

CHRIS SLEIGHT

EDITOR INTERNATIONAL CONSTRUCTION



WHAT ARE THE BEST OPPORTUNITIES FOR SPANISH CONSTRUCTION & CONSTRUCTION EQUIPMENT COMPANIES?



WHERE WILL THE BIG MARKETS BE?



WHERE WILL THE GROWTH BE?



WHERE WILL IT BE EASY TO DO BUSINESS?



BIG FUTURE MARKET
+
STRONG GROWTH
+
EASY TO DO BUSINESS

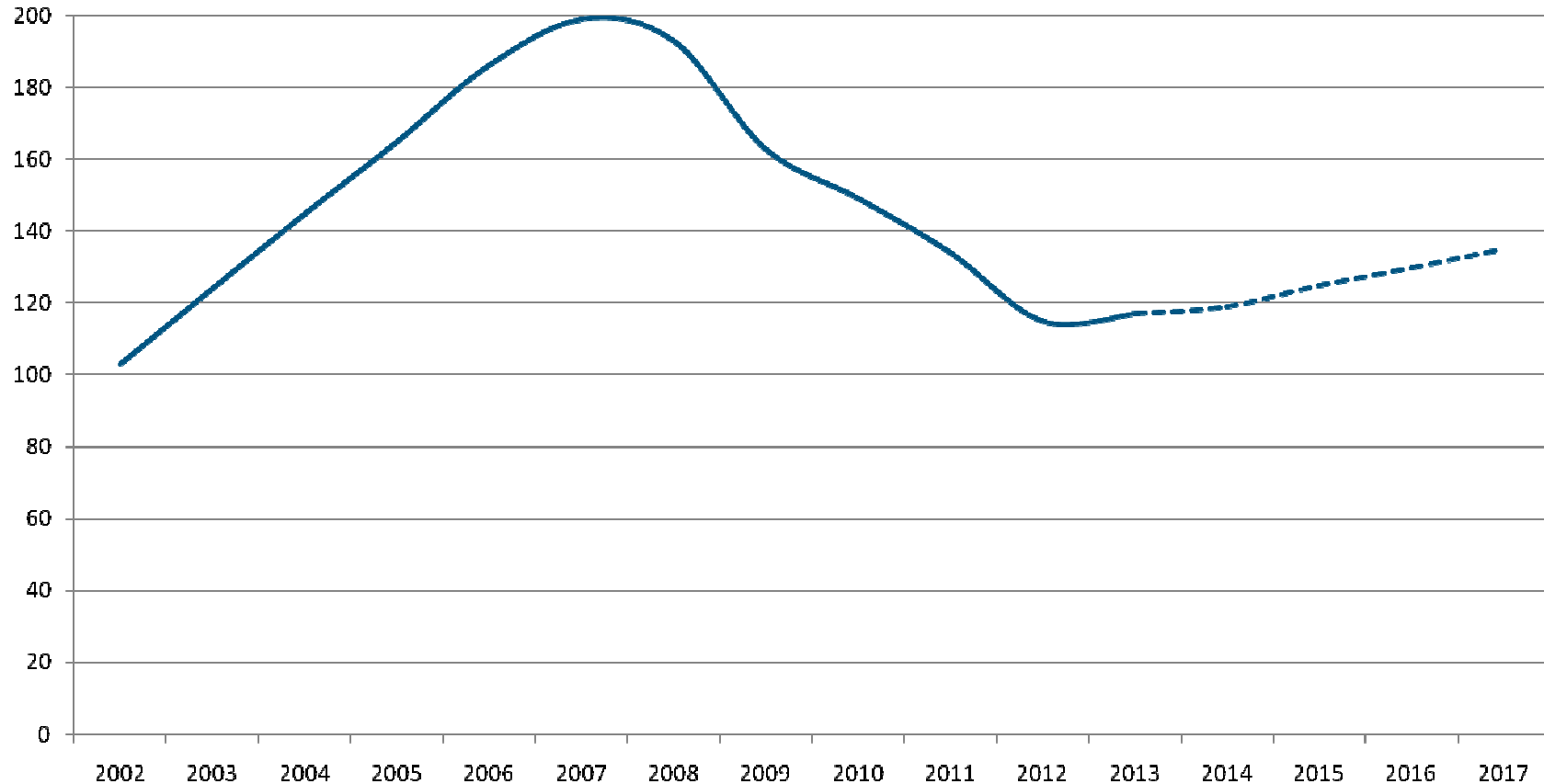
DOES NOT EXIST
(?)



