TM CAPITAL'S DAVID FELTS FEATURED IN AED MAGAZINE

David Felts and TM Capital's 2023 Equipment Rental and Dealer Report are featured in AED Magazine's three-part series on Dealer Industry Evolution, Valuation Drivers and M&A Activity. Click to read all three AED article features!

July 2023

August 2023

September 2023

David Felts
Managing Director,
TM Capital

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EQUIPMENT RENTAL & DEALER REPORT

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Q & A

WITH DAVID FELTS

We recently sat down with David Felts, a Managing Director at TM Capital Corporation to gain insight into the merger and acquisitions activity in the equipment dealer market.

Q: DAVID, WE APPRECIATE YOU AGREEING TO SHARE YOUR THOUGHTS AS AN INVESTMENT BANKER REGARDING INVESTMENT AND MERGER &ACQUISITION ACTIVITY IN THE EQUIPMENT DEALER MARKET. CAN YOU SHARE A BIT ABOUT YOUR FIRM?

A: TM Capital is a middle-market-focused investment bank with approximately fifty professionals operating nationally and internationally from three offices in Boston, New York, and Atlanta. 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; we've completed 11 transactions since January 1, 2021, totaling over $2.1 billion in aggregate enterprise value. 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. Regarding Associated Equipment Distributors (AED), I have enjoyed the opportunity over the years to speak on the M&A topic at various executive summits.

Q: EARLIER THIS YEAR, TM CAPITAL CAME OUT WITH ITS 2023 EQUIPMENT RENTAL AND DEALER REPORT—WHAT WAS THE MOTIVATION FOR THAT EFFORT?

A: In July 2020, we published our inaugural "TM Capital Equipment Rental and Dealer Report" seeking to leverage our unique understanding and deep sector expertise to bring clarity to these largely misunderstood sectors of the economy, particularly for financial investors. We witnessed financial investors continually pass on or misvalue these sectors (often concerned with "CapEx" or OEM control), and we titled a section of that prior report "Missing the Math," in an admittedly provocative attempt to challenge and educate financial investor market participants. Expanding financial investor participation in these dynamic sectors influences the title of this 2023 Equipment Rental and Dealer Report: "M&A Merging into the Mainstream," where our goal remains to put a spotlight on this attractive, dynamic dealer sector.

Q: LOOKING AT OUR INDUSTRY TODAY, HOW HAS THE SECTOR EVOLVED?

A: After the Great Recession, many OEMs shifted their perspective to acknowledging that equipment dealers with both the scale and the financial strength to drive growth and weather downturns may be better positioned to support OEMs' own growth objectives. Recognizing that many dealers are multi-generational family businesses with owners nearing retirement, topics of succession planning and/or business transitions are continually topics of high interest with OEMs to drive growth and stability. These evolutions in the sector are continuing to create opportunities for financial investors, including family-office investors who typically have longer investment horizons, to enter this sector with greater frequency and confidence.

Further, since the Great Recession, many dealers have invested in rental fleets to participate in the trend of increased rental penetration. Rental fleet investment enables dealers to grow their "wallet share" with existing customers, win new customer relationships and provide growth opportunities beyond their OEM-related new equipment sales, which are territory-constrained.

These trends have led to a new norm of “hybrid dealer-rental” companies that reflect a growing convergence of what were previously viewed as much more distinct sectors. Growth of rental operations requires an investment in fleet which changes the financial profile and internal reinvestment requirements of the traditional equipment dealer.

Q: AS TM LOOKS AT THE EQUIPMENT INDUSTRY MORE BROADLY, WHAT TAILWINDS OR OTHER INFLUENCES CURRENTLY AFFECT INVESTOR INTEREST?

A: Equipment rentals and sales are closely tied to the performance of downstream markets, including residential, commercial, industrial and infrastructure construction and maintenance. In recent years, robust activity and capital deployment in downstream markets have supported strong organic growth in these sectors. Some of these downstream markets are currently facing headwinds in the form of input material shortages and interest rate increases that are slowing the pace of construction (residential construction in particular), but long-term demand fundamentals remain robust. The growing shortage of residential housing, shifting demands for commercial space in an evolving economy and significant public investment in national infrastructure will support meaningful organic growth for construction equipment rentals and sales for years to come. In fact, recent commentary from equipment rental and dealer public company executives continues to express sector optimism for 2023 and throughout the next decade.

We believe that continued further consolidation trends, rental fleet expansion and succession influences will generate an increasing number of control and minority-investment opportunities in the equipment dealer sector over at least the next decade.

