



# Industrial Services

Sector Summary Ending March 31, 2017

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# Key U.S. Economic Trends

Despite the slow GDP growth, the U.S. economy remains healthy

Unemployment remains relatively low at 4.5%



0.7%

Real GDP increased at an annual rate of 0.7% in 1Q17, the slowest quarter of growth since 1Q14 <sup>(1)</sup>



1.0%

During 1Q17, the Fed raised interest rates for the third time since the financial crisis to 1% <sup>(2)</sup>



2.4%

The CPI index for all items rose 2.4% for the 12 months ending March 2017 <sup>(3)</sup>

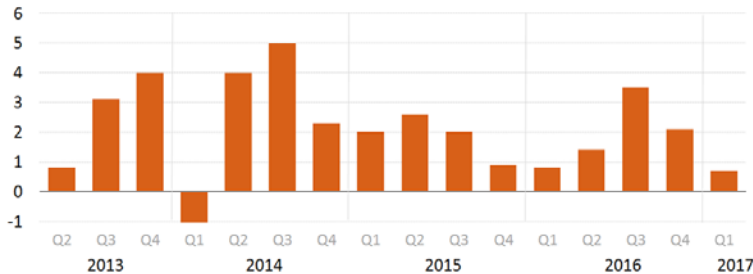


0.2%

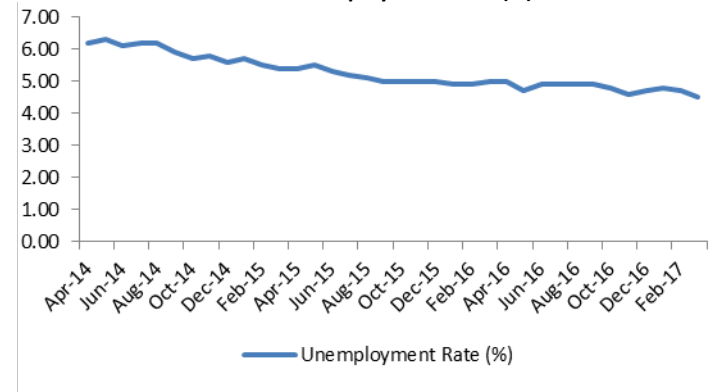
March 2017 unemployment rate decreased by 0.2% to 4.5% <sup>(4)</sup>



Real GDP: % Change from Preceding Quarter



Unemployment Rate (%)



Sources:

1. U.S. Bureau of Economic Analysis (Seasonally Adjusted Annual)
2. Federal Reserve System
3. Bureau of Labor Statistics
4. S&P Capital IQ, Bureau of Labor Statistics



Private and Confidential

# 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

- Landscaping
- Window & Brass Cleaning
- Janitorial
- Pest Control
- Tree Trimming
- HVAC
- Security
- Food/Vending
- Elevator
- Restoration
- Floor/Carpet
- Sweeping/Parking Lot
- Snow Removal
- Property Management



## Engineering and Construction Services

- Construction
- Infrastructure
- Engineering
- Architecture
- Environmental
- Waste
- Plumbing
- Drywall
- Asphalt/Concrete/Mason
- Glass
- Lighting
- Roofing
- Energy Efficiency
- Water Treatment



## Rental Services

- Environmental
- Construction
- Uniform
- Car/Truck
- Storage
- Electronics
- Office
- Formalwear
- Offshore
- Modular Office/Living Space
- Vending/Video



# Recent Sector News



**13.7% (CAGR)**

*Projected growth for the North American facility management sector (2017-2021) <sup>(1)</sup>*



**\$713.0 Bn**

*Forecasted new construction starts in 2017, a 5.0% increase over 2016 <sup>(2)</sup>*