TRADITIONAL MARKETS - SPAIN



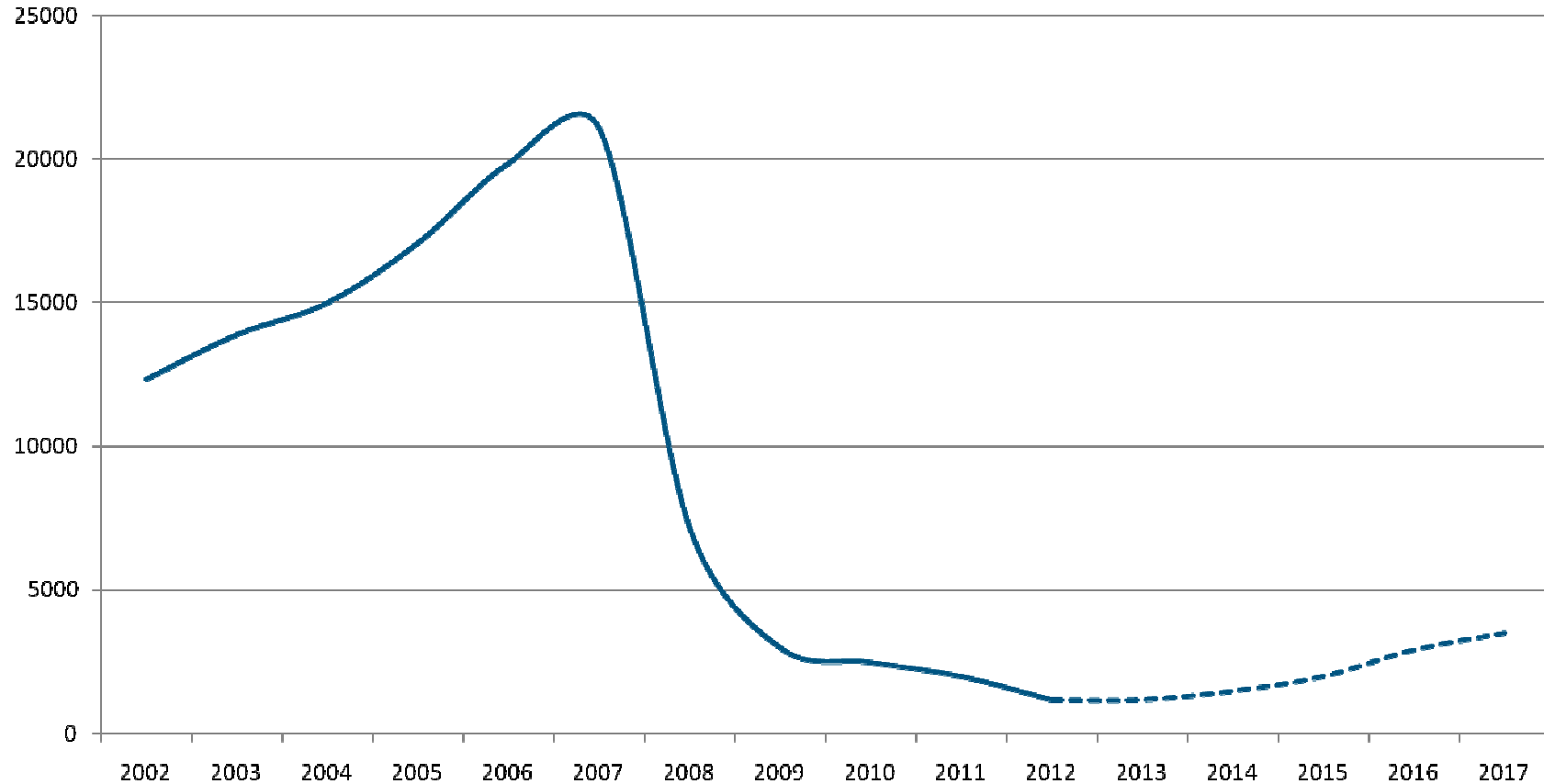
SPANISH CONSTRUCTION OUTPUT (€ BILLION)



SOURCE: FIEC



SPANISH CONSTRUCTION EQUIPMENT MARKET (UNITS)



SOURCE: OFF-HIGHWAY RESEARCH



SPAIN - SUMMARY

- Market has bottomed-out
 - Construction output ~60% of pre-crisis high
 - Equipment market ~5% of pre-crisis high



SPAIN – GROWTH PROSPECTS

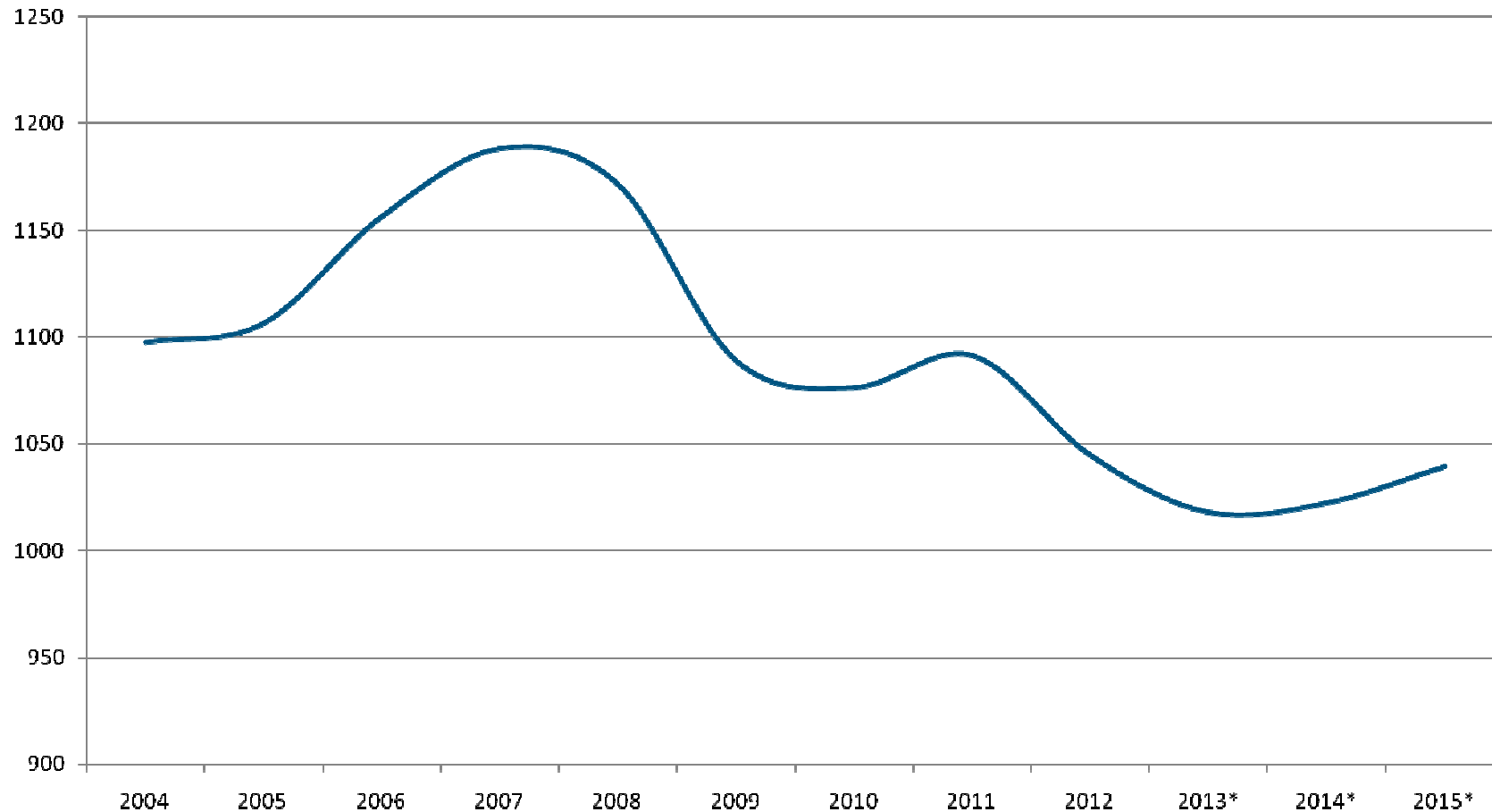
- Long journey back to health
- +5% growth would be GREAT news
 - 10 years for construction output to return to pre-crisis levels



