

Tutor Perini Corporation provides diversified general contracting, construction management, and design-build services to private customers and public agencies worldwide. It operates through three segments: Civil, Building, and Specialty Contractors. The company was formerly known as Perini Corporation and changed its name to Tutor Perini Corporation in 2009. Tutor Perini Corporation was founded in 1894 and is headquartered in Sylmar, California.

BUY

Current Price: \$25.55
 Target Price: \$37.14
 Market Cap: \$1.38B
 WACC: 4.6%
 ROIC: 8.0%
 P/E Ratio: 13.94
 Average Volume: 370,180

Catalysts:

- Short Term(within the year): Vertical integration makes TPC a “one stop shop”
- Mid Term(1-2 years): Backlog up 20%, valued at \$7.5B
- Long Term(3+): \$305B FAST Act, %52B 10 year California Transportation Bill



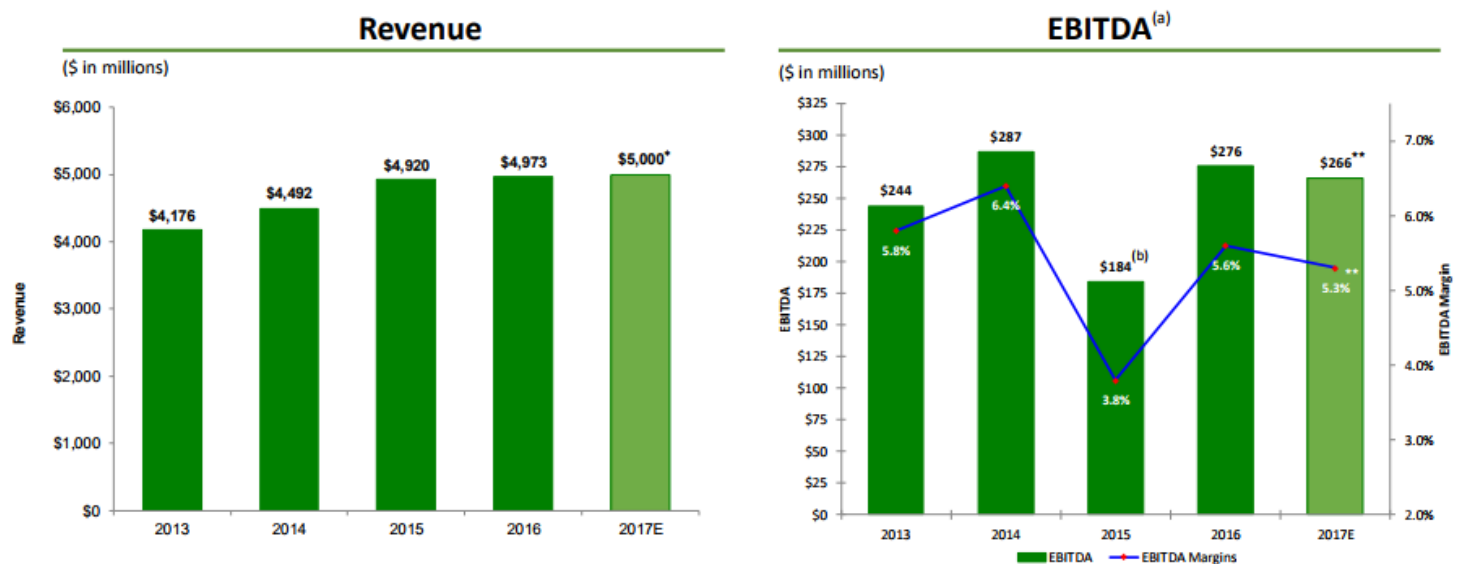
Thesis:

Tutor Perini Corporation is positioned well in the real estate construction industry. TPC has been an established leader in the civil, building and specialty construction market for over 120 years. They have built an impressive backlog that grew 20% in 2017, and is valued at \$7.5B. TPC has current projects consisting of

Hudson Yard NYC, Los Angeles MTA, NYC MTA and San Francisco MTA. They have established relationships with federal and state governments as well as specialty contractors over the years, so they have become very effective at winning projects over their competitors.

