



# MIDDLE EAST CONSTRUCTION & ENGINEERING REVIEW 2013

 **CREDO**

# INTRODUCTION

Credo is a London and, now, Dubai based strategy consultancy. We are the leading strategic advisory firm in the global Construction and Engineering markets.

We have worked across all the major construction geographies, including the Middle East, helping our clients find the answers to the strategic and operational challenges their businesses face.

The strategic support we offer clients is underpinned by real industry knowledge. Our approach is to build a detailed fact base of the market including operating and procurement models, the competitive environment and market dynamics and drivers. We then use this to engage with management in effective strategic debate and decision making.

Our approach to operational improvement and risk management blends effective management techniques with an understanding of the unique operating models within construction, engineering and facilities services.

We have a proven track record of improving performance, effectiveness and transparency.

The rest of this document sets out our capabilities in more detail, and some observations on the engineers and international contractors operating in the Middle East.

We hope you find it thought provoking. We would welcome the opportunity to discuss this and how we might support you in more detail.

## EXAMPLE CONSTRUCTION & ENGINEERING CLIENTS

**Balfour Beatty**



## CAPABILITIES

Strategic positioning

- Corporate strategy
- Market, trend and competitive analysis
- Portfolio optimisation

Developing practical strategies

Revenue growth

- New market prioritisation and entry
- Major bid strategies and support

Driving revenue growth

Operational improvement

- Cost reduction
- Organisational structuring
- Operating model standardisation

Producing more efficient and effective organisations

Transaction support

- Acquisition / disposal strategies (incl. target identification)
- Commercial Due Diligence
- Post-merger integration and restructuring

Supporting transactions for corporate and private equity clients

# CASE STUDY

## LONG STANDING RELATIONSHIP WITH LEADING ENGINEERING AND CONSTRUCTION FIRM

### THE RELATIONSHIP SIX YEARS AND ONE HUNDRED PROJECTS

Our client is a leading global construction and engineering firm. Over the past six years, we have worked on around one hundred projects covering all the key global engineering and construction geographies (e.g. UK, USA, Canada, Middle East, South East Asia, Australia) and end sectors (e.g. Buildings, Transport, Utilities, Mining). These projects have included market reviews, M&A support and benchmarking of competitor operating models.

### OUR APPROACH ADAPTABILITY TO THE SITUATION

We have used a rigorous, market data-backed methodology across all our projects, going beyond “face value” market characteristics. Beyond this, our project delivery has been tailored to the client’s requirements. This has included working with local management in a number of geographies (typically delivering the project from their offices) and collaborating with management in order to deliver the most appropriate outcome.

### THE RESULT CONSISTENTLY STRONG PROJECT DELIVERY

Across these projects, we have delivered comprehensive market evaluations that have allowed the client to develop a practical (rather than theoretical) strategy as it expanded its business. This has been supported by an increasingly collaborative relationship that has meant the client gets the information it needs in a way that supports its strategy formulation process.

## KEY INDIVIDUALS



**ALISTAIR  
STRANACK**  
PARTNER

Alistair leads our EMEA office based in Dubai. He previously worked at The Parthenon Group where he was responsible for establishing its presence in the Middle East. He has extensive experience in the region with Government, corporate and private equity clients.



**CHRIS  
MOLLOY**  
PARTNER

Chris has 20 years of international consulting experience in both strategy and performance improvement. Chris co-leads Credo’s Business and Support Services capability and has broad Construction and Engineering experience, both in the UK and internationally.



**SIMON  
BONES**  
PARTNER

Simon co-leads Credo’s Business and Support Services capability, including Construction and Engineering where he has a particular focus on Infrastructure Markets. Simon also leads Credo’s Private Equity practice.



**LEO VAN  
DER BORGH**  
MANAGER

Leo is an expert in Construction and Engineering, with experience in strategy, organisational structure and operational improvement. He has worked across the major global engineering markets and drives Credo’s thought leadership in the sector.



# INTERNATIONAL CONTRACTORS

We have considered the performance of the leading international contractors in the Middle East over the last five years. Our analysis has focussed on the total value of published contract wins, adjusted for each contractor's share in any JV or consortium.