Regarding housing, long-term residential housing development fundamentals remain robust, driven by the rapid approach of millennial / Gen Z homebuyers, overlaid with an expanding shortage of single-family housing units. Despite the recent wave of homebuying, single-family starts have not yet reached pre-Great Recession levels, which has led to an expanding deficit of single-family housing – currently estimated by Realtor.com at nearly six million units short of demand.

The single-family housing unit shortage, combined with rising mortgage rates, has forced many potential homebuyers into rental markets. Thus, the multifamily market experienced strong activity throughout 2022 and into 2023.

Shifts in the modern economy, combined with the economic shock of the COVID-19 pandemic, have permanently altered the mix of commercial space demanded by the market. While typical “core” asset classes – particularly retail and office – have seen demand plummet, commercial / industrial spaces including warehouses, cold storage facilities, data centers and life science facilities have seen demand skyrocket, with no slowdown in sight given tightening supply-demand dynamics for these building types.

A huge tailwind stems from the 2021 Bipartisan Infrastructure Law, which commits $550 billion in federal funding to physical infrastructure projects and will support strong growth in construction equipment spending over the next 5-10 years. The bill targets projects in downstream markets such as roads, bridges, passenger rails, drinking water and wastewater systems, as well as expanded high-speed internet infrastructure, power infrastructure and climate-related infrastructure. These projects require equipment – either newly purchased or rented – and will provide attractive recurring cash flows for operators for years to come.

Further, the CHIPS and Science Act, signed into law in August 2022, supports strong growth in industrial spending, and therefore associated equipment purchase and rental demand, in the near-term. The law provides nearly $250 billion in investment for semiconductor manufacturing and scientific R&D over the next five years. The legislation comes amid a broader trend of domestic supply chain reshoring. This onshoring trend, combined with federal funding, will continue to drive industrial construction spending throughout the remainder of the decade. These macro influences combine to create a supportive, attractive environment for investment and consolidation.

Q: TAKING THIS ALL INTO CONSIDERATION, HOW DOES M&A ACTIVITY IN THE EQUIPMENT DEALER SEGMENT STACK UP AGAINST OTHER SEGMENTS, FOR INSTANCE THE EQUIPMENT RENTAL SEGMENT?

A: Compared to the traditional equipment rental house sector, which has evolved into an investment/acquisition ecosystem with strategic and financial buyers active at almost every size range, we believe the equipment dealer sector remains in the earliest innings of consolidation and the landscape remains highly fragmented. We believe that continued further consolidation trends, rental fleet expansion and succession influences will generate an increasing number of control and minority-investment opportunities in the equipment dealer sector over at least the next decade. Evidencing this shift, we have recently worked with or currently are engaged with four AED members (and one dealer in another asset class) regarding sale/recapitalization transactions, which have garnered the expanded family office and private equity investor interest we are referencing. So, as you can see, the increase in sector activity is quite real!

Look for part 2 of this interview next month when we will delve into business model elements that influence a dealer's valuation. •

TM CAPITAL

EQUIPMENT RENTAL & DEALER REPORT

Q & A

WITH DAVID FELTS

We recently sat down with David Felts, a Managing Director at TM Capital Corporation to gain insight into the merger and acquisitions activity in the equipment dealer market.

Q: David, in Part 1 of this three-part discussion, and based on TM Capital's expertise in investment and M&A activity in the equipment dealer market, you shared thoughts on your 2023 dealer sector report, dealer industry evolution, and tailwinds supporting investor interest, and you gave an assessment of current M&A activity in the dealer sector. In part 2 of this discussion, let's turn our attention to valuation. How have the rental and dealer sectors compared over time?

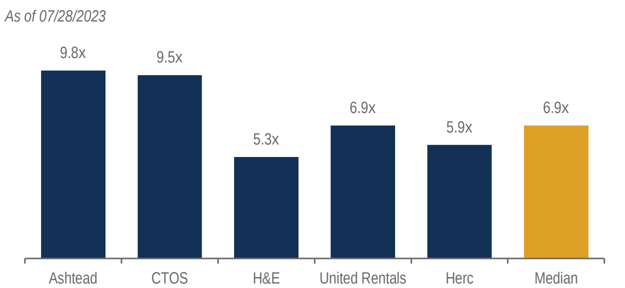
A: Publicly traded equipment rental and dealer companies have traded over the last 10 years in relatively narrow ranges, respectively, on an Enterprise Value / EBITDA (earnings before interest, taxes, depreciation and amortization) valuation basis. As noted below, throughout the 2010s, dealers traded at premiums ranging from 2.0x to 4.0x EV / EBITDA vs. rental businesses, driven by a higher proportion of sales generated from recurring revenue streams (i.e., parts and services) and protected territories, each of which often help support superior gross margins, strong free cash flow and stable, long-run performance.