**\$56.0 Bn**

*Forecasted rental equipment spend by 2020 <sup>(3)</sup>*

## Industry Headlines

- **March 16<sup>th</sup>** – Engineering and Construction executives see gains from Trump administration agenda. (*ENR 1Q Cost Report Confidence Survey*)
- **March 31<sup>st</sup>** – TRC Companies, Inc. (NYSE: TRR) today announced that it has entered into a definitive merger agreement with New Mountain Partners, a leading private equity fund, for approximately \$658 million (14.6x EBITDA) representing a 46% stock premium from the prior day close.
- **February 27<sup>th</sup>** – Rental revenue forecast strengthens, penetration rate stays steady. U.S. equipment rental revenue will reach \$48.9 billion in 2017, but then grow at an average annual rate of 4.6% over the forecast to top \$56 billion in 2020. (*American Rental Association's (ARA)*)
- **January 25<sup>th</sup>** – United Rentals, Inc. (NYSE: URI) and NES Rentals Holdings II, Inc. ("NES") today announced that they have entered into a definitive agreement under which United Rentals will acquire NES for approximately \$965 million in cash.
- **January 9<sup>th</sup>** – Wearable technology has arrived. Its popularity is evident in the growing demand for products, such as smart watches and FitBits. This technology is also impacting the HVAC industry as more and more contractors discover how smart glasses can aid their businesses, particularly in the commercial sector. (*The News*)



### Sources:

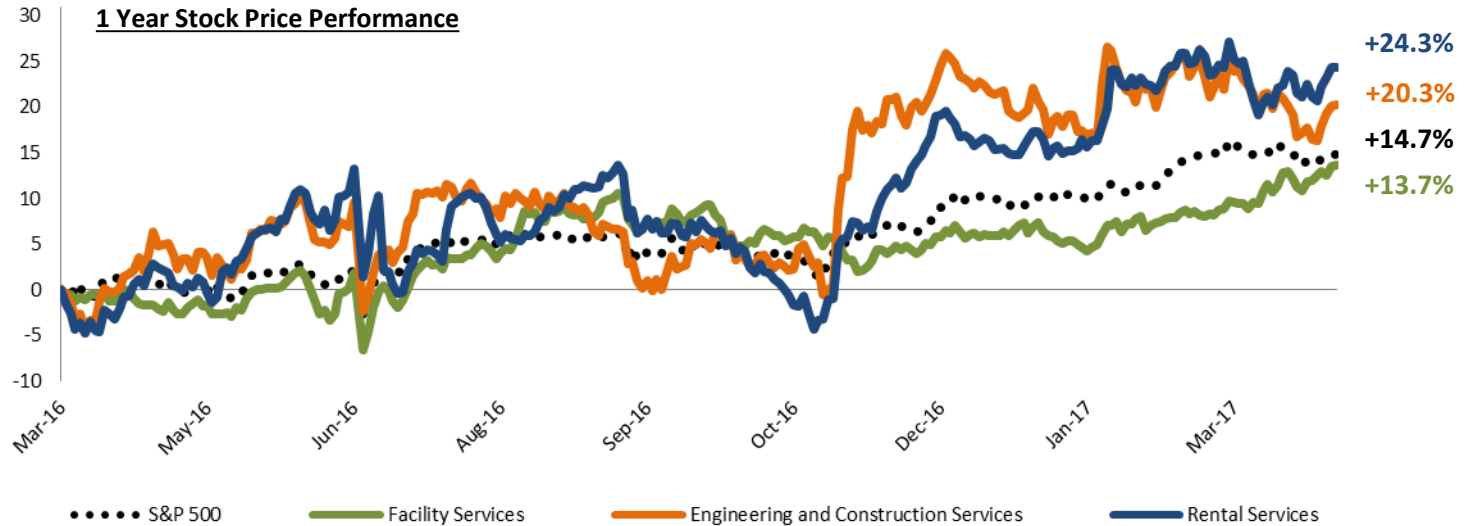
1. Infiniti Research Limited
2. Dodge Data & Analytics
3. American Rental Association (ARA)



