 2010 (Figure 3). However, there seems to be a light at the end of the tunnel: transaction valuations improved significantly in 2010 (represented by implied EV/Revenue multiples), signaling a healthy and improving M&A market.

Figure 3: Value and Volume of M&A transactions



Source: Copal Analysis, Capital IQ

Trends driving M&A in the electrical installation services industry

In recent years, the competitive landscape within the electrical installation services industry has changed significantly. Service providers have been evolving from being small, local companies to more diversified businesses, providing a variety of services. At the same time, regulatory changes, especially in Europe, have promoted harmonised industry standards. Such issues determined much of the electrical installation services industry's M&A activity in the period between 2007 and 2010.

Diversification of service portfolio

Instead of hiring several individual providers and signing separate contracts dealing with each individual aspect of facility and construction support, large clients now seek partners who are able to meet all of their requirements associated with complex projects. To satisfy these demands and also to maintain their competitive advantage, players within the electrical installation services industry have always been looking for ways to develop a variety of business lines to provide a "one shop solution" to their clients but recently this has accelerated. As a result, integrated companies are increasingly seeking to acquire smaller, often pure-play competitors to merge into a single organisation with multiple sub-segment offerings for electrical installation, mechanical installation, engineering services, architectural services and other forms of construction support. Further, companies from sectors such as electrical equipment manufacturing are increasingly acquiring installation services providers in order to gain control of a greater share of the value chain through vertical integration.

A case in point is the 2010 acquisition of electrical contractor Rondout Electric by the multi-subsidiary construction products and services company Moro Corporation in the United States.

Geographical expansion

While electrical installation services providers seek to diversify their business lines in response to client needs, they have also sought to increase their geographic footprints to better match those of their clients. Large construction project management is complicated by the need to hire different subcontractors in each country. As a result, service providers have aimed to expand their geographical footprint in order to provide multi-location services for international projects. As pre-established electrical installation services industry players are usually already operating in various countries, with very similar, albeit locally focused, businesses, it is often much easier for an expanding company to acquire local players in other countries rather than build its own greenfield capacity. In such cases, similar business lines may also generate significant synergies.

Geographical expansion into northern Europe was the main motive behind the acquisition of the Building and Facilities Services Business of the UK company AMEC plc by France's SPIE SA.

M&A Overview & Analysis

International standards convergence

Cross-border M&A activity is supported by continuing efforts to harmonise electrical wiring standards between neighbouring countries. In Europe, the International Electrical Commission (IEC) has published standards now included in individual country regulations. The high degree of international standard harmonisation in Europe partly explains the continent accounting for the largest share of cross-border M&A activity across all regions. Harmonisation initiatives are also taking place in North America. However, national electrical wiring regulations in both the US and Canada are already similar in many respects. In contrast, in the Asia Pacific region, little progress has been made in harmonising electrical standards. Uniform rules stating clear requirements make it much easier for electrical installation services providers to drive synergies from cross-border M&A transactions by building on existing experience.

Global warming: heating up the deal market?

With the increasing emphasis on climate change, CO^2 emissions and energy security, energy efficiency has been a focus for regulators as well as end-users of electricity. Therefore, it is unsurprising that the prevalence of smart power infrastructure is increasing; smart meters dynamically adjust to the changing intra-day demand/supply balance making it possible for end-users to control and monitor their individual consumption, while smart grids enable the most efficient power allocation across the entire system. Although the use of smart grids remains at an early stage, we regard them as an important theme in the future development of the electrical installation services industry, with the IEC already designing international standards for smart grid infrastructure. Further, the drive towards energy efficiency will result in an entire new generation of smart buildings. Intelligent building installations – integrating such systems as heating and cooling, ventilation, alarm systems, IT and telecom, and building control – will form a vital part of such buildings. The growing acceptance of these energy efficiency trends should underpin future M&A activity in the electrical installation services sector.

Buying business

The prominence of long-term client relationships is a key characteristic of the electrical installation services industry. Developers and construction companies regularly hire the same trusted providers for one-off engagements; further, a large part of the business is signed on a permanent basis. Therefore, companies seeking to strengthen their market position tend to acquire peers together with their existing client bases. In such cases, targets are usually retained as fully functional business units, often with the pre-deal management teams remaining in place.

Efficiency rules

"With increasing energy security concerns on the one hand, and rising pressure on consumers' electricity bills on the other, there is an urgent need for efficient energy management. Therefore, smart grids and smart meters will be the key theme in the electrical installation industry moving forward. The 2007 deal between Service Stream Limited and Serviceworks Private Metering Division in Australia, enabling the company to grasp the opportunity provided by the mandated rollout of smart meters by the Australian State of Victoria, proves that energy efficiency trends have already started influencing global sector M&A."

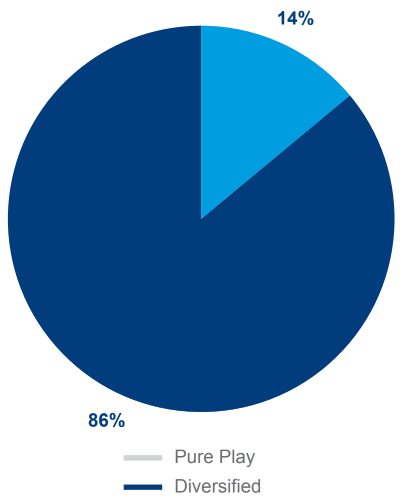
Paul Young
Business Support Services Specialist, M&A International Inc., Australia

M&A Overview & Analysis

M&A targets: focus on diversified companies

Diversified companies, in particular from fields such as construction, utilities, electrical equipment manufacturing and information technology, were the most popular acquisition targets for electrical installation companies between 2007 and 2010. They represented around 86% (Figure 4) of all companies targeted by electrical installation players during the period. The recurring motivation for such transactions was the acquisition of key accounts and augmenting existing operations. On the other hand, in cases when pure-play companies were bought, it was mainly because of the electrical installation acquirors' drive to expand geographic reach and, in some cases, follow the expansion of existing key customers into new markets.