TRADITIONAL MARKETS – WESTERN EUROPE



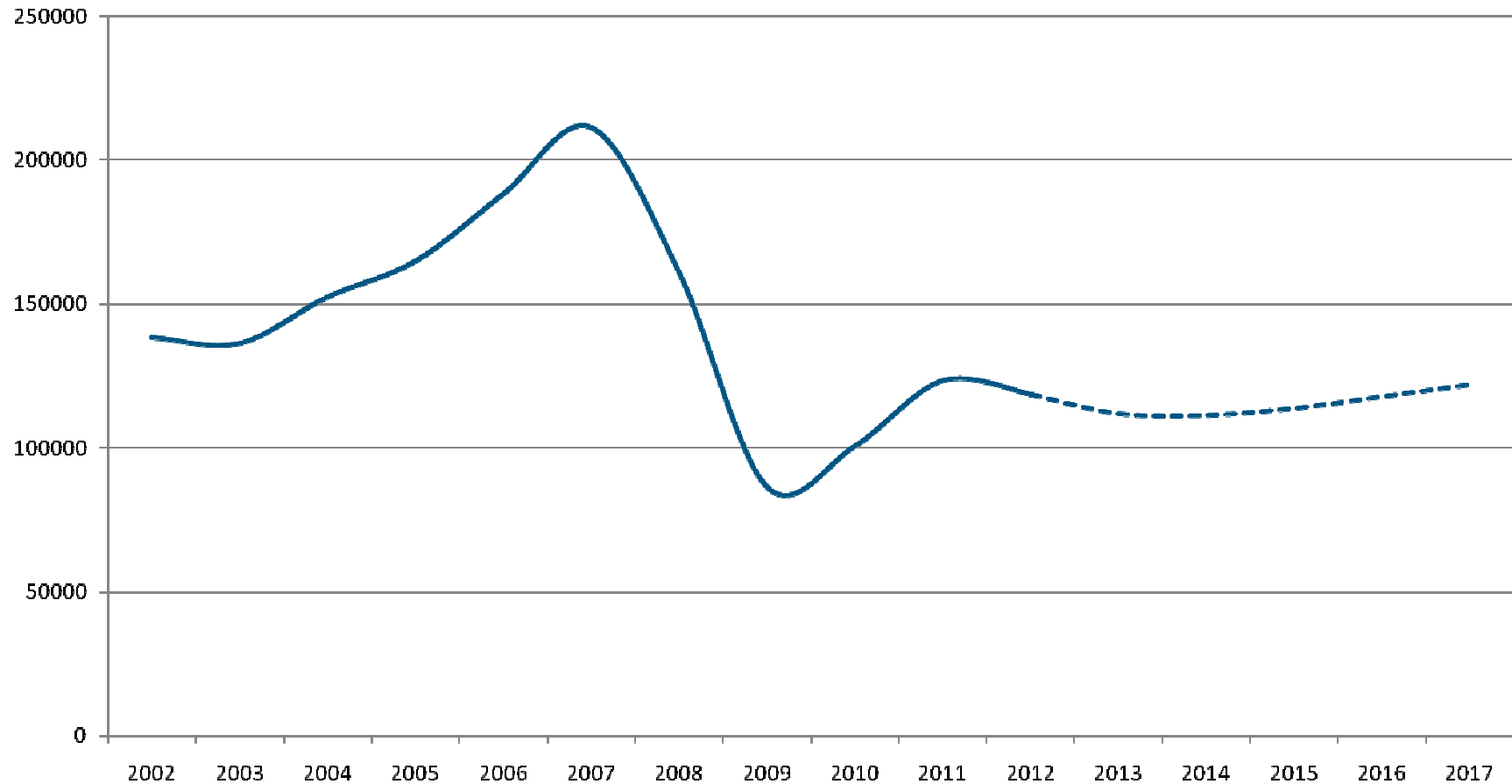
EUROPEAN CONSTRUCTION OUTPUT (€ BILLION)



SOURCE: FIEC



EUROPEAN CONSTRUCTION EQUIPMENT MARKET (UNITS)



