

# Industrial and Construction Services – Q1 2021

## Industry Highlights

### TKO Miller Market Analysis

- Construction activity continues to increase, and many contractors are expected to hire additional workers despite the industry still operating below pre-COVID-19 levels.
- This increase in activity comes as industrial maintenance and construction backlogs are once again beginning to rise, driven at least in part by starts for capital projects that were delayed in 2020 due to the COVID-19 pandemic.
- While construction input prices are still up significantly from February 2020, end customers are bearing the brunt of high material prices in most cases, and demand for residential housing (and commercial buildings to a lesser extent) remains high, allowing suppliers and contractors to pass high material prices through to customers and maintain their margins.
- All of these signs point to a likely return to pre-COVID operating levels, and like almost every market TKO Miller follows, valuations in the industrial and construction services industry are up almost 1-2 times annual cash flow as a result.
- There is continued speculation on what form President Biden’s proposed \$2 trillion infrastructure plan will ultimately take, and all eyes are on the construction and industrial service industries, which are gearing up for what could be a major boon to both maintenance and new construction contractors.
- This recent attention on infrastructure is allowing sellers to market forward-looking revenue and cash flow because buyers believe that the market will be robust through the current administration, and TKO Miller is even seeing private equity, which has traditionally shied away from construction, beginning to play on the edges of the industry.
- A frothy market is a forgiving market, meaning good companies are trading higher than ever, and even companies with some issues are trading at reasonable multiples.

### Industrial & Construction Services Transactions

#### March 2021 – Huron Capital’s Sunland Asphalt Acquires ACE Asphalt

Huron Capital Partners, a lower-middle market private equity firm, has acquired ACE Asphalt, a provider of parking lot maintenance and repair and comprehensive site development services for paved and concrete surfaces in five southwestern states. Huron Capital plans to merge the company with its infrastructure services platform, Sunland Asphalt & Construction, Inc. The combination of the two companies provides greater market stability and expands Sunland’s presence into two new states.

#### March 2021 – New Mountain Capital Enters Into Agreement to Purchase Aegion Corporation

New Mountain Capital, a growth-oriented investment firm in New York, has entered into a definitive agreement to acquire Aegion Corporation, a leading provider of infrastructure maintenance, rehabilitation, and protective solutions based in St. Louis, for \$995 million, including net debt. The transaction is expected to close in the second quarter of 2021.

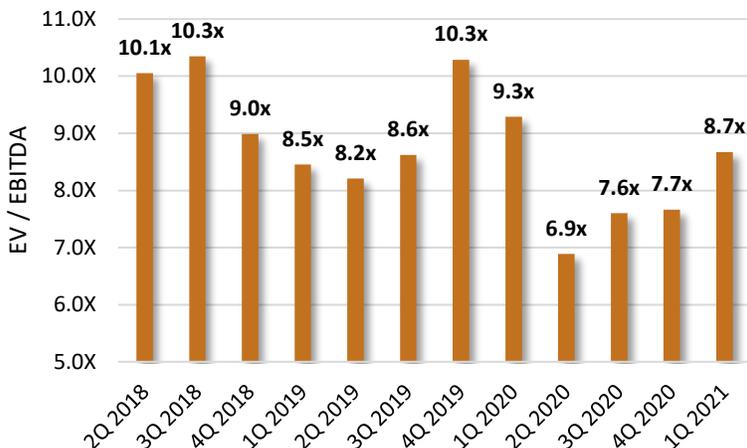
#### March 2021 – Sedgwick Acquires Construction Services Company

Sedgwick, a leading global provider of technology-enabled risk, benefits, and integrated business solutions, has acquired Construction Services Company, a premier building consulting firm headquartered in California. This acquisition helps expand the footprint of Sedgwick’s building consulting practice to meet the changing needs of its customers in any situation.

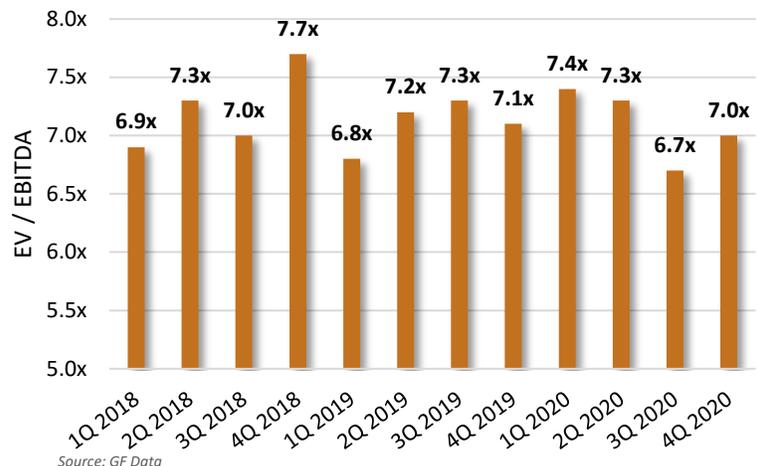
#### March 2021 – Hyva Holding to Revive a Sale of the Dutch Maker of Cranes and Hydraulics