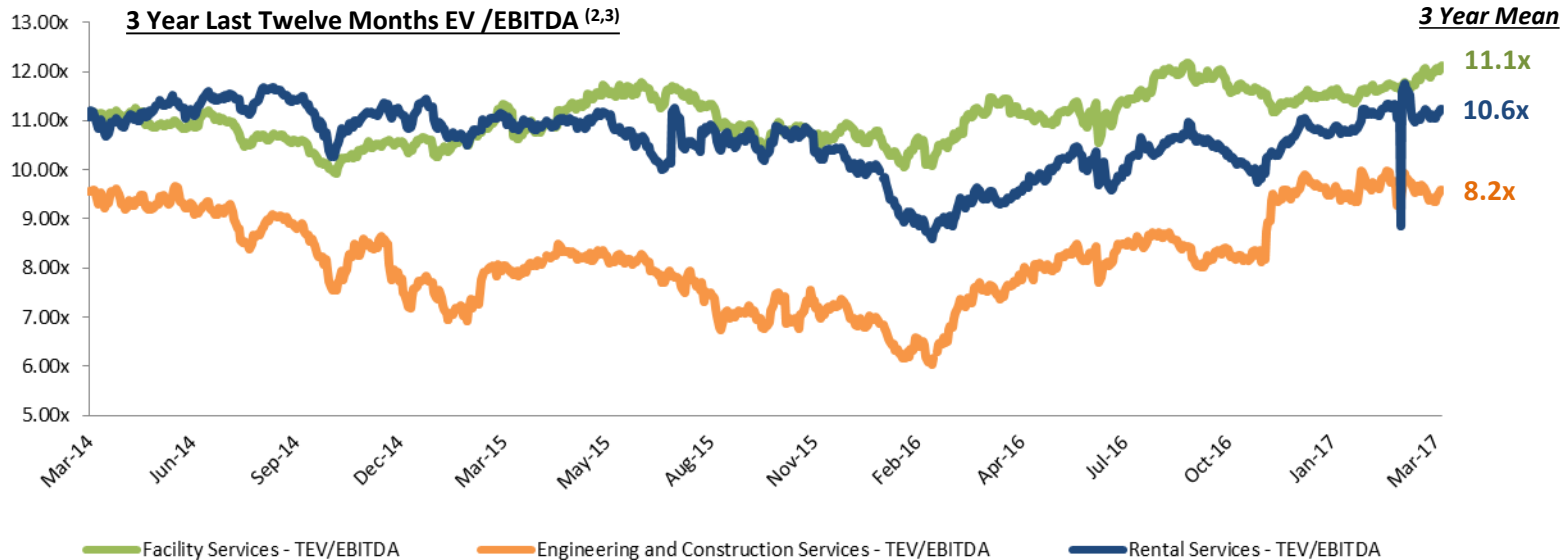
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# Public Market Activity

*Over the last 12 months, most of the publicly traded industrial services companies have significantly outperformed the S&P 500*



*Valuation multiples have rebounded over the last 12 months*



**Sources:**

- S&P Capital IQ as of March 31, 2017
- Enterprise Value (EV) equals Market Capitalization plus Debt, Preferred Equity, and Minority Interest, minus Cash and Cash Equivalents
- EBITDA equals Earnings Before Interest, Taxes, Depreciation, and Amortization