However, the historical dealer valuation premium has evaporated of-late, as rental and dealer median valuation multiples evidence convergence. That said, as of the end of July 2023, a representative index of equipment dealers traded at a slightly higher premium to a representative index of equipment rental companies versus at year-end. This valuation convergence/reversal is occurring on both sides of the equation. First, equipment rental multiples grew through the end of 2021, before retrenching along with broad public equity market weakness and then recovering since the beginning of 2023.

Equipment dealer valuation multiples have been on the descent since the end of 2020 but evidence a similar recovery. For rental companies, strengthening multiples reflects the impact of increasing rental penetration rates and the growth impact of add-on acquisitions. These positive impacts are somewhat muted by investor concerns regarding economic cyclicality and the capital expenditures required to fund the rental model. Conversely, dealers' historically premium multiples have suffered recently, we believe, due to continuing concerns regarding supply chain issues and sensitivity to economic cycles. When the supply chain normalizes, we would not be surprised to see multiples return to historical levels.

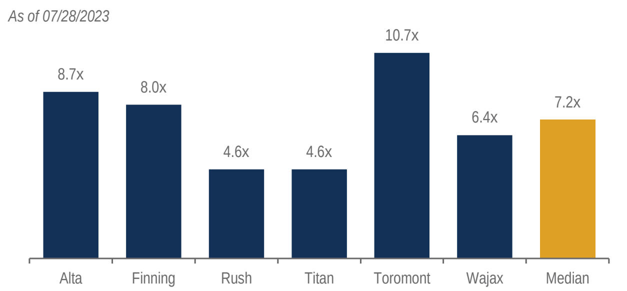
Equipment Rental

TEV / EBITDA Trading Multiples

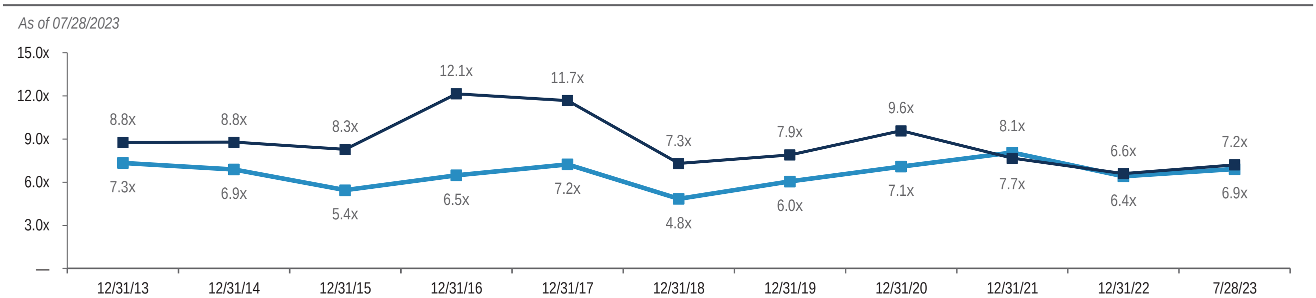


Equipment Dealer

TEV / EBITDA Trading Multiples (1)



Historical Equipment Rental & Dealer TEV / EBITDA Trading Multiples (1)



(1) Equipment Dealer "Net Debt" calculation does not consider Floorplan Financing as debt in instances where company specifically reports Floorplan Financing on Balance Sheet

Q: More specifically to dealers, what do you think are the key business model elements that influence a dealer's valuation?

A: While every dealer is fundamentally unique, we've identified the following variables as key drivers of value for equipment dealers:

BRAND PORTFOLIO: Investor perceptions of brand strength, reputation and market share are important, especially regarding a flagship brand. In addition, a portfolio representing additional lines addressing diverse end markets is also a positive. The portfolio mix of compact, heavy and specialty equipment is a key influence as well.

OEM "ATTITUDE": Arguably one of the most important valuation elements is to what extent any flagship OEM is open to external investment in its dealer network and supportive of further greenfield and consolidation growth. Dealers with supportive OEM relationships generate outsized acquisition interest and premium valuations relative to those whose OEM relationships discourage or limit outside investment or are highly sensitive to dealer size/growth.

SCALE: Scale can result from market share and/or the presence of "platform" attributes to support a robust growth strategy. Scale typically drives a valuation premium and is often a key facet necessary to attract large financial investor interest.

