Equipment Rental and Dealer State of the Market: Q2 2025

TM CAPITAL
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The Equipment Rental and Dealer sector continued to experience incremental growth through the first quarter of 2025, a reflection of the industry's resilience and continued maturation. While short-term headwinds in the form of elevated interest rates and economic uncertainty tied to tariffs contributed to continued softness in local markets, strength in infrastructure and industrial sectors persists. Marketplace demand is being driven by mega projects – particularly those focused on data centers, LNG, pharmaceuticals and, looking forward, the reshoring of supply chains in certain industries. The strength of the mega project sector has largely offset the softness in local markets, resulting in a 2025 growth forecast from the American Rental Association of 4.2% (compared to 5.2% previously).

Despite the uncertainty regarding tariffs, public company executives have expressed confidence in their full year outlooks and mitigation strategies. Several CEOs cited buy-ahead strategies, leveraging of OEM incentives tied to non-tariff pricing and domestic sourcing as strategic hedges to tariffs, while others are taking a wait-and-see approach but do not expect to experience meaningful challenges. Industry leaders are confident that their rental offerings will serve as a hedge to equipment sales impacted by tariffs for price sensitive customers; and, given rental fleets are built up over years, they are insulated from tariff-related pricing shocks in the near-term.

The Dodge Momentum Index's 2025 estimate of 8% growth in new nonresidential construction starts, along with continued onshoring initiatives and executives' confidence in navigating an uncertain tariff environment, continues to support a positive future demand outlook. See below for what public company executives had to say regarding the state of the market on recent earnings calls between January and May 2025.

"Operating trends in our Construction Equipment segments were stable and reflective of typical seasonal dynamics. Our overall construction market expanded modestly year-over-year."

"The stability we're seeing in construction equipment is attributable to infrastructure-related projects. These projects, unlike general nonresidential construction, continue to drive steady demand for heavy equipment. . . we are also encouraged by some early signs that the regulatory headwind on permitting of new large-scale projects is easing."

"Regarding tariffs, while the situation remains fluid based on current information from our OEM partners, we believe that the associated cost increases and surcharges are manageable. We're confident this will allow us to remain competitive across our markets, and we have been encouraged by the partnership displayed by our OEMs as we collectively navigate these challenges. Together, the resilience of our end markets, the stability in product support and our clear operational execution, support our decision to reiterate guidance on an organic basis."

Ryan Greenawalt,
CEO & Chairman
ALTA EQUIPMENT COMPANY
May 7, 2025

"Despite some challenges in the macro environment that have occurred so far this year, our business outlook remains positive. Long-term sustained end market demand [is] buoyed by secular megatrends."

"Our utility contractor customers continue to see sustained and increased levels of activity, which they expect to persist at least through the end of 2025, driven largely by unprecedented secular growth in electricity demand and the need for substantial maintenance spending."

"Tariffs remain an area of focus for us, and we continuously monitor real-time changes in U.S. policy to assess their potential impact on our operations. Many of the goods we purchased from our vendors are either not currently or are not expected to be subject to tariffs targeting certain products or certain regions. Some OEMs have begun shifting portions of cross-border production for select products back to the U.S. where feasible. Other suppliers have introduced incentives tied to non-tariff pricing, a strategy we have leveraged as we tactically pulled forward some inventory purchases during the first quarter, resulting in a modest rise in our inventory levels."

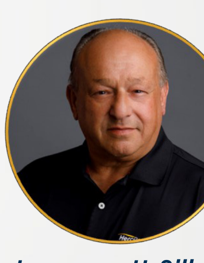
"We believe our proactive mitigation strategies will largely shield us from significant disruption to our operations this year. Should increased economic uncertainty deter some customers from committing to substantial capital investment for vehicle purchases, our rental fleet serves as an additional hedge to meet their equipment needs."

