



Industrial Services

2017 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) ⁽¹⁾



\$713.0 Bn

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



\$59.4 Bn

Forecasted rental equipment spend by 2021 ⁽³⁾

Industry Headlines

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▪ **October 16th** – Aramark agreed to acquire Avendra, a supply chain management company that provides procurement services to the hospitality industry. The acquisition is expected to bolster the companies procurement leverage and lead to meaningful synergies.
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▪ **October 26th** – CCCC International Holding Limited, a state-backed Chinese construction conglomerate, agreed to acquire Aecon Group Inc. (TSX:ARE) for all-cash consideration of \$20.37 per share, representing an enterprise value of \$1.51 billion and a 42% premium to the unaffected share price. Aecon is one of the world's largest engineering and construction groups. The pending deal has been widely controversial and is under scrutiny from Canadian regulators.
- **December 11th** – Contractors in the U.S. commercial construction industry remain optimistic about the health of the sector as the average backlog is reported to be a healthy 9.4 months.
- **December 20th** – Construction and design firm executives flush with confidence as the ENR Construction Industry Confidence Index survey rose to 71 in the fourth quarter. This marks a 7.6% increase over Q317 and a 4.4% increase over Q416. (*ENR 1Q Cost Report Confidence Survey*)
- **December 21st** – ADT Inc., the building security and monitoring company, filed a prospectus with the SEC for an IPO. Private Equity behemoth, Apollo Global Management (NYSE:APO), acquired the business in Q216 for \$12.5 billion. The IPO raised \$1.47 billion in proceeds with an enterprise value of \$19 billion. Shares commenced trading on the NYSE on 1/19/18 under the ticker symbol “ADT.”