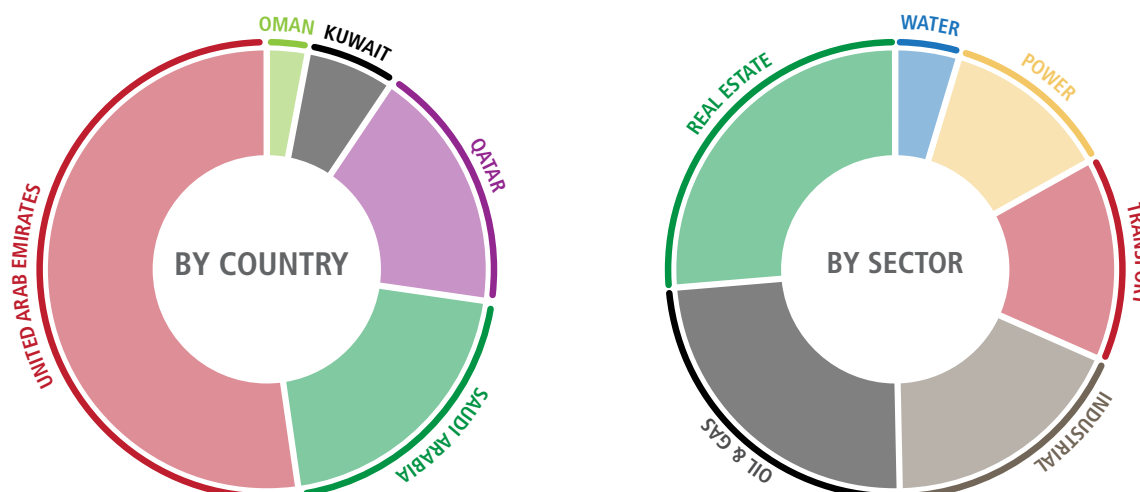
Throughout this period, these international contractors

have consistently won most contracts by value in the UAE, reflecting its position as the largest construction market in the region. In sector terms, the balance of work won by these firms has shifted slightly away from Real Estate (which remains the largest sector over the whole period) towards Oil & Gas and Industrial. Contract wins in other sectors have been lumpy,

skewed by individual mega-projects.

Hyundai and Samsung have led the group in total contract wins across the period, but there have been some shifts in momentum. In particular, China Harbour has had success with several mega-projects and Leighton has had a number of recent successes across various sub-sectors.

## TOTAL VALUE OF CONTRACT WINS 2007-12 TOP 10 INTERNATIONAL CONTRACTORS



## INTERNATIONAL CONTRACTOR RANKINGS

Rank	Total contract wins, 2007-2012			Momentum
	2007-12	2007-8	2011-12	
1	Hyundai	Hyundai	Samsung	China Harbour
2	Samsung	Samsung	Hyundai	Leighton
3	China Harbour	Six Construct	Leighton	Samsung
4	Leighton	L&T	China Harbour	Laing O'Rourke
5	Six Construct	Carillion	L&T	Balfour Beatty
6	L&T	Laing O'Rourke	Laing O'Rourke	L&T
7	Carillion	Leighton	Balfour Beatty	Hyundai
8	Laing O'Rourke	Balfour Beatty	Six Construct	Carillion
9	Balfour Beatty	China Harbour	Carillion	Six Construct
10	Vinci	Vinci	Vinci	Vinci