Figure 4: Total deal volume split by type of target (2007–2010)



Source: Copal Analysis, Capital IQ

Out of a total of 89 cross-border transactions, only four involved the acquisition of pure-play companies, the largest of which concerned investment firm Qatari Diar's 2008 purchase of a stake in French firm Cegelec SA. In 2009, Qatari Diar sold Cegelec SA to Vinci SA for $1,735.5mn, which was widely regarded as a discounted price as a result of the poor economic conditions prevalent at the time. European companies were the most popular targets with the region posting the highest deal volumes and values. We believe that geographical proximity and harmonised regulations were the catalysts for many of the transactions in the region. The largest transaction involving a European corporate target was the $3,046.6mn acquisition of Eiffage SA of France in 2008 by a consortium of financial investors including Société Générale Group, BNP Paribas Capital and others.

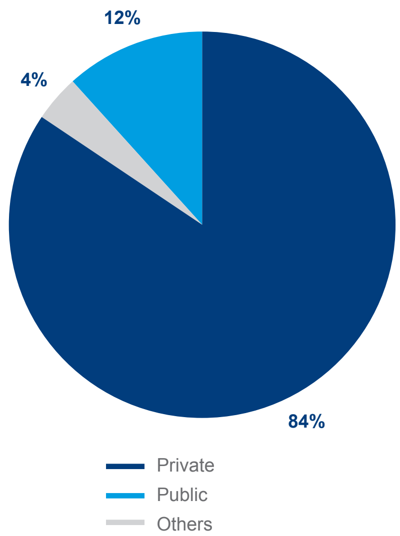
Private vs. public companies

Private companies represented the vast majority of electrical installation services M&A targets (Figure 5), underscoring the extent to which businesses have sought to acquire smaller, private companies in order to widen their geographical reach and support their offerings. In fact, public companies represented only 4% of target companies between 2007 and 2010. Adverse economic conditions seem to have been the culprit for the decline in large scale acquisitions with no public company purchased in 2009. Most public companies were from Asia Pacific, where the largest transaction involving a public company as a target was the purchase of the Toenec Corporation by Chubu Electric Power Company Inc. for $129.2mn in 2008. However globally, the biggest deal involving a public company as a target remained the previously mentioned acquisition of Eiffage SA.

M&A deal makers

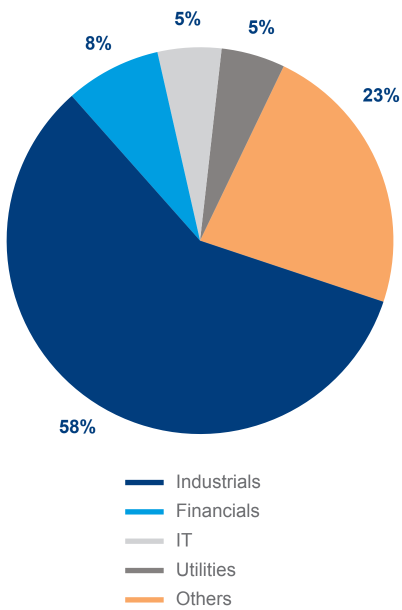
While industrials have represented the largest share of transactions by volume, financials accounted for the largest portion by value in recent years (Figure 6).

Figure 5: M&A deal volume by target company type (2007–2010)



Source: Copal Analysis, Capital IQ

Figure 6: M&A deal volume by buyer industry (2007–2010)



Source: Copal Analysis, Capital IQ

The financial sector comprised around 57% of total deal value between 2007 and 2010.

M&A Overview & Analysis

Pure plays lagging behind

Between 2007 and 2010, pure-play electrical companies accounted for 16% of total deal volume and 7% of total deal value in the sector. Most acquisitions by pure-play companies occurred in Western Europe and usually involved participants acquiring smaller companies to support their ongoing operations and expand their geographical footprint. In particular, in 2007, pure-play companies showed increased interest in acquiring companies to expand their geographical coverage.

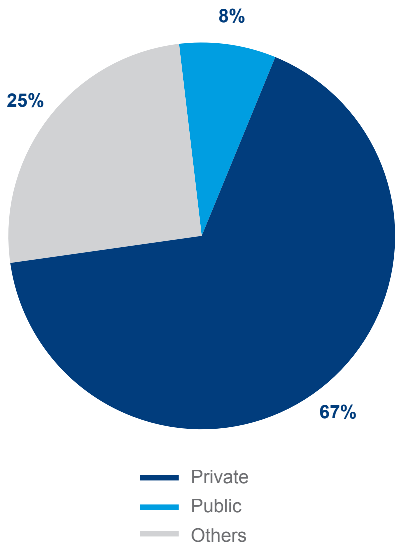
Despite this, the majority of pure-play transactions were still domestic; between 2007 and 2010 only eight pure-play companies made cross-border acquisitions with the largest, worth $27.8mn, involving Interior Service Group UK and Interior Alpha SA.

Private companies lead in volumes but lag in value

Between 2007 and 2010, private companies comprised 67% of total M&A volume (Figure 7) but only 5% by total deal value. The largest transaction involving a private company as a buyer occurred in 2007 when SPIE SA paid $238.6mn to acquire AMEC PLC to expand internationally, diversify its offerings and strengthen its customer base.