SOURCE: OFF-HIGHWAY RESEARCH



EUROPE - SUMMARY

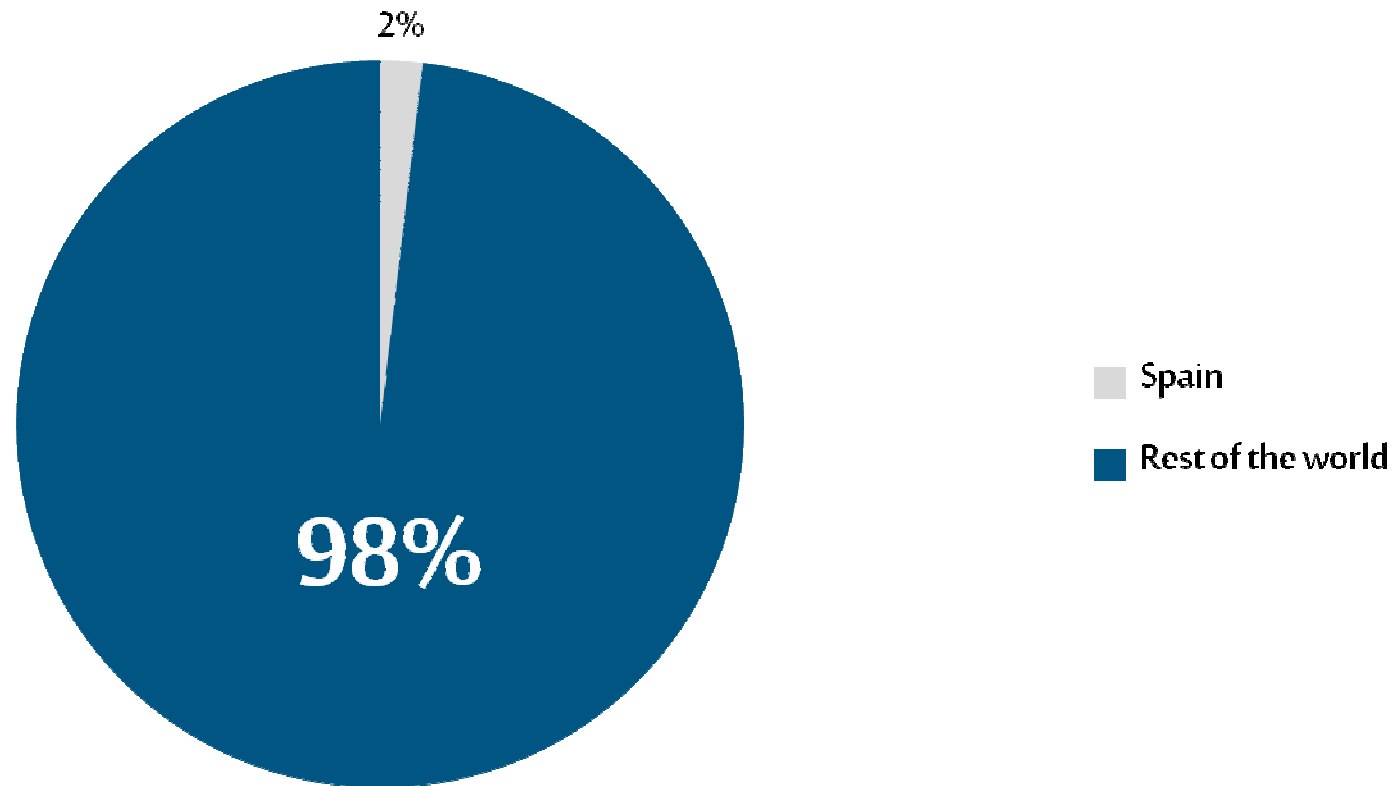
- Long journey back to health
- Return to growth in 2014
 - Long-term construction growth ~ 1% - 2%
 - ~10 years to return to pre-crisis high



