

# Equipment Rental and Dealer State of the Market: Q3 2023



TM CAPITAL  
SUCCESS. REALIZED.

The macroeconomic backdrop for the Equipment Rental and Dealer sectors remains robust into Q3 2023, driven by strong nonresidential construction activity, project planning and project commencement in the commercial, industrial and infrastructure construction sectors, all of which are benefitting from federal stimulus that is still in the early innings of deployment. In August 2023, the American Rental Association substantially increased its 2023 and 2024 projections for North American Construction & Industrial Equipment rental revenues, boosting its 2024 projection from \$67 billion to \$80 billion – a 19% increase. This robust market environment – overlaid with an ever-increasing rental penetration rate, easing supply chain pressures and supply / demand balance – continues to generate strong earnings performance for public companies in the industry. See below for what public company executives had to say regarding the state of the market on recent earnings calls in June, July and August 2023:

*"Our Construction Equipment segment continues to benefit from both high non-residential demand as well as infrastructure and other federal and state governmental legislation in all our operating regions."*

*"Customer sentiment is strong for the balance of this year and into next year. Federal initiatives will extend the cycle with approximately \$1 trillion estimated over the next decade. Many state DOT budgets where we operate are forecasting significant increases for fiscal year 2024."*

*"Supply chain constraints have eased, allowing inventory to return to more normalized levels, resulting in higher new and used equipment sales, which will yield high-margin parts and service business over time."*



**ALTA EQUIPMENT COMPANY**

Ryan Greenawalt, CEO  
August 9, 2023

*"Demand remains strong in each of our strategically selected end markets, which continue to offer compelling long-term growth opportunities well in excess of GDP. The reported backlogs of the utility and telecom contractors, our largest customer base, continue to be good proxies for this sustained growth and remain at or near record levels."*

*"We continue to see strong demand in our new sales backlog and in the performance of the rental fleet. We've seen a significant improvement in terms of our inventory flow, which has allowed us to have record quarters on new equipment sales and deliveries, which we expect to continue in the second half of the year. Additionally, we continue to see strong demand for rental equipment – the rental segment experienced 16% revenue growth year-on-year. We continue to experience strong demand from our customers to purchase assets in the rental fleet, particularly older equipment, which we expect to continue for the rest of the year."*



Ryan McMonagle, CEO

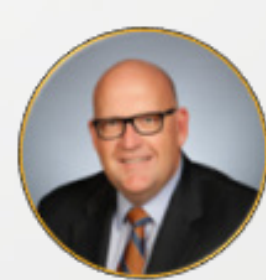


August 8, 2023

*"Strong industry conditions prevailed throughout the period, with healthy customer project backlogs yielding steady demand and further rental rate appreciation. . . [we have] a heightened level of confidence in the continuation of attractive industry fundamentals."*

*"Through May 2023, [nonresidential] construction spending was up 17% year-over-year and demonstrating increased stability in recent months, with leading indicators implying continued growth in 2024."*

*"On a go-forward basis, we expect sequential [rental] rate improvement in the third and fourth quarters."*



Brad Barber, CEO



John Martindale Engquist,  
Executive Chairman



July 27, 2023

*"[We can see] continued strength in our primary end markets – two of [which] are industrial and nonresidential construction. The Architecture Billing Index – viewed as a leading indicator for nonresidential construction – registered its second consecutive month of 50-plus in June, indicating expansion. Looking at industrial spending forecasts, Industrial Resources is projecting \$399 billion of spending in 2023, the highest level on record and a 13% increase over 2022 spending."*

*"The ARA estimate for the 2023 North American Equipment Rental industry is \$65 billion – that's 7% [growth from] 2022."*

*"In this environment, the advantages of scale are magnified, and the big rental companies that are focused on diversified end markets and have the ability to service the current strength in mega projects will continue to get bigger, faster."*



W. Mark Humphrey,  
Senior VP & CFO



July 25, 2023

*"Despite macroeconomic concerns and pressures that come with inflationary and interest rate realities, construction levels have proven to be incredibly resilient – in fact, historically strong and forecasted to continue as such. We've now seen 32,000 specific construction projects announced, which will mostly start in '23, '24 and '25. What we have is nearly \$2 trillion of government investment that will create thousands and thousands of projects."*

*"Our Specialty business in North America is now double the size it was just three years ago, and it's 70% larger than it was two years ago. This growth continues to tangibly demonstrate the structural shift our customers are making from ownership to rental as we provide a more trusted and a more reliable alternative to ownership."*

*"Also clear is the increased pace of rental penetration and considerable market share gains for select businesses in our industry that possess the scale, experience, equipment purchasing influence and financial strength."*



Brendan Horgan, CEO

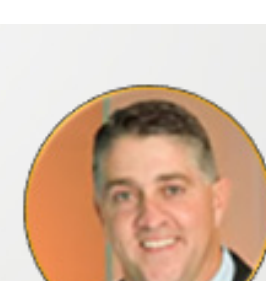


June 13, 2023

*"Dynamics in the industry are really solid – supply / demand is in good shape, time utilization is historically strong and it's a solid rate environment. It's good all the way around."*

*"We're encouraged by customer sentiment and external indicators, which point to growth and give us confidence in our updated guidance. For example, ABC's contractor confidence index remained strong across the second quarter, as did its backlog index. The Dodge Momentum Index was up 19% year-over-year in June, while nonresidential construction employment growth also remains solid"*

*"Key verticals saw broad-based growth led by Industrial Manufacturing, Metals & Minerals and Power. Nonres construction was also up double digits. Our customers kicked off new projects across the board, including numerous EV plants and semiconductor plants, solar power facilities and infrastructure projects. Geographically, we saw growth in all of our regions."*



Matthew J. Flannery, CEO



July 27, 2023

## TM Capital's Sector Leadership Generates Premium Valuations for Leading Businesses

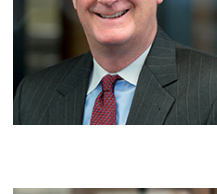
Over the last 15 years, TM Capital has established a market-leading Equipment Rental and Dealer sector practice, advising a broad range of privately-owned and financial-backed clients. With an emphasis on M&A transactions (both sell-side and buy-side), TM's sector activity is accelerating, having completed 13 transactions since January 1, 2021, totaling \$2.3 billion in aggregate enterprise value.

TM Capital has successfully represented an impressive client roster in the Equipment Rental and Dealer sectors, achieving premium market valuations with both strategic and financial buyers/investors. Our substantial experience across a wide range of transactions reinforces recurring relationships with an expanding universe of domestic and foreign strategic buyers, as well as a growing roster of private equity and family office investors that are increasingly focused on these categories. We would welcome the opportunity to discuss M&A trends, valuation dynamics and the competitive landscape with you.

## TM Capital's Equipment Rental & Dealer Investment Banking Team



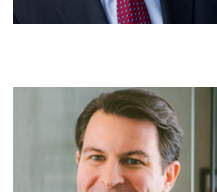
David Felts  
Managing Director  
dfelts@tmcapital.com  
404.995.6252



Paul Smolevitz  
Managing Director  
psmolevitz@tmcapital.com  
212.809.1416



Andy Krna  
Managing Director  
akra@tmcapital.com  
212.809.1442



Michael Bauman  
Vice President  
mbauman@tmcapital.com  
212.809.1425

