

Construction peers claim \$322 million merger is match made in heaven

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Updated Jun 12, 2018 - 4.46pm,
first published at 12.02pm

A merger between two Perth-based construction and maintenance services peers is a perfect fit, according to SRG Limited managing director David Macgeorge.

SRG Limited and Global Construction Services [<https://www.afr.com/street-talk/funds-pile-into-global-construction-services-20170914-gyh62c>] are merging to create a mid-tier company with market capitalisation of about \$322 million and about 2000 employees.

Mr Macgeorge will become managing director of the new entity, known as SRG Global, with the ownership percentage split 51-49 in favour of GCS shareholders.



SRG managing director David Macgeorge, SRG chairman Peter McMorrow, GCS managing director Enzo Gullotti and GCS chairman Peter Wade. **Tony McDonough**

The common goal is to become a leading global specialist engineering, construction and maintenance group.

Under an all scrip scheme of arrangement, SRG shareholders will receive 2.479 GCS shares for each SRG share they hold and GCS will acquire all of the SRG's shares on issue.

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GCS chairman Peter Wade, who also heads the board of Chris Ellison's Mineral Resources, will chair SRG Global.

The merger comes only months after SRG, chaired by former Leighton Contracting managing director Peter McMorro, acquired New Zealand contractor TBS Group [<http://www.afr.com/street-talk/srg-buys-bapcors-tbs-group-launches-equity-raise-20180404-h0ycoe>] from Bapcor in a \$33 million deal that increased its exposure to the oil and gas sector.

Sternship Advisory is again advising SRG, with Euroz and Hartleys as co-advisers. Argonaut is advising GCS on a deal slated for completion in September.

Mr Macgeorge said the TBS acquisition had been an important link in SRG and GCS coming together, given GCS's track record in winning scaffolding and related construction contracts on the North West Shelf and other oil and gas projects.

He described it as a merger of equals that made sense given consolidation at the top end of the industry.

The two companies are already working side by side for Lendlease on the Melbourne Conservatorium of Music. Other clients in common include John Holland, Multiplex, Rio Tinto and Fortescue Metals Group.

GCS managing director Enzo Gullotti, who will become an executive director of SRG Global, said it was a case where "one plus one equals three".

"This merger makes complete sense when you look at the separate businesses side by side," he said.

GCS generates 73 per cent of its revenue in Western Australia while SRG's strength is in eastern Australia (55 per cent) and overseas (31 per cent).

Mr Macgeorge said the merger provided a much stronger combined offering and greater scale.

"This significantly enhances our ability to partner with our key clients over the full life cycle of an asset," he said.

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