



Industrial and Construction Services – Q1 2020

TKO Miller Market Analysis

- The near-term economic outlook for the industrial services and construction industry continues to evolve as COVID-19 impacts the global supply chain, labor markets, project financing, and more.
- Inventories in the U.S. are expected to be sufficient to keep small projects progressing, but material delays are expected, particularly for commercial builders that rely on Chinese products as factories slowly come back online, leading to higher material costs and slower project completions.
- Government support for the construction sector's continued operation through the pandemic has been better compared to many industries in the U.S. With the exception of a few of the hardest-hit areas like New York and Michigan, most states have been generous in broadly defining various sectors of construction as essential infrastructure work.
- A number of TKO Miller's industry contacts across North America have not yet seen a material impact from COVID-19 as many commercial projects involving the operation, inspection, and maintenance of construction sites qualify as essential and continue to progress as scheduled.
- While continued operations through the shutdown and strong backlogs coming into Q1 2020 help support the near-term performance of many construction and industrial service businesses, the outlook for the second half of 2020 is less certain as the negative impact of COVID-19 on earlier-stage projects and new project starts is still unclear.
- Lenders across all industries have substantially reduced activity in response to the current market uncertainty; this will almost certainly impact the construction sector's ability to finance new projects in the coming six to twelve months.
- These issues are compounded by falling oil prices and a struggling energy sector, which will likely have an additional negative impact on the industrial construction and industrial services sector, particularly concerning the progress of large capital construction and shutdown/turnaround projects.
- The long-term impact remains to be seen as project managers and public administrators continue to reevaluate supply chains and worker safety.

Industrial & Construction Services Transactions

January 2020 – Nors S.A. to Acquire Strongco Corporation

Under the agreement, Nors will acquire all of the outstanding equity of Strongco for \$3.15 per share in cash, resulting in a transaction value of about \$193 million and an implied EV/EBITDA multiple of 6.2x. Strongco is engaged in selling and renting new and used equipment and provides after-sale product support and services. Nors is a Portuguese-based private company that sells, rents, and services construction, mining and forestry equipment, trucks, busses, cars and marine and industrial engines in 16 countries.

February 2020 – Thyssenkrupp Sells Elevator Unit for \$18.7 Billion to Advent, Cinven, and RAG-Stiftung

As part of the transaction, Thyssenkrupp AG will reinvest in Thyssenkrupp Elevator and will acquire a substantial minority stake. Thyssenkrupp Elevator is a leading international provider of elevator technology with operations in more than 1,000 locations worldwide and revenues of \$9 billion in FY2019.

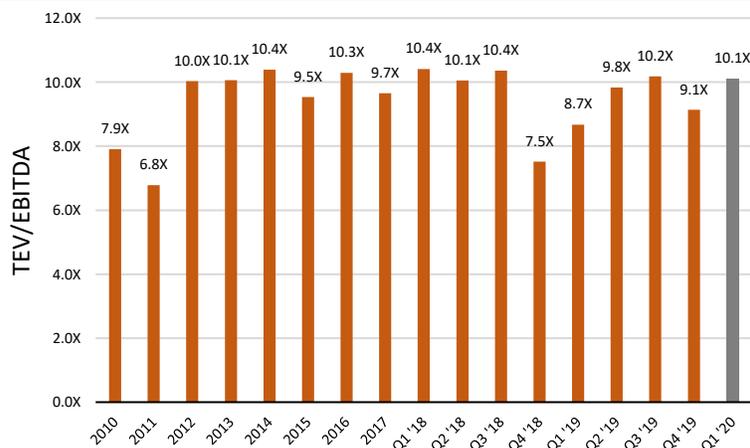
January 2020 – Sterling Crane Acquires ENTREC Corporation's Canadian Crane Business and Assets

ENTREC Corporation, a heavy-haul transportation and crane solutions provider, announced that it has signed a definitive agreement to sell its Canadian crane business and assets to Sterling Crane, part of Marmon Crane Services, a Berkshire Hathaway portfolio company. The aggregate consideration to be paid at closing consists of \$21.2 million in cash.

