AUSTRALIAN CONSTRUCTION GROWTH RATIOS: INDUSTRY AND COMPANY ANALYSES

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Abstract
Many investors consider the construction industry risky, with fluctuating rather than stable performance, and greater than average insolvencies. These views may reduce investors’ appetite to invest in shares of construction companies. In this light, this paper presents research into and analysis of construction growth, both from an industry and company perspective within Australia. The industry analysis looks at trends in gross value added, profit margin, interest coverage, financial leverage, investment rate, and industry exit and entrance rates. The company analysis looks at annual growth ratios for operating revenue, operating expenses, EBITDA, EBIT, EPS, DPS, total assets, total equity, and net debt, based on construction companies listed on the Australian Stock Exchange. The paper’s results dispel some common negative views about investment in construction; the paper’s analysis shows that investing in construction companies is sound, and just as good as investing in other businesses.

Keywords
Construction companies; construction industry; growth; growth ratios; financial ratios.

INTRODUCTION
Generally, construction businesses are looked at with uncertainty by investors, where returns may be thought to be not be as good or as stable, and company longevity may not be as long as in other industries (Mason and Harris, 1979; Wagle, 2006). This is evidenced by the many studies into the failure rate and health of construction companies (for example, Kangari et al., 1992; Edum-Fotwe et al., 1996; Singh and Tiong, 2006).

To shed light on these viewpoints, this paper looks at growth and performance of the Australian construction industry and of publicly listed Australian construction businesses. Trends in industry growth and company growth are explored. An analysis of the recent performance of the construction industry is complemented by an analysis of the performance of publicly listed construction companies, and conclusions drawn as to the viability of investing in these companies. The two analyses are complementary in that the industry is predominantly comprised of small companies; the industry analysis covers a range of construction companies from small to large, while the publicly listed companies are large construction companies.