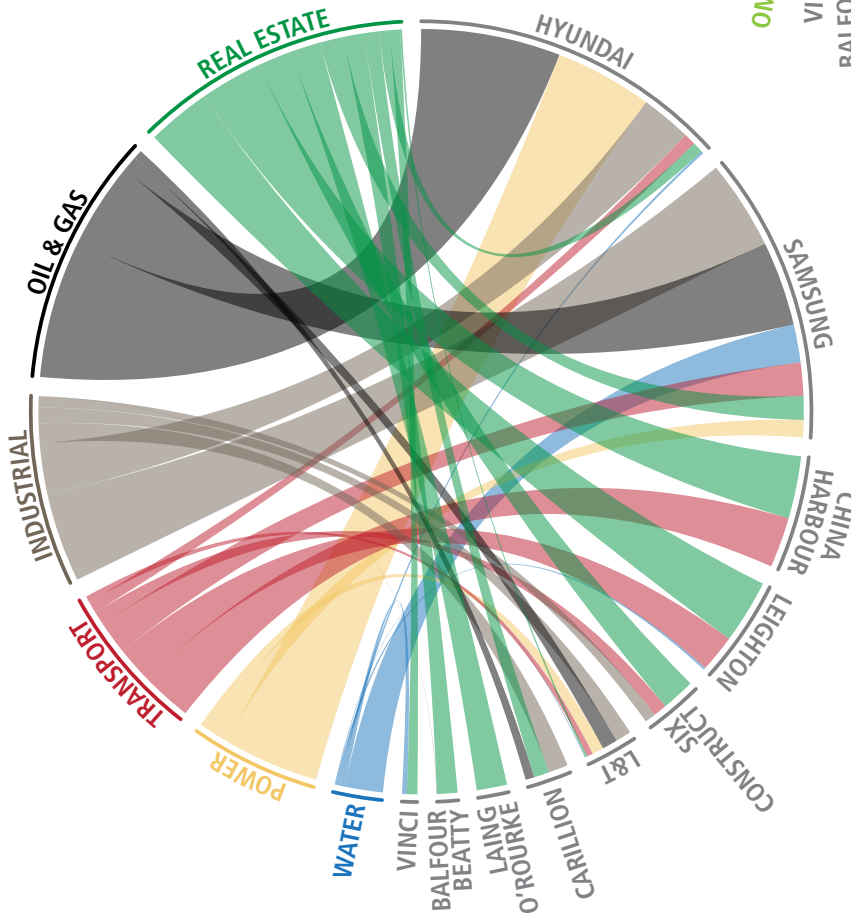
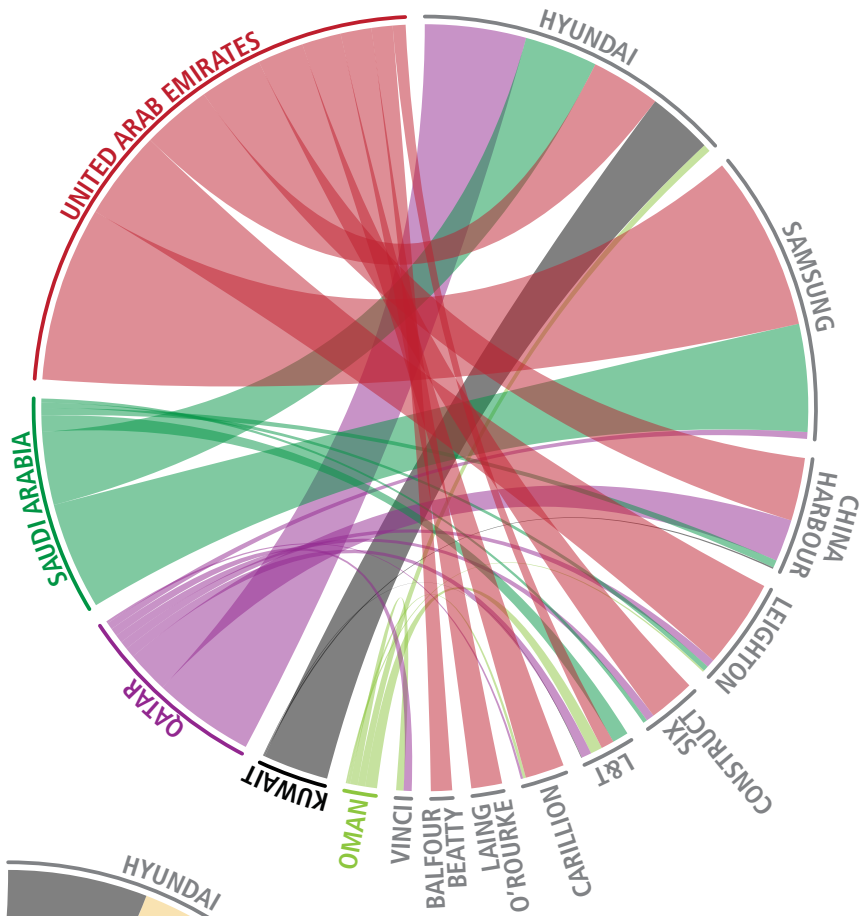
**Notes:**  
Total contract wins in a specified period have been based on published total contract values split evenly between consortia partners. All periods are inclusive. Momentum has been calculated as the change in relative market share of total contract wins amongst this group of contractors from 2007-8 to 2011-12.

