



Industrial and Construction Services – Q2 2020

TKO Miller Market Analysis

- The industrial and construction services landscape continues to evolve as the world monitors the effects of COVID-19
- We believe strong backlogs, government programs, and cost-cutting measures will allow many construction and industrial service companies to maintain performance in line with or slightly below 2019 levels; however, second half performance and long-term outlook remains uncertain
- While customer sites and projects have largely remained active throughout the pandemic, companies are struggling with the labor side of their operations as a result of existing tight labor markets, decreased personnel capacity, and increased security measures across sites
- Record levels of fiscal stimulus coupled with sustained low interest rates create a supportive environment for continued investment in infrastructure and commercial projects
 - The outlook for an oft-cited national infrastructure spending package remains uncertain; whether or not this spending bill gains further traction remains to be seen
- Industrial and construction M&A fundamentals remain solid and activity has continued (albeit slowed) through the first two quarters
- Lenders remain cautious due to looming market uncertainty, and access to institutional lending may see a prolonged slowdown as banks are bogged down with PPP loan servicing and portfolio management, likely leading to slowness in lending, new construction starts, and M&A in the second half of 2020 and early 2021
- Industrial and construction services backlogs are healthy and visible through the end of 2020, whereas backlog and pipeline data heading into 2021 is less certain and expected to be down compared to 2019 and the first half of 2020
 - That said, many industry sources are predicting a return to growth in 2021 as uncertainty dissipates and pent-up demand drives new projects
- TKO Miller’s industry outlook remains slightly bearish for the second half of 2020 and into early 2021, but more optimistic beyond that

Industrial & Construction Services Transactions

April 2020 – Harsco Acquires Stericycle’s Environmental Solutions Business

Harsco Corporation, a diverse provider of industrial services and manufactured industrial goods, has acquired Stericycle’s environmental solutions business for \$462.5 million. Stericycle, which acquired the division in 2014 from PSC Environmental Services, is a U.S.-based B2B environmental services company. The division will combine with Harsco’s Clean Earth business to provide customers with industrial and environmental services.

June 2020 – Alta Equipment Group Acquires PeakLogix

Alta Equipment Group, one of the largest integrated equipment sales, rental, and service platforms for industrial and construction applications in the U.S., has acquired PeakLogix, a national material handling systems integrator based in Virginia specializing in the design and installation of warehouse automation and storage systems. The acquisition highlights the continued push for innovation and technology in this space. Financial terms were not disclosed.

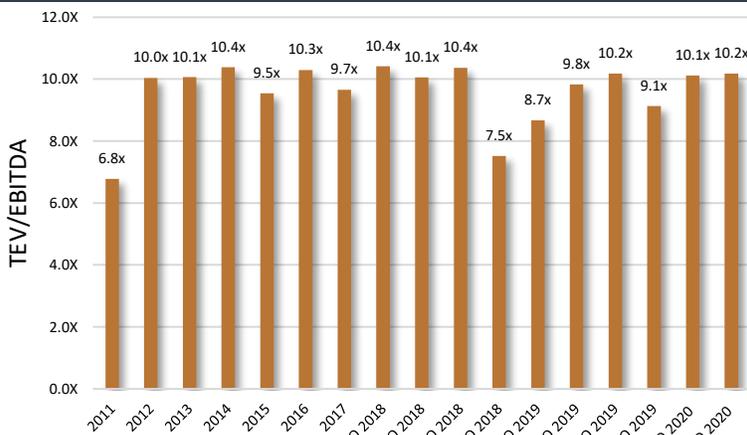
June 2020 – Bendix Commercial Vehicle Systems Acquires RH Sheppard Co., Inc.

RH Sheppard Company, a manufacturer of commercial vehicle products and technologies for heavy-duty commercial and specialty vehicles specializing in iron casting, foundry services, and diesel engine pump technologies, was acquired by Bendix Commercial Vehicle Systems, a subsidiary of Knorr-Bremse, for \$149.5 million. The acquisition is a major step towards becoming a leading manufacturer of steering systems for commercial vehicles.

