



Industrial and Construction Services – Q3 2020

Gold Text Indicates Our Highlights of the Quarter!

TKO Miller Market Analysis

- **Industrial Services:** activity in the industrial services and construction markets returned to positive monthly YoY growth in Q2 and Q3, albeit at lower levels due in large part to delays in ongoing projects and cancellations of planned summer/fall projects. The proprietary *TKO Miller Industrial & Construction Services Index* shows industry valuations increasing in 3Q20, but not quite returning to historic levels
- **Non-Residential Commercial Construction:** growth in key commercial construction end markets such as lodging and office space has remained in red figures in recent months, continuing the trend of abysmal YTD spending figures, with expectations for Q4 to be as low, or lower, due to expected year-end cyclicality
- **Construction Spending:** the decline in overall spending figures in Q2 and Q3 was more moderate than expected as many believe that the worst part of the COVID-19 downturn is over, and construction spending will continue for the foreseeable future at the current, slightly-lower level
- **Backlog:** companies are still working through robust pre-COVID backlogs, meaning major slowdowns are yet to be seen; as bidding activity and pipelines dry up, future backlogs are expected to be significantly reduced, and spending figures are estimated to drop off and have larger adverse impacts in 2021/22
- **Private Sector:** TKO Miller expects the timing of a full economic recovery to remain a moving target well into 2021/22, disproportionately affecting private sector construction spending as long-term uncertainty and negative structural trends in key end markets will funnel private investment elsewhere
- **Public Sector:** significant budget gaps in both state and federal budgets will limit the amount of construction spending approved in coming months, but TKO Miller expects that a federal aid approval prior to 2Q21 and increased state revenues will stabilize markets, albeit the effects may not be seen until 2022
- **Conclusions:** 2020 is still maintaining a modest amount of industry spending due to less shutdown-related declines and stronger end market growth than expected, while a 2021 outlook is far bleaker with limited insight into federal aid and substantially weaker backlogs driving expected declines
- **Forecast:** TKO Miller expects 2020 spending to remain flat, while 2021 is expected to decline roughly 7.0-9.0%

Industrial & Construction Services Transactions

Jul 2020 – Volvo CE to Divest Blaw-Knox Paver Business to Gencor Industries

Volvo Construction Equipment has signed an agreement to divest the North American Blaw-Knox paver business and associated assets to leading asphalt equipment manufacturer Gencor Industries. The deal, which is expected to be finalized in the fourth quarter of 2020 will allow Gencor to manufacture and develop Volvo CE's current North American paver product line and market it under the Blaw-Knox brand. Gencor has announced that it will continue marketing and servicing the Blaw-Knox paver line through selected Volvo CE dealers in North America.

Sep 2020 – Maxim Crane Acquires NCSG Crane and Heavy Haul

Maxim Crane Works L.P., the largest crane rental company in North America, continues to expand by acquiring the U.S. assets and locations of Canadian-based crane and heavy haul company, NCSG Heavy Haul. NCSG provides crane and heavy haul services to various industries such as refining, upgrading, upstream oil & gas, utilities, forestry, mining, and wind energy. This acquisition will enable Maxim Crane to enhance their service to the wind and renewable energy segment throughout the region.

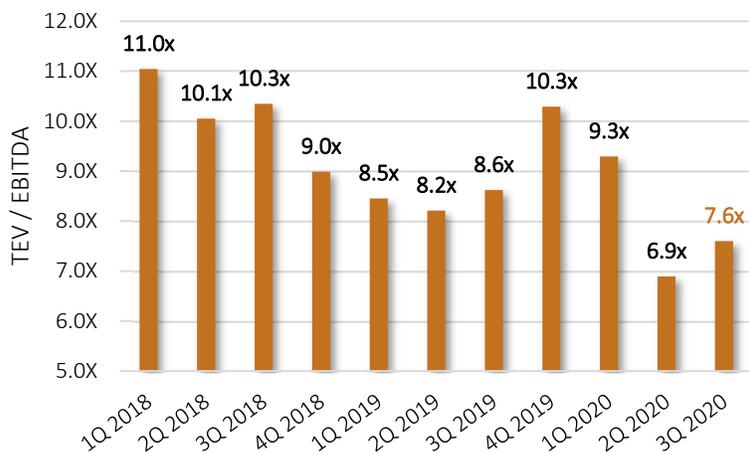
Sep 2020 – StonePoint Materials, LLC Acquires River Aggregates, LLC

StonePoint Materials, a top 25 U.S. construction aggregates company providing crushed stone, sand, gravel, and asphalt to commercial and residential markets, has acquired River Aggregates. River Aggregates mines, processes, and sells sand and gravel products that are used in various construction activities including concrete, asphalt, masonry, landscaping, and other applications. The acquisition provides a starting point for StonePoint's westward expansion into Texas.