Earnings Performance:

The third quarter showed promise for Tutor Perini, although they missed on earnings and revenue. Their bookings, backlogs and cash flow all improved over the quarter. TPC's CEO Ronald Tutor said Q3 results were affected as various civil and building segment projects are nearing completion and newer projects, are earlier in their project life cycle, and are not yet generating expected higher levels of revenue, as well as certain delays in the timing of new awards and project execution activities for previously awarded projects. The upside for TPC is that their backlog at the end of Q3 totaled \$7.5B, up 12% year over year, and up 20% from year-end 2016, and civil segment backlog rose 54% year over year to \$4.3B, a new record for the company. Notably to-date, TPC has booked more than \$4.8 billion of new awards for the first nine months of the year. Their total backlog was up 20% compared to the end of last year, and more importantly, their Civil segment's backlog by far the largest component, was up 61% over the same period. Their backlog composition at the end of the third quarter was 58% Civil, 21% Building and 21% Specialty. Although, TPC had to decrease their 2017 revenue guidance to \$5B from \$5.5B, if they do get to \$5B that would be the highest revenue generated in one year for the company. Additionally, TPC generated \$36.5 million of operating cash in the third quarter of 2017 and expects operating cash to be even stronger in the fourth quarter of 2017.



Business Overview:

Tutor Perini Corp. is one of the largest general contractors in the United States. TPC has been conducting business for over 120 years. TPC was listed on the NYSE on April 1, 2004. Later that year it acquired Cherry Hill Construction, a contractor in Maryland, and in 2003 it acquired Florida-based James A. Cummings and in 2005, California-based Rudolph & Sletten, Inc.. In January 2009, the corporation acquired Philadelphia-based building contractor Keating. Engineering News-Record ranked TPC #1 Specialty contractor in NY, #3

Domestic Heavy Contractor, #4 Builder in Transportation, #5 Builder in electrical, #9 Builder in domestic building, #9 General contractor, #10 Specialty contractor, and #12 Builder in mechanical. Out of the top 400 contractors ranked by Engineering News-Record, TPC is ranked #9 overall. They provide three types of services that are broken into Civil, Specialty and Building operations. Their organic growth over the years and strategic acquisitions have allowed TPC to be able to vertically integrate their operations. TPC is well positioned in an industry that saw a 9.7% increase in domestic revenue growth over the last year. Below is a breakdown of their segments and the revenue generated through each one.



⁽¹⁾ Includes the income of segments owned and subsidiaries owned of 99.9%. ⁽²⁾ Includes subsidiaries of 99.9%.

Projects and Backlog:

TPC has positioned themselves well in the construction contracting market due to their 20% increase in backlog projects. Their market position and scale allow TPC to win large, complex projects such as New York MTA East Side Access valued at \$2.7B, Alaskan Way Viaduct (SR-99) valued at \$1.4B, Los Angeles MTA Purple Line valued at \$1.4B, Hudson Yards Tower D and Platform valued at \$1.4B and California High Speed Rail valued at \$1.4B. Due to their broad capabilities in the contracting industry, TPC has the ability to get bids from a wide variety of clients. In August of 2017, Tutor Perini announced that its subsidiary, Tutor Perini Building Corp., was recently awarded a contract by Caruso to construct Palisades Village. Palisades

Village, a walkable gathering place, will serve as a centerpiece within the community with curated shopping, dining and lifestyle offerings located near the intersection of Sunset Boulevard and Swarthmore Avenue in Pacific Palisades, California. The contract value will be included in the Company's reported second quarter 2017 backlog. Furthermore, just a month ago TPC announced a low bid of \$189M for the Canton Viaduct Replacement Project. The project scope of work includes the removal and replacement of an approximately 3,200-foot-long bridge structure on the north side of the Baltimore Harbor Tunnel, as well as tunnel rehabilitation. Work on the project is expected to commence in March 2018 with substantial completion anticipated by June 2021. The ability to tackle such a diverse set of projects allows TPC to have a competitive advantage within the industry. Combine that with the ability to vertically integrate their operations, and TPC is primed for success in the near future.