March 2020 – Guangxi LiuGong Machinery Co. Ltd. Acquires Hertz Equipment Rental Company Limited (Hertz China)

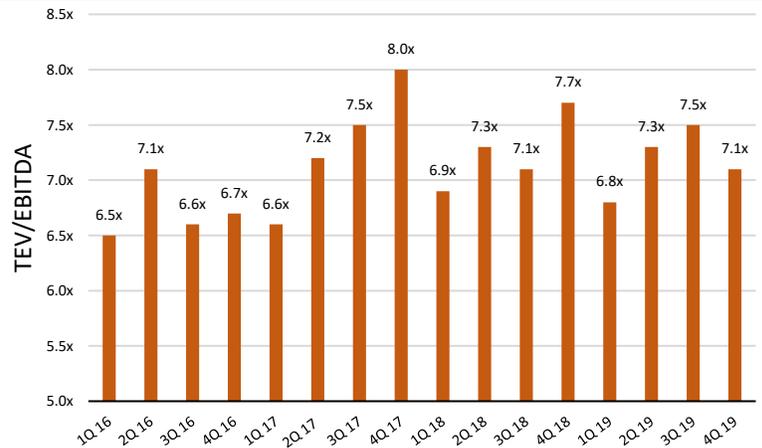
Herc Holdings Inc. has sold its interest in Hertz Equipment Rental Company Limited (aka Hertz China) to Guangxi LiuGong Machinery Co. Ltd. "The sale of our business in China completes the disposition of all of our international operations to better focus on the North American market," said Larry Silber, president and CEO of Herc Holdings Inc.

Industrial & Construction Services Valuation Index



Companies with outlying multiples due to financial inconsistencies have been excluded to avoid skewing the index.
Index includes: FLR, J, DY, ACM, MDR, KBR, AEGN, STRL, AHT, TTI, HSC, CLH, SCL, SPM, FAST

Middle Market Valuation Multiples



Source: GF Data



Industrial & Construction Services News

Home Builders Still Hammering Away But Fear a Slowdown Looms

While American businesses have largely shut down due to the COVID-19 pandemic, home builders are still building houses. While currently active, home-building companies are bracing for a sudden drop in demand due to the outbreak and the weakening U.S. economy, which is likely to slow construction and exacerbate the national housing shortage. [\[LINK\]](#)

How Does Ashtead Group's P/E Compare to Its Industry After the Share Price Drop?

Ashtead Group may have significant debt, but its EPS growth was good last year. The low P/E ratio suggests current market expectations are muted, implying these levels of growth will not continue. [\[LINK\]](#)

Six Ways the Coronavirus Outbreak Will Affect Construction

Experts predict the pandemic will have ramifications for several aspects of U.S. construction, including employee health and safety, material delays, hesitant clients and lenders, quarantines and travel bans, legal issues, and global uncertainty. [\[LINK\]](#)

Construction Job Totals Start to Fall, with 29,000 Drop in March

The construction industry lost 29,000 jobs in March and its unemployment rate climbed, according to the Bureau of Labor Statistics, in a report that charts the early economic impact of the coronavirus pandemic. [\[LINK\]](#)

Oil Refiners Face Reckoning as Demand Plummet

Within weeks, the industry will need to cut output by 30% or more as the coronavirus pandemic keeps much of the world at home with little need to drive or fly. Smaller and financially weak oil refiners may not emerge from the crisis, say refining consultants and traders. [\[LINK\]](#)

COVID-19: Confronting The New Normal

Skyrocketing case numbers and deaths are forcing governments in the U.S. and globally to upend workforce and business practices—slowing or shutting down scores of construction projects, forcing clients into a financial squeeze, and triggering industry employees to transform jobsite and office interactions and workflows. [\[LINK\]](#)

COVID-19 Outbreak to Hamper Oil and Gas Projects In Emerging Economies

Global Data's report analyzes the effect of the COVID-19 outbreak on the oil and gas industry in emerging economies, with China as the focal point. As a result of the lockdowns in key provinces, industrial production in the country has slowed down. This, in turn, has led to a decline in demand for petroleum products. [\[LINK\]](#)

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.

Tim Oleszczuk
Managing Director
timo@tkomiller.com



Tammie Miller
Managing Director
tmiller@tkomiller.com