

# Industrial and Construction Services – Q2 2021

## Industry Highlights

Gold text indicates TKO Miller-advised transaction

### TKO Miller Market Analysis

- As the country is moving back to pre-pandemic economic trends, states are returning to ordinary employment levels, and parts of the country are poised to outperform national economic growth
  - In particular, the Industrial and Construction Services industry is projected to reach record levels as industrial maintenance and construction backlogs are once again in full swing in an attempt to make up for lost time during COVID-19
- However, this pent-up demand has been met with increased direct costs for key input materials such as lumber and steel in addition to limited access to labor, creating a short-term bottleneck on industry growth, pushing out backlog timelines, and in some cases, pricing end-users out of the market entirely
- The commercial construction market is expected to be a driving force behind the increased industrial growth throughout the United States
  - As populations return to dense urban cities, high demand, low rates, and decreased inventories will drive both new construction as well as existing building renovations and additions
  - The increase in natural disasters that have occurred in the last 5 years in addition to the Miami-area condo collapse have put a renewed spotlight on building safety and regulations, and have resulted in higher demand for inspection and repair work
- In an attempt to further stimulate the economy post-COVID-19, the House is set to allocate \$343B for roads and bridges, and the infrastructure legislation processes are continuing to move forward, which would provide \$1.2T in infrastructure investments over eight years
- These factors, in tandem with a frothy M&A marketplace, have resulted in increased valuation multiples across the board (evidenced by the index below)
- TKO Miller has seen a significant increase in interested sellers in the industrial and construction services sector largely due to the positive factors in both the economic and M&A environments, and expects continued M&A activity throughout the latter half of 2021 to close out potentially one of the most active M&A years on record

### Industrial & Construction Services Transactions

#### April 2021 – BrandSafway has acquired National Coating & Lining Co.

BrandSafway has acquired National Coating & Lining Co., which specializes in the restoration and protection of concrete and ferrous metals for the water and wastewater industry. Moving forward, the Company will be known as National Coating & Lining by BrandSafway. The National Coating & Lining team will join forces with CL Coatings by BrandSafway, another California-based company, which provides complementary services in the coatings industry.

#### May 2021 – Wagstaff Crane has acquired Bronson Crane

Wagstaff Crane, a provider of hydraulic cranes, forklift rentals, heavy haul, trailer rentals, outdoor storage, and load testing based in Murray, Utah, has acquired Bronson Crane, a provider of crane sales, crane rental, maintenance, erection, and dismantling. With the acquisition of Bronson, Wagstaff Crane expands its range of services to its Utah customers and takes over all the assets and business functions of Bronson Crane, which will continue to trade under its existing name and operate from Wagstaff’s Murray facilities.

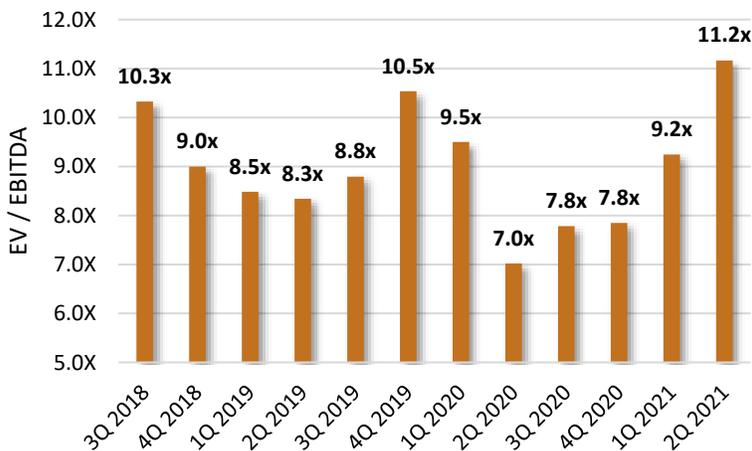
#### June 2021 – Sunbelt Rentals has acquired Ross Equipment Rentals, American Aerial Equipment, and DC Rentals

Sunbelt Rentals has acquired Ross Equipment Rentals, an aerial equipment specialist serving Arizona, as well as American Aerial Equipment LLC, a provider of mobile elevating work platforms, and DC Rentals, an aerial rental specialist. Both American Aerial Equipment and DC Rentals serve the New England region. These acquisitions mark sunbelt’s return as an active buyer, and allows Sunbelt to better serve the greater Providence, R.I., market by providing an effective rental solution for any project or job.