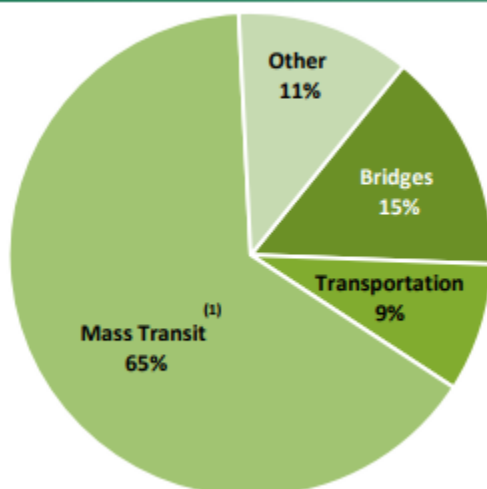
Significant Projects Driving Performance

(approximate award values)

- Various New York MTA East Side Access Projects – \$2.7B
- Alaskan Way Viaduct (SR-99) Replacement, WA (JV) – \$1.4B
- Los Angeles MTA Purple Line Section 2 (JV) – \$1.4B
- Hudson Yards Tower D and Platform, NY – \$1.4B
- California High-Speed Rail (JV) – \$1.4B
- Technology Office Facility, CA – \$950M
- San Francisco MTA Central Subway – \$840M
- I-74 Bridge Replacement Project, IA – \$320M
- Pechanga Resort and Casino Expansion, CA – \$320M

Segment Analysis:

Q3-17 Backlog by End Market: \$4.3B

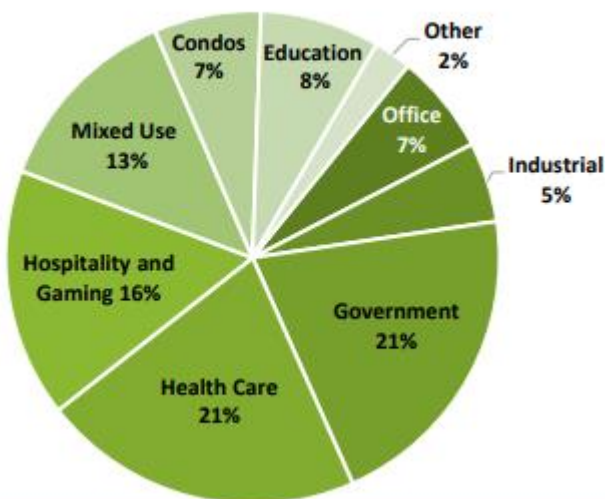


Tutor Perini Corp. operates under three segments Civil, Building, and Specialty. Their Civil segment constructs and rehabilitates highways, bridges, tunnels, mass-transit systems and wastewater treatment facilities. The Civil segment is TPC's highest margin segment, currently sustaining an operating margin of 10.9% in the last twelve months. This segment focuses on large-scale, complex projects ranging anywhere from \$100M-\$1B+. Additionally, TPC is positioned well to receive bids for the \$305B FAST Act, which was signed by President Obama in order to renovate highways across the nation, and the \$52B 10 year

California transportation bill, which was signed by state legislators earlier this year. The chart above is a breakdown of the segments backlog, which is heavily dependent upon Mass Transit providing a sense of security for TPC because it will be state funded.

TPC's Building segment has generated \$2.08B in revenue over the last twelve month, which is the greatest out of the three segments. The Building segments specializes in government, health care, education, hospitality and sports facilities projects. They are able to generate over \$2B even though their operating margins were only 1.9% for this segment. Thus, proving that TPC's management is more than capable of conducting business efficiently. Their featured projects are the \$6.4B City Center in Las Vegas and the \$2.3B Cosmopolitan Resort in Las Vegas. Below is the breakdown of the backlog in the Civil segment. Their backlog is very diversified which shows that TPC is a highly regarded contractor in a wide variety of markets.