Sep 2020 – Main Street Capital Helps Recapitalize Superior Rigging & Erecting

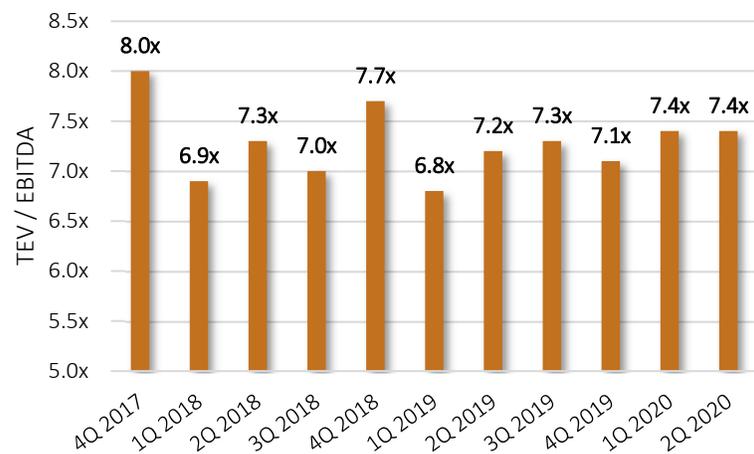
Main Street Capital Corp. recently completed a new portfolio investment to facilitate the minority recapitalization of Superior Rigging & Erecting Co., a provider of rigging, steel erection, and crane and equipment rental services throughout the southeastern U.S. Main Street funded \$26 million in a combination of first-lien, senior secured term debt, and direct equity investment.

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

Snap Baird / RER Survey Shows Rental Improvement in July and August

The demand for rental equipment continued its solid improvement relative to the second quarter of 2020, according to a *Snap* intra-quarter survey gauging business trends in July and August from 90 respondents. According to the survey, 58.0% of respondents reported that rental activity strengthened in July with an average of 3.0% sequential improvement. August demand improved again, but at a much more moderate pace than July and June. Almost half of respondents reported sequential improvement with an average sequential improvement of approximately 1.0%. [\[LINK\]](#)

Specialty Rentals Strong as Sunbelt Rentals Revenue Drops 7 Percent in Fiscal First Quarter

Sunbelt Rentals U.S. posted \$1,284.1 billion in revenue in the fiscal first quarter of 2021 compared to \$1,380.9 billion, a 7.0% year-over-year decrease. Rental-only revenue in the United States was only 8.0% lower than the prior year. While trading volumes were lower than last year as a result of the pandemic, this has been mitigated by emergency response efforts throughout the company's business units, especially the specialty businesses. Sunbelt Rentals is designated as an essential business in the U.S., U.K., and Canada, and has supported government and private sector responses to the pandemic. [\[LINK\]](#)

Haulotte Posts COVID-Affected 35 Percent Revenue Decline in First Half

In half-year results strongly impacted by the COVID-19 pandemic, Haulotte posted €222.7 million in total revenue, compared to €342.6 million for the first half of 2019, a 35.0% decline. Equipment sales dropped 36.0%, from €305.8 million to €195.6 million. Rental sales declined 38.2%, from €11.0 million to €6.8 million. Service revenue dropped 21.3% from €25.8 million to €20.3 million. The COVID-19 health crisis impacted the vast majority of Haulotte's activities on a worldwide basis, beginning in China in January, forcing the company to close its commercial and industrial activities there for a while. The impact became dramatic in Europe in March and in North and Latin America in April. [\[LINK\]](#)

Trends for Aerial Manufacturers in the COVID Age

Senior executives from manufacturers of aerial equipment talk with RER about safety developments, the impact of COVID-19, continuing product development, coming trends, alternative fuels, telematics, and more. The interview offers insights on how the rapid changes of the past eight months have impacted the manufacturers, their rental and retail customers, and the ultimate end users of aerial access equipment. [\[LINK\]](#)

National Rental Companies, 3,000-Plus Others Join ARA's "Clean. Safe. Essential." Program

Many of the equipment rental industry's largest and most widely recognizable companies, including H&E Equipment Services, Herc Rentals, United Rentals, and Sunbelt Rentals, have integrated the American Rental Association's "Clean. Safe. Essential." program into their operations. The initiative is designed to help keep the rental experience safe for customers through the COVID-19 pandemic and beyond, and is yet another way to diversify in the highly competitive rental equipment industry. [\[LINK\]](#)

Briggs & Stratton Exits Chapter 11 with New Owner and CEO

KPS Capital Partners LP, through a newly formed affiliate, has acquired substantially all the assets of Briggs & Stratton Corp. Through the completion of the sale, Briggs & Stratton has successfully exited from its Chapter 11 Bankruptcy proceedings and will operate as an independent company under the \$11.5 billion private equity firm. Steve Andrews, who has a rich history working with KPS and leading highly profitable companies, has been named president and CEO of Briggs & Stratton, effective immediately. [\[LINK\]](#)

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.

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