Publicly listed companies remained active in terms of M&A between 2007 and 2010, averaging over 15 deals each year. The largest transaction involving a public company as a buyer was Vinci SA's $1,735.5mn acquisition of Cegelec SA in 2009.

Figure 7: M&A deal volume by buyer company type (2007–2010)



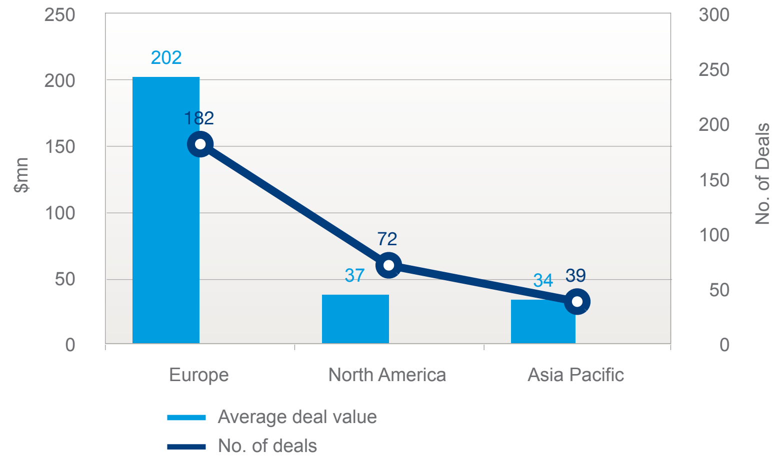
Source: Copal Analysis, Capital IQ

M&A Trends by Region

Europe has dominated sector M&A activity for several years, accounting for 59.7% of transactions between 2007 and 2010; at the same time its average transaction value at $202.3mn was 87.6% above the global average (Figure 8). North America, consisting of the US and Canada, reported 72 deals, well ahead of Asia Pacific with 39 although respective average deal sizes of $37.5mn and $33.8mn were largely similar.

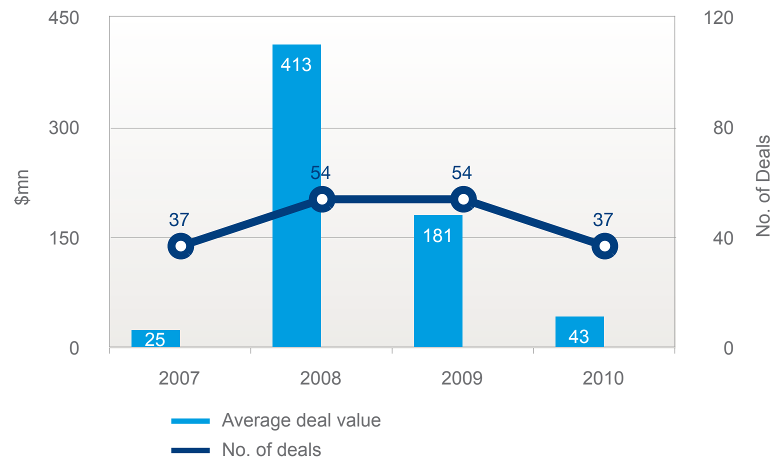
Cross-border transactions represented 18.1% of all deals worldwide, driven mainly by Europe which accounted for 63.3% of all such transactions. With the region enjoying the most harmonised electrical installation regulations, this is hardly surprising. However, cross-border transactions are likely to become more important in other regions, as an increasing number of deals are driven by electrical service providers seeking to develop international operating capabilities to enable them to participate in their clients' large global projects.

Figure 8: Total deal value and volume by region (2007–2010)



Source: Copal Analysis, Capital IQ

Figure 9: European deal volume and average deal value



Source: Copal Analysis, Capital IQ

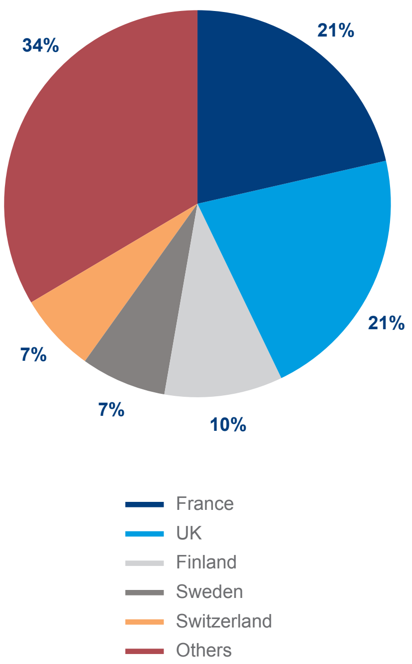
Europe – clear leader in M&A transactions

Europe has been the regional leader in terms of M&A activity in the electrical installation services industry. The region reported the most deals between 2007 and 2010, which – combined with the highest average deal value of $202.3mn over the period – resulted in a total European deal value of $8,496.1mn, far exceeding all other regions and accounting for 83.8% of all M&A deal value in the period. Deal activity on the continent peaked in 2008 (Figure 9), at odds with the overall M&A market for most industries, which was overshadowed by the recession. While the number of deals reported increased by 45.9% YoY, average deal value rose almost ten-fold to $270.9mn, although this was mainly the result of two high-value transactions: the acquisition of Eiffage SA by a financial corporate consortium and the acquisition of Cegelec SA by Qatari Diar, which jointly accounted for 91.3% of total deal value in 2008. Excluding these two transactions, average deal value in 2008 was $41.3mn, still higher than in 2007 but only by 67.9%. Apparently, the recession only began to impact the industry in 2009: even though the number of deals remained unchanged over 2008, average deal value more than halved. Again, deal value was driven on this occasion by a single major transaction (in which Qatari Diar sold Cegelec SA to Vinci SA) accounting for 95.9% of total deal value. Excluding this transaction, the value of electrical installation services M&A transactions bottomed in 2009, with an average deal value of only $8.2mn. In 2010, although the number of deals fell to 37, the average deal size recovered to $43.0mn.

