

Industrial and Construction Services News

Equipment Leasing and Financing Association Forecasts Solid Growth For Q2

Investment in equipment and software is expected to grow 2.8% in 2017, according to the Q2 update to the 2017 Equipment Leasing and Finance Association (ELFA) U.S. economic outlook. The predicted growth is an expected improvement over the lackluster performance of 2016, as renewed business confidence and firming energy prices raise the potential for investment and capex spending. This increase in confidence and growth is driven largely by the “more business-friendly approach” of the new presidential administration, as well as indications from the federal reserve about near and intermediate-term rate hikes on short-term interest rates.

<http://www.elfaonline.org/news/industry-news/read/2017/04/12/q2-economic-outlook-forecasts-2.8-growth-in-equipment-and-software-investment-in-2017>

FMI Construction Outlook: Q1 Report with Q2 NRCI

Construction executives believe nonresidential construction is stronger than the economy as whole, but the overall score for the Nonresidential Construction Index (NRCI) dropped 1.1 points from Q1 2017 to Q2 2017, from 62.5 to 61.4. Despite this drop in the index and potential slowed growth in nonresidential construction, the NRCI remains positive and has been since Q1 2012. The backlog index indicates a median of 12 months, unchanged since Q3 2016, signaling companies have nearly a year of work beyond what they’re currently servicing.

https://www.fminet.com/wp-content/uploads/2017/05/Outlook_2017Q1_FINAL_DIGITAL.pdf

Increasing E-Commerce Sales Continue to Drive Industrial Construction

Increased e-commerce sales are driving industrial construction via rising warehouse occupancy levels and demand for industrial spaces. The markets that have seen the highest growth rates in occupancy are the same markets that have seen the highest rises in new industrial construction, geographically speaking. The top 4 markets are as follows, according to new construction and square feet: Dallas (7.4 million SQF); Chicago (5.5 million SQF); San Bernardino/Riverside (4.2 million SQF); Kansas City (3.8 million SQF).

<http://www.nreionline.com/industrial/increasing-e-commerce-sales-continue-drive-industrial-construction>

Industrial and Construction Services Transactions

May 2017 – ASRC Industrial Services acquires DACA Specialty Services and D2 Industrial Services

ASRC Industrial Services (AIS), a subsidiary of Arctic Slope Regional Corporation, acquired DACA Specialty Services, an industrial services company, and D2 Industrial, a government, industrial, and commercial painting and coating service company that primarily services the Midwestern U.S.

May 2017 – TAS Environmental Services acquires Water Kleen Services

TAS Environmental services, a Fort Worth-based environmental service provider and portfolio company of TEAM Partners, LLC, acquired Water Kleen Services, based in Ennis, TX. Water Kleen is a regional provider of environmental and industrial services, including hydroblasting, vacuum truck services, hydro-excavating, hydrojetting, and roll-off truck services.

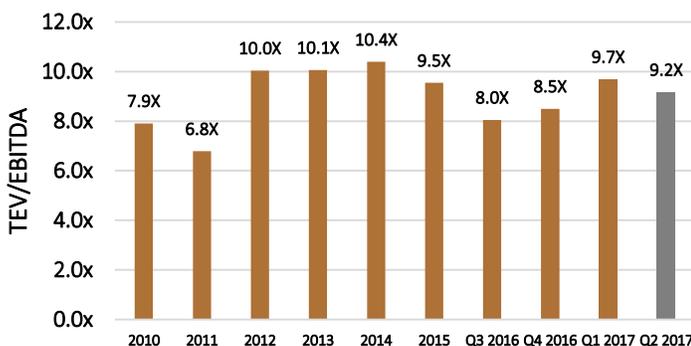
May 2017 – Sunbelt Rentals completes acquisition of Noble Rents.

Sunbelt Rentals, a commercial and industrial rental company, acquired a Los Angeles-based rental subsidiary of Noble Iron, Noble Rents. Noble Rents was acquired for \$46.5 million, which includes all of the rental equipment fleet, vehicles, inventory, accounts receivable, and other tangible personal property used in the business.

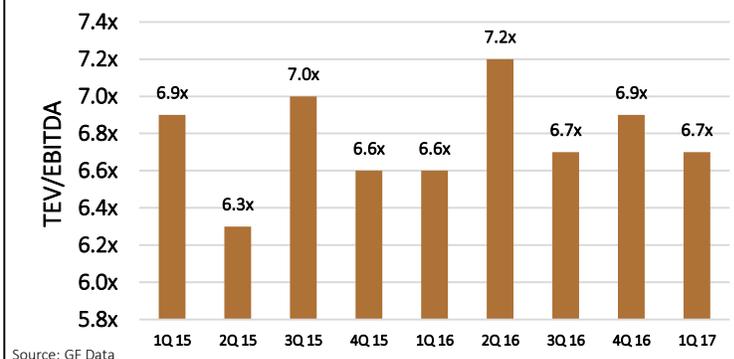
TKO Miller Market Analysis

- Construction machinery manufacturing is expected to grow at a slightly positive 1.7% rate from 2017-2022 according to IBIS World, as the value of private nonresidential construction continues to increase through 2022 to nearly \$600 billion dollars, up from approximately \$450 billion in 2016. The strongly indicative underlying market fundamentals support the increased machinery spending and when coupled with the positive NRCI, suggest the nonresidential construction market should continue to grow during both the near and intermediate terms.
- TKO Miller is seeing a surge of industrial middle market service businesses coming to market. A renewed interest by private equity and the continued discussion of infrastructure spending are piquing owners’ interest in a sale, along with increased valuations.
- With technology moving into all markets, but especially industrial manufacturing, the lines between industrial “manufacturing” and “services” begin to blur. More investors, previously focused on manufacturing are beginning to explore services as targets within the industrial market in which to invest.
- Oil continues to be rangebound in the \$40-55 range (for WTI) while the market shows no signs of raising prices anytime soon. Current market fundamentals indicate oil could break through this lower range, slowing down or drying up investment and spending in this industrial service sub-sector in the coming quarters.

Industrial and Construction Services Valuation Index



Middle Market Valuation Multiples



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