



# Industrial Services

Q1 2018 Sector Summary

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# Industrial Services Landscape

*The Industrial Services sector includes low-to-high capital intensive and fragmented sub-sectors, including facility services, engineering and construction, and rental services, dominated by a number of highly recognizable global corporations*



## Facility Services

- Elevator
- Floor/Carpet
- Food/Vending
- HVAC
- Janitorial
- Landscaping
- Pest Control
- Property Management
- Restoration
- Security
- Snow Removal
- Sweeping/Parking Lot
- Tree Trimming
- Waste Management
- Window & Brass Cleaning



## Engineering and Construction Services

- Architecture
- Asphalt/Concrete/Mason
- Construction
- Drywall
- Energy Efficiency
- Engineering
- Environmental
- Glass
- Infrastructure
- Lighting
- Plumbing
- Roofing
- Water Treatment



## Rental Services

- Car/Truck
- Construction
- Electronics
- Environmental
- Formalwear
- Modular Office/Living Space
- Office
- Offshore
- Storage
- Uniform
- Vending/Video



# Recent Industry News



**14.0% (CAGR)**

Projected growth for the North American facility management sector (2018-2022) <sup>(1)</sup>



**\$713.0 Bn**

Forecasted new construction starts in 2018, a 3.0% increase over 2017 <sup>(2)</sup>

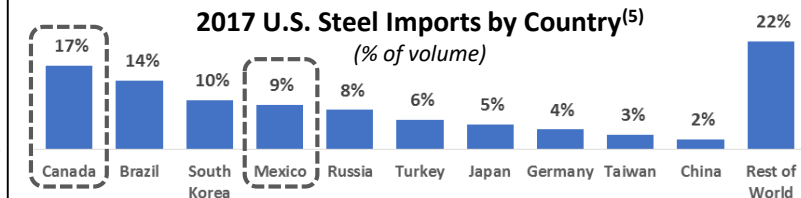
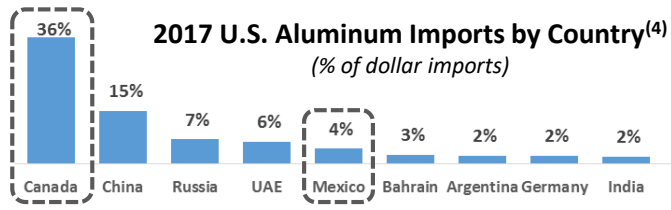


**\$59.4 Bn**

Forecasted rental equipment spend by 2021 <sup>(3)</sup>

## Industry Headlines

- **Facility Control and Security** – School shooting in Parkland, FL fuels discussion on building security, access control, and protocols related to facility management.
- **Commercial Construction Index (CCI)** – The CCI held constant over last quarter at 74. Optimism surrounding new business and profit margins remains strong for 2018, while builders look to prefabrication to improve jobsite efficiency, labor productivity and project schedules. *(USG Corporation (USG) and U.S. Chamber of Commerce)*
- **Aluminum and Steel Tariffs** – President Donald Trump signed a Presidential Proclamation establishing a 25% tariff on steel and aluminum imports from all countries except Canada and Mexico. The inflationary impact of the tariffs may be diminished since a substantial portion of these commodities are imported from Canada and Mexico. Construction, automotive, and machinery industries are the largest consumers of steel and the transportation sector is the largest consumer of aluminum.