# Comparison of Selected Companies

Company	Market Data				Financial Data			Revenue				Long Term Growth Rate
	52 Week High	% of 52 Week High	Market Cap	Enterprise Value	LTM		LTM Margin	LTM		CY17E		
					Revenue	EBITDA	EBITDA	Revenue	EBITDA	Revenue	EBITDA	
<b>Facility Services</b>												
ABM Industries Incorporated	\$45.03	94.7%	\$2,427	\$2,638	\$5,203	\$171	3.3%	0.52x	0.50x	15.1x	11.0x	14.9%
Aramark	\$38.30	94.7%	\$9,081	\$14,264	\$14,441	\$1,272	8.8%	1.00x	0.97x	11.3x	10.0x	11.5%
Comfort Systems USA, Inc.	\$39.67	89.4%	\$1,359	\$1,287	\$1,634	\$127	7.8%	0.81x	0.74x	10.5x	9.3x	18.3%
EMCOR Group, Inc.	\$73.44	84.4%	\$3,756	\$3,621	\$7,552	\$396	5.2%	0.49x	0.49x	9.4x	8.9x	14.0%
G4S plc	\$4.02	97.3%	\$6,026	\$8,257	\$9,371	\$696	7.4%	0.84x	0.83x	11.3x	9.8x	12.6%
GDI Integrated Facility Services Inc.	\$13.83	89.2%	\$265	\$356	\$650	\$28	4.3%	0.55x	0.48x	12.7x	9.3x	NM
ISS A/S	\$40.53	99.5%	\$6,969	\$8,990	\$11,236	\$716	6.4%	0.75x	0.73x	11.8x	11.0x	4.5%
Prosegur Compañía de Seguridad, S.A.	\$7.35	82.7%	\$3,615	\$4,446	\$4,119	\$473	11.5%	1.06x	0.99x	9.3x	8.2x	7.7%
Rentokil Initial plc	\$3.25	96.3%	\$5,791	\$7,222	\$2,677	\$602	22.5%	2.62x	2.51x	11.8x	11.5x	9.7%
Rollins, Inc.	\$37.36	100.0%	\$8,095	\$7,926	\$1,573	\$311	19.7%	5.05x	4.79x	25.6x	22.7x	12.0%
Securitas AB	\$17.03	92.6%	\$5,691	\$7,321	\$9,713	\$621	6.4%	0.74x	0.70x	11.3x	10.5x	10.0%
ServiceMaster Global Holdings, Inc.	\$42.09	97.1%	\$5,611	\$7,983	\$2,746	\$649	23.6%	2.96x	2.80x	12.5x	11.5x	10.3%
Sodexo S.A.	\$122.22	97.9%	\$17,679	\$19,961	\$21,532	\$1,412	6.6%	0.88x	0.84x	12.6x	10.9x	9.9%
SP Plus Corporation	\$38.55	85.6%	\$744	\$903	\$892	\$94	10.6%	1.03x	1.02x	9.8x	9.7x	12.8%
<b>Mean</b>		<b>93.0%</b>					<b>10.3%</b>	<b>1.38x</b>	<b>1.31x</b>	<b>12.5x</b>	<b>11.0x</b>	<b>11.4%</b>
<b>Adjusted Mean</b>		<b>93.2%</b>					<b>9.8%</b>	<b>1.15x</b>	<b>1.09x</b>	<b>11.7x</b>	<b>10.3x</b>	<b>11.4%</b>
<b>Median</b>		<b>94.7%</b>					<b>7.6%</b>	<b>0.86x</b>	<b>0.83x</b>	<b>11.6x</b>	<b>10.2x</b>	<b>11.5%</b>
<b>Engineering and Construction Services</b>												
AECOM	\$40.72	82.1%	\$5,528	\$8,788	\$17,472	\$907	5.2%	0.52x	0.50x	9.1x	9.2x	6.0%
Chicago Bridge & Iron Company N.V.	\$41.37	72.2%	\$3,096	\$5,391	\$10,680	\$756	7.1%	0.51x	0.57x	7.0x	6.5x	9.6%
Clean Harbors, Inc.	\$59.17	98.0%	\$3,186	\$4,646	\$2,755	\$392	14.2%	1.64x	1.56x	11.5x	9.9x	13.0%
Dycom Industries, Inc.	\$107.03	100.0%	\$2,921	\$4,093	\$2,954	\$415	14.1%	1.24x	1.13x	8.8x	7.5x	14.0%
Fluor Corporation	\$58.37	86.8%	\$7,353	\$6,835	\$19,037	\$888	4.7%	0.37x	0.35x	8.0x	7.7x	11.9%
Jacobs Engineering Group Inc.	\$63.42	85.0%	\$6,693	\$6,242	\$10,668	\$642	6.0%	0.60x	0.60x	10.0x	9.6x	10.7%
MasTec, Inc.	\$42.95	100.0%	\$3,309	\$4,543	\$5,135	\$443	8.6%	0.84x	0.78x	9.6x	7.8x	14.3%
MYR Group Inc.	\$43.77	93.3%	\$673	\$710	\$1,142	\$77	6.7%	0.62x	0.55x	9.3x	8.1x	9.0%
Quanta Services, Inc.	\$38.82	90.3%	\$5,642	\$5,673	\$7,651	\$544	7.1%	0.77x	0.72x	10.9x	9.0x	13.7%
Stantec Inc.	\$27.40	94.1%	\$2,929	\$3,531	\$2,307	\$249	10.8%	1.53x	1.29x	14.0x	10.7x	NM
Team, Inc.	\$39.70	65.7%	\$806	\$1,099	\$1,197	\$60	5.0%	0.94x	0.87x	18.8x	9.7x	11.0%
TETRA Technologies, Inc.	\$7.75	46.1%	\$471	\$1,251	\$695	\$83	12.0%	1.88x	1.69x	15.7x	10.1x	-22.3%
Tutor Perini Corporation	\$33.00	94.4%	\$1,565	\$2,157	\$4,973	\$269	5.4%	0.44x	0.40x	8.1x	7.0x	15.0%
WSP Global Inc.	\$36.11	100.0%	\$3,557	\$4,311	\$4,749	\$350	7.4%	0.88x	1.09x	12.0x	10.2x	NM
<b>Mean</b>		<b>86.3%</b>					<b>8.2%</b>	<b>0.91x</b>	<b>0.86x</b>	<b>10.9x</b>	<b>8.8x</b>	<b>8.8%</b>
<b>Adjusted Mean</b>		<b>88.5%</b>					<b>7.9%</b>	<b>0.88x</b>	<b>0.84x</b>	<b>10.6x</b>	<b>8.8x</b>	<b>11.3%</b>
<b>Median</b>		<b>91.8%</b>					<b>7.1%</b>	<b>0.80x</b>	<b>0.75x</b>	<b>9.8x</b>	<b>9.1x</b>	<b>11.5%</b>