AFTERMARKET REVENUE: Dealers that generate a meaningful portion of gross profit from aftermarket revenue sources including sales of replacement parts, preventative maintenance and emergency equipment service, and rental revenue – or have a meaningful opportunity to improve those categories – can generate stronger acquisition interest and achieve premium valuations.

PROXIMITY: In the context of dealers, we see a strong preference in acquisitions for geographic proximity. Dealer management teams are often lean, so the ability or desire to manage dealer operations at a distance seems more limited.

CUSTOMER MIX: A solid mix of small to midsize customers generates stronger investor interest. These customers offer advantages including (i) appreciation of dealers' service capabilities / product knowledge, (ii) better profit metrics relative to large-scale national accounts, and (iii) overall sales diversification.

END-MARKET RESILIENCY: Acquirers increasingly ascribe outsized value to a customer base that serves resilient, cycle-resistant end markets, such as commercial/industrial renovation and retrofit; infrastructure/utility maintenance; HVAC/plumbing/ mechanical contracting; multifamily construction; municipal and education facilities; and data centers.

GEOGRAPHIC TAILWINDS: The "hottest" dealer markets closely correlate with population migration trends, which drive increased residential, commercial and industrial construction, as well as public infrastructure investment necessary to support such population growth – attractive geographic markets in the U.S. are predominantly in the Southeast, Southwest and West (i.e., the Sunbelt). On the other hand, the Midwest and the Northeast benefit from large existing populations and a more pronounced aging infrastructure. Candidly, infrastructure investment needs and related supportive legislation are expected to provide broad nationwide tailwinds for years to come.

RENTAL FLEET SIZE AND AGE: With the industry "rental penetration rate" consistently increasing, many dealers are offering a rental solution as well. Where we see the rental percentage of revenue in the 10%-25% range or higher – or where there is an opportunity to achieve that range – we find increasing investor interest. A fleet age of 3 to 5 years is perceived as more attractive.

MANAGEMENT CONTINUITY: The importance of management continuity is dependent on the type of acquirer. International strategic buyers and almost all financial acquirers act more aggressively when the target has motivated, tenured management teams actively seeking to continue to grow the business, while domestic strategic consolidators may offer successful families, entrepreneurs and management teams the opportunity to exit their day-to-day duties.

Q: You include in TM's 2023 Equipment Rental & Dealer Report a section titled "Missing the Math." Can you describe the motivation behind this section?

A: The public market has come to understand the intrinsic value of the dealer model, evidenced by publicly held dealers historically trading at a 2.0x–4.0x multiple premium over publicly held rental companies (current supply chain-related convergence aside). Despite this, we often see financial investors ascribing modest dealer valuation multiple premiums over comparably sized rental companies, rendering themselves noncompetitive. Given the protected territories and the recurring demand for aftermarket service within the installed equipment base, we feel these businesses should be valued on their long-term future cash flows (a discounted cash flow model approach), not on a "net book value plus blue sky" or a traditional multiple of trailing EBITDA basis.

Further, while the appropriate treatment of floor plan financing is as a component of working capital (like accounts payable) and not as a debt-item reducing net proceeds to a seller, we still see some financial investors taking the position that it should be treated as debt, again rendering themselves noncompetitive.

There are several elements of the dealer model where we believe investors often "miss the math":

FLOOR PLAN FINANCING: Equipment dealers typically access attractive floor plan financing lines (whether directly through the OEM or from a related third-party financing source) supporting new equipment inventory with no or low carrying costs within normal time frames.

JUST-IN-TIME INVENTORY: (Again, current supply chain dynamics aside), OEM production processes support "just-in-time" delivery to a customer, shifting the dealer model to one more akin to an OEM "agent" versus a purely stocked dealer – significantly diminishing the inventory risk profile.

AFTERMARKET EBITDA GENERATION: Financial investors habitually compare EBITDA margins across business sectors, but with dealers this can be misleading, as new equipment sales typically comprise the majority of revenue but generate substantially lower gross margins versus other revenue streams. Conversely, aftermarket, recurring parts and services often comprise a smaller portion of revenue but 60%-75% of total gross margin and an outsized portion of EBITDA. Thus, investors need to look beyond "headline EBITDA margins" to develop a more appropriate, nuanced valuation.

EMBEDDED RENTAL FLEET: Dealers are increasingly "embedding" rental fleets within their product offering, with rental revenue representing 10%-25% or more of total revenue. Financial investors are typically less wary of the associated capital expenditures in this paradigm.

MODEST CAPEX: Apart from any rental component, dealer business models often require minimal levels of ongoing capital expenditures, relative to rental companies or businesses in other sectors.