# SOURCE OF CONTRACT WINS, 2007-2012

## BY COUNTRY

Given it accounts for over half of total contract wins in the group, it is perhaps unsurprising that nearly all contractors have a material share of contract wins in the UAE. However, there is a marked difference between contractors in terms of their geographic diversity beyond this.

Hyundai and L&T have been successful across all five countries (albeit on different scales). All the other firms have won over 90% of their contracts by value in one or two countries.



## BY SECTOR

Few, if any, firms have been truly generalist across sectors. In particular, the relatively smaller (in terms of contract wins) European firms have, mostly, only had success in Real Estate. The larger firms have been successful across more sectors, notably Infrastructure, Oil & Gas and Industrial. This has reflected the general shift in sector performance across this group.

Finally, we note that the nature of new developments means that the physical asset these firms are building may not match the sector in which it is classified (e.g. China Harbour developing a port as part of a Real Estate development).

# PROFESSIONAL SERVICE FIRMS

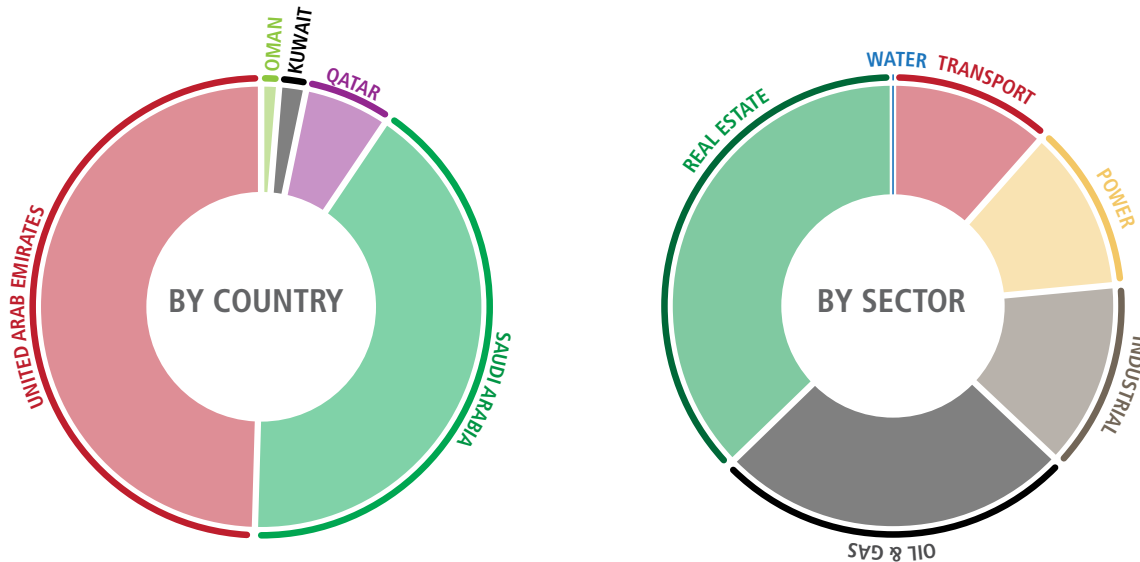
We have considered the performance of professional services firms in a similar way to that of the international contractors, although we have included local firms in our analysis. Again, this is based on the total value of contract wins from 2007-12.