Sources:

1. S&P Capital IQ as of March 31, 2017



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# Comparison of Selected Companies (continued)

Company	Market Data				Financial Data			Revenue				Long Term
	52 Week	% of 52	Market	Enterprise	LTM		LTM Margin	Revenue		EBITDA		Growth Rate
	High	Week High	Cap	Value	Revenue	EBITDA	EBITDA	LTM	CY17E	LTM	CY17E	
<b>Rental Services</b>												
Aggreko plc	\$16.72	65.7%	\$2,884	\$3,635	\$1,871	\$647	34.6%	1.92x	1.78x	5.5x	5.4x	7.7%
Ashtead Group plc	\$22.59	92.1%	\$10,532	\$13,662	\$3,798	\$1,799	47.4%	3.58x	3.13x	7.6x	6.5x	14.8%
Cintas Corporation	\$128.85	95.2%	\$13,311	\$13,915	\$5,144	\$997	19.4%	2.78x	2.37x	14.3x	12.4x	12.6%
Hertz Global Holdings, Inc.	\$178.19	8.8%	\$1,456	\$14,043	\$8,803	\$698	7.9%	1.61x	1.60x	20.3x	23.9x	11.5%
Iron Mountain Incorporated	\$41.50	87.2%	\$9,407	\$15,630	\$3,511	\$1,106	31.5%	4.41x	4.09x	14.0x	12.5x	6.7%
McGrath Rentcorp	\$39.86	84.0%	\$804	\$1,128	\$424	\$88	20.8%	2.66x	2.60x	12.8x	6.8x	14.0%
Mobile Mini, Inc.	\$38.13	75.5%	\$1,355	\$2,213	\$509	\$183	36.0%	4.50x	4.52x	12.5x	11.9x	17.0%
MYR Group Inc.	\$43.77	93.3%	\$673	\$710	\$1,142	\$77	6.7%	0.62x	0.55x	9.3x	8.1x	9.0%
Neff Corporation	\$20.25	99.3%	\$172	\$818	\$397	\$101	25.5%	2.05x	1.97x	8.0x	4.0x	7.7%
UniFirst Corporation	\$147.65	92.3%	\$2,869	\$2,455	\$1,509	\$257	17.0%	1.69x	1.62x	9.9x	9.9x	10.5%
Speedy Hire Plc	\$0.69	95.9%	\$353	\$456	\$457	\$76	16.7%	1.03x	0.98x	6.0x	5.6x	NM
United Rentals, Inc.	\$134.28	89.0%	\$10,561	\$17,566	\$5,762	\$1,719	29.8%	3.13x	3.02x	10.5x	6.3x	13.3%
<b>Mean</b>		<b>81.5%</b>					<b>24.4%</b>	<b>2.50x</b>	<b>2.35x</b>	<b>10.9x</b>	<b>9.4x</b>	<b>11.3%</b>
<b>Adjusted Mean</b>		<b>87.0%</b>					<b>23.9%</b>	<b>2.49x</b>	<b>2.32x</b>	<b>10.5x</b>	<b>8.5x</b>	<b>11.2%</b>
<b>Median</b>		<b>90.5%</b>					<b>23.2%</b>	<b>2.35x</b>	<b>2.17x</b>	<b>10.2x</b>	<b>7.4x</b>	<b>11.5%</b>