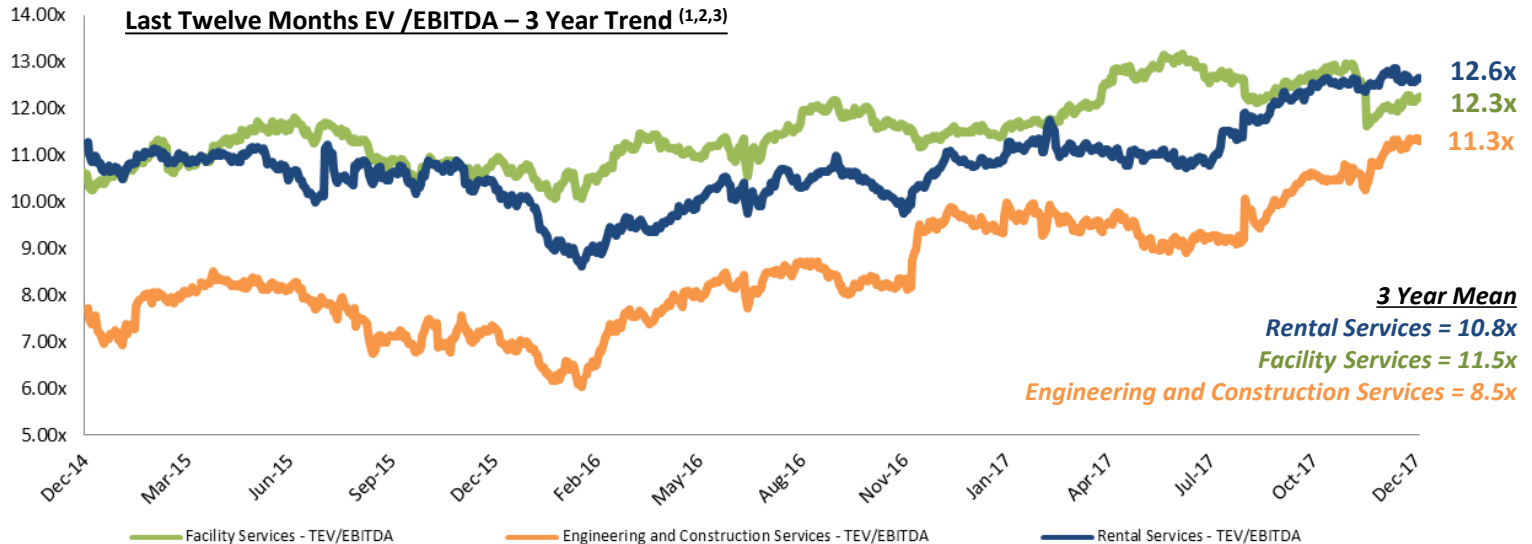
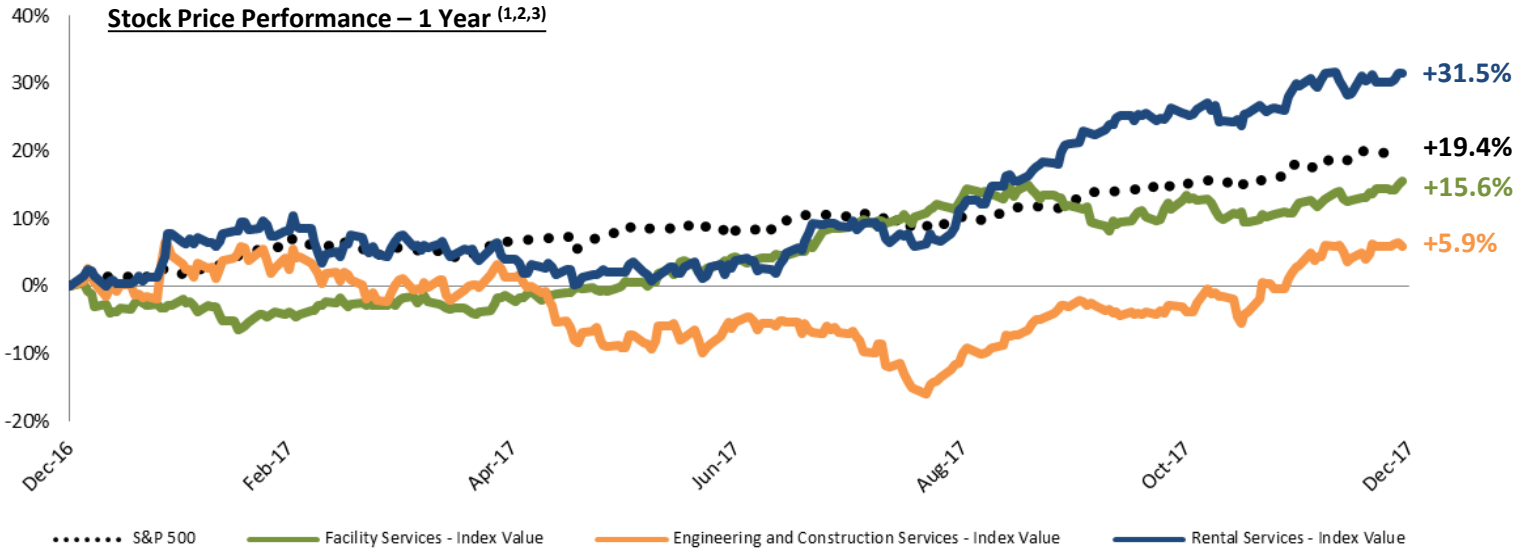
Sources:

1. Infiniti Research Limited
2. Dodge Data & Analytics
3. American Rental Association (ARA)

Industrial Services Trading Activity

The Rental Services index delivered an outstanding 4Q17 performance with the peer group trading on average at 87.9% of their 52 week highs

Valuation multiples rose significantly for Rental Services and Engineering and Construction Services in the second half of 2017; Facility Services fluctuated throughout 2017 but the EV/EBITDA multiple ultimately rose 0.6x for the year



Sources:

1. S&P Capital IQ as of December 31, 2017
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 Q4 M&A Activity

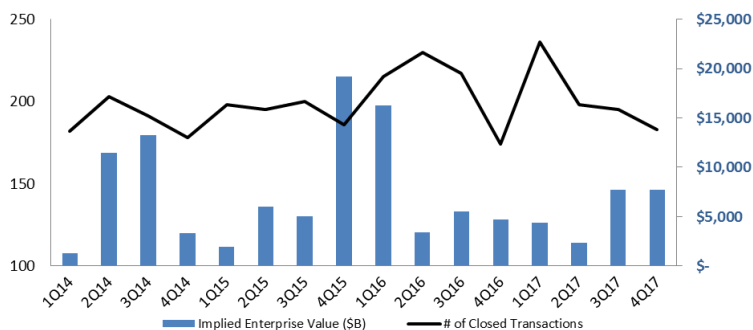
- A total of **183** transactions closed in 4Q17 (+5.2% compared to 4Q16) with an aggregate enterprise value of ~**\$7.7 billion** (+64% compared to 4Q16).
- CCCC International Holding Limited**, agreed to acquire **Aecon Group Inc. (TSX:ARE)**, one of the world's largest engineering and construction groups, for **\$1.51 billion**. Aecon's exclusive work on Canada's Candu nuclear reactors is among the reasons for pushback against the deal.
- Aramark (NYSE:ARMK)** agreed to acquire **Avendra**, a supply chain management company, for **\$1.35 billion**. The **13x EV/EBITDA multiple** seems rich at first glance but ARMK pointed to a **9x multiple** after accounting for the tax step-up and expected procurement synergies.
- Average debt multiples increased during the fourth quarter of 2017 to **4.2x**.

