

# Equipment Rental and Dealer State of the Market: Q4 2023



The macroeconomic backdrop for the Equipment Rental and Dealer sectors remains robust into Q4 2023, driven by strong nonresidential construction activity and project planning in the commercial, industrial and infrastructure sectors, all of which are benefitting from federal stimulus that remains in the early innings of deployment. Supply chain pressures continue to ease, which is driving greater equipment availability and enabling industry participants to better address demand. This robust market environment – overlaid with an ever-increasing rental penetration rate – 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 September, October and November 2023:

*"Despite the macroeconomic environment, we continue to see strong demand in the diversified markets we serve. I would like to highlight the resiliency of our Construction segment... which has experienced tremendous growth."*

*"We are happy to see supply chains continue to improve. Demand for our material handling equipment also remained strong. Our backlog remains at a record level and customer sentiment remains favorable."*



**ALTA EQUIPMENT COMPANY**  
Ryan Greenawalt, CEO  
November 8, 2023

*"We see continued strong demand in our new equipment sales and backlog and in the performance of our rental fleet. As has been the case since late last year, in the third quarter, we continued to experience robust demand from our customers to purchase assets in the rental fleet. We see all these as positive leading indicators for sustained future demand."*

*"We continue to see an increase in equipment availability from our chassis and attachment suppliers, which positions us well to meet our production, fleet growth and sales goals for the fourth quarter and into next year."*

*"As we look ahead to the rest of the year, we believe that our year-to-date results, favorable end market tailwinds, robust customer demand, improving supply chain dynamics and continued outstanding execution by our team, all provide Custom Truck with the momentum to continue to deliver strong revenue, adjusted gross profit and adjusted EBITDA growth."*

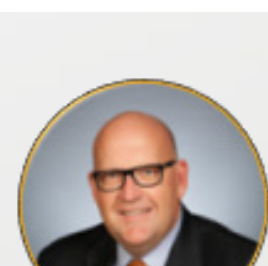


**CUSTOM TRUCK ONE SOURCE.**  
Ryan McMonagle, CEO  
November 7, 2023

*"Nonresidential construction remains resilient with emerging project opportunities leading to expansion of backlogs and project visibility well into 2024. Recent data from the U.S. Census Bureau continues to demonstrate healthy year-over-year construction starts and spending trends."*

*"More importantly, and as it relates to future project visibility, the [Dodge Construction Network] data revealed an estimated \$580 billion of project value was being bid for project starts in 2023 and 2024... Although this data is subject to change, it clearly implies the massive project opportunity that exists within our area of operations."*

*"Additionally, the value proposition of rental compared with equipment ownership is expected to lead to further growth in rental penetration. The measure has increased each of the last two years following the post-COVID setback in 2020, [and] is likely to experience further growth in 2023."*



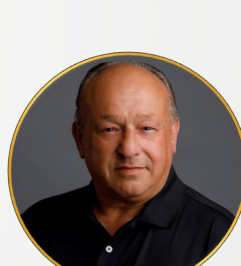
**H&E EQUIPMENT SERVICES**  
Brad Barber, CEO  
October 26, 2023

*"The supply chain's recovery in certain equipment categories allowed us to begin addressing the pent-up rotations from the last two years. We headed into the fourth quarter with our fleet better matched to demand..."*

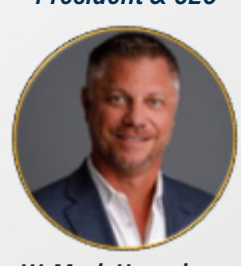
*"[We] think we're going to outperform the market by maybe a factor of two... [which is] really being driven by the onshoring, the mega projects, the infrastructure projects, as well as our growth in the local market with the M&A and greenfield activity that we're doing. So, we're fairly bullish on what we see going forward."*

*"Industrial Info Resources is projecting \$409 billion of [industrial] spend in 2023, the highest level on record and a 16% increase over 2022. In 2023, [Dodge's forecast for nonresidential construction starts] is estimated to be another \$429 billion on top of last year's peak \$445 billion."*

*"These are also just starts of new projects of multi-year construction builds that will continue into '24, '25 and beyond... [Last] year and the next three years are projected to be the strongest periods of activity that this industry has ever seen."*