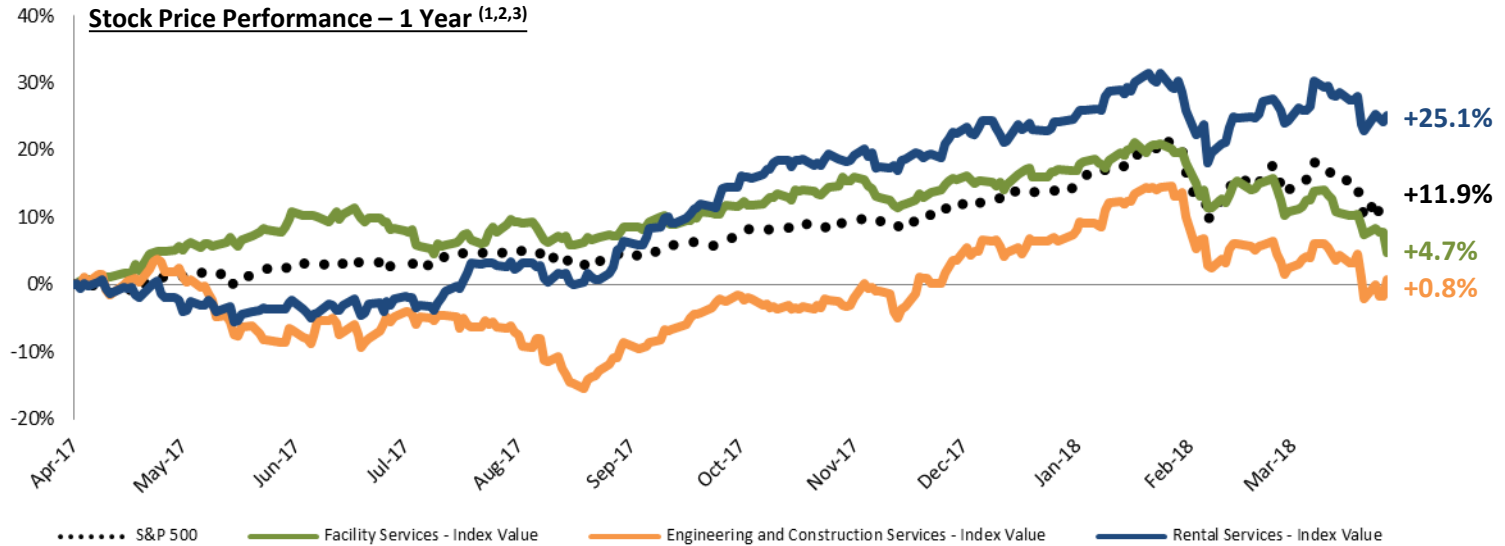


**Sources:**

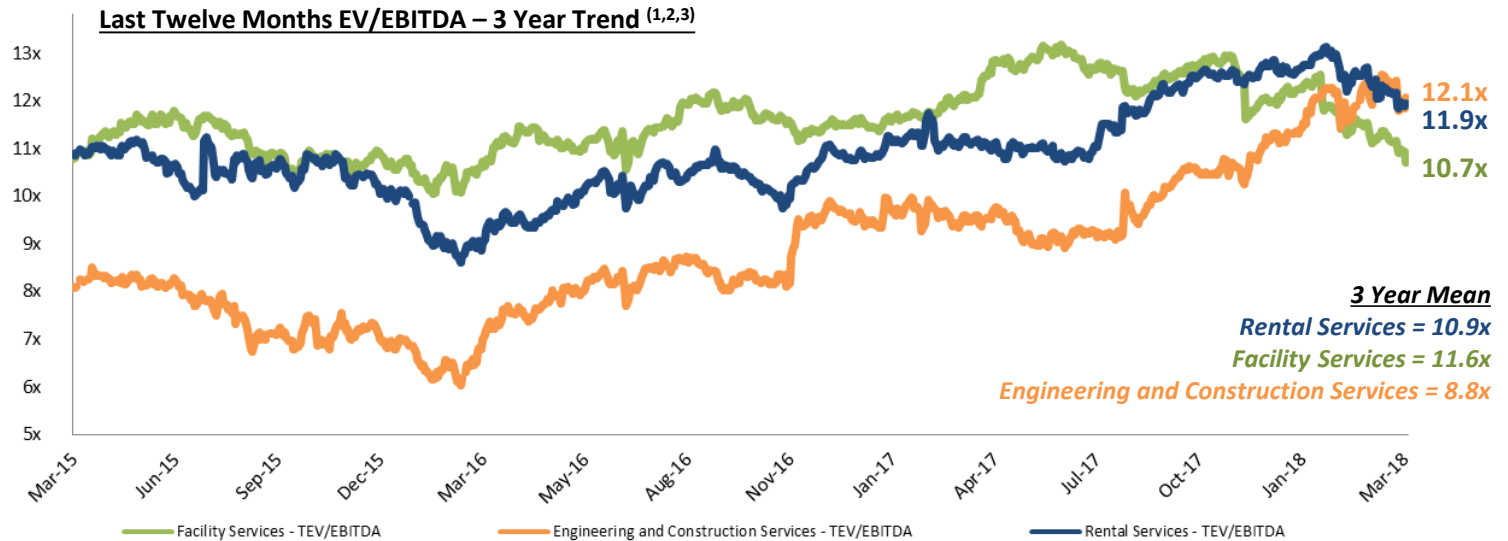
1. Infiniti Research Limited
2. Dodge Data & Analytics
3. American Rental Association (ARA)
4. Trademap.org
5. IHS Global Trade Atlas