June 2020 – Enercon Services Acquires Critical Engineering Group

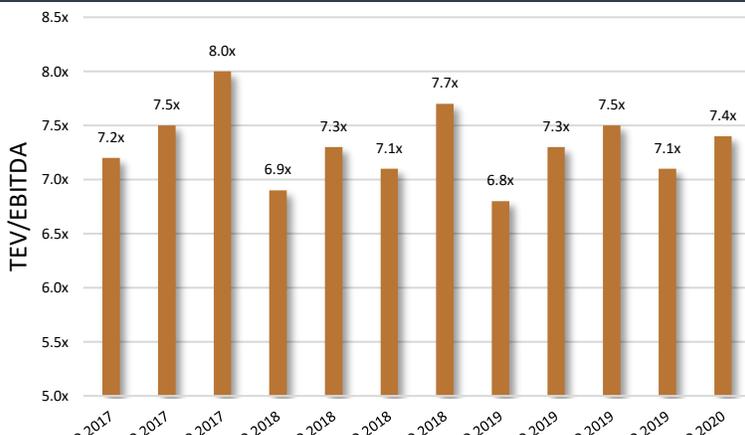
Critical Engineering Group, a California-based provider of full scope project management, engineering services, and construction support, has been acquired by Enercon Services, an international provider of multi-disciplinary engineering and environmental services, for an undisclosed amount. The acquisition expands Enercon’s services and positions them for increased reach within the data center and mission critical communications sector.

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

Construction Industry Finds New Innovations to Stay Ahead of COVID-19

The way construction work gets done is rapidly evolving to meet the challenges of the COVID-19 pandemic. United Rentals recently announced it is disinfecting all surfaces and controls, and it will require a “last touch” cleaning of all surfaces the delivery driver touches before handoff. Other rental companies have put in place similar procedures. Beyond basic social distancing, the need to improve sanitation and hygiene on construction sites was already an issue before the current crisis, and contractors are applying their expertise to the problem. [\[LINK\]](#)

Construction Loan Platform *Built Technologies* Sees Effects of COVID-19 Jobsite Shutdowns

The effects of months-long shutdowns and stay-at-home orders due to the COVID-19 pandemic have been pervasive, and the effects have even been seen in real time in the software to help manage construction financing. Built Technologies’ platform is designed for banks and other lending institutions to manage their relationships with construction borrowers. Built manages more than 32,000 construction loans in the U.S. and Canada, collectively worth nearly \$20 billion. Built’s platform saw 7% of those loans impacted by COVID-19-related shutdowns and slowdowns implemented by states, cities, and municipalities, primarily in California, Louisiana, and states in the Northeast and Midwest. Built is also documenting how these same regions rebound as construction restarts. [\[LINK\]](#)

AGC: Construction Activity Returning to Pre-COVID-19 Levels in Much of the U.S.

A new survey by the Associated General Contractors of America and data from construction technology firm, Procore, show that construction activity is returning to pre-coronavirus levels in many parts of the country, and some firms are adding workers. The new economic data, however, also shows some future projects are being canceled and many others are being delayed by supply chain issues and labor shortages, underscoring the need for additional federal recovery measures, association officials noted. [\[LINK\]](#)

Despite COVID-19, Sunbelt Rentals’ Group Revenue Climbs 12.3 Percent in Fiscal 2020

For the full fiscal year ended April 30, Sunbelt Rentals U.S. posted \$5.490 billion in revenue compared to \$4.989 billion a year ago, a 10 percent increase. Group revenue totaled £5.054 billion compared to £4.500 billion a year ago, a 12 percent increase. The fourth quarter was impacted by the COVID-19 pandemic; therefore, the fourth quarter increase was 2 percent. Although COVID-19 has influenced the group’s short-term planning and actions, the company’s strategy remains unchanged with long-term growth being driven by organic investment supplemented by bolt-on acquisitions. [\[LINK\]](#)

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