Sources:

1. S&P Capital IQ as of March 31, 2017

# M&A Activity

## Industrial Services M&A Activity

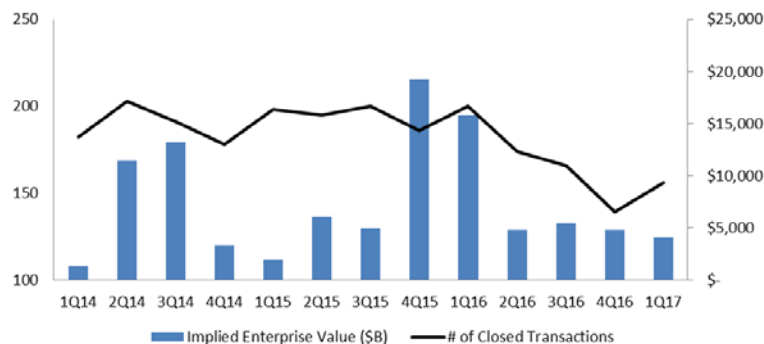
- A total of **156** transactions were closed in 1Q17 (22% decline compared to 1Q16) with an aggregate enterprise value of ~**\$4.1 billion** (74% decline compared to 1Q16)
- United Rentals** (NYSE: URI) acquired **NES Rentals**, one of the ten largest general equipment rental companies in the U.S., for ~\$1 billion (6.2x EBITDA) in January 2017
- New Mountain Capital** acquired **TRC Companies** (NYSE: TRR), an engineering, environmental consulting and construction management company, for ~\$0.7 billion in March 2017
- Fueled by a low interest-rate environment, Debt/EBITDA multiples approached **4.0x** in 2016 compared to **3.5x** in 2012

## Notable Industrial Services Transactions<sup>(1)</sup>

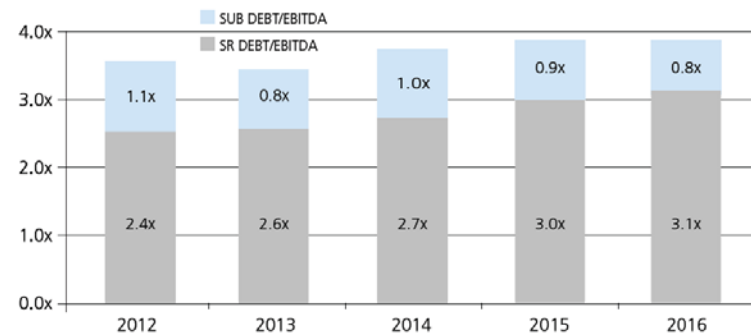
Target	Acquirer	Enterprise Value	Enterprise Value /	
			Revenue	EBITDA
	 New Mountain Capital LLC	\$658.0	1.26x	14.6x
	 Energy & Infrastructure Services	N/A	N/A	N/A
		\$965.0	2.62x	6.2x
		\$100.0	N/A	N/A
		N/A	N/A	N/A
		N/A	N/A	N/A

