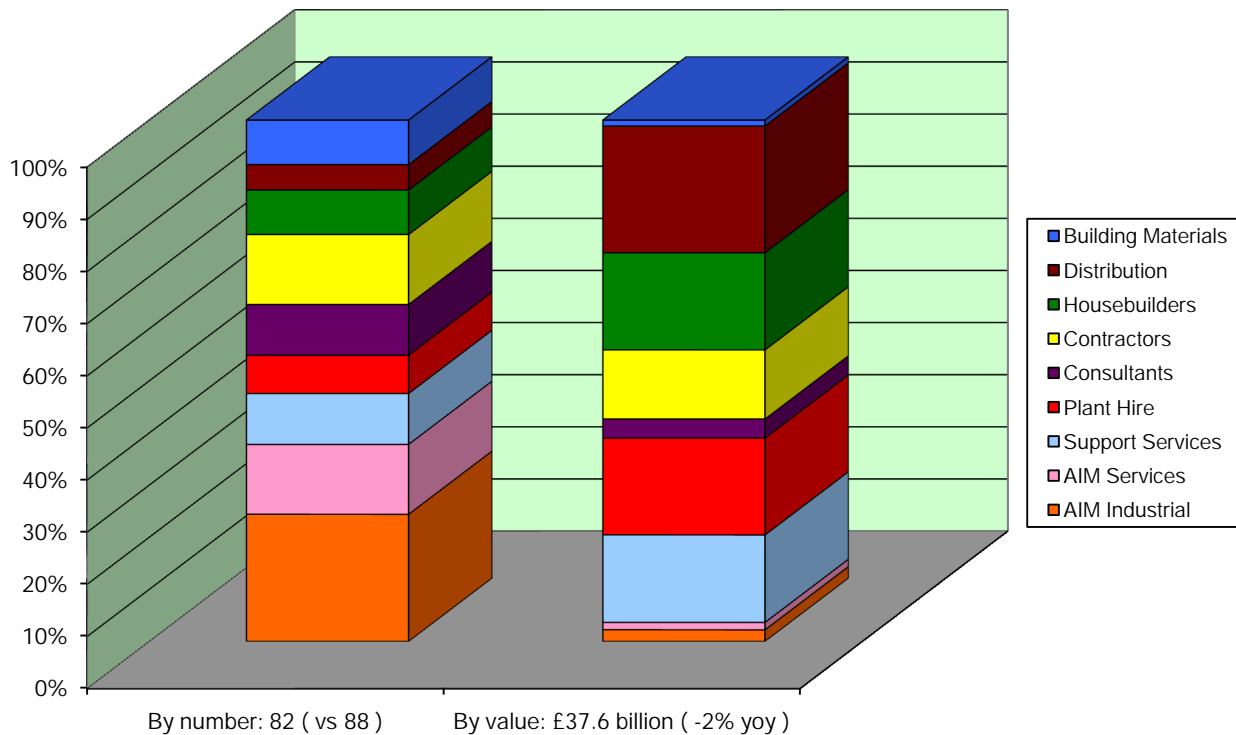


Building Value's UK Construction & Building Sector in 2012



A unique snapshot of the composition and value of the UK construction and building industry is shown here, including consultants, contractors, distributors, housebuilders, materials manufacturers, plant hire companies and service providers. Without it, you would have to access at least five or six individual sector classifications (as determined by the Financial Times and the Institute of Actuaries); none of which is wholly representative.

The Building Value UK Construction & Building Index comprises 82 stocks (down from 88) with, at the close of 2011, a total value of £37.6 billion; and this was little changed (i.e.-2%) year-on-year compared with 2010's 20% gain. This means that the entire Sector would rank 12th in the FTSE 100 between AstraZeneca (£39.4 billion) and SAB Miller (£36.0 billion). In 2010 it was 16th.

This overall performance also disguises divergent sub-sector fortunes with **Plant Hire** companies rising 27% supported by **Housebuilders** (+15%) and **Distributors** (+7%). At the same time, **Consultants** fell 25% with **Building Materials** companies down 16% and **Contractors** off 13%; while, like-for-like, **AIM** was level pegging. For the record in the broader market, the FTSE 100 fell 6% in 2011 while the FTSE 250 and All Share Indices were down 13% and 7% respectively. Finally, the two Real Estate Sectors did no better with REITs down 12% and RE Investment & Services off 9%.

The charts also tell you that Distributors (5% by number) account for a **disproportionate share of value** at 24%. Similarly, Plant Hire companies, Housebuilders and Support Service units also punch above their weight in terms of number-to-value. Consultants, however, continue to go the other way with 10% by number but only 4% of the value. Similarly, AIM Industrial stocks are the most numerous with 24% by number - but only 2% of the value.

10 companies (12% of constituents) have a market capitalisation **in excess of £1 billion** and together they account for 67% of the Sector's value; last year there were 11 worth over £1 billion and they took 65%. Yes, size does matter. Meantime, 51% of companies are worth less than £100 million and they account for just 3% of the value; while 27% of constituents are in the £100-499 million bracket and are worth 15% of the £37.6 billion total.

Fallers-by-the-way-side numbered six in 2011 due principally to delisting and business failure (including Baqus, Environ, Parkwood, Romag and Wren). Also, there was one bid: Eaga, the renewable energy services company, from Carillion for some £307 million. The historic EBIT exit multiple was 5.9x

Turning to the best and worst, **Galliford Try** wins first prize with a 59% rise in its share price during 2011 (and perhaps the contractor/housebuilder model will now become more popular). At the other end, we would venture that if your share price goes to zero, you would qualify as being the biggest loser (i.e. those who delisted or went bust). However, like for like, it is the consultant **Mouchel** which takes the wooden spoon with a 95% fall in its share price and market value in 2011.

The Building Value Index excludes 14 non-UK domiciled companies (2010: 14) which have a London Stock Exchange listing and a total value of £31.5 billion at year end, which was down 15% (i.e. at the end of 2010 the tally was a re-stated £37.0 billion). Herein, only one stock rose and that was Cimpor Cimentos de Portugal (+5%), while at the other end, the worst was roofing manufacturer Hightex (-81%).



the independent strategic advisor to the building materials, construction and support services sectors

Happy New Year
from
Tony Williams and Directors

Head Office: Suite 206 Empire Square West, Empire Square, London SE1 4NL, ENGLAND

Telephone: +44 (0) 207 357 8887 Mobile: +44 (0) 7810 883 145

Email: awilliams@buildingvalueltd.com Website: www.buildingvalueltd.com

and in Scandinavia:

18 Gammeltäppsvägen, 792 90 Sollerön, SWEDEN

Telephone: +46 (0) 250 21105 Mobile: +46 (0) 70 2998367

Email: awilliams@buildingvalueltd.com Website: www.buildingvalueltd.com