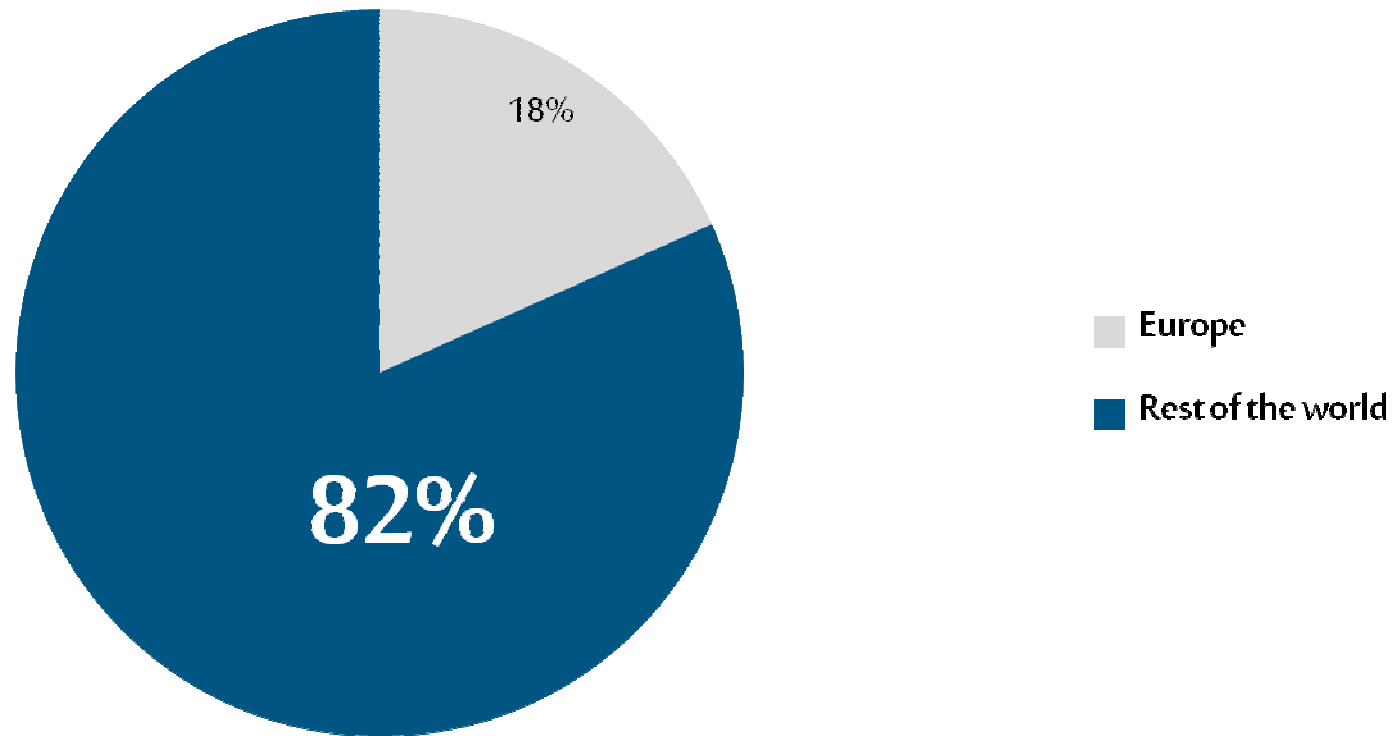
GLOBAL CONTEXT



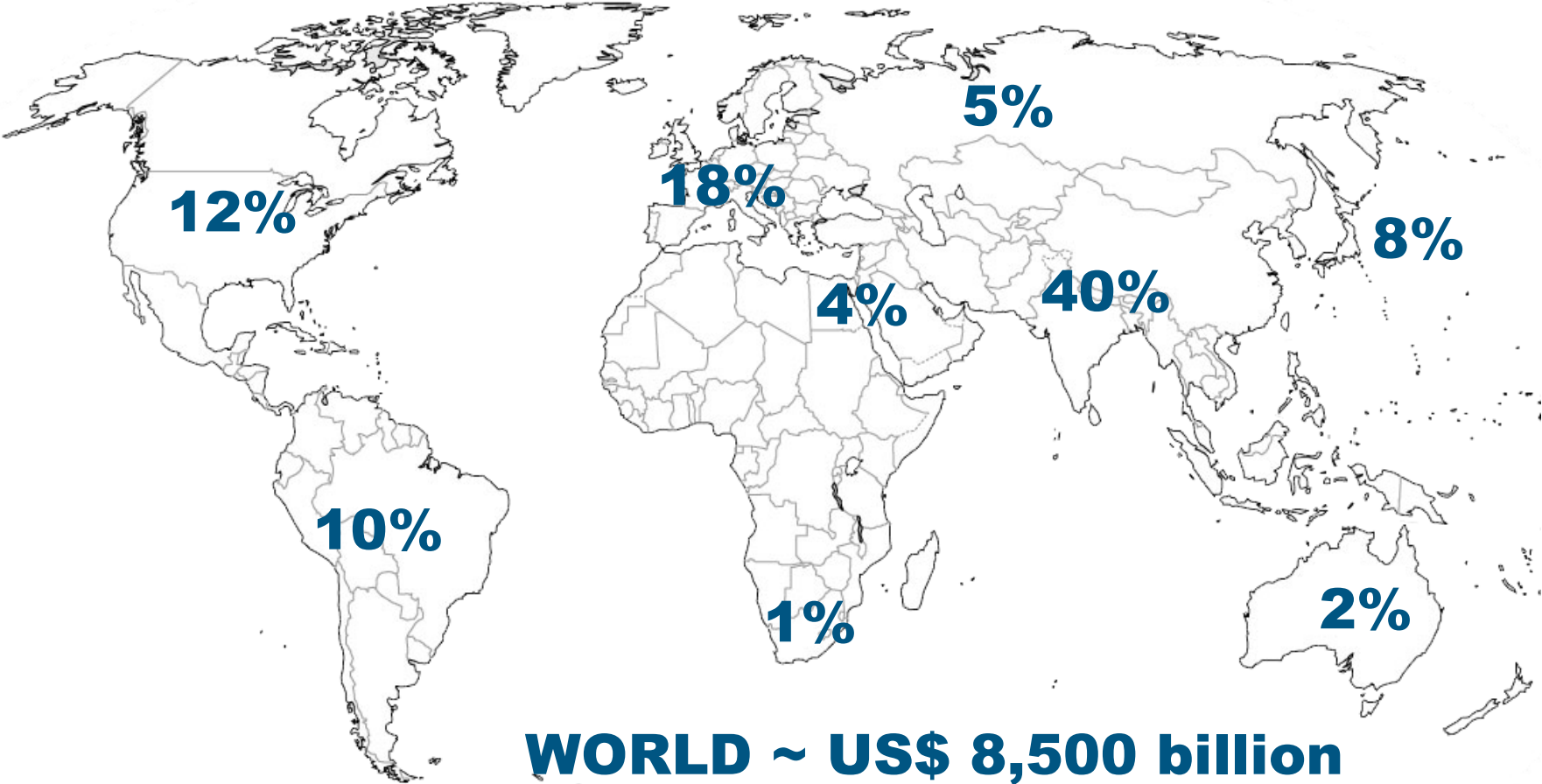
RELATIVE CONSTRUCTION MARKET SIZE



RELATIVE CONSTRUCTION MARKET SIZE



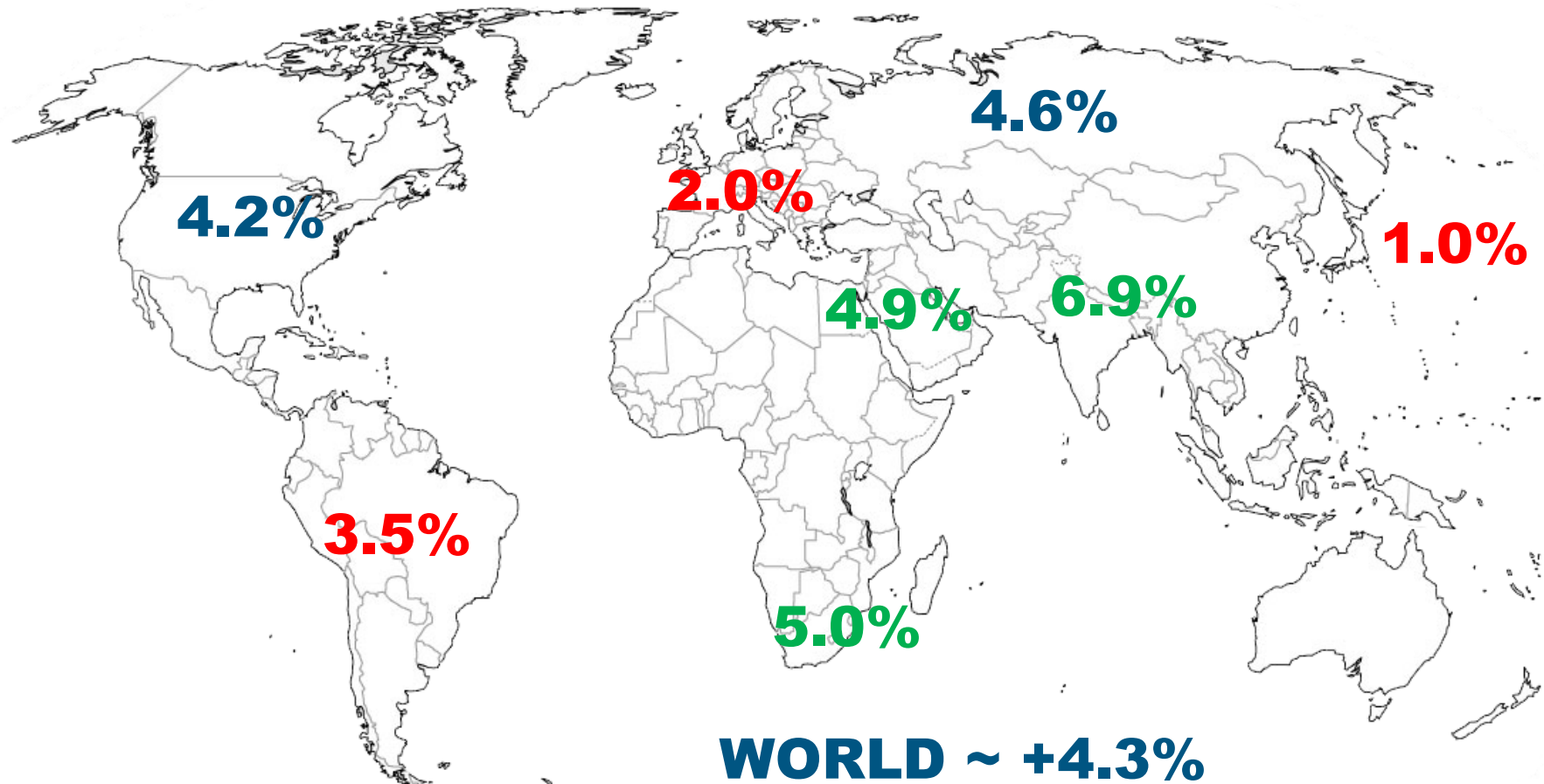
RELATIVE CONSTRUCTION MARKET SIZE



SOURCE: VARIOUS



LONG-TERM CONSTRUCTION GROWTH TRENDS



SOURCE: OXFORD ECONOMICS



GLOBAL CONSTRUCTION OPPORTUNITIES

- USA is unique:
 - Big market + good growth + easy to do business
- 60% of construction output is in **emerging markets**
- Strongest growth prospects in **emerging markets**
 - Africa
 - Middle East
 - Developing Asia



WHY EMERGING MARKETS?

- Early development stages – need for construction
 - Infrastructure, industrialisation, power etc.
- Urbanisation – need for buildings
 - Homes, urban transport, water & sewage etc.
 - Schools, hospitals, work places etc.
 - Leisure, tourism, hotels etc.



INGREDIENTS OF A PROMISING FUTURE MARKET

- Population = potential market size
- Sustained & consistent economic growth
- Low-mid income GDP/capita = construction-focussed development
- Political stability & business climate

