

## TKO Miller Market Analysis

- Several indicators in Q4 2018, including volatile equity market performance and less favorable outlooks for both the construction and manufacturing sectors, point to a potential slowdown in 2019.
- Most experts remain optimistic for at least the first half of 2019, but believe there is elevated likelihood of a recession in the next 6-18 months.
- TKO Miller's proprietary Industrial and Construction Services Index (see below) recorded a sharp decline (from 10.4X to 7.5X TEV/EBITDA) from Q3 to Q4, indicating falling valuations for publicly traded companies in these sectors.
- Despite the strongest year for GDP growth in a decade, a more challenging year for the industrial and construction sectors is expected to follow, as they are impacted by broad macroeconomic factors such as slowing manufacturing growth in China and volatile energy markets.
- Demand and valuations for middle market companies typically lag the macro markets slightly, but a broader economic downturn will eventually lead to declining middle market valuations.

## Industrial and Construction Services News

### U.S. Construction Starts Expected To Be Flat in 2019

U.S. construction starts are expected to remain relatively flat in 2019, rising from \$807 to \$808 billion, according to Dodge Data. The forecast expects a continuation of the industry's deceleration, which began in 2016 when growth in total starts dropped from the 11-14% gains seen from 2012 to 2015 to an increase of 7%. The biggest challenges the industry faces are rising interest rates, rising material costs, tariff increases, and the ongoing shortage of skilled laborers.

<https://www.equipmentworld.com/construction-flat-2019/>

### U.S. Manufacturing Slumps in December, Muddying Outlook for 2019

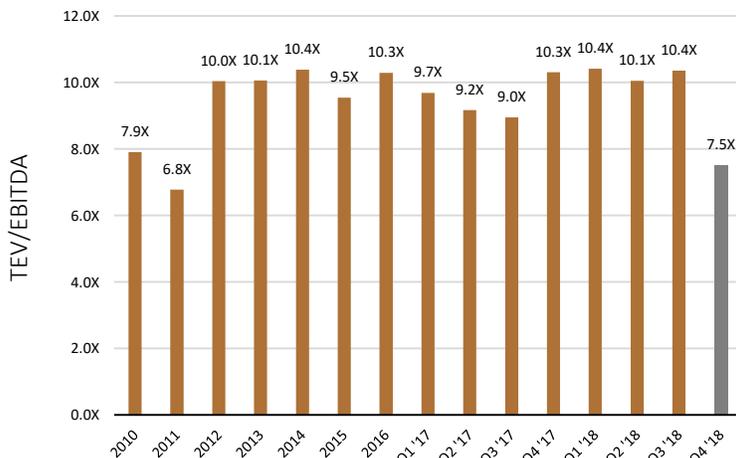
Five Federal Reserve indexes of regional manufacturing all slumped in December, the first time they've fallen in unison since May 2016 and the latest evidence that a pillar of the U.S. economy has started to wobble heading into next year. More than 20% of manufacturers said that their outlook worsened this month, according to the regional Fed report. Cities under the weakening Fed factory gauge include Dallas, New York, Philadelphia, Richmond, VA, and Kansas City, MO.