M&A Trends by Region

France and UK saw the highest number of deals during the period, with 39 transactions announced in each of the two countries. Although France dominated the European M&A market with 92.2% of deals by value targeting French companies, 94.4% of the country's $7.8bn deal value was due to three major deals (Figure 10); consequently, average deal value in France was $200.8mn, much higher than the UK's $10.9mn. Nordic countries turned out to be quite active regarding electrical installation M&A activity. Finland recorded 18 transactions, placing it at third position in Europe, and Sweden closed 13 deals. Finally, 12 transactions were executed in Switzerland in the 2007–2010 period.

Figure 10: European deals by country (2007–2010)



Source: Copal Analysis, Capital IQ

The largest deal transacted in the European electrical installation services industry was the $3,046.6mn acquisition of Eiffage SA by a consortium of French institutional investors. This acquisition was followed by two deals involving the French company, Cegelec SA, which was first bought by Qatari Diar, the Qatar real estate investment and development company, for $2,613.6mn. It was then sold to France's Vinci SA, a construction and electrical engineering company, in a deal worth $1,735.5mn. The significant decrease in the valuation of the asset highlights the deterioration in the European M&A market between mid-2008 and mid-2009 resulting from the financial crisis. The eventual takeover of Cegelec by Vinci reflects a key trend apparent in electrical installation services sector M&A activity – extending geographical representation to facilitate the execution of complex international projects. Major multinational developers working on such projects prefer subcontractors able to provide services in all regions as it enables them to avoid having to sign several single-country contracts with multiple companies. With client projects becoming increasingly internationalised, electrical installation services providers must follow and restructure accordingly. Usually, the easiest way to build international capacity quickly is to acquire a company which already maintains cross-border operations, as in the case of Cegelec, which when bought by Qatari Diar operated in 30 countries; its purchase therefore supported Vinci's efforts to develop its international presence. The drive to establish an international product portfolio has been a theme in several other deals, including the acquisition of UK company AMEC plc by SPIE SA of France, or the purchase of France's Interior Alpha SA by Interior Services Group plc, a UK company with operations in the UK and Asia.

In a similar attempt to provide their clients with integrated solutions, this time in terms of scope of activity, integrated or mechanical installation companies are now bidding for electrical installation services players. To this end, in Sweden, NVS Installation AB, a mechanical services provider owned by Dutch Imtech N.V., acquired NEA Gruppen AB, an electrical services supplier, building its capability to offer total technical solutions to the market (more details on page 20). Significantly, we note a tendency toward vertically integrated offerings, enabling increased cost savings by eliminating multiple subcontracting le-vels. The desire to establish a self-delivered service offering was a key motive for GSH Group plc's acquisition of Utilitec BV within the utilities and energy sector.

Partners in total solutions

"There is a clear and increasing tendency in the market for larger clients to look for strong partners who can shoulder the entire responsibility for sustainable total technical solutions in the future."

Håkan Bergkvist
General Manager, NVS

Finally, many companies acquire their peers to gain access to a larger client base, as the electrical installation services industry is often founded on long-term accounts and regular servicing. In such acquisitions, the target usually becomes a fully integrated part of the buyer. As a result, the acquiring company benefits from both the increased size of its operating division and additional client contracts. Simon Rigby, CEO of Spice plc, whose electricity services unit Freedom

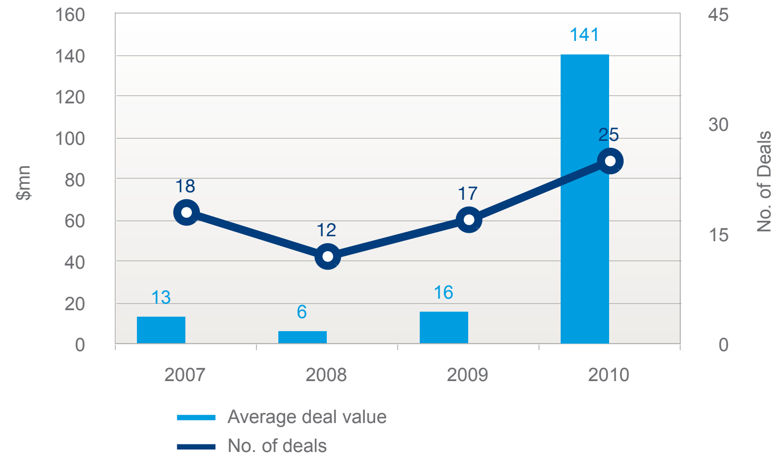
M&A Trends by Region

acquired Melton Power Services, Utility Technology, Line Design Solutions and GIS Direct in April 2008, clearly stated that the move would not only strengthen the company's position but also help access desirable blue-chip client accounts.

Inter-regional activity was relatively low, with four inbound and five outbound transactions. The main motive behind inbound deals was, unsurprisingly, a desire to expand geographical representation. The main deal in this respect involved the acquisition of Cegelec SA by Qatari Diar; remaining buyers were from India, the US and Canada. The most common driver for outbound deals was to strengthen the position of European companies in the US to capitalise on booming construction markets before the recession. Consequently, most outbound deals targeted the US, and took place before mid-2008.