Ryan McMonagle,
CEO & Director
CUSTOM TRUCK ONE SOURCE
May 1, 2025

"Our national accounts business is growing, fueled by federal and private funding for large construction projects like data centers, manufacturing onshoring and LNG facilities. We are not seeing any emerging cancellation trends or changes in the level of activity or scope of projects for 2025, and we are not seeing any unusual level of delays outside the normal course for modifying designs, juggling permits or securing labor."

"There's another $357 billion in infrastructure projects forecasted for 2025. That's also an 8% increase over 2024. . . the next three years are currently projected to be some of the strongest periods of activity that this industry has seen. . . a substantial number of mega projects [are] launching this year with a total dollar value exceeding $250 million. . .Industrial Info Resources is projecting 2025 to be another strong year of capital and maintenance spending at $503 billion. Dodge's forecast for nonresidential construction starts is estimated to increase 8% to $482 billion."

"When it comes to tariffs, we don't expect any direct impact to our procurement costs in 2025. We've sourced the vast majority of our fleet domestically, and orders and pricing for this year have already been secured. . . We've already seen some incremental onshoring announcements from chips and pharmaceutical manufacturers, but we'll have to wait and see how all of that plays out. Today, it seems it's business as usual for the large national accounts."



Lawrence H. Silber,
President & CEO

W. Mark Humphrey,
Senior VP & CFO
HercRentals
April 22, 2025

"Rental rates have continued to progress year-on-year… this is ongoing affirmation of the progressing structural change in the business."

"Outlook for construction growth continues to be underpinned by mega projects and infrastructure work, which continue to gain momentum. The Dodge Momentum Index grew 6% in January, coming from both commercial and institutional planning increases. In fact, the growth was diverse to the extent that every tracked nonresidential vertical experienced positive momentum in the month."

"As expected, we continued to realize somewhat softer local nonresidential construction market activity through the first quarter, offset in part by the ongoing strength of the mega project landscape and the broader non-construction markets."

"The local construction space is softer than it was in recent years, as the prolonged higher interest rate environment has weighed on local and regional developers. This predominantly impacts some of the small, mid and regional-sized contractors. . .it will take some time for this segment to see meaningful uptick. However, it will rebound. And when it does, I think it will quite strongly."

Brendan Horgan, CEO
SUNBELT RENTALS
March 4, 2025

"[In the first quarter], we saw growth across both our industrial and construction end markets. Demand for used equipment remains healthy and importantly our customers continue to feel good about their own outlooks."

"By vertical, our construction end markets saw solid growth across both infrastructure and nonresidential construction while our industrial end markets saw particular strength within power and chemical process. We continue to see new projects kicking off with a few recent examples, including data centers, pharmaceuticals, airports and industrial manufacturing facilities."

"I'll note, we've not seen a change in customer outlooks for the balance of 2025. We understand the recent concerns around the macro uncertainty. And if things change, we feel confident in our ability to react to best support both our customers and our stakeholders."

Matthew J. Flannery, CEO
United Rentals
April 4, 2025

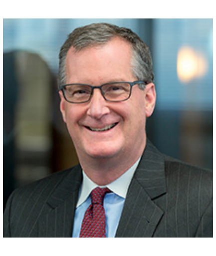
TM Capital's Sector Leadership Generates Premium Valuations for Leading Businesses

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.

- Cisco Equipment, Est. 1978, has been recapitalized by Stellex Capital Management, CIT Northbridge Credit — TM Capital
- GDN Gateway Dealer Network, a portfolio company of Brightstar Capital Partners, has been acquired by Tuckahoe Holdings — TM Capital
- Pinnacle Cranes, a portfolio company of Western Allegheny Capital, has been acquired by Atlantic & Southern Equipment, a subsidiary of Kelly Tractor Cat — TM Capital
- Formtech concrete forms, inc., a portfolio company of Kirtland Capital Partners, has been acquired by White Cap, a portfolio company of Clayton Dubilier & Rice, The Sterling Group — TM Capital
- Argosy Private Equity has acquired Vac2Go — TM Capital
- GT&E Groff Tractor & Equipment, Since 1958, a portfolio company of Prophet Equity, has been acquired by Wildcat Capital Management — TM Capital
- Lift Works has been acquired by Sunbelt Rentals, the U.S. operations of Ashtead group — TM Capital
- Rental One has been acquired by Texas First Cat Rental The Store, a division of Holt — TM Capital
- Atlas Crane - Rigging - Heavy Haul has completed a majority recapitalization with Ares — TM Capital
- Grand Equipment Company has been acquired by Cognitive Capital Partners — TM Capital
- Avance has made a significant investment in Synergy Equipment — TM Capital
- Buckner Heavylift Cranes has completed a majority recapitalization with Markel — TM Capital

