

Daniel's Perspectives – May 30th, 2018

Why Murray & Roberts deserves respect

There is no question to my mind the German family-owned investment group, Aton, is pursuing an opportunistic and well timed control acquisition of Murray & Roberts, which they are of course entitled to attempt.

Some participants in the investment community, which I recall couldn't own enough of Murray & Roberts at a ridiculously overvalued 6,5 times book value at the peak of the construction cycle in 2007, have queued up to sell their shares to Aton at a discount to book value at the trough of the cycle. I know this, because it was formally disclosed that Aton now owns about 44%.

Aton's offer to minorities of a '*premium to the average price*' results in a short-term price gain to some market participants, but it may also lead to a change of control, management, business strategy and possibly a delisting.

Objectively, what I see here is a management team saddled with the near impossible task of saving Murray & Roberts from the mess it was in 2011. Take a look at what has happened to the rest of the construction sector, other than WBHO, to see what I mean. Not only did management save Murray & Roberts, but they've de-gearred and de-risked it, re-focused it on its strengths and repositioned it for long-term growth. In the trough of the construction cycle they have the balance sheet, foresight and courage to attempt to acquire a major domestic competitor that is clearly in distress. This is a good example of thinking clearly about meaningful long-term value creation.

I propose the incumbent Murray & Roberts management and its Board deserve much more respect and indeed support from the investment community. It would be a real shame to lose it as a listed company for the sake of making a quick buck at the expense of a genuine long-term investment opportunity.

Our work continues...

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