We believe European electrical installation services M&A activity has growth potential, especially as the construction market recovers. We expect further integration of electrical installation services providers aimed towards becoming large players able to provide complete solutions, often across several countries. This trend will be further enhanced by the IEC's ongoing harmonisation initiatives. Given the convergence of segment regulation between various regional states, it becomes increasingly viable to consider overseas targets; consequently, a significant 19.5% share of all European M&A activity between 2007 and 2010 involved cross-border transactions. In the long term, we expect electrical installation services M&A activity to benefit from energy efficiency trends, particularly the introduction of smart grids which, we believe, will trigger a drive towards acquiring technical expertise in the space. Like the traditional electrical installation services industry, the smart grid segment will be harmonised, further facilitating cross-border transactions.

Figure 11: North American deal volume and average deal value



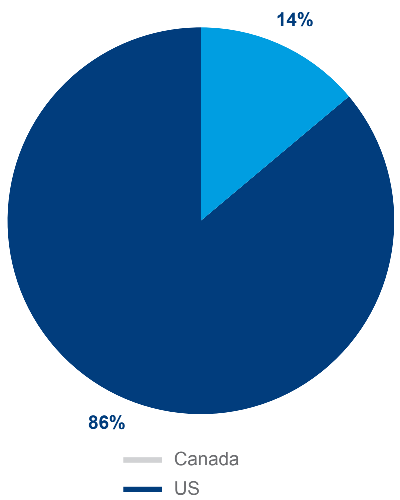
Source: Copal Analysis, Capital IQ

Steady M&A recovery in North America

Although North America reported 72 M&A transactions between 2007 and 2010, almost double that of Asia Pacific, the region's total deal value of $787.4mn lagged Asia Pacific. As a result, deal value in North America was 7.8% of the worldwide total. Significantly, in the region where the subprime crisis originated, M&A activity recovered comparatively sooner, with both the number of transactions reported and their average value recovering as early as 2009 and continuing to increase in 2010 (Figure 11). Indeed, regional electrical installation services M&A activity was apparently moving ahead of the construction industry trend: although already subdued in 2007 (against a very strong general M&A background in all industries) it bottomed out in 2008 before beginning to recover in 2009.

In terms of M&A deal value, Canada emerged as the regional leader, although this was mainly due to the $372.7mn acquisition of Seacliff Construction Corp. by Churchill Corp., well above the overall average North American transaction value of $37.5mn for the period. Only 10 deals were recorded in Canada at the time, compared with 62 in the US (Figure 12). In fact, the number of deals in Canada declined steadily over the four-year period (with only one transaction in 2010), while average deal value increased. In the US, deal volume and value trends were in line with the overall trends in the region. As a result, M&A activity in the country ended 2010 on a positive note, with both the number of deals and the average deal value at a four-year high.

Figure 12: North American deals by country (2007–2010)



Source: Copal Analysis, Capital IQ

M&A Trends by Region

The previously mentioned acquisition of Seacliff Construction Corp. by Churchill Corp. in Canada in 2010 was the largest regional transaction during the period. Its main rationale was to combine two key players in the Canadian construction sector to create a leading publicly listed company in the industry with increased organisational capability and a more diversified portfolio. Specifically, the CEO of Churchill Corp. cited the new company's improved access to capital as a critical consideration.

Expanding service offerings has been a common motivation for several regional transactions. With companies increasingly required to compete against larger peers, many seek to make acquisitions that improve their competitive position, which was evidenced by the acquisition of Comfort Systems USA Inc. by US-based Colonial-Webb Contractors Co Inc. in one of the largest US transactions of its kind. In a number of cases, companies have realised the necessity of achieving a critical size and coverage level in order to be able to bid for regulated contracts. For example, Seacliff Construction Corp. took over Canem West Services Inc. and Canem West Operations Inc. along with their 100 employees at the end of 2008 to enable it to access various Canadian public-private-partnership opportunities.

In Canada in particular, M&A activity has been strong in the energy sub-segment, involving companies specialising in providing electrical work services to these industries. Several larger transactions have followed this trend, including the acquisition in 2009 of PowerComm Inc. by Powell Industries Inc. Powell's CEO clearly stated that the purpose of his acquisition was to participate more extensively in the Canadian oil and gas industry, in particular, in large project developments.

In North America as well, a number of deals have sought to increase a company's client base by acquiring customers via acquisitions. This strategy was often driven not only by the benefits of increasing business but also the opportunity to add large, well known clients to a portfolio. For example, this was the main reason behind the $100mn acquisition of TIMEC Company by Transfield Services Ltd. in 2007.