These firms represent a materially higher share of

the market than the leading contractors, across all sectors and geographies (particularly the UAE and Saudi Arabia). UAE is, again, the largest source of contract wins but, compared to the contractors, Saudi Arabia makes up a far larger proportion of wins. Real Estate is the largest single sector, and represents a larger proportion than amongst the contractors.

Dar Al Handasah and Halcrow have consistently led contract wins across the period. However, they have not grown market share (amongst this cohort) as much as other firms. CH2M Hill (Power in UAE) and KBR (Oil & Gas and Industrial in Saudi Arabia) have both had recent success from a low base to put them on top of our momentum rankings.

## TOTAL VALUE OF CONTRACT WINS 2007-12 TOP 10 PROFESSIONAL SERVICES FIRMS



## PROFESSIONAL SERVICES FIRM RANKINGS

Rank	Total contract wins, 2007-2012			Momentum
	2007-12	2007-8	2011-12	
1	Dar Al Handasah	Foster Wheeler	Dar Al Handasah	CH2M
2	Halcrow	Fichtner	Halcrow	KBR
3	Foster Wheeler	Dar Al Handasah	WorleyParsons	WorleyParsons
4	WorleyParsons	Halcrow	Fluor	AECOM
5	AECOM	Fluor	CH2M	Fluor
6	Fluor	AECOM	Foster Wheeler	Halcrow
7	CH2M	Saffarini	AECOM	Dar Al Handasah
8	Fichtner	WorleyParsons	KBR	Saffarini
9	KBR	CH2M	Fichtner	Foster Wheeler
10	Saffarini	KBR	Saffarini	Fichtner