# Public Market Activity

*The Rental Services index continued to outperform the market and other groups in 1Q18*



*Valuation multiples for Engineering and Construction Services continued their upward trend*



**Sources:**

1. S&P Capital IQ as of March 31, 2018
2. Enterprise Value (EV) equals Market Capitalization plus Debt, Preferred Equity, and Minority Interest, minus Cash and Cash Equivalents
3. EBITDA equals Earnings Before Interest, Taxes, Depreciation, and Amortization



# M&A Activity

## Industrial Services Q1 M&A Activity

- A total of **229** transactions closed in 1Q18 (-3.0% compared to 1Q17) with an aggregate enterprise value of **~\$7.8 billion** (+77% compared to 1Q17).
- Amazon.com**, agreed to acquire **Ring**, a leading smart home security company, for an estimated **\$1.0 billion**. Following this announcement, reports surfaced that Amazon had informed Nest (the smart thermostat subsidiary of Google's parent, Alphabet) that they will not be selling Nest's newer products on their marketplace.
- H&E Equipment Services (NYSE:HEES)** agreed to acquire **Rental Inc** for **\$69 million**. This is mostly notable as it follows H&E's \$117 million acquisition of Contractors Equipment Center that was announced in 4Q17.
- Corporate carve-out activity surged in 1Q18 accounting for ~25% of IPO volume. Demonstrating another way corporations are using transactions to maximize shareholder value.

## Notable Q1 Industrial Services Transactions<sup>(1)</sup>

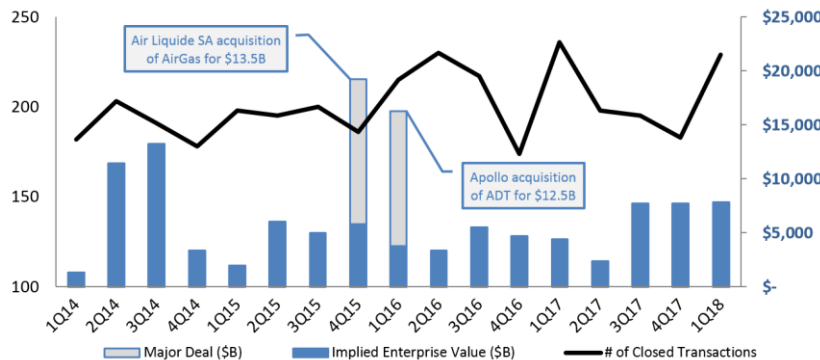
Target	Acquirer	Enterprise Value	Enterprise Value / Revenue	Enterprise Value / EBITDA
		\$993 <sup>(1)</sup>	N/A	N/A
		\$496	1.03x	16.5x
		\$475	1.25x	10.2x
		\$240	5.99x	N/A
		\$150	2.25x <sup>(2)</sup>	32.1x <sup>(2)</sup>
		\$69	1.88x	N/A

<sup>(1)</sup> Estimated. Purchase price undisclosed.