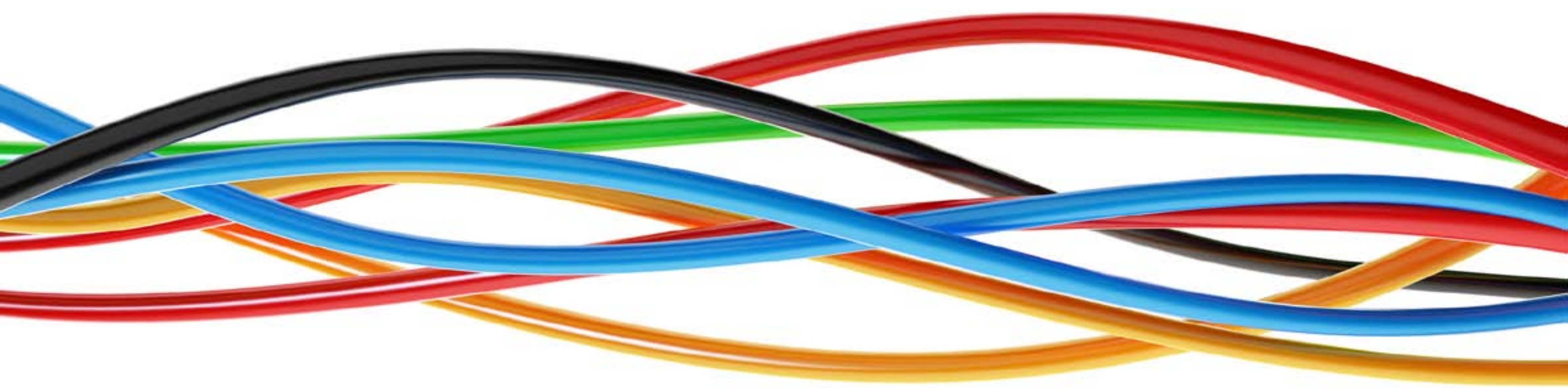
Cross-border transactions between Canada and the US accounted for 11.6% of total regional transactions. While most involved Canadian companies buying US counterparts, the largest comprised a Canadian business, PowerComm Inc., being acquired by US-based Powell Industries Inc., triggered by Powell Industries seeking to access opportunities in the Canadian oil and gas sector.

A total of four inbound and three outbound deals occurred during the period. In both cases, most of the transactions occurred between North America and Europe, with the remaining deals involving Australian companies. The largest such transaction was the acquisition of TIMEC Company by the Australian-based company Transfield Services Ltd.

Expanding client accounts

"Many companies acquire others to expand their client accounts, sometimes adding high-profile names to their client rosters. In such cases, the target company is often allowed to operate within the new organisation with its structures intact; from the client point of view, only the brand changes."

Brad A. Adams
Business Support Services Specialist, M&A International Inc., USA



M&A Trends by Region

OECD[2] countries dominate Asia Pacific M&A

M&A volumes in the Asia Pacific region represented approximately 13% of all transactions between 2007 and 2010, equal to an average of around 10 deals per annum. At the same time, average deal value over the entire period stood at $33.8mn. The largest transaction was worth $266.6mn, and happened in 2009 between MIRAIT Holdings Corporation and Commuture Corporation.

Asia Pacific M&A activity between 2007 and 2010 has been dominated by developed countries. Australia and Japan were particularly active, and the primary motive for these deals was geographical expansion. On the other hand, in emerging economies such as India and China, buyers were usually seeking the strengthening of their capabilities to execute existing projects. Going forward, we expect growing M&A activity in the Asia Pacific region, with an increasing prominence of emerging economies with their booming construction industries driven by increasing urbanization and strong GDP growth.

Regionally, Australia was most active in terms of M&A activity, accounting for approximately 35% of all deals (Figure 14), with the majority of transactions intended to expand geographical coverage of existing players.

Most deals occurred domestically, except for a single inbound transaction involving WPCS International Inc. (US) and RL & CA MacKay Private Limited (Australia). The value of most Australian deals was less than $10mn. During the past three years, the largest deal was the acquisition in 2007 of Watters Electrical Private Limited by Hastie Group Limited for $35.8mn. The deal was intended to significantly expand the company's geographical coverage and strengthen the position of its electrical division.

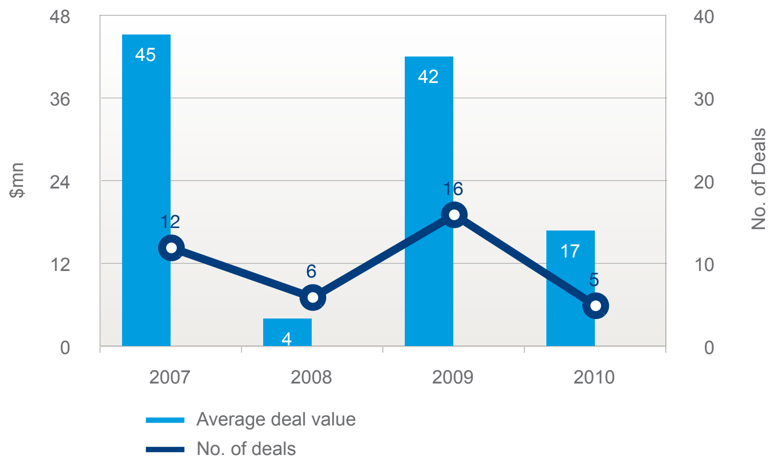
A similarly motivated transaction involved Service Stream Limited and Serviceworks Private Metering Division in 2007 to leverage the mandated rollout of smart meters by the Australian State of Victoria to replace the legacy infrastructure network supplying around 2.4 million homes beginning in 2008.

In Australia, the natural resources sector (including oil, gas and mining) is likely to see increasing demand for electrical installation services going forward. A number of companies have seen acquisitions as a way to grab opportunities coming up in the segment. For example, Southern Cross Electrical Engineering Limited acquired K.J. Johnson & Co Pty Limited in 2009 as it had seen its upcoming projects pipeline, especially for resources segment clients, increase.

Japan reported the second highest number of M&A transactions during the period with a 78% share in Asia Pacific activity by deal value. The largest deal value was $266.6mn in 2009 between MIRAIT Holdings Corporation and Commuture Corporation. MIRAIT Holdings Corporation remained highly active in 2009, acquiring three companies in total to strengthen business integration.