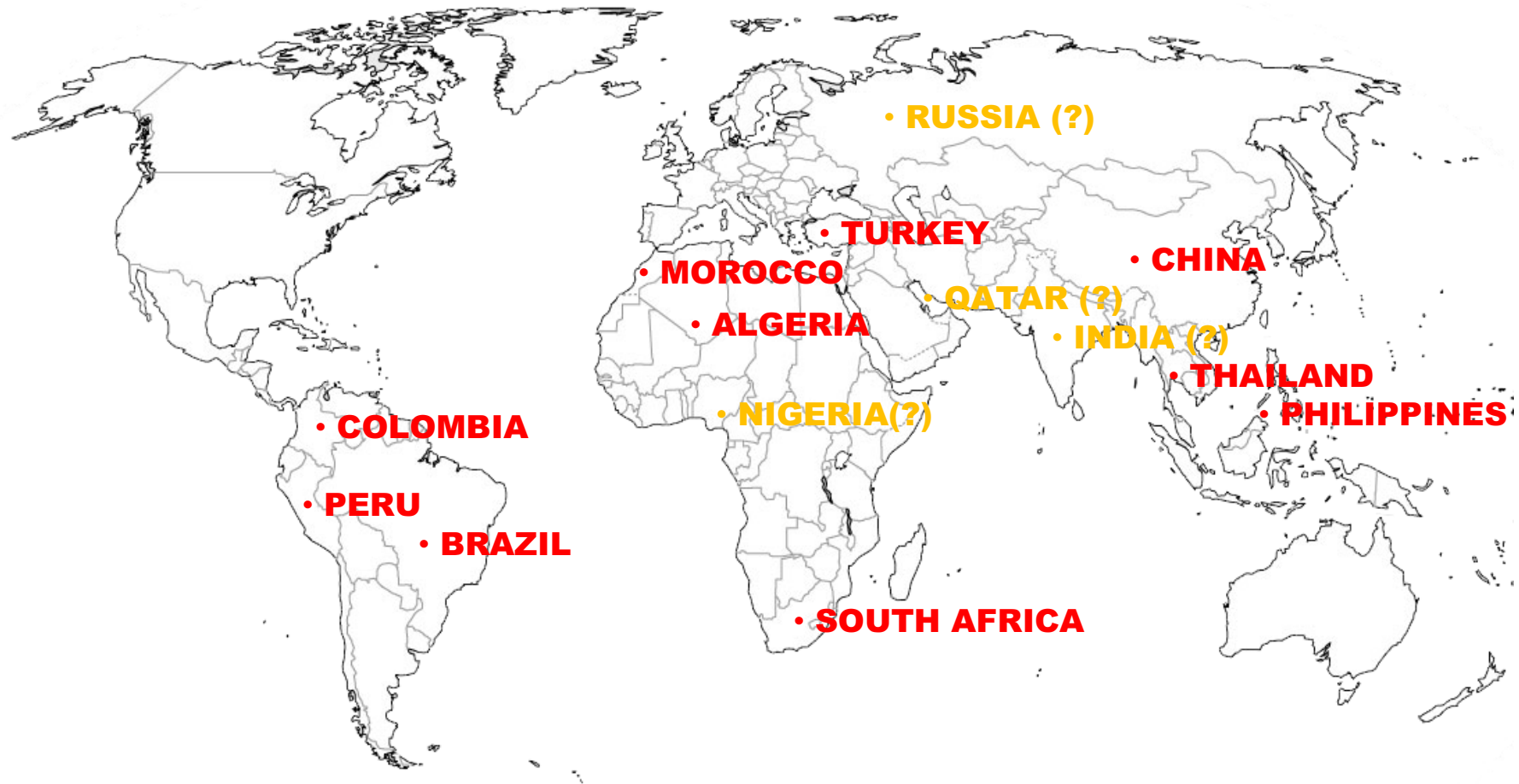


PROMISING MARKETS IN FIGURES (?)

- Population > 30 million
- Above average real GDP growth
- GDP/Capita US\$ 2,000 – US\$ 10,000
- Business climate & stability...??
Better than average TI CPI



PROMISING FUTURE MARKETS



EQUIPMENT INDUSTRY CASE STUDY



CASE STUDY - JCB IN INDIA

- 1979: Established joint venture to build backhoe loaders
- WHY??
 - Tiny market
 - Big population but poor country



CASE STUDY - JCB IN INDIA

- 1991: Indian economic reform/opening of market



CASE STUDY - JCB IN INDIA

- 1998: Announcement of National Highways Development Project (NHDP)
- Golden Quadrilateral – US\$ 10 billion/ 5,700 km road building project
- 2000: India's population exceeds 1 billion