TM Capital's Equipment Rental & Dealer Investment Banking Team



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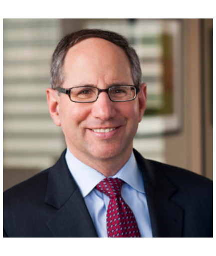

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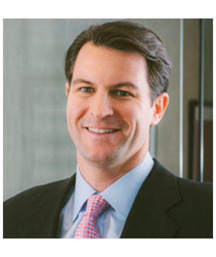

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ABOUT TM CAPITAL, A DIVISION OF JANNEY
FOUNDED IN 1989 AND NOW PART OF JANNEY MONTGOMERY SCOTT, TM CAPITAL IS THE CLIENT-FIRST INVESTMENT BANKING TEAM ADVISING INDUSTRY-LEADING COMPANIES ACROSS NORTH AMERICA AND AROUND THE WORLD. IN EVERYTHING WE DO, OUR PROFESSIONALS SHARE A RELENTLESS COMMITMENT TO ENGINEERING EXTRAORDINARY OUTCOMES WITH AN UNMATCHED STANDARD OF CLIENT CARE. OVER THE LAST THREE DECADES, WE HAVE COMPLETED NEARLY 450 TRANSACTIONS WITH A COMBINED VALUE OF $30 BILLION. WITH OFFICES IN ATLANTA, BOSTON AND NEW YORK, OUR MISSION CRITICAL CAPABILITIES INCLUDE: COMPLEX MERGERS AND ACQUISITIONS; DEBT AND EQUITY FINANCINGS; MINORITY AND MAJORITY RECAPITALIZATIONS; RESTRUCTURINGS; AND BOARD ADVISORY SERVICES. TM CAPITAL IS ALSO A MEMBER OF OAKLINS, THE WORLD'S MOST EXPERIENCED MID-MARKET M&A ADVISOR, WITH OVER 850 PROFESSIONALS AND DEDICATED INDUSTRY TEAMS IN MORE THAN 45 COUNTRIES, HAVING CLOSED 1,700 TRANSACTIONS IN THE PAST FIVE YEARS. FOR MORE INFORMATION, PLEASE VISIT WWW.TMCAPITAL.COM.

ABOUT JANNEY
JANNEY IS A LEADING FULL-SERVICE WEALTH MANAGEMENT, CAPITAL MARKETS, AND ASSET MANAGEMENT FIRM DEDICATED TO PUTTING CLIENT NEEDS FIRST. WE ARE COMMITTED TO PROVIDING INDIVIDUALS, FAMILIES, BUSINESSES, AND INSTITUTIONS WITH TAILORED FINANCIAL ADVICE TO HELP REACH THEIR PERSONAL OR BUSINESS GOALS. WE FOCUS ON BUILDING STRONG RELATIONSHIPS, SUPPORTED BY A FOUNDATION OF TRUST AND PERFORMANCE. WITH A HISTORY OF STRENGTH AND STABILITY, AN ABILITY TO EXECUTE, AND A CULTURE OF SERVICE AND COLLABORATION, WE CONTINUE TO DELIVER ON OUR MISSION OF OFFERING THE HIGHEST STANDARD OF SUCCESS IN FINANCIAL RELATIONSHIPS. JANNEY IS A MEMBER OF THE FINANCIAL INDUSTRY REGULATORY AUTHORITY, THE NEW YORK STOCK EXCHANGE, AND SECURITIES INVESTOR PROTECTION CORPORATION.