The factors driving M&A deals in emerging economies differ. Most M&A transactions in

Figure 13: Asia/Pacific deal volume and average deal value



Source: Copal Analysis, Capital IQ

Growing demand

"The demand for overhead power line construction over the coming years from the resource sector is expected to grow. Southern Cross is already an active participant in this market and the addition of K.J. Johnson & Co Pty Ltd will increase our capacity to pursue these opportunities."

Stephen Pearce
Managing Director, Southern Cross Electrical Engineering Limited

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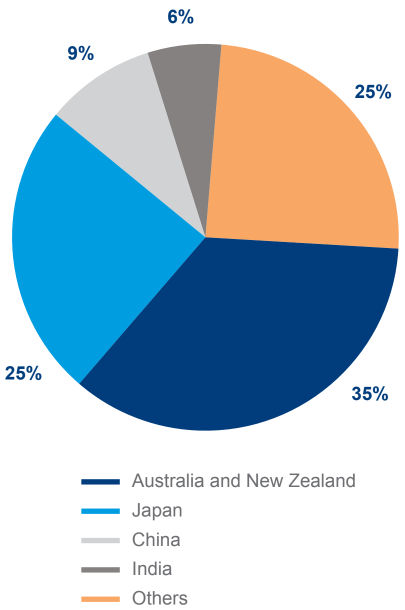
[2] Organisation for Economic Co-operation and Development

M&A Trends by Region

India and China were intended to diversify company service offerings or support ongoing projects. Geographical expansion was not the motive unlike in developed countries including Japan and Australia. The largest regional deal was the $95.4mn acquisition of Hsin Chong Construction Group Limited by Mission Hills Golf Club in 2007 to diversify its operations and support ongoing ventures. A similar deal occurred in Indonesia in 2008 between Wijaya Karya (Persero) Tbk and PT. Catur Insan Pertiwi to support its own newly acquired projects.

Figure 14: Asia/Pacific buyers split by country (2007-2010)



Source: Copal Analysis, Capital IQ

Conclusions

4

M&A activity in the electrical services sector should rebound in the near term following the recovery in broader construction industry M&A. Companies have shifted from cutting costs and rebuilding their balance sheets to taking a more proactive approach to M&A in order to better position themselves strategically. The catalysts for future M&A activity should include:

- **Geographical expansion:** historically, many acquisitions have been motivated by a desire to widen a company's geographical footprint. We expect this to continue. Acquisitions will also be driven by the need to match the expansion plans of key customers.
- **Emerging economies:** while emerging economies such as India and China have seen little M&A so far, we expect their high GDP growth rates and intensive urbanisation to drive much higher levels of M&A activity across the board.
- **Vertical integration:** we expect increased M&A interest from electrical equipment manufacturing and mechanical equipment installation companies seeking to control a greater share of the value chain.
- **Non-traditional buyers:** increasingly, non-traditional buyers including infrastructure, real estate and facility management companies are targeting M&A transactions throughout the electrical installation services sector to ensure cost effectiveness.
- **Energy efficiency:** in the long term, energy efficiency trends will refocus attention on smart grids, a move likely to transform the entire electrical infrastructure industry, with major implications for the electrical installation services sector.

About M&A International Inc.

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M&A International Inc.'s members actively represent buyers and sellers in the electrical installation services industry M&A market as well as those seeking to raise private equity and debt capital. We possess significant electrical installation services sector expertise, industry relationships and experience in successfully executing complex transactions on behalf of our clients.

Jonas P. Knudsen

Head of M&A International Inc.'s
Business Support Services Group
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Representative Transactions

Major transactions involving industrial buyers

Date Announced	Target	Acquiror	Deal Synopsis	Value ($mn)	Implied EV/ Revenue
16-May-10	Seacliff Construction Corp. (Canada)	Churchill Corp. (Canada)	Churchill Corp. acquired Seacliff Construction Corp. from Phil George and other shareholders for approximately CAD 380mn, equal to CAD 17.14 for each share. Financing of CAD 200mn in equity bridge facility and CAD 200mn in 3-year revolver was provided by Canadian Chartered Bank. The transaction was unanimously approved by the Boards of Directors of both Churchill and Seacliff and completed in July 2010.	372.7	0.5
27-Nov-09	Commuture Corp.(Japan)	MIRAIT Holdings Corporation (Japan)	Daimei Telecom Engineering Corp. acquired Commuture Corp. from Sumitomo Densetsu Co., Ltd., Master Trust Bank of Japan, Ltd., Japan Trustee Services Bank Ltd. and Sumitomo Electric Industries Ltd. for ¥22.3bn in stock. Under the terms of the agreement, Commuture received 0.77 shares in the combined company for each of its share. The transaction was completed in September 2010. In a related transaction, Daimei Telecom agreed to acquire Todentu Corp. from a group of investors, following which all three companies were merged into a new company, Mirait Holdings Corp.	266.6	0.1
31-Aug-09	Cegelec SA (France)	Vinci SA (France)	Vinci SA acquired Cegelec SA from Qatari Diar Real Estate Investment Co. within a share swap agreement where Qatari Diar exchanged its stake in Cegelec SA for a 5.78% stake in Vinci SA post-transaction. Vinci got a right of first offer on the sale by Qatari Diar of blocks of shares representing more than 1% of the capital. Vinci issued 21mn new shares bearing the same rights as the existing shares. As per the terms of the agreement, Qatari Diar had the right to appoint a Strategy and Investments committee member to the Vinci Board of Directors. The deal was completed in April 2010.	1,735.5	0.4
17-Oct-08	Crystal S.A. and Clemessy (France)	Eiffage SA (France)	Eiffage SA acquired Crystal S.A. and Clemessy from Dalkia - Energia E Servicos, S.A. for €300mn in cash. The combined revenue of Clemessy and Crystal was estimated at about €800mn. The Eiffage group promised to keep the jobs for at least five years in Clemessy. The transaction was completed in 2008.	403.5	0.4