Notable Q4 Industrial Services Transactions⁽¹⁾

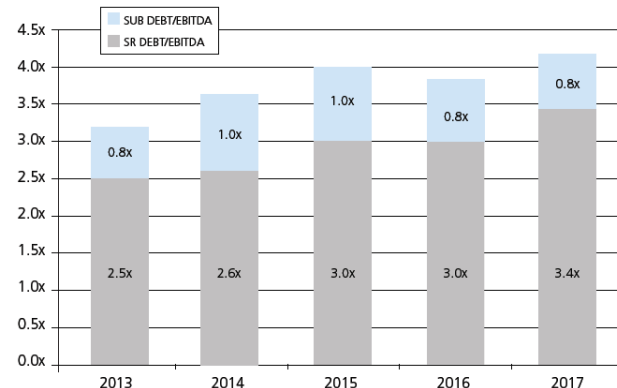
Target	Acquirer	Enterprise Value	Enterprise Value /	
			Revenue	EBITDA
AECON	CCCC ONE CORPORATION OF CANADA	\$1,614	0.60x	9.2x
AVENDRA	aramark	\$1,350	9.64x	13.0x
io	IRON MOUNTAIN [®]	\$1,340	9.32x	18.9x
AmeriPride Services Inc.	aramark	\$1,000	1.67x	12.0x
IEA INDUSTRIAL PROCESSURE & ENERGY ALTERNATIVES	OAKTREE	\$325	N/A	N/A
NAPEC	OAKTREE	\$259	0.76x	10.0x

M&A and Debt Multiples

Quarterly Industrial Services M&A Activity – 3 Year Trend ⁽²⁾



Market Debt Multiples by Year, 2013 - 2017 ⁽³⁾





























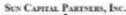







Sources:

- S&P Capital IQ
- S&P Capital IQ as of December 31, 2017
- GF Data as of December 31, 2017

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>HighBank</p> <p>acted as exclusive financial advisor to</p>  <p>on its sale to</p>  <p>SWEEPING DIVISION OF AMERICA</p> <p>a portfolio company of</p>  <p>CAPITAL PARTNERS</p>	 <p>HighBank</p> <p>introduced the parties and facilitated debt financing for</p>  <p>financing provided by</p>  <p>Commercial Fleet Financing, Inc.</p>	 <p>HighBank</p> <p>acted as exclusive financial advisor to</p>  <p>Trusted Values. Unyielding Commitment.</p> <p>on its sale to</p>  <p>Intelligent Real Estate Solutions</p>	 <p>HighBank</p> <p>acted as exclusive financial advisor to</p>  <p>THE SPEED OF INNOVATION.</p> <p>on the sale of its Filling Division to</p> 	 <p>HighBank</p> <p>acted as exclusive financial advisor to</p>  <p>INSTRUMENT DIVISION</p> <p>phoenix equity partners</p> <p>on its sale to</p>  <p>Pine Environmental Services, LLC</p>	 <p>HighBank</p> <p>acted as exclusive financial advisor to</p>  <p>GOVERNMENT CORPORATION</p> <p>in connection with its sale to</p> 
 <p>HighBank</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>HighBank</p> <p>acted as exclusive financial advisor to</p>  <p>on its recapitalization in partnership with</p> <p>MSP Acquisition, LLC</p>	 <p>HighBank</p> <p>acted as investment banker and financial advisor to</p> 	 <p>HighBank</p> <p>acted as exclusive financial advisor to</p>  <p>on their sale to</p>  <p>a portfolio company of</p> 	 <p>HighBank</p> <p>acted as exclusive financial advisor to</p>  <p>on its formation of a Joint Venture with</p>  <p>Advanced Drainage Systems, Inc.</p>	 <p>HighBank</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.

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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