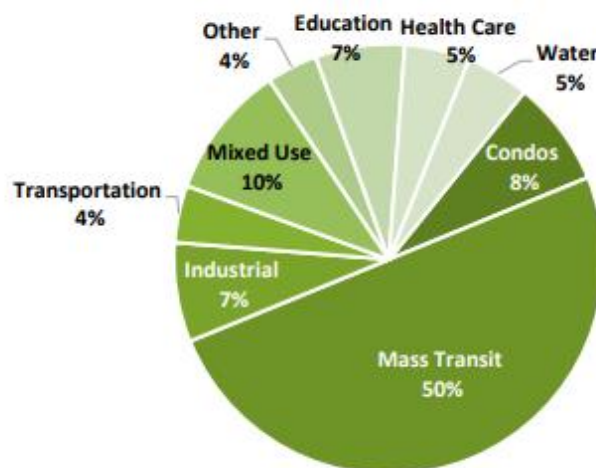
Q3-17 Backlog by End Market: \$1.6B



Their Specialty segment has generated \$1.2B in revenue over the past twelve months. Again, they were able to do so with tight operating margins at 2.3%. Currently, TPC is the largest electrical contractor in NYC. The Specialty segment allows TPC to vertically integrate their operations, meaning that they can limit their expenses and operate on thin margins, because they have the ability to conduct all business in house. Their current focus for the Specialty segment are in areas of high real estate and infrastructure growth. Areas such as NYC, Houston, Dallas Los Angeles, San Francisco and Miami. The chart below shows their backlog for Specialty segment, clearly it is dominated by the Mass Transit

development. This is a positive for TPC considering that Mass Transit is funded through both the state and federal government. Meaning that their contracts are more stable, structured and secured.

Q3-17 Backlog by End Market: \$1.6B



TPC vs. Competitors:

Although, TPC suffered a poor Q3 they still remain one of the leaders in the market. Their recent increase of 58% in higher margin backlog projects will improve their margins over the next few years. Their EBITDA and revenue are slightly below the market average. However, that is solely due to the fact that TPC is a smaller company with a market capitalization of only \$1.38B. Their price earnings ratio is one of the best amongst its competitors at 14.54. What truly sets TPC apart from their competitors is the ability to handle diverse and complex projects. Additionally, their ability to vertically integrate allows for greater control over schedule, increased operational efficiencies, and the ability to have greater visibility into pricing.

Name (BI Peers)	Ticker	Mkt Cap	EBITDA:Y	Revenue:Y	P/E:Y	OPM:Y	PM:Y	EPS:Y
Median		3.93B	448.30M	6.40B	18.08	4.41%	2.29%	1.28
100) TUTOR PERINI CORP	TPC US	1.38B	269.68M	4.97B	14.54	4.07%	1.93%	1.95
101) AECON GROUP INC	ARE CN	910.11M	122.12M	2.43B	17.40	3.04%	1.69%	0.62
102) SNC-LAVALIN GROUP I...	SNC CN	7.69B	416.17M	6.40B	27.20	4.81%	3.77%	1.28
103) STUART OLSON INC	SOX CN	142.27M	20.13M	687.08M	129.44	1.11%	0.13%	-0.14
104) FLUOR CORP	FLR US	7.05B	1.09B	19.04B	16.97	4.54%	2.29%	2.02
105) MASTEC INC	MTZ US	3.93B	448.30M	5.13B	21.85	5.52%	2.78%	1.63
106) KBR INC	KBR US	2.65B	139.00M	4.27B	--	2.20%	-0.42%	-0.43
107) CHICAGO BRIDGE & IR...	CBI US	1.81B	780.75M	10.68B	7.46	6.16%	4.10%	-3.05
108) JACOBS ENGINEERING ...	JEC US	8.26B	667.32M	10.02B	18.76	5.44%	3.72%	2.46

(Accounting Adjustments: Adjusted for Abnormal Items When Applicable)

10 Analyze List

Source: Bloomberg

Conclusion:

In conclusion, I am proposing a BUY for Tutor Perini Corporation (TPC). TPC is well positioned in their primary markets including NYC, Los Angeles, Seattle, Dallas, and San Francisco. TPC has consistently managed to secure large complex projects. They have grown their backlog 20% in the past year, with many quality large-scale projects that will generate revenues for a long period of time. TPC has focused on being able to handle diverse projects whether it be casinos to high-speed rail lines, and their ability to vertically integrate offers another competitive advantage. A one-year target price of \$37.14 can easily be achieved.