The owners of Hyve Holding BV, a producer and distributor of tipper body hydraulics, hook loaders, hydraulic tail lifts, and bulk compressors, are reviving a sale of the Dutch maker of cranes and hydraulics that could value the business at around \$700 million. NWS Holdings Ltd., the infrastructure arm of New World Development Co., and Asian buyout firm Unitas Capital are working with advisers on the potential disposal.

### Industrial & Construction Services Valuation Index



### Middle Market Valuation Multiples



## Industrial & Construction Services News

### U.S. Construction Equipment Rental Market Projected to Top \$50B in 2026

The U.S. construction equipment rental market is expected to grow at a CAGR of roughly 5% from 2020 to 2026, and the market size is anticipated to reach over \$50 billion in 2026. The rapidly increasing prices of new construction machinery across the U.S. is a major factor in supporting the widespread adoption of rental vs. purchase of construction machinery in the country. The high cost of acquiring and maintaining new equipment results in significant investment for construction companies. As a result, most construction companies in the U.S. prefer renting construction equipment, which allows them to invest valuable financial resources in other important operations. [\[LINK\]](#)

### Dodge Data & Analytics Report Shows Further Decline in National Construction Starts

Total construction starts fell 2% in February to a seasonally adjusted annual rate of \$797.3 billion. Nonbuilding construction starts posted a solid gain after rebounding from a weak January; however, residential and nonresidential building starts declined, leading to a pullback in overall activity. The Dodge Index fell 2% in February, to 169 (2000=100) from January's 171. "With spring just around the corner, hope is building for a strong economic recovery fueled by the growing number of vaccinated Americans," said Richard Branch, Chief Economist for Dodge Data & Analytics, "but the construction sector will be hard-pressed to take advantage of this resurgence as rapidly escalating materials prices and a supply overhang across many building sectors weighs on starts through the first half of the year." [\[LINK\]](#)

### Shortage in Form Ties Could Create Temporary Shutdown in Residential Construction

Record housing starts in 2020 combined with other significant factors stemming from COVID-19 including purchasing practices, raw material depletion, and supply chain disruptions, have created a shortage in form ties, a crucial component in concrete construction. In response, the CFA announced an industry-wide effort to mitigate the pending shortage of steel form ties across the North American market. The shortage of steel form ties is not only reducing production capacity for contractors, but it is also threatening to create a temporary shutdown in construction, which would lead to an inability to keep pace with high demand of the current record housing market. Form ties are the most essential component of the cast-in-place concrete forming industry as they must be designed to handle the rigorous pressures and permit the rapid construction schedule that has long been an advantage of this method. CFA is spearheading an unprecedented collaboration effort to offer as many solutions as possible to ensure minimal disruption to the marketplace, while also maintaining quality and worker safety. [\[LINK\]](#)

### 13 Infrastructure Projects & Technologies Changing the Construction Industry

With the construction industry emerging strong post-COVID, many technologies are being developed around the country showcasing what the future of the industry might look like. The American Society of Civil Engineers has unveiled 13 groundbreaking infrastructure projects and programs that represent the latest innovations in transportation, water, and energy infrastructure that are transforming the way engineers plan, build, and adapt to the nation's infrastructure needs. With resources stretched thin, finding solutions is an essential component of improving the built environment. [\[LINK\]](#)

### Bigge Crane Opens Largest Crane Maintenance Facility in the Gulf

After five years of searching, acquiring, designing, and building, Bigge Crane and Rigging Co. announced the grand opening of its new Gulf Coast facility in Houston. The facility features a 130,000-square-foot shop set on 25 acres in Houston. This best-in-class facility will help Bigge continue to attract the industry's best talent to maintain its fleet and support its customers. [\[LINK\]](#)

## 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](http://www.tkomiller.com).

Tim Oleszczuk  
Managing Director  
[timo@tkomiller.com](mailto:timo@tkomiller.com)



Tammie Miller  
Managing Director  
[tmiller@tkomiller.com](mailto:tmiller@tkomiller.com)