## M&A and Debt Multiples

Quarterly Industrial Services M&A Activity<sup>(2)</sup>



Market Debt Multiples by Year<sup>(3)</sup>



Sources:

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



# Notable Precedent M&A Transactions

(\$ in millions)

Close Date	Target Acquirer	Enterprise Value	Enterprise Revenue	Enterprise Value / EBITDA	Target Business Description
Pending	TRC Companies, Inc. New Mountain Capital, LLC	\$681.3	1.29x	13.9x	Provides engineering, consulting, and construction management services
Pending	Safway Services, LLC Brand Energy & Infrastructure Services, Inc.	N/A	N/A	N/A	Sells, rents, and services scaffolding equipment
Pending	Centerra Group, LLC Constellis Holdings, LLC	N/A	N/A	N/A	Provides security and fire support services to government and commercial customers
Pending	Tealstone Sterling Construction Company, Inc.	\$102.3	N/A	N/A	Provide concrete construction services for commercial buildings, elevated slabs, multi-family, and residential housing foundation
Pending	NES Rentals Holdings, Inc. United Rentals	N/A	N/A	N/A	Rents and distributes aerial equipment
Pending	BCH Holdings, Inc. Comfort Systems USA, Inc.	\$100.0	N/A	N/A	Offers mechanical/HVAC services
Mar-17	Tri-Cor Mechanical, LLC TOTAL Mechanical, Inc.	N/A	N/A	N/A	Provides commercial and industrial HVAC specialty services
Mar-17	Concord Security Corporation Paladin Security Group Ltd.	N/A	N/A	N/A	Provides security services in Canada
Mar-17	CitiPark LLC Towne Park, LLC	N/A	N/A	N/A	Provides parking management and hospitality services
Mar-17	Horizon Services, Inc. Sun Capital Partners, Inc.	N/A	N/A	N/A	Provides plumbing, heating, and air conditioning services
Mar-17	Sweeping Corporation of America, Inc. Soundcore Capital Partners, LLC	N/A	N/A	N/A	Provides contract street sweeping services
Feb-17	Light Tower Rentals, Inc. Globe Energy Services, LLC	N/A	N/A	N/A	Provides industrial rental equipment and services to energy and construction markets
Feb-17	Fire & Life Safety America, Inc. Blue Point Capital Partners	N/A	N/A	N/A	Provides fire protection services
Feb-17	J.R. Hobbs Co. Gladstone Investment Corporation	N/A	N/A	N/A	Offers installation of HVAC systems, including heating and cooling, air quality control, and ventilation equipment
Feb-17	Auto Safety House, LLC The W.W. Williams Company	N/A	N/A	N/A	Provides fleet solutions
Feb-17	Container First Services, LLC Meridian Waste Solutions, Inc.	\$42.1	2.02x	N/A	Provides industrial, commercial, and residential waste and recycling services
Feb-17	Marley's Electric Inc. Capitol City Electric, Inc.	N/A	N/A	N/A	Provides installation and maintenance of electrical services
Feb-17	4-Way Equipment Rentals Corp. Cooper Rentals Canada Inc.	\$6.5	N/A	N/A	Provides commercial rental equipment services

Sources:

1. S&P Capital IQ as of March 31, 2017



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# Notable Precedent M&A Transactions (continued)

(\$ in millions)