Tutor Perini Corporation (TPC)

CENTER FOR GLOBAL FINANCIAL STUDIES

BULLISH

Analysis by RICK

12/8/2017

Current Price:

\$25.55

Divident Yield:

0.0%

Intrinsic Value:

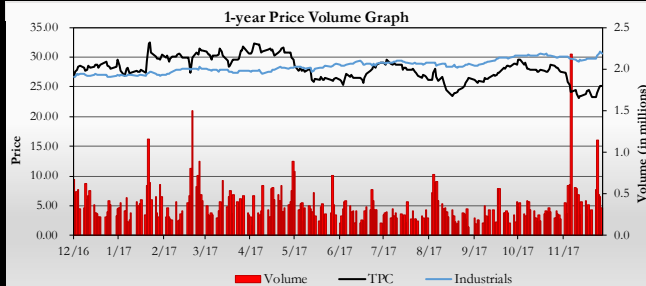
\$33.08

Target Price:

\$37.14

Target 1 year Return: 45.38%

Probability of Price Increase: 93%

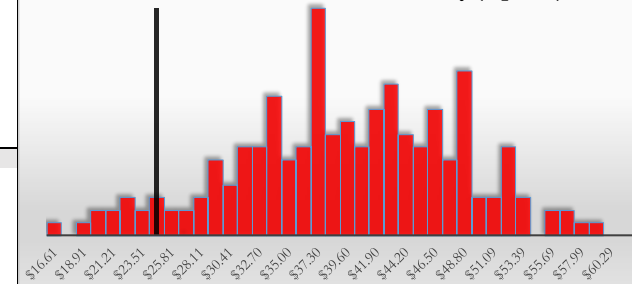


Description	
Tutor Perini Corporation provides diversified general contracting, construction management, and design-build services to private customers and public agencies worldwide.	
General Information	
Sector	Industrials
Industry	Construction and Engineering
Last Guidance	November 3, 2015
Next earnings date	February 24, 2018
Estimated Country Risk Premium	2.96%
Effective Tax rate	40%
Effective Operating Tax rate	40%

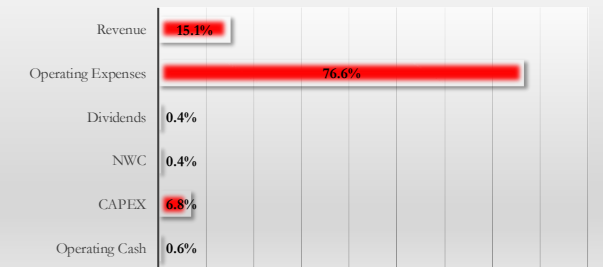
Market Data	
Market Capitalization	\$1,271.90
Daily volume (mil)	0.62
Shares outstanding (mil)	49.78
Diluted shares outstanding (mil)	50.70
% shares held by institutions	116%
% shares held by investments Managers	77%
% shares held by hedge funds	3%
% shares held by insiders	20.83%
Short interest	8.32%
Days to cover short interest	11.48
52 week high	\$33.00
52-week low	\$22.60
Volatility	43.49%

