

# Equipment Rental and Dealer State of the Market: Q3 2024



## TM Capital's Michael Bauman & David Felts Featured on the Rental Roundtable

TM Capital's Michael Bauman and David Felts were recently featured on the Rental Roundtable, a podcast hosted by Kyle Clements, Founder & CEO of the equipment rental software platform, Quipli. In the episode, Michael and David explore the future of the equipment rental industry and offer their insight on (i) the evolution of rental from an M&A perspective, (ii) strategies and considerations for strategic buyers and financial investors, (iii) opportunities and challenges for dealers expanding into rental and (iv) key valuation drivers.

[Click here to watch or listen to the episode](#)



**Kyle Clements**  
Founder & CEO  
Quipli



**Michael Bauman**  
Vice President  
TM Capital



**David Felts**  
Managing Director  
TM Capital

The Equipment Rental and Dealer sector has benefited from continued growth in 2024 but is now in a more normalized business environment relative to the ultra-high growth, high demand years of 2022 and 2023. A collection of current headwinds have softened growth, resulting in a slight downward revision to the American Rental Association's 2024 growth forecast from 9.7% to 8.9%. Despite these near-term headwinds, the long-term outlook remains favorable. Operators continue to increasingly rely on rental as opposed to ownership, furthering the maturation of what has become a structurally progressed, less-cyclical industry. Supply chains continue to normalize, driving greater equipment availability and shorter lead times – which is moderating rental rate appreciation and the value and velocity of used equipment sales. Mega project activity and planning levels remain high, particularly in the non-residential and infrastructure segments of the market, supported by federal stimulus dollars that are still in the early innings of deployment. Some small-to-mid sized projects are experiencing timing delays, largely driven by challenges with project finance and interest rate uncertainty. Signals of impending rate cuts in the second half of 2024 have those in the industry optimistic and continue to point to a positive future demand outlook. See below for what public company executives said regarding the state of the market on recent earnings calls in June, July and August.

*"There is an oversupply of equipment in the market, both in dealer inventory across the entire channel and in excess supply from the OEMs. . . the oversupply of equipment in the construction markets has led to compressed gross margins in new equipment."*



**Ryan Greenawalt,**  
CEO & Chairman

*"Roadbuilders and contracts tied to infrastructure spending represents a healthy cross-section of our customer base and should help provide stability for years to come given all the things that play in that arena."*



**Anthony J. Colucci,**  
Chief Financial Officer

*"Our long-term demand outlook remains positive as we believe the next few years will represent an extended cycle for nonresidential construction. Project pipelines are significant and federal infrastructure spending continues to accelerate. Further, many projects are multiyear endeavors. . . overall, we believe growth opportunities will persist."*



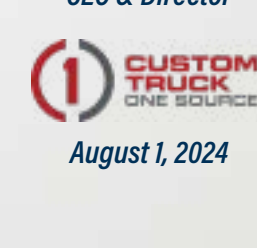
August 7, 2024

*"We continue to see healthy demand in our infrastructure, rail and telecom end markets. High levels of demand for products [such as] specialty dump trucks, roll off trucks, hydro excavators and water trucks supports our belief that overall demand within [Truck and Equipment Sales] is being positively impacted by the early stages of the deployment of federal Infrastructure Investment & Jobs Act dollars for infrastructure projects."*



**Ryan McMonagle,**  
CEO & Director

*"We continue to observe significant growth in electricity demand driven by manufacturing onshoring, AI-driven data center development, current electrification trends, as well as the deferred maintenance that is required on the country's aging grid."*



August 1, 2024

*"Regarding supply chain improvements, healthy inventory levels and continued strong backlog levels continue to improve our ability to produce and deliver more units in 2024 than in 2023. However, persistently high interest rates and uncertainty over the upcoming election are impacting our smaller customers' purchase decisions."*

*"Rental rates in the quarter improved 1.9% compared to the year-ago quarter with a decline of 0.1% on a sequential quarterly basis. Although year-over-year comparisons are becoming increasingly difficult, rate appreciation over the preceding 24 months ending June 30, 2024, was 7.1%."*



**Brad Barber, CEO**



July 30, 2024

*"We maintained our view of a more moderate pace for construction spending in projected starts. The shift in the business cycle is indicative of an industry that is transitioning to a more normalized business environment compared to the years of 2022 and 2023. . . In 2024, supply chains have recovered leading to an ample supply of most equipment lines, while persistently elevated interest rates and more stringent lending standards continue to have an adverse effect on project activity, especially smaller projects."*