Close Date	Target Acquirer	Enterprise Value	Enterprise Value /		Target Business Description
			Revenue	EBITDA	
Feb-17	Allgood Services Of Georgia, Inc. Rentokil Initial plc	N/A	N/A	N/A	Provides pest and wildlife control services
Mar-17	Hockenbergs Equipment and Supply Co., Inc. TriMark USA, LLC	N/A	N/A	N/A	Supplies, designs, installs, and supports food service equipment for full service, fast dining, commercial, institutional, and specialty operations
Feb-17	Yale Enforcement Services Inc. Allied Universal	N/A	N/A	N/A	Provides uniformed security services
Feb-17	Insight Pest Solutions, LLC Massey Services, Inc.	N/A	N/A	N/A	Provides pest control services
Jan-17	Crane Service & Inspections, Inc. Crane 1 Services Inc.	N/A	N/A	N/A	Provides repair, rebuilding, and inspection services for cranes, hoists, monorails, and lifting devices
Jan-17	E-Rad Pest Control / A Plus Pest & Termite Control Arrow Environmental Services, Inc.	N/A	N/A	N/A	Provides pest control services
Jan-17	Midwest Fireproofing, LLC Masco Contractor Services, LLC	N/A	N/A	N/A	Offers commercial fireproofing and insulation services
Jan-17	Abednego Environmental Services, LLC Ecolab Inc.	N/A	N/A	N/A	Operates and manages waste water treatment systems and purified water system
Jan-17	Compass Pointe Engineering, PA Mcgill Associates, P.A.	N/A	N/A	N/A	Offers civil and environmental consulting engineering services
Jan-17	The Portico Group Moore Iacofano Goltsman, Inc.	N/A	N/A	N/A	Provides building and landscape architecture, interpretive planning, and exhibit design services
Jan-17	Water Truck Services, Inc. National Response Corporation	N/A	N/A	N/A	Provides waste management and environmental services
Jan-17	Greystone Environmental Management, LLC Partners Environmental Consulting, Inc.	N/A	N/A	N/A	Provides environmental, health, and safety (EHS), and engineering services
Jan-17	Valet Parking Services, Inc. Towne Park, LLC	N/A	N/A	N/A	Provides parking management and hospitality services
Jan-17	Columbia River Machinery, LLC Rental Equipment Investment Corp.	N/A	N/A	N/A	Provides construction equipment rentals and services
Jan-17	Desert Fleet-Serv, Inc. The W.W. Williams Company	N/A	N/A	N/A	Provides on-site fleet repair and maintenance services for commercial diesel trucks and trailers
Jan-17	Marina Landscape Maintenance, Inc. BrightView Landscapes, LLC	N/A	N/A	N/A	Provides landscape construction and maintenance services for public and private sectors

Sources:

1. S&P Capital IQ as of March 31, 2017




# HBA's 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*

  
acted as exclusive financial advisor to  
  
on its recapitalization in partnership with  
**MSP Acquisition, LLC**

  
introduced the parties and facilitated debt financing for  
  
financing provided by  


  
acted as exclusive financial advisor to  
  
on its sale to  



  
acted as exclusive financial advisor to  
  
on the sale of its Filling Division to  


  
acted as exclusive financial advisor to  
  
on its sale to  


  
acted as exclusive financial advisor to  
  
on its acquisition of substantially all of the assets of  
**Scottsdale Fine Landscaping, Inc.**

  
acted as restructuring advisor to  
  
on its turnaround initiatives and balance sheet restructuring

  
acted as investment banker and financial advisor to  


  
acted as exclusive financial advisor to  
  
on their sale to  
  
a portfolio company of  
**SUN CAPITAL PARTNERS, INC.**

  
acted as exclusive financial advisor to  
  
on its formation of a Joint Venture with  




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**Stephen Gaines**  
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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.

*"The HighBank team delivered. They quickly came up to speed on our business and developed top-notch marketing materials that generated competitive bidding. HighBank's commitment to its high-touch service model was also invaluable given the overseas ownership of the asset."*

**Graham Philip**  
Deputy Chairman of Ashtead Technology

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**Stephen Gaines**

Founder,  
Managing Director

**Steve Halbert**

Senior Advisor

**Karl Buettner**

Managing Director

**Cherie Homa**

Managing Director

**Rebecca McGinley**

Managing Director

**Dennis O'Neill**

Managing Director

**Vlad Walko**

Managing Director

**Mark Waters**

Managing Director

**Michael Huecker**

Director

**Timothy Brasel**

Vice President

**Atanas Chobanov**

Vice President



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