<https://www.latimes.com/business/la-fi-fed-manufacturing-20181231-story.html>

### Industrials Sector Ranking: Outlook for Market Performance Remains Cautiously Positive

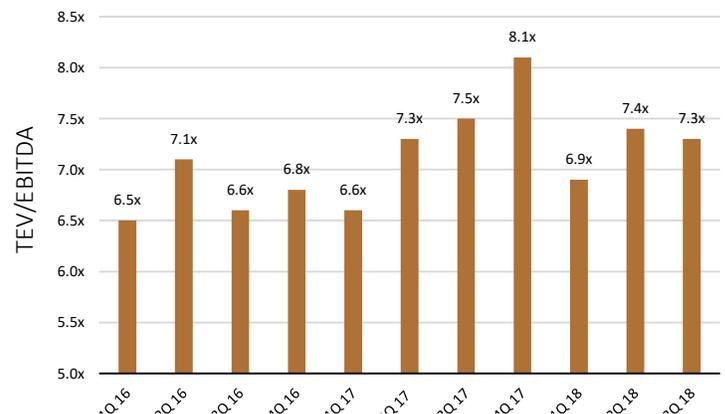
Global manufacturing largely remains positive but growth rates have slowed, as would be expected, with recent Purchasing Managers' Index readings in most major countries staying in territory depicting expansion, but slipping from their highs. Positive factors that may affect the industrials sector include potential productivity gains as corporate balance sheets remain relatively cash-rich, which should help push management teams to invest in new, more-efficient equipment to help offset weaker productivity, and relatively low manufacturing inventories, signaling the possibility of a demand inspired rebuilding phase. Potential negative factors include more aggressive Fed action and international trade disputes. <https://www.schwab.com/resource-center/insights/content/industrial-sector>

## 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



# Industrial and Construction Services - Q4 2018

## Select TKO Miller Industrial and Construction Transactions

### November 2018 – TKO Miller Advises Wolf Paving on its Sale to a Privately-Held Family Holding Company

TKO Miller served as the exclusive financial advisor to Wolf Paving on its sale to a Privately-Held Family Holding Company. Wolf Paving is a fully-integrated provider of custom asphalt solutions to commercial, residential, and municipal markets in Southeastern Wisconsin. Founded in 1941, the Company has built a very strong reputation for providing consistent quality and high-touch service on paving projects ranging from residential driveways to municipal and county roads.

### December 2018 – TKO Miller Advises Blower Application Company, Inc. on its Sale to Gen Cap America and Company Management

TKO Miller served as the exclusive financial advisor to Blower Application Company (BloApCo) on its sale to Gen Cap America and Company management. Founded in 1933 and headquartered in Germantown, WI, BloApCo designs and manufactures highly engineered solid waste and scrap handling systems and process equipment, utilized globally in the paper, packaging, and corrugated industries.

## Other Industrial and Construction Transactions

### November 2018 – Infrastructure and Energy Alternatives, Inc. Completes Acquisition of William Charles Construction Company

William Charles Construction Company offers a variety of heavy construction services including paving projects, intermodal site work, field operations for roads and highways, and more. The Company was acquired by Infrastructure and Energy Alternatives, Inc. on November 2, 2018 for \$90.35 million.

### November 2018 – DBM Global Inc. Acquires GrayWolf Industrial, Inc.

DBM Global has completed the acquisition of GrayWolf Industrial for \$135 million based on a TEV/EBITDA multiple of 6.9X. GrayWolf Industrial provides specialty mechanical construction, maintenance, equipment setting and rigging, tank fabrication and maintenance, and fabrication services.

### December 2018 – Kadant Inc. Agrees to Acquire Syntron Material Handling

Kadant Inc. has entered into an agreement with Levine Leichtman Capital Partners to acquire Syntron Material Handling for approximately \$180 million. Syntron provides material handling solutions for a wide variety of industries and is based out of Saltillo, MS.

### December 2018 – Sunbelt Rentals Acquires Underground Safety Equipment

Sunbelt Rentals has expanded its specialty market presence with its \$39 million acquisition of Underground Safety Equipment, a rental company specializing in shoring and other safety equipment used by contractors and municipalities to work safely in trenches. The acquisition expands Sunbelt's Shoring Solutions division, started in July of 2018, to 18 locations.

## About TKO Miller

TKO Miller, LLC is an independent, advisory-focused, middle market investment bank. With over 130 years of collective transaction experience, TKO Miller provides merger and acquisition and financial advisory services for privately-held and private-equity owned businesses, with a special focus on family-and-founder-held businesses.

TKO Miller aims to bring value to clients by combining outstanding people with a results-oriented, flexible approach to transactions. Our services include company sales, recapitalizations, asset divestitures, and management buyouts. TKO Miller has a generalist focus and has served clients in a wide range of industries, including manufacturing, business services, consumer products, and industrial products and services. For more information, visit our website [www.tkomiller.com](http://www.tkomiller.com)

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