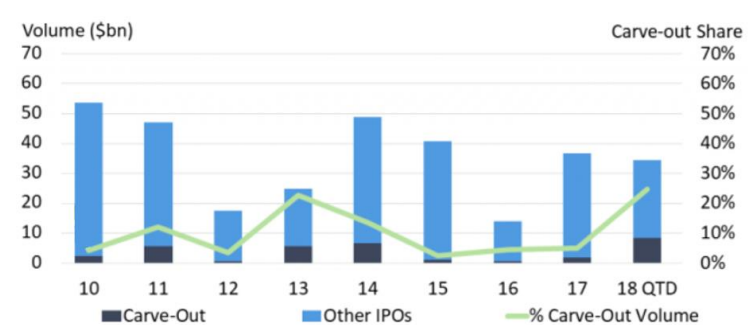
<sup>(2)</sup> Estimated. Final multiples dependent on timing of close.

## M&A and IPO Activity

Quarterly Industrial Services M&A Activity – 3 Year Trend <sup>(2)</sup>



Corporate Carve-outs and IPO Activity<sup>(3)</sup>



Sources:

- S&P Capital IQ
- S&P Capital IQ as of March 31, 2018
- Deal Logic as of March 13, 2018



Private and Confidential

# HighBank Industrial Services Transaction Experience

*Our professionals have deep industry knowledge across the industrial services spectrum and are skilled at positioning industrial services companies for maximum value*

<p>acted as exclusive financial advisor to</p> <p>on its sale to</p> <p>a portfolio company of</p>	<p>introduced the parties and facilitated debt financing for</p> <p>financing provided by</p>	<p>acted as exclusive financial advisor to</p> <p>on its sale to</p>	<p>acted as exclusive financial advisor to</p> <p>on the sale of its Filling Division to</p>	<p>acted as exclusive financial advisor to</p> <p>on its sale to</p>	<p>acted as exclusive financial advisor to</p> <p>in connection with its sale to</p>
<p>acted as exclusive financial advisor to</p> <p>on its acquisition of substantially all of the assets of</p> <p>Scottsdale Fine Landscaping, Inc.</p>	<p>acted as exclusive financial advisor to</p> <p>on its recapitalization in partnership with</p> <p>MSP Acquisition, LLC</p>	<p>acted as investment banker and financial advisor to</p>	<p>acted as exclusive financial advisor to</p> <p>on their sale to</p> <p>a portfolio company of</p>	<p>acted as exclusive financial advisor to</p> <p>on its formation of a Joint Venture with</p>	<p>acted as restructuring advisor to</p> <p>on its turnaround initiatives and balance sheet restructuring</p>



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*"HighBank provided critical advice throughout the transaction process. Their passion and dedication to a client-first service model and their ability to pilot a complex transaction were instrumental in us achieving an outstanding result."*

**Ed Poole**  
 Founder and President, Poole Landscaping, Inc.

*"We have known and worked with HighBank for several years and their dedication, professionalism and business acumen are top notch. They guided us through the transaction on an expedited timeline and their investment banking and negotiating skills led to a result which exceeded our expectations."*

**Patrick Reilly,**  
 President, Reilly Sweeping, Inc.

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**Stephen Gaines**

Founder,  
Managing Director

**Steve Halbert**

Senior Advisor

**Karl Buettner**

Managing Director

**Rebecca McGinley**

Managing Director

**Ray Melcher**

Managing Director

**Dennis O'Neill**

Managing Director

**Vlad Walko**

Managing Director

**Michael Huecker**

Director



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