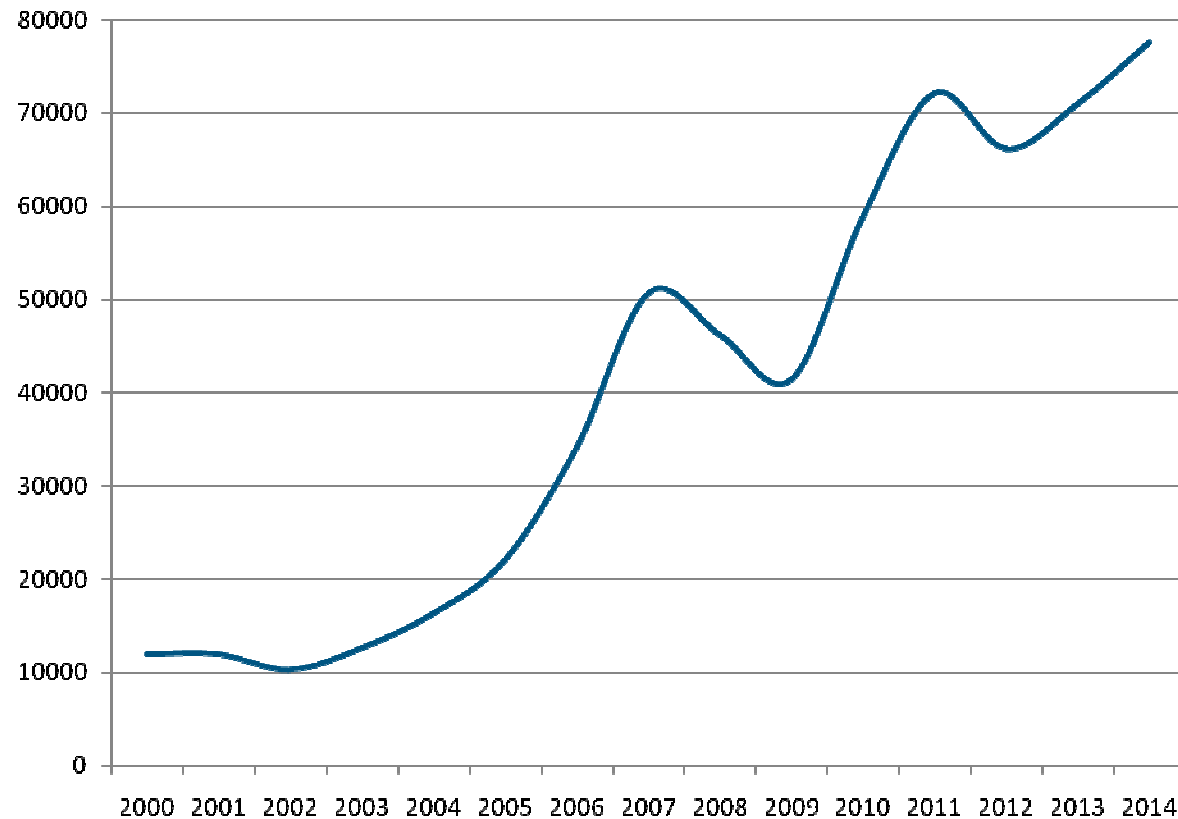
CASE STUDY - JCB IN INDIA

- 2003: JCB bought-out JV partner
- Established JCB India



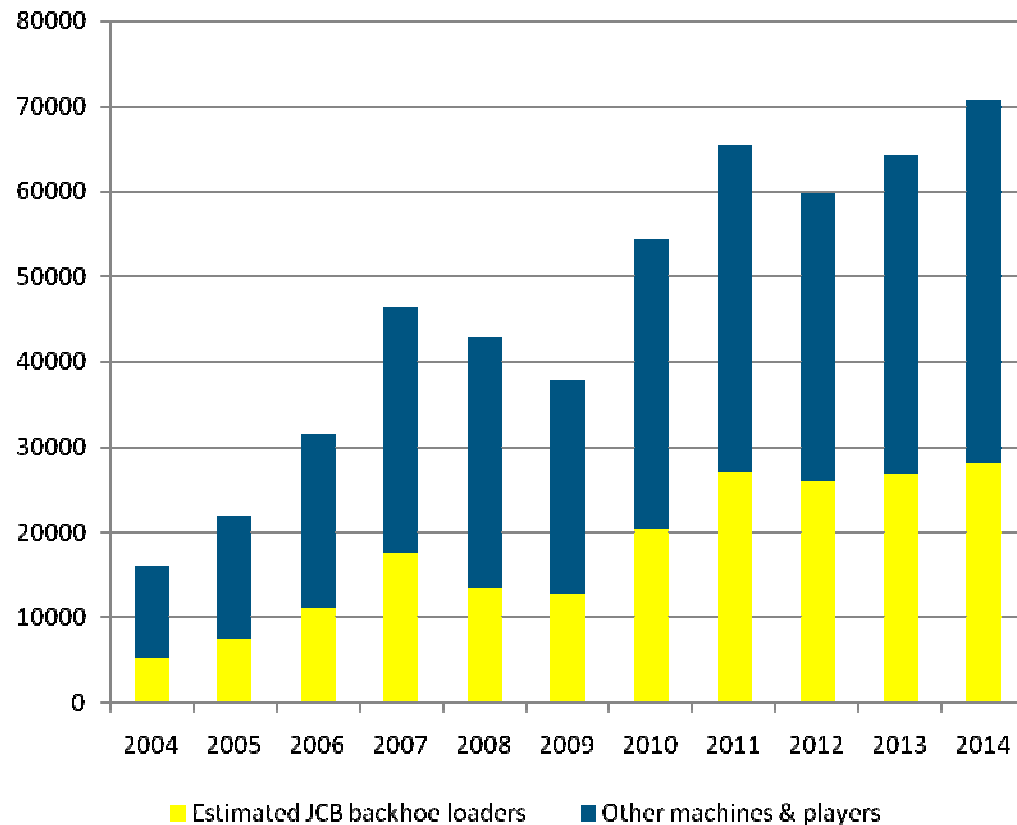
CASE STUDY - JCB IN INDIA

- 2004: Rapid equipment market growth starts



CASE STUDY - JCB IN INDIA

- Today: India is the 3rd largest equipment market in the world
- Half the machines sold are backhoe loaders
- JCB has an ~80% share of these machines



BUMPS IN THE ROAD

- 1980s: Civil unrest between religious groups
- 1984: Assassination of Indira Gandhi
- 1991: Assassination of Rajiv Gandhi
- 1996: Start of era of coalition governments
- 2011: Corruption scandals erupt – stifle growth

- 2014: April/May general election. Fresh start?



WHAT ARE THE LESSONS?

- Get in early
- Make the market
- Be prepared for ups & downs
- Be prepared for a long wait
- Be prepared to change your model
- Be prepared for failure



CONCLUSIONS



WHAT ARE THE BEST OPPORTUNITIES FOR SPANISH CONSTRUCTION & CONSTRUCTION EQUIPMENT COMPANIES?



WHAT ARE MY OPPORTUNITIES?

- No easy wins
- Spain & rest of Europe
 - Return to growth, but slow
- USA robust growth, big market, limited risk
- Opportunities in emerging markets
 - Not necessarily the ‘obvious’ countries
 - Balance risk & reward
 - Consider timing & level of investment
 - Long wait but potentially big rewards