#### July 2021 – East Coast Rigging has been acquired by Incorp Holdings, LLC

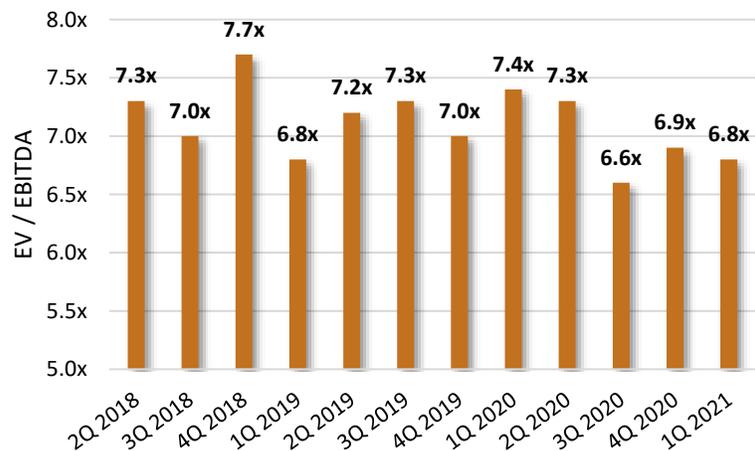
East Coast Rigging & Contracting Company, Inc. (ECR), a leading provider of high-quality access equipment products and related services, was acquired by Incorp Holdings, LLC (Incorp). East Coast Rigging is a premier scaffolding and access equipment rental and related service provider specializing in rigging equipment and infrastructure/bridge maintenance work. ECR is headquartered in Laurel, Maryland, and primarily serves the Mid-Atlantic region as well as the Florida market through its satellite location in Fort Lauderdale.

### Industrial & Construction Services Valuation Index



Note: Companies with outlying multiples due to financial inconsistencies have been excluded to avoid skewing data

### Middle Market Valuation Multiples



Source: GF Data

### Industrial & Construction Services News

#### Four Issues the Construction Industry Must Address as Part of the Post-Pandemic Recovery

As access to Covid-19 vaccines increases, new cases decrease, and restaurants, entertainment venues, and offices move ever closer to pre-pandemic normalcy, the construction industry must be poised for a potentially \$35 trillion boom to seize on pent up demand and demographics that will open new geographical markets in the next few decades. But before addressing the good news to come, contractors will need to cope with key financial limitations either caused or exacerbated by the Covid-19 pandemic. Issues the construction industry must address in order to share in the upcoming recovery of the broader economy coming out of the pandemic include, pricing, skilled worker shortage, increased materials costs, and the adoption of new technology. [\[LINK\]](#)

#### Portland Cement Association Projects Varied Rates of Construction Recovery

As the economy continues to recover from the impacts of COVID-19, the Pacific and Mountain region's cement consumption forecasts have been slightly upwardly revised from the PCA's winter forecast, however, California, Nevada, and Hawaii remain subnational in terms of job recovery. The Mountain region is poised to outperform national economic growth while the Pacific region is expected to grow roughly in line with U.S. growth throughout the forecast horizon. The Northeast was hit hard by the COVID-19 pandemic and had some of the most severe responses. Despite this, cement consumption grew 0.6 percent in 2020, largely because of a strong start to the year, whereas PCA projects consumption to decrease 0.1 percent in 2021. Cement consumption in the South Atlantic division will be strong. PCA Market Intelligence expects cement consumption to grow 6.8 percent in 2021 and 2.1 percent in 2022. While new home construction will do the heavy lifting, affordability concerns will likely weigh on single-family construction. In the West South Central division, PCA Market Intelligence expects cement consumption to grow 2.3 percent in 2021, following a decline of 2.5 percent last year. The regional decline in 2020 was largely attributed to a drop in oil-well cement demand. High demand, low inventories and favorable relative affordability suggest residential cement consumption will expand 9 percent this year and more than offset expected declines in commercial cement consumption. Public cement consumption is expected to maintain the strong levels of activity experienced last year. Demand for cement is expected to reach levels not seen since 2006. [\[LINK\]](#)

#### Construction Input Prices Jump 24 Percent

New data from the federal government sheds light on what most U.S. contractors already know: Materials prices are skyrocketing. Nonresidential construction input prices increased 23.9% in May compared to the previous year, according to an Associated Builders and Contractors analysis of U.S. Bureau of Labor Statistics data released Tuesday. These input prices are 4.8% higher than in April, ABC said in a release. In addition, all three energy subcategories registered significant year-over-year price increases. Crude petroleum has risen 187%, while the prices of unprocessed energy materials and natural gas have increased 100% and 90%, respectively. The price of softwood lumber has expanded 154% over the past year. Despite the skyrocketing materials prices, contractors expect sales to rise over the next six months, according to ABC's Construction Confidence Index. [\[LINK\]](#)

#### White House Releases Roadmap for Solving Supply Chain Woes

The Biden administration has announced key findings from an executive order focused on the country's supply chain woes and outlined immediate actions it will take. Included in the announcement is the establishment of a supply chain disruptions task force to address bottlenecks in homebuilding and construction, semiconductors, transportation and agriculture. The group will be charged with developing public and private solutions that could help alleviate supply constraints. The White House released the 250-page report as multiple industries face shortages due to supply chain issues caused by a combination of high demand and pandemic-related disruptions. The report provides a series of recommendations on where and how the U.S. can build up domestic capacity. [\[LINK\]](#)

### 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).

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