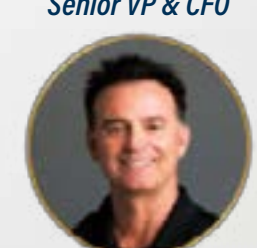
*"Despite [the current] industry backdrop, we are encouraged by the continued expansion of mega project activity across the U.S., representing a source of protracted demand for equipment. . . the DMI, which is Dodge's measure of the value of nonresidential projects going into planning, has been flat or increased for the first six months of 2024, an encouraging indication for growth in project activity in 2025 and beyond."*

*"We're continuing to see solid demand across a variety of end markets, customer segments and geographies in 2024. This diversification provides for growth and resiliency. We view [mega projects] as a tailwind for us going through the rest of the year. . . once they start breaking ground, that's when the momentum starts to get going. [Right now], there's a lot of phases of disruptions [to] those projects."*



**W. Mark Humphrey,**  
Senior VP & CFO

*"Revenue in the local market is tracking a bit slower than we had originally thought. . . we expect same-store growth to normalize in 2024 to more of a mid-single digit rate, similar to what we experienced in 2019. . . I think it's really interest rates. . . that are affecting the local market starts. Generally, what we've seen in the past is that the interest rate environment just needs to show that it's trending in the right direction, and people will become a little more risk taking. From the time the Fed will signal that it's going to cut and then implement a cut, I think you're looking at a 6-month lag for shovels to go in the ground."*



**Aaron D. Birnbaum,**  
Senior VP & COO



July 23, 2024

*"Rental rates have continued to grow year-on-year. . . this is affirmation of the ongoing positive rate dynamics in the industry. . . Rental continues to take share from ownership. This has been happening for decades, and there's every reason to believe that this will continue to happen. . . This [amounts] to a more secular business than what it has been in the past."*



**Brendan Horgan, CEO**



June 18, 2024

*"The last three years were very active – \$655 billion in [mega-project] starts, which was 442 mega projects that started from May 2021 to April 2024. Further, there's a strong lineup of forecasted mega projects over the next three years. . . about 500 projects and over \$760 billion overall. . . This era of mega projects will carry on for some time, and it's all being driven by deglobalization, technology, legislative acts, etc. . . and how essential rental and the related services are for the success of our customers on these projects and for the delivery of these projects overall."*

*"By vertical, we saw growth across both construction [segments] led by non-residential and industrial end markets, with particular strength in manufacturing. We saw multiple new projects in the quarter across data centers, utilities, healthcare, battery manufacturing and infrastructure. . . The outlook for large infrastructure projects, chip manufacturing, auto and energy & power all remain positive. Data center construction has also been an area of focus."*



**Matthew J. Flannery, CEO**

*"[Regarding non-residential construction,] when we think about what our customers are telling us, they continue to be positive. . . And to us, that's much more telling than a given data point that tends to have a lot of volatility. So, when we walk to our customers and we talk to the field, that's really what underpins our outlook."*



**William "Ted" Grace,**  
Executive VP & CFO

*"The anticipation of a more constructive rate environment likely helps spur activity. . . Customers thinking about the cost of capital and the direction of the economy [are] becoming more encouraged and that to us is a positive."*



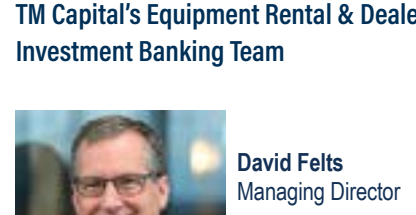
July 25, 2024

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

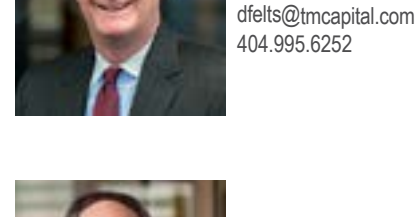
Over the last 15 years, TM Capital has established a market-leading Equipment Rental and Dealer sector practice, advising a broad range of privately-owned and financial-backed clients. With an emphasis on M&A transactions (both sell-side and buy-side), TM's sector activity is accelerating, having completed 15 transactions since January 1, 2021, totaling over \$2.6 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



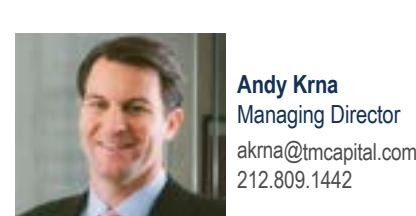
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