

Industrial and Construction Services News

The Labor Shortage is Getting Worse

AGC (Associated General Contractors) partnered with Autodesk for a survey that gathered responses from more than 2,500 construction firms. The survey found that the five hardest craftworker positions to fill include pipe layers, sheet metal workers, carpenters, concrete workers, and pipefitters/welders. The five hardest salaried positions to fill were managers/supervisors, estimating personnel, quality control personnel, and Building Information Modeling (BIM) personnel. The AGC has developed initiatives to fight the labor shortage including educational programs to show school administrators the benefits of a construction career and programs that require locally trained craft workers.

<https://www.equipmentworld.com/the-labor-shortage-is-getting-worse-heres-how-construction-companies-and-agc-chapters-are-fighting-back/>

Industrial Services Stock Outlook: Few Bumps on Growth Path

The industrial services industry primarily includes providers of industrial equipment products and MRO (maintenance, repair, and operations) services. Inflation has hit the industry hard, particularly for metal-based products. Distributors will continue to pass along higher prices to customers, but this may prove to be unsustainable in the competitive environment. However, increased investments in the industry's e-commerce and digital capabilities and executing continuous improvement initiatives within the supply chain will drive the industry's growth.

<https://finance.yahoo.com/news/industrial-services-stock-outlook-few-224510352.html>

Manufacturing Economic Outlook

According to Horton's Manufacturing Update, US Exports of General and Industrial Machinery are growing at an accelerating rate, up 3.2% YOY. Demand from abroad is expected to increase over the next one to two quarters, while domestic demand is expected to outperform international demand.

[Market Update](#)

Industrial and Construction Services Transactions

July 2018 – United Rentals Acquires BakerCorp

United Rentals has reached an agreement to acquire BakerCorp for approximately \$715 million in cash. BakerCorp is a leading multinational provider of tank, pump, filtration, and trench shoring rental solutions for a broad range of industrial and construction applications.

August 2018 – Hitachi Construction Machinery Acquires 33.3% Equity Stake in Acme Lift

The new joint venture will add HCM earthmoving equipment to Acme's fleet, which will be made available through Acme's re-rental operations to equipment rental companies across North America.

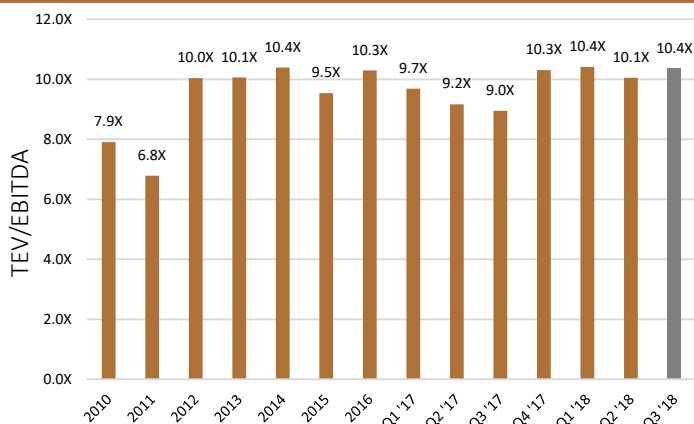
September 2018 – United Rentals Agrees to Acquire BlueLine Rental from Platinum Equity

United Rentals will acquire BlueLine for approximately \$2.1 billion in cash. BlueLine is one of the 10 largest equipment rental companies in North America with 114 locations and 1,700 employees based in the U.S. and Canada.

TKO Miller Market Analysis

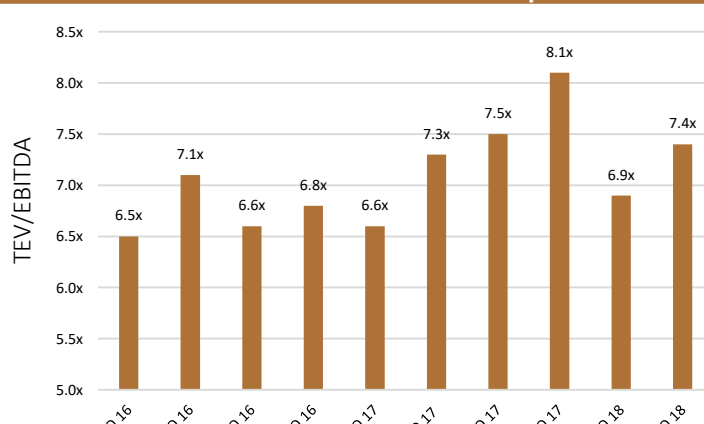
- Seller-favorable market conditions persisted into the second quarter of 2018 with valuations averaging 7.4x EBITDA, in line with the attractive mid-seven valuation multiples seen in the second half of last year.
- TKO Miller expects robust activity within the middle-market M&A environment to continue as demand from private equity and strategic buyers remains high.
- Buyers continue to pay high multiples and overlook many historically challenging valuation factors. M&A transactions can now be completed for companies with unions, pension liabilities, customer concentrations, and other characteristics often seen in the industrial and construction industries.
- Roofing and general rental companies can expect to see an increase in business as a result of Hurricane Florence. We also expect scaffolding and shoring to benefit from rebuilding.

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, AEGN, CBI, KBR, ORN, AHT, STRL, TTI, HSC, CLH, SCL, SPM

Middle Market Valuation Multiples



Source: GF Data

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