TERRITORY PROTECTION: Dealers have significant, unique competitive moats. Investors need to view this territorial exclusivity, particularly in attractive geographies, as providing enhanced future revenue visibility versus businesses in other sectors.

Look for Part 3 of this interview next month, when we will delve into dealer sector transaction activity. •

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EQUIPMENT RENTAL & DEALER REPORT

Q & A

We recently sat down with David Felts, a Managing Director at TM Capital Corporation to gain insight into the merger and acquisitions activity in the equipment dealer market.

Q: DAVID, IN PART 2 OF THIS THREE-PART DISCUSSION, AND BASED ON TM CAPITAL'S EXPERTISE IN INVESTMENT AND MERGER & ACQUISITION ACTIVITY IN THE EQUIPMENT DEALER MARKET, YOU SHARED THOUGHTS FROM YOUR 2023 DEALER SECTOR REPORT REGARDING KEY BUSINESS MODEL ELEMENTS INFLUENCING EQUIPMENT DEAL VALUATIONS. IN THIS THIRD AND FINAL PART OF THE DISCUSSION, CAN WE REVISIT DRIVERS OF M&A ACTIVITY AND EXPLORE ACTUAL TRANSACTION EXAMPLES?

A: As we discussed before, the principal drivers of M&A activity within the equipment dealer sector are increasing consolidation, shifting financial profiles due to "embedded" rental fleets, and ownership succession plans. Since territorial exclusivity governs the operating footprint of many dealers, the universe of potential buyers is, by its nature, more limited relative to the equipment rental sector (as OEM reticence or conflicting OEM relationships can limit opportunities). However, long-existing dealership platforms and newer evolving platforms continue to expand via acquisition, and the financial investor universe has continued to exhibit increasing interest in the category.

A significant proportion of dealers are multigenerational family-owned businesses with limited capital availability. Due to the increasingly complex demands from customers, many dealers require greater resources to exploit these opportunities, on which buyers employing long-term investment horizons are best positioned to capitalize. Further, OEMs, who maintain meaningful control through dealer agreements, typically prefer the stability of long-term ownership. Accordingly, family offices have historically been more active participants in the dealer sector than private equity sponsors, as they provide a long-term investment perspective and, in certain instances, maintain a "family dynamic" that closely resembles the traditional family-owned dealer culture. That said, private equity firms evidencing the ability to offer longer hold periods are successful in the equipment dealer sector as well, as we'll touch on further.

Q: THERE ARE SEVERAL PUBLICLY TRADED COMPANIES ACTIVE IN THE DEALER SECTOR; HOW IMPORTANT ARE THEY TO THE SECTOR?

A: Alta Equipment (NYSE: ALTG) is an equipment dealer specializing in industrial, material handling and construction equipment. Since going public and at the time of our report earlier this year, Alta had acquired 12 dealers and expanded from core construction equipment into material handling. Titan Machinery (NASDAQ:TITN) is an agriculture and construction equipment dealer with a mix of mature and newly acquired locations across North America and parts of Europe. Titan typically has targeted high-performing agriculture equipment dealers in the Upper Midwest of the U.S.

Cervus Equipment, previously a public company acquired by Brandt Tractor in 2021, is a leading equipment solutions provider to customers in the agriculture, transportation and industrial end markets across Canada, Australia and New Zealand. The acquisition by Brandt Tractor created Canada's largest-ever equipment dealer network, adding 64 agriculture, transportation and material handling equipment locations to Brandt's existing John Deere Construction & Forestry dealerships across Canada.

Headquartered in Vancouver, BC, and operating throughout

M&A Trends – North American Equipment Dealer Consolidators

FIGURE 1

Acquirer	Selected Acquired Companies					
ALTA Equipment Company	Ecoverse	Yale	Ginop Sales Inc.	Ambrose Equipment Co.	Gibson Machinery, LLC "Whatever it Takes..."	Vantage Equipment
NYSE:ALTG	$67m Nov-22	$36m Jul-22	$30m Dec-21	$19m Dec-21	$16m Oct-21	$29m Dec-20
Titan Machinery	Heartland AG Systems	Mark's Machinery	Jaycox Implement, Inc.	Horizon West	Uglem Ness	
Nasdaq:TITN	$110m Aug-22	NA Apr-22	$28m Dec-21	NA May-20	NA Oct-19	
Cervus Equipment	John Deere Dealership of J.B. Scott	Deermart Equipment Sales				
Brandt Tractor	NA Sep-20	NA Dec-18				
Finning	Hydraquip	Energyst (U.K. & Ireland Operations)	4Refuel A Finning Industrial Service			
TSX:FTT	NA Mar-22	NA Jan-21	$260m Feb-19			
Toromont	Hewitt					
TSX:TIH	$1.0b Oct-17					
Wajax	Pro-Flo Process Flow Systems Ltd.	Tundra Process Solutions Ltd.	NorthPoint Technical Services	Delom Services		
TSX:WJX	NA Jan-22	$99m Jan-21	$18m Jan-20	$52m Oct-18		