Representative Transactions

Major transactions involving industrial buyers

Date Announced	Target	Acquiror	Deal Synopsis	Value ($mn)	Implied EV/ Revenue
03-Aug-07	Building and Facilities Services Business of AMEC plc (UK)	SPIE SA (France)	SPIE SA acquired Building and Facilities Services Business from AMEC plc for £117mn. The unit's 2007 revenue was £333mn. The building and facilities services business continued to be conducted in the UK market under the name SPIE Matthew Hall, and its management team led by Grahame Ludlow remained with the business. The deal was completed in September 2007.	238.6	0.4
31-Jan-07	Toenec Corp. (Japan)	Chubu Electric Power Co. Inc. (Japan)	Chubu Electric Power Co. Inc. acquired an additional stake of 24.86%, represented by 24.02mn shares, in Toenec Corp. for ¥15.6bn, or ¥650 per share. Chubu Electric Power already had a 25.15% stake in Toenec. Toenec's reported 2006 revenue was ¥180.66mn. The acquisition was completed in March 2007.	129.2	0.3
04-Dec-09	R. Häsler AG (Switzerland)	Altira Heliad Management GmbH; Heliad Equity Partners GmbH & Co. KGaA (Germany)	Altira Heliad Management GmbH (Altira Heliad) acquired R. Häsler AG (R. Häsler) through Heliad Equity Partners GmbH & Co. from Roland Häsler for £12mn. R. Häsler's 2008 revenue was CHF 20mn. Former Managing Director Jörg Kaiser and the five branch managers took over responsibility for operations management. Roland Häsler, the previous sole shareholder, agreed to remain in an advisory capacity in order to assist R. Häsler with its further growth.	19.8	0.9
30-Jun-08	EIC Ltd. (Italy)	MML Capital Partners (SWX:ALPH) (Switzerland)	The management team of EIC Ltd. (led by Ian Lyall and Nigel Le Marechal) backed by MML Capital Partners acquired EIC Ltd. from its founding family for £40mn in a management buy-out transaction. EIC's 2007 revenues were £74.3mn.	79.6	0.5
15-Jun-08	Cegelec SA (France)	Qatari Diar (Qatar)	Qatari Diar and Claude Darmon, the management of Cegelec SA acquired Cegelec SA from LBO France, with Darmon's previous 10% stake in Cegelec increasing to 20%. Cegelec's 2007 revenues were €3bn. Qatari Diar financed the acquisition with just over 60% debt, having obtained a syndicated credit of €1.7bn from Qatar National Bank. Sumitomo Mitsui Banking Corporation Europe, RBS and WestLB arranged €637.5mn in debt. The deal was completed in October 2008.	2,613.6	0.6

Representative Transactions

Major transactions involving industrial buyers

Date Announced	Target	Acquiror	Deal Synopsis	Value ($mn)	Implied EV/ Revenue
08-Apr-08	Eiffage SA (France)	Société Générale Group, BNP Paribas Capital, Caisse des Dépôts and et Consignations, Natixis, Allianz France, Groupama Insurance Company Limited, NPM-CNP, and Société Mutuelle D'assurance Du Bâtiment et des Travaux Publics (France, Belgium, UK)	The group of financial investors acquired a 33.32% stake in Eiffage SA from Sacyr Vallehermoso SA for approximately €1.9bn. The investors agreed to pay €62 for each share of Eiffage to Sacyr. The deal re-cived regulatory approval and was also reportedly backed by the French state after a conflict between Eiffage and its Spanish stakeholder Sacyr.	3,046.6	1.4
02-Oct-07	Glenco A/S (Denmark)	Industri Udvikling A/S (Denmark)	Industri Udvikling A/S along with the executive em-ployees of Glenco acquired Glenco A/s together with its subsidiaries Venair A/S and AB Venair from Dan-therm A/S for kr60mn in cash. Glenco's 2006 revenue was kr975.5mn.	11.4	0.1

Representative Transactions

Transactions closed by Members of M&A International Inc.

Role of M&A International:	Advisor to Imtech
Sector	IT Services
Target	NEA Gruppen AB
Our role	Advisor to Buyer
Selling Company/ Location	Segulah, Sweden
Activity	Private equity
Acquiror/ Investors/ Location	Imtech N.V., Netherlands
Activity	Provides technical services for electrical and mechanical engineering, and ICT
Description of Transaction	Acted as financial and strategic advisors to Imtech in its acquisition of NEA Gruppen from funds managed by Segulah. The acquisition of NEA, the second largest player in the market for electrotechnical services in Sweden, forms a true breakthrough for Imtech and makes it strategically possible to offer technical total solutions to the market by combining mechanical and electrical services.

Role of M&A International:	Advisor to Imtech
Sector	Construction and Engineering Services
Target	NVS Installation AB
Our role	Advisor to buyer
Selling Company/ Location	Triton Managers II Limited, Sweden
Activity	Private equity
Acquiror/ Investors/ Location	Imtech N.V., Netherlands
Activity	Provides technical services for electrical and mechanical engineering, and ICT
Description of Transaction	Acted as financial and strategic advisors to Imtech in its acquisition of NVS from funds managed by Triton Managers II Limited. The purchase price of US$340 million (excluding cash and cash equivalents) was financed through a separate loan that Imtech secured with a syndicate of banks.

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