Past Earning Surprises			Peers	
Quarter ending	Revenue	EBITDA		
9/30/2016	0.22%	-2.54%	KBR, Inc.	
12/31/2016	-8.71%	-11.69%	Granite Construction Incorporated	
3/31/2017	-1.43%	9.42%	Fluor Corporation	
6/30/2017	-13.09%	-43.77%	Jacobs Engineering Group Inc.	
9/30/2017	-21.89%	-31.15%	AECOM	
Mean	-8.98%	-15.95%	Primoris Services Corporation	
Standard error	4.0%	9.6%	Quanta Services, Inc.	
Management		Position	Total compensations growth	Total return to shareholders
Tutor, Ronald		Chairman & CEO	5.13% per annum over 5y	-9.32% per annum over 5y
Frost, James		President, COO & Director	17.54% per annum over 5y	-9.32% per annum over 5y
Smalley, Gary		Executive VP, CFO & Principa	N/M	0% per annum over 0y
Shaw, Craig		Executive Vice President	-21.01% per annum over 4y	6.36% per annum over 4y
Casado, Jorge		Vice President of Investor R	N/M	N/M
Barrett, John		Executive VP, Treasurer & Co	N/M	N/M
Profitability		TPC (LTM)	TPC (5 years historical average)	Peers' Median (LTM)
Return on Capital (GAAP)		4.9%	4.44%	7.34%
Operating Margin		2%	1.98%	1.88%
Revenue/Capital (GAAP)		2.13	2.24	3.90
ROE (GAAP)		5.1%	6.1%	8.3%
Net margin		1.6%	1.9%	1.8%
Revenue/Book Value (GAAP)		3.28	3.30	4.66
Invested Funds		TPC (LTM)	TPC (5 years historical average)	Peers' Median (LTM)
Cash/Capital		3.3%	9.7%	31.3%
NWC/Capital		59.4%	33.4%	-4.4%
Operating Assets/Capital		13.9%	26.5%	44.7%
Goodwill/Capital		23.4%	30.5%	28.4%
Capital Structure		TPC (LTM)	TPC (5 years historical average)	Peers' Median (LTM)
Total Debt/Market Capitalization		0.38	0.36	0.51
Cost of Existing Debt		8.2%	5.7%	4.4%
CGFS Rating (F-score, Z-score, and default Probability)		A	BB	BBB
WACC		8.0%	7.9%	8.6%

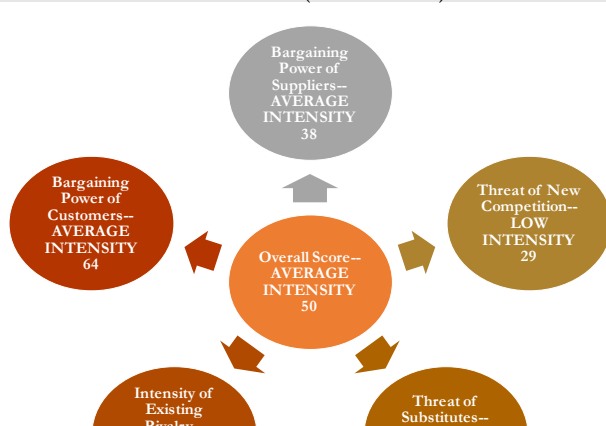
Intrinsic Value Distribution--Probability (Upside)=93%



Sensitivity Attribution Analysis



Porter's 5 forces (scores are out of 100)



Period	Revenue Growth Forecast	NOPAT Margin Forecast	Revenue to Capital Forecast
Base Year	-2%	2.6%	1.75
9/30/2018	9%	1.3%	1.74
9/30/2019	6%	1.8%	1.81
9/30/2020	1%	1.8%	1.79
9/30/2021	1%	1.6%	1.76
9/30/2022	1%	3.3%	1.75
9/30/2023	1%	3.1%	1.69
9/30/2024	1%	2.9%	1.64
9/30/2025	2%	2.8%	1.60
9/30/2026	2%	2.6%	1.57
9/30/2027	2%	2.4%	1.54
Continuing Period	2%	2.3%	1.52
Period	Return on Capital Forecast	WACC Forecast	Price per share Forecast
Base Year	4.6%	8.0%	\$34.48
9/30/2018	2.2%	8.2%	\$38.90
9/30/2019	3.2%	8.3%	\$42.71
9/30/2020	3.2%	8.4%	\$46.47
9/30/2021	2.9%	8.5%	\$50.00
9/30/2022	5.7%	8.6%	\$53.28
9/30/2023	5.2%	8.7%	\$56.41