Note: Exhibit presented as of February 2023; metrics represent transaction value and month-year

western Canada, Chile, Argentina, Bolivia, the United Kingdom and Ireland, Finning International (TSX:FTT) is the world's largest Caterpillar equipment dealer of machines, engines, equipment and power solutions, with a brand legacy of over 85 years. Finning's current M&A strategy is built upon the expansion of the company's rental and service capabilities. And finally, Wajax (TSX:WJX) is one of Canada's longest-standing and most diversified industrial products and services providers, operating a branch network of over 100 locations across Canada that provides sales, parts and services to a broad range of customers and end markets. Wajax has been acquisitive in the past five years, largely focused on expanding its service capabilities.

Q: YOU DISCUSS SEVERAL ACTIVE NORTH AMERICAN PUBLIC CONSOLIDATORS; HAVE WE SEEN INTERNATIONAL PLAYERS TRYING TO ACCESS THE NORTH AMERICAN MARKET?

A: Again, yes. The sector has seen the emergence of foreign investors such as Nors Group, Mitsubishi Logisnext, Mitsui, SDA Holdings and Sumitomo entering the North American dealer market:

Nors Group is a Portugal-based provider of transport solutions and construction equipment and operates dealerships under the Nors Group as well as through joint ownership of the Ascendum Group, which is one of the largest distributors of Volvo Construction Equipment in the world. In 2020, Nors acquired Canada-based Strongco Corp. to take over the company's Volvo Construction Equipment dealerships and distribution operations across Canada.

Mitsubishi Logisnext Americas is the holding company for Mitsubishi Caterpillar Forklift America, a leading manufacturer of forklifts and provider of automation and fleet solutions across five preeminent brands in North, Central and South America. In 2019, the company acquired Equipment Depot (then owned by family office investor Pon Holdings), the largest independent material handling dealer and rental business in the U.S., spanning nine states. The company continues to be acquisitive.

Road Machinery, a subsidiary of Mitsui & Co. (TSE:8031), is a Phoenix-based Komatsu distributor of construction, mining and utility equipment. Originally owned by Komatsu America, the company grew to eight locations before Mitsui & Co. acquired a majority interest in 2005, marking Mitsui's entrance into the U.S. equipment distribution market. Today, Road Machinery operates 12 locations across Arizona and California.

SDA Holding is a Belgium-based distributor of heavy equipment on behalf of Volvo, Hitachi, John Deere and Wirtgen. SDA's primary operating subsidiary, SMT, has primary operations in Africa and Europe. In March 2022, SMT officially entered the U.S. market with its acquisition of ROMCO Equipment, which is the exclusive Volvo Construction Equipment distributor throughout most of Texas, with 12 locations.

Linder Industrial Machinery is a Florida-based heavy equipment dealer offering new, used and rental equipment with a particular focus on Komatsu equipment. In 1996, Linder was acquired by Sumitomo, marking the Japanese trading company's entrance into the North American dealer market. Today, Linder operates 17 locations across Florida, North Carolina and South Carolina.

Q: ASIDE FROM PUBLIC CONSOLIDATORS, YOU NOTED IN YOUR REPORT A GROUP OF FINANCIALLY BACKED DEALERS TM DUBBED "NEXT GENERATION" CONSOLIDATORS. CAN YOU SHARE EXAMPLES OF PRIVATE EQUITY OR FAMILY OFFICE-BACKED TRANSACTIONS THAT WOULD BE INTERESTING TO OUR READERS?

A: Indeed! Over the last several years, there has been a noticeable increase in equipment dealer transactions involving financial investors. In our 2023 sector report we note key players, and we're happy to highlight a few illustrative examples. However, since that report, we have closed dealer transactions that we will discuss first. Earlier this year, we quietly represented a heavy equipment AED member in a recapitalization with a family office investor that concurrently acquired another similar dealer. We also recently completed the sale of AED member and family office-backed Pinnacle Cranes (Link-Belt) to regionally adjacent Link-Belt crane dealer Atlantic & Southern.

