Industrial and Construction Services – Q3 2017

Industrial and Construction Services News

Industrial Services Market to Reach $35.4 Billion by 2023 According to Research and Markets

The industrial services market is expected to grow at a CAGR of 5.4% between 2017 and 2023. Key factors driving growth of the industrial services market are new development strategies, such as service contracts and service agreements, product developments, partnerships, and expansions. The expected growth, also driven by growing demand for operational excellence, increased maintenance service demand, and increased equipment complexity, is slated to push total industry revenue to $35.4 billion by 2023.
http://www.businesswire.com/news/home/20170719006028/en/Industrial-Services-Market-Reach-35.41-Billion-2023

American Rental Association Predicts Future Rental Industry Growth Through 2021

The American Rental Association (ARA) predicts the rental industry will expand through 2021, growing 4.3% in 2017, 5.0% in 2018, 5.8% in 2019, 4.4% in 2020, and 3.9% in 2021. ARA Vice President for Governmental Affairs and Chief Economist, John McClelland notes that "the U.S. equipment rental industry continues to post strong performance numbers that nearly double the growth of the economy," and that these numbers are expected "to continue for the foreseeable future."
http://www.equipmentworld.com/ara-drops-2017-equipment-rental-forecast-slightly-but-predicts-future-growth/

Nonresidential Construction Bounces Back in August, According to Associated Builder and Contractors Trade Association (ABC)

Nonresidential construction added 14,500 jobs in August, following a loss of 6,200 in July. ABC's chief economist Anirban Basu said "The U.S. labor market remains strong, as evidenced by enormous numbers of job openings, and construction activity remains robust, especially in certain private segments…There is even evidence of growing demand for public construction services, with the heavy and civil engineering segment adding another 6,600 net new positions in August and more than 45,000 during the past year…Based on consideration of other factors, including leading indicators, the narrative suggesting that construction activity continues to rise seems more reasonable…many nonresidential construction firms continue to report healthy backlog and are looking forward to an active 2018."
http://www.njbiz.com/article/20170905/NJBIZ01/170909948/nonresidential-construction-bounces-back-in-august-abc-says

Industrial and Construction Services Transactions

July 2017 – ABM Industries acquires GCA Services Group

ABM Industries, a leading provider of facility solutions, has agreed to acquire GCA Services Group, a facility services provider in the education and commercial industry sectors that specializes in facilities maintenance, janitorial services, grounds management, vehicle services, and outsourced workforce solutions, for $1.25 billion in cash and stock.

August 2017 – Safway Atlantic completes acquisition of All-Safe

Safway Atlantic, a New York-based arm of Brand-Safway, has acquired the assets of the Brooklyn-based high-rise hoist and scaffolding provider All-Safe. The acquisition is the first by Brand-Safway since the merger and is expected to strengthen its presence in the NYC/New Jersey market, according to Safway Atlantic President Keith Lynch.

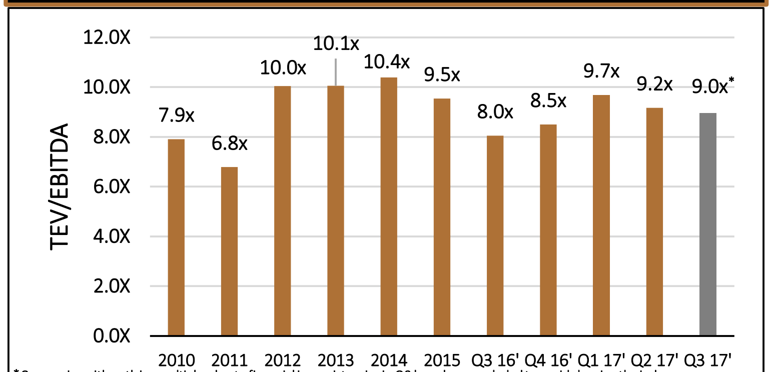
August 2017 – United Rentals acquires Neff Corporation

United Rentals, the largest rental company in the world, has agreed to acquire Neff Corporation, one of the largest rental companies in the U.S., for $1.3 billion. Neff operates in 14 states, with a strong concentration in the southern U.S. Neff has approximately 1,200 employees and 69 branches that serve more than 15,500 customers across various markets.

TKO Miller Market Analysis

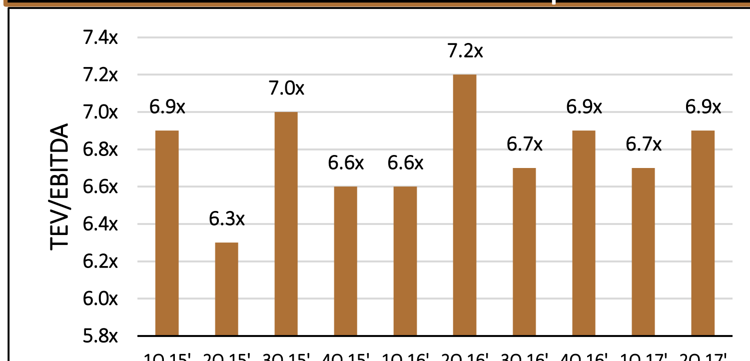
- The robust middle-market M&A environment within the industrial service and construction sectors is expected to continue, as demand from private equity and strategic buyers continues.
- TKO Miller has seen increased private equity interest in middle-market companies across all sectors, due to pressure to place capital, and expects current market conditions (strong demand and elevated valuations) to continue for the next 6 - 12 months.
- The U.S. oil market has tightened but is still producing near record levels of crude (9.5 million bpd) while U.S. crude inventories remain at the higher range of historical averages. U.S. crude (WTI) has recently broken through $50, but it is unclear if prices will stay above this threshold. WTI has historically seen a price reduction and crashed through this $50 support level over two-thirds of the time within a week of breaking through, since December 2014. As a symbolically significant indicator for U.S. production (many shale producers break-even or hedge production at $50 and above) output levels are likely to increase, driving WTI prices below $45 as production will continue to rise for 6-12 months until hedges expire. While spending should remain steady short-term, the coming dip in WTI prices will provide downward pressure for energy-related industrial service and construction spending during the intermediate to long-term.
- Hurricane Irma is likely to increase demand for various building material products including cement (via new foundations) and wallboard, with the latter being at risk for country-wide shortages caused by increased demand and decreased production as a result of Irma-related shut downs.

Industrial and Construction Services Valuation Index



*Companies with outlying multiples due to financial inconsistencies in Q3 have been excluded to avoid skewing the index.
Index Includes: FLR, JEC, DY, ACM, CBI, AEGN, ORN, STRL, TTI, HSC, CLH

Middle Market Valuation Multiples



Source: GF Data

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