Lawrence H. Silber,  
President & CEO

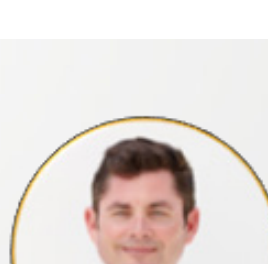


W. Mark Humphrey,  
Senior VP & CFO  
**Herc Rentals**  
October 24, 2023

*"Despite macroeconomic concerns and the pressures that come with inflationary and interest rate realities, you'll see construction activity has proven to be incredibly resilient. In fact, historically strong in the most recent year and is forecasted to continue as such."*

*"As I've said before, this all makes clear that the nonresidential cycle has been considerably delinked from the residential cycle as a result of years of change in construction composition and the more recent reshoring... and larger than ever before seen federal government spending acts, all contributing to the rise of an era of mega projects."*

*"To understand the current era of construction in the U.S., it's very important to put in context these drivers, in terms of both the scale of circumstance and the very likely long duration they exist... First, reversing a multi-generation globalization of U.S. manufacturing and production to domestic onshoring and reshoring. Second, the role technology now plays in society, business and manufacturing and, by relation, making up a larger portion of the U.S. construction landscape. And [third], legislative acts, three of them, injecting \$2 trillion of direct funding or stimulus, amounting to a once-in-a-lifetime trifecta of Acts."*

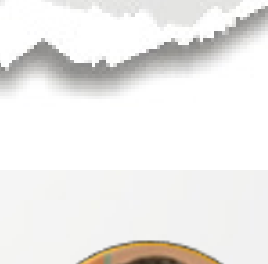


Brendan Horgan, CEO  
**SUNBELT RENTALS**  
September 5, 2023

*"Geographically, we continue to see growth across all gen rent regions. And our specialty business delivered another excellent quarter with organic rental revenue up 16% year-on-year and double-digit gains in most regions."*

*"As we look ahead, we feel confident in our outlook. And this is supported by ABC's Contractor Confidence Index, which remains strong across the third quarter as did its backlog indicator, [and] the Dodge Momentum Index, which advanced sequentially in September. Furthermore, non-res construction spending and non-res construction employment both remain solid."*

*"At this point, it is our sense that the supply chains have largely normalized, which should enable us to return to more typical quarterly cadences going forward and better match the timing of deliveries with seasonal demand."*



Matthew J. Flannery, CEO



William Grace, EVP & CFO  
**United Rentals**  
October 26, 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

 A PORTFOLIO COMPANY OF Western Allegheny Capital HAS BEEN ACQUIRED BY <b>ASE</b> ATLANTIC & SOUTHERN A SUBSIDIARY OF KELLY TRACTOR (CAT)	 A PORTFOLIO COMPANY OF COGNITIVE CAPITAL PARTNERS <b>KCP</b> KENTLAND CAPITAL PARTNERS HAS BEEN ACQUIRED BY <b>WHITE CAP</b> A PORTFOLIO COMPANY OF THE STERLING GROUP	 PRIVATE EQUITY HAS ACQUIRED <b>VAC2GO</b>	 HAS BEEN ACQUIRED BY <b>SUNBELT RENTALS</b> THE U.S. OPERATIONS OF <b>Ashlead group</b>
 HAS BEEN ACQUIRED BY <b>HOLT</b>	 HAS COMPLETED A MAJORITY RECAPITALIZATION WITH <b>ARES</b>	 A PORTFOLIO COMPANY OF <b>MONUMENT MICROCAP PARTNERS</b> HAS BEEN ACQUIRED BY <b>INCLINE EQUITY PARTNERS</b>	 HAS BEEN ACQUIRED BY <b>CD</b> COGNITIVE CAPITAL PARTNERS
 HAS MADE A SIGNIFICANT INVESTMENT IN <b>synergy EQUIPMENT</b>	 A PORTFOLIO COMPANY OF <b>GRC</b> GREAT RANGE CAPITAL HAS BEEN ACQUIRED BY <b>PFINGSTEN</b>	 HAS COMPLETED A MAJORITY RECAPITALIZATION WITH <b>MARKET</b>	 HAS BEEN ACQUIRED BY <b>United Rentals</b>

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