Equipment Rental and Dealer State of the Market: Q2 2024

TM CAPITAL
A DIVISION OF JANNEY

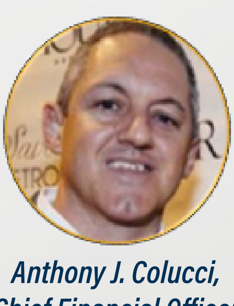
The macroeconomic backdrop for the Equipment Rental and Dealer sectors remains robust in 2024, driven by strong commercial, industrial and infrastructure construction activity, all sectors which are benefitting from federal stimulus that remains in the early innings of deployment. Supply chain pressures have eased, which is driving greater equipment availability and enabling industry participants to better address demand. Sustained strong pricing and utilization evidences the resiliency of the broader construction market, with key indicators pointing to continued expansion over the coming years. This robust market environment – overlaid with an ever-increasing rental penetration rate as rental reliability continues to increase – generated strong earnings performance for public companies in the industry. As of early May, the median TEV / EBITDA trading multiple for public rental companies reached an all-time high. See below for what public company executives had to say regarding the state of the market on recent earnings calls in March, April and May 2024:

"We saw [rental rate growth] of low single-digits to mid-single digits in the first quarter."

"Looking forward, we are optimistic about the construction end markets, the backlog of work and activity levels [of] our customers, [which are indicating] continued strength for our product support and rental business lines."

"Industry indicators are favorable for our end market demand. Nonresidential starts are forecast to increase in 2024 and state transportation budgets are up double digits in our Midwest and Florida markets year-over-year. Federal infrastructure and mega projects are still accelerating, providing long-term opportunities across our geographic footprint."

Ryan Greenawalt, CEO & Chairman



Anthony J. Colucci, Chief Financial Officer

ALTA EQUIPMENT COMPANY

May 8, 2024

"We continue to see robust demand in our infrastructure, rail and telecom end markets. . . our core transmission and distribution end markets continue to have favorable macro demand drivers, namely data center investment, electrification and required grid updates."

"In our infrastructure end market, we continue to experience high levels of demand for certain products. . . which supports our belief that demand is beginning to be positively impacted by the early stages of deployment of federal Infrastructure and Jobs Act dollars for infrastructure projects."

"Record levels of production and continued strong new equipment sales in the quarter allowed us to make headway toward reducing our backlog to a more normalized level, but still above our historical average."

Chris Eperjesy, Chief Financial Officer

CUSTOM TRUCK ONE SOURCE

May 2, 2024

"Rental rates in the quarter improved 2.9% on a year-over-year basis, adding to the consistent rate appreciation seen since 2022. Although a slowing of rate of change is expected in 2024, we continue to benefit from the gains achieved in rental rates over the past 24 months."

"We remain in a business environment with encouraging prospects. Our industry is expected to demonstrate further growth in 2024, but at a slower pace than we have become accustomed to over the last 24 months. According to Dodge Construction Network, construction starts are projected to improve 7% in 2024, while U.S. equipment rental revenue is expected to grow nearly 8%, as reported by the American Rental Association."

"We note favorable trends in rental penetration and the steady growth in construction employment. These critical factors reinforce nonresidential construction and industrial project activity and serve as the foundation in support of elevated long-term industry growth."

Brad Barber, CEO

H&E EQUIPMENT SERVICES

April 30, 2024

"We are continuing to see solid demand across a variety of end markets, customer segments and geographies in 2024. Two of our key end markets are industrial and nonresidential construction. These end markets are likely to outperform other consumer-driven end markets due to new mega project construction and as the reshoring of U.S. manufacturing capacity continues to gather steam."

"The Architecture Billings Index recorded a score of 49.5 in March, up significantly from February's 46.2. Inquiries into new projects grew at their fastest pace since November and the value of design contracts increased at their fastest pace since last summer. These are positive signs for future growth."

"Industrial Info Resources is projecting 2024 to be the second highest [spending] level on record at $436 billion, on top of last year's peak of $442 billion. Dodge's forecast for 2024 nonresidential construction starts are estimated to increase 4% to $441 billion. Both of these reflect growth over pre-pandemic levels. Last year and the next three years are projected to be the strongest periods of activity that this industry has ever seen."

W. Mark Humphrey, Senior VP & CFO

Aaron D. Birnbaum, Senior VP & COO

HercRentals

April 23, 2024

"Rental rates have continued to grow year-on-year, which we expect to continue to be the case moving forward. . . this is affirmation of the ongoing positive rate dynamics in the industry, specifically the discipline and structural progress, attributes we firmly believe are here to stay."

"The construction outlook continues to be very positive. Despite macroeconomic concerns and the pressures that come with inflationary and interest rate realities, construction activity has proven to be incredibly resilient. The latest Dodge starts data published in February forecast growth in 2024 and the forthcoming years."

"We now have, as a result of [industry maturation], a less cyclical, more secular business and a larger addressable market. We've got pricing or rate increases that we believe will be firmly above inflationary levels for the years to move forward, acting much more like a business services company."

Brendan Horgan, CEO

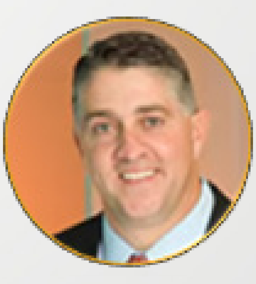
SUNBELT RENTALS

March 5, 2024

"We still believe that it's a constructive rate environment, and we're pleased to see [the first quarter] played out that way. And that discipline in the industry, I think you will hear that from the rest of our public companies in the space as well, will help overcome any inflationary issues that we have."

"We saw growth across both construction [segments], led by nonresidential and industrial end markets, with particular strength in manufacturing, utilities and downstream. We continue to see numerous projects across the power generation, data center, automotive and infrastructure end markets."

"The specialty business has a great opportunity with large customers and large projects to cross-sell into some of those that weren't using those [specialty] products."



Matthew J. Flannery, CEO