M&A Trends – Next Generation Equipment Dealer Consolidators

Acquirer	Selected Acquired Companies							
Dobbs Equipment / Dobbs Mgmt. Service	Flint Equipment Company (John Deere Division)	NA	Oct-22					
GT&E / Prophet Equity	Folcomer Equipment Corporation	NA	Aug-17	Trico Equipment Services	NA	Jun-15	Vernon E. Stup Company	NA	Apr-13
Hills Machinery / Prophet Equity	RJV Equipment	NA	Nov-21					
InfraServ US / Brightstar Capital	Bobcat Southwest (Bobcat Dealerships)	NA	Dec-20	Acme Operations (Bobcat Dealerships)	NA	Dec-19	Gateway Network (Bobcat Dealerships)	NA	Jun-19
Macqueen Equipment / Warren Equity Partners	Alarm	NA	Jul-21	Bell Equipment	NA	Apr-21	Temco Machinery, Inc.	NA	Oct-19
Owen Equipment / Wynnchurch Capital	Blaze Equipment	NA	Jan-21	Cal-Line Equipment	NA	Jan-21			
RME Rocky Mountain Dealerships / Westcap Management	New Holland Agriculture Alberta, Canada Dealership	NA	Aug-18	John Bob Farm Equipment	NA	Jul-18			
United Ag & Turf / Fernandez Holdings	Fish & Still Equipment	NA	Jul-22	Mustang Equipment	NA	Jun-22			

Additional Next Generation Equipment Dealer Consolidators (Ownership)

Grand Equipment	Naumann Hobbs	OES
Cognitive Capital	CenterGate Capital	Cascadia Private Capital

Note: Exhibit presented as of February 2023; metrics represent transaction value and month-year

Several family office groups have made investments in the John Deere ecosystem. Dobbs Equipment Group, a portfolio company of the family office Dobbs Management, is the parent company of a John Deere construction and forestry dealership group operating in southern Alabama, Florida, Georgia and South Carolina. United Ag & Turf is a full-line John Deere equipment dealership operating via 57 locations throughout Texas, Oklahoma, Arkansas, New York, Vermont, New Hampshire, Maine, Massachusetts and Connecticut and owned by Fernandez Holdings, a California-based family office. The McCombie Group led a family office-backed investment in Atlantic Tractor. Finally, several family office investors have made investments supporting Deere transactions that remain publicly undisclosed.

From a multi-line dealer standpoint, in 2022, TM Capital advised Grand Equipment in its sale to Cognitive Capital Partners. Grand Equipment is a multi-line equipment dealer providing a one-stop solution for construction equipment sales and rentals, parts and service across the western Michigan market. In June, Grand announced the acquisition of Maverick Environmental, a leading equipment dealer of aggregate processing, waste recycling and environmental equipment, parts, attachments and services spanning four locations across Michigan, Ohio and California.

The Case equipment system has also seen activity, with Dallas-based Prophet Equity being notable. In 2016, Prophet invested in AED member Groff Tractor, a leading full-line construction equipment dealer offering equipment from OEMs such as Case Construction, Wirtgen, Roadtec, Toro and Liebherr, as an example of a succession-driven transaction supporting the then-current CEO in recapitalizing the business and providing liquidity to the prior majority-owning family member. Subsequently, Groff acquired three additional Case dealers to expand into the Mid-Atlantic region. From there, Prophet also acquired Southeast-based Hills Machinery in late 2019, one of the largest Case Construction dealerships in the U.S., with a focus on heavy equipment offered by Case Construction, Terex Trucks, a full line of recycling products and other leading construction equipment manufacturers. In late 2021, Hills extended its product line and geography with the acquisition of RJV Equipment, which operates the Ditch Witch of Tennessee and RJV Kubota dealerships in Nashville and Knoxville.

Within the Bobcat system, there has also been activity. In 2019, private equity firm Brightstar Capital acquired Gateway Dealer Network, primarily a provider of Bobcat-branded equipment in the Midwest. With this financial backing and the support of its Bobcat OEM, Gateway expanded to the Southeast in December 2019 through its acquisition of Bobcat dealer Acme Operations and later entered the West Coast market via the December 2020 acquisition of Bobcat Southwest. Today Gateway operates a total of 27 locations.

In the material handling sector, Naumann/Hobbs has had two private equity investors. A material handling equipment and service platform serving customers through a network of locations across the Southwestern U.S., Naumann/Hobbs maintains a robust product portfolio of class I-V forklifts and related equipment from leading OEMs. In 2019, TM Capital advised Naumann/Hobbs, a portfolio company of HCI Equity Partners, in its recapitalization by CenterGate Capital. With CenterGate's support, the company has extended its service offerings to include mobile fleet service, dock and door service, and related business lines, and recently completed a strategic acquisition to expand its geographic footprint to include Utah and Texas.