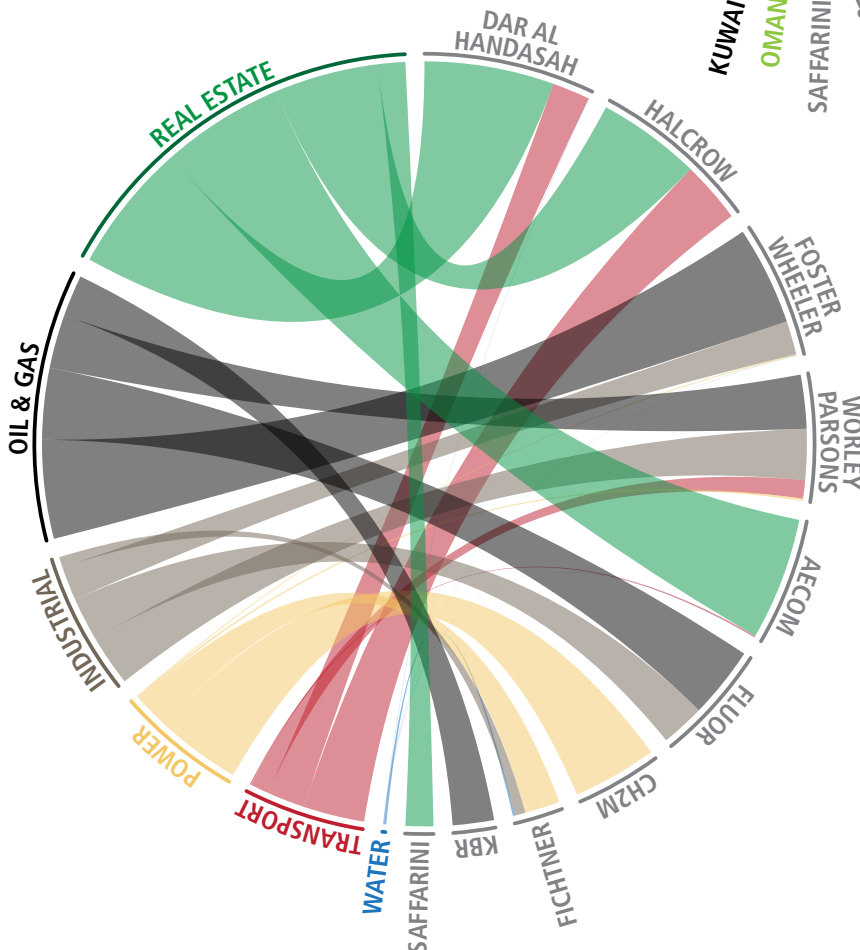
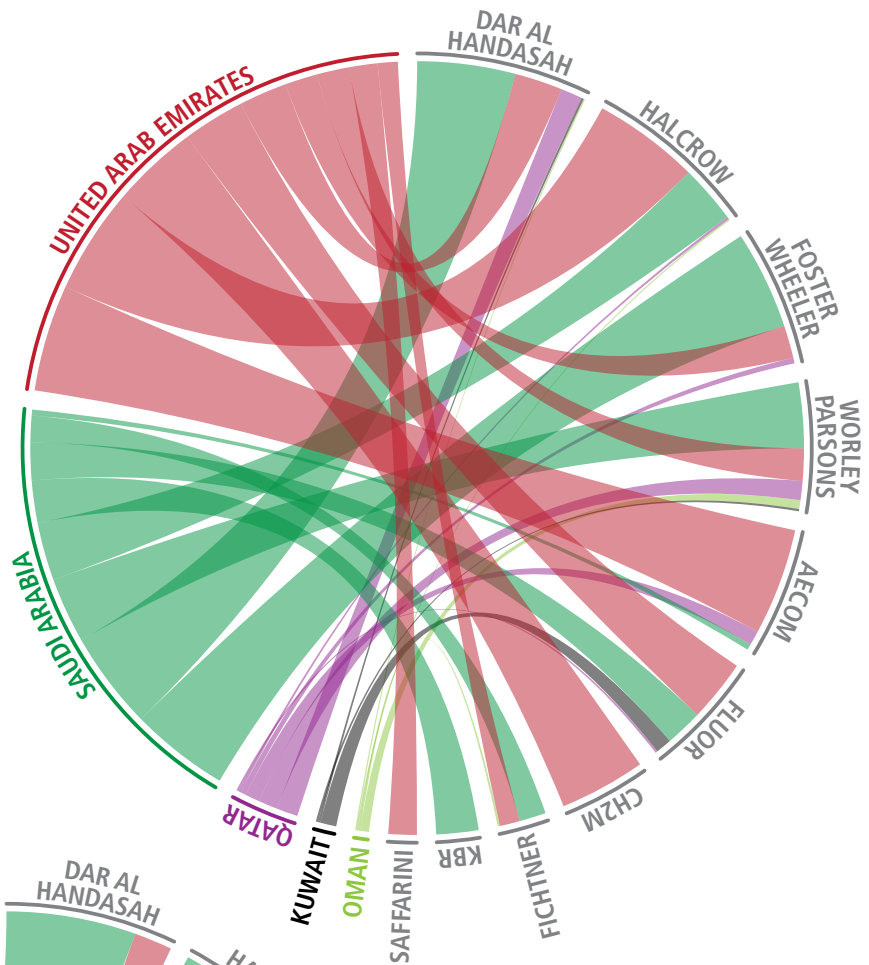
**Notes:**  
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# SOURCE OF CONTRACT WINS, 2007-2012

## BY COUNTRY

Similarly to the contractors, nearly all of the leading firms have had a material share of their contract wins in the UAE. The same is also true for Saudi Arabia, reflecting its position in the overall share of contract wins.

Amongst the other countries, a number of the firms have been successful in Qatar. By contrast, Fluor has been by far the most successful in Kuwait (almost exclusively in the Oil & Gas sector) and WorleyParsons has been the leader in Oman (in Power and Oil & Gas).



## BY SECTOR

Compared to the contractors, there is more sector specialism amongst the leading professional services firms. There is a group of firms that specialise in Oil & Gas and Industrial sectors. The global reputation of these firms in these sectors has allowed them to enter the Middle Eastern market successfully.

The other firms typically focus on the Real Estate sector, with some presence in infrastructure markets. This infrastructure presence is often in a single sub-sector of the Transport (e.g. Road or Rail) or Power (e.g. Generation or Transmission) markets.

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