

## Why Murray & Roberts Deserves Respect.

*Daniel's Perspective*

30 May 2018

### **Daniel Malan**

*Managing Director & Chief Investment Officer*

[daniel@perspectiveim.co.za](mailto:daniel@perspectiveim.co.za)

*This document reflects the personal views of its author as of the date indicated. The author reserves his right to change his views whenever the facts change, without notice. This document is for information purposes only and should not be used for any other purpose. The information contained herein does not constitute an offering of advisory services or an offer to sell or solicitation to buy any securities or related financial instruments in any jurisdiction.*

## 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...