As an example of activity in more specialty categories, Owen Equipment is a leading specialty equipment platform addressing sewer maintenance, hydro/vacuum excavation, street cleaning, specialty drilling and vegetation management applications.

The company operates through three business segments: Owen Equipment, Cal-Line Equipment and Blaze Equipment. Following private equity backing from both Prospect Partners and CenterGate Capital, Wynnchurch Capital acquired Owen Equipment in November 2021 to work with management to further penetrate core markets, expand into new geographies and add adjacent product lines.

These are just a few examples, and readers can find a broader listing of financial investor acquisition and investment activity in our Sector Report.

Q: AS WE END THIS THREE-PART DISCUSSION, DO YOU HAVE ANY PARTING OBSERVATIONS?

A: As I mentioned in our first discussion, I have been involved with AED for many years, and in the early years I joked to myself that "an investment banker could starve to death trying to serve the equipment dealer market." There was just so little activity beyond dealer-to-dealer, in-system transactions. As we have discussed, today is a different story. There is a robust and growing ecosystem of financial investors extremely interested in this sector. We believe we remain in the "early innings" and we expect the current level of activity to sustain and increase in support of OEMs overall and specific dealers' strategic and financial goals. •

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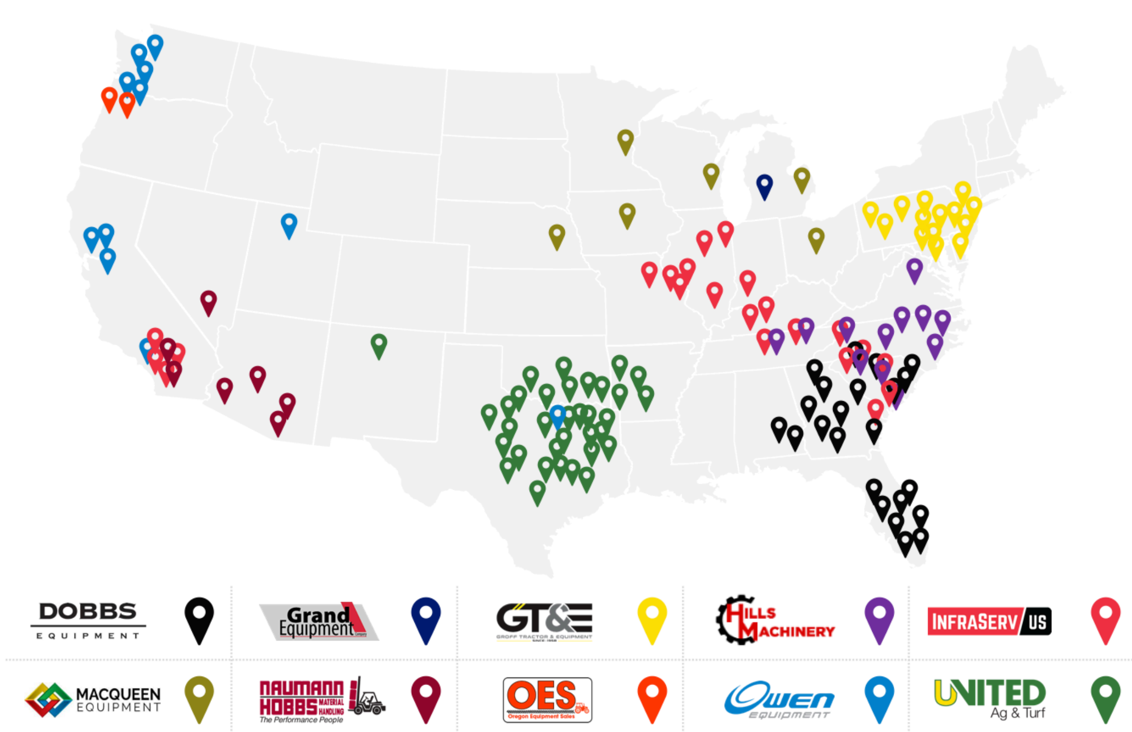
Next Generation Equipment Dealer Consolidators – Branch Map



Note: Exhibit presented as of February 2023
(1) Rocky Mountain Equipment ("RME"), a Canadian Next Generation Consolidator, has 45 branches across the Canadian provinces of Alberta, Saskatchewan and Manitoba