

Mossberg's Investor Digest

Best Idea Profile:

Tutor Perini Corporation (NYSE:TPC)

DESCRIPTION:

Tutor Perini is a geographically diversified provider of general contracting, design-build and self-perform construction services. It has private and public clients with current projects including Alaskan Way Viaduct, Northern California Hospitals, San Bernardino County Courthouse and the Ft. Lauderdale International Airport. The Company's 2012 revenue mix was divided almost equally among three of its four divisions: Building, Civil and Specialty Contractors. A small percentage comes from Management Services, primarily design-build services for overseas U.S. government programs and multi-national corporations. Tutor Perini, founded in 1894, is headquartered near Los Angeles with approximately 11,000 employees worldwide.

KEY INVESTMENT CONSIDERATIONS:

Benefit From Sandy Relief Package – President Obama's \$50.5 billion aid relief will continue to positively impact Tutor Perini's 2013 results as the Company is extremely well positioned (because of size, capabilities, pricing and location) to tackle many of these infrastructure projects as they become funded. This became apparent in last year's fourth quarter when the Company worked on approximately \$60 million of emergency repair services related to Hurricane Sandy. Following a difficult year in 2012, demand for construction is up and therefore, pricing is also improving.

Improved Business Mix – Tutor Perini transitioned away from almost total dependence on its Building business. Prior to 2009, Building was 85% to 90% of all backlog; whereas in 2012 it was approximately 36%. The Company is among a limited number of major U.S. contractors qualified to bid and execute mega-scale civil and building projects. Its electrical and mechanical contracting capacities collectively ranked within the five largest specialty contractors in the U.S.

Civil Segment Excelling – The Civil segment is delivering particularly strong results, more than tripling its backlog, revenue and income from operations. It provides the highest margins in the company because of limited competition and high prequalification requirements for which Tutor Perini is uniquely suited. Management estimates prospective opportunities in its Civil market will be approximately \$19 billion for the projects they bid over the next 12 months.

Integrated Project Approach – The fact that Tutor Perini has service capabilities across all aspects of construction is a competitive advantage providing greater control over schedule and greater visibility into pricing. The Company can leverage its expertise, knowledge and pricing across all of its business groups to maximize cost estimating, and therefore profitability, while reducing risks. For example, Civil and Building segments leverage the Specialty Contractors segment by vertically integrating the Company's owned electrical and mechanical subsidiaries into both the bidding and execution of large-scale projects.

Better Visibility and Guidance – The Company's Building business triggered a big guidance miss last year, but it finished with a strong fourth quarter. Management was intent on more careful analysis prior to giving the 2013 guidance that was issued in early March: Revenue is expected to be nearly \$5 billion and earnings per share between \$1.65 and \$1.90.

VALUATION:

Although the stock has been substantially lower in the last six months, there is increasing evidence and visibility of growth in revenues, and more specifically in margins that justifies a longer-term investment.

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Investment Data (as of 4/16/13)

Recent Price	\$16.76
52-Week Range	\$9.21 - \$19.38
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	47.6 M
Average Trading Volume (3 mos)	326k
Market Capitalization	\$797 M
Cash	\$171 M
Long-term Debt	\$737 M
Enterprise Value (EV)	\$1.42 B
Book Value	\$24.05
TTM Revenue	\$4.1 B
P/ Revenue	0.2x
TTM EPS	\$(5.59)
P/ EPS	NA
TTM EBITDA	\$213.7 M
EV/ EBITDA	6.7x

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