

PRESS RELEASE

October 25th, 2021

“Time for leadership in UK Construction Consolidation and M&A”

All calls for domestic M&A to strengthen the sector have fallen on deaf ears since 2017, and it’s probably now too late in the day.

Since Carillion’s compulsory liquidation in January 2018, Interserve went into administration little more than a year later. During 2019 Construction News reported on a further 22 contractor administrations worth over £1.2 billion prior to the advent of Brexit and Covid-19 in the UK by the end of January 2020.

Since 31st January 2020 there have been further strains on companies partly related to the effects of Brexit and Covid-19. Major construction firms like Kier, Galliford Try, Costain, Amey and Interserve (in administration) have been forced to sell off profitable housing and equipment divisions or seek new financing essentially to survive.

Then on 11th March 2020 Boris Johnson announced plans for £600bn of infrastructure investment spending over the following 5 years.

“Now is the most opportune time for a foreign entity to make a strategic investment to establish a position in the future UK construction sector”, concludes Aleks Petrovich, Managing Partner based in the Americas.

Think Big Partnership has been lobbying for UK construction industry consolidation since January 2016 to align a few re-capitalised contractors for future diversification and growth. In January 2017 Think Big Partnership issued a 360-page industry research report calling for UK contractors to merge between 2017-2020.

That initial call for consolidation was supported by industry veteran Sir Neville Simms, chairman of Thames Tideway, and previously chief executive of Tarmac Group and Chairman of Carillion, who wrote in the foreword: “British contractors are in danger of missing out on major international projects in the future, if they lack the financial muscle and diversity of say a £15bn-a-year contractor to handle the more complex projects.”

On the premise that further consolidation in the industry “..must and will take place..”, Sir Neville went onto predict that “..increased market share, more innovation, improving profitability and more certain returns to shareholders should lead to a construction sector that in the future is both financially and operationally stronger.”

Greg Malpass, Managing Partner based in Europe, states “Company executives disagreed or rejected approaches in 2017 and ‘die-hard’ boards have continued to ignore the signs. As a

result, neither consolidation nor a stronger construction sector have prevailed. Apart from a few notable exceptions at the top of the league such as Balfour Beatty and Morgan Sindall, most listed construction companies are considerably weaker and valued less now than they were in January 2017. The message was clear- ‘Merge or die!’ And several have. Now is the time to provide leadership in the drive to strengthen the sector. In Think Big Partnership’s view sources of external capital will most likely come to bear in the process.”

Think Big Partnership has now produced its own ‘Summary of Opportunities’ as an independent ‘Industry Opinion’ and is being issued to stakeholders as an ‘Information Memorandum’ canvassing interest from China; Southeast Asia and Australasia; Sovereign Wealth Funds and Corporate Conglomerates in the Middle East; Private Equity Firms; and European Majors in the Construction Sector seeking to secure a post-Brexit position in the UK market.

“What’s the benefit? Well, while we are not currently tied to specific players, we can express an independent view and seek foreign investment, it’s not too late for that. It’s not handholding, it’s taking the initiative, and there has already been one expression of interest from a large international infrastructure company. If and when we receive confidential and serious ‘Letters of Intent’ from potential investors, strictest confidentiality will of course be maintained, and only then will client appointments be sought with the intent to make confidential introductions to move forward, probably early in 2022.”

For more Information contact:

Greg Malpass

Managing Partner, Europe

www.thinkbigpartnership.com

Tel: +44 (0) 771 565 4280

Email: ukconstruction@btinternet.com

Related Links:

Information Memorandum

<https://nebula.wsimg.com/92fd86e75b8473f169b01b085e469737?AccessKeyId=95B6737F98B38E354D56&disposition=0&alloworigin=1>

Think Big History

<https://nebula.wsimg.com/1e1a95b2dca8fba414cebbd73e5de99c?AccessKeyId=95B6737F98B38E354D56&disposition=0&alloworigin=1>

Construction Consolidation Report

<https://nebula.wsimg.com/b1bbc824518c202504ba1ff201496d5b?AccessKeyId=95B6737F98B38E354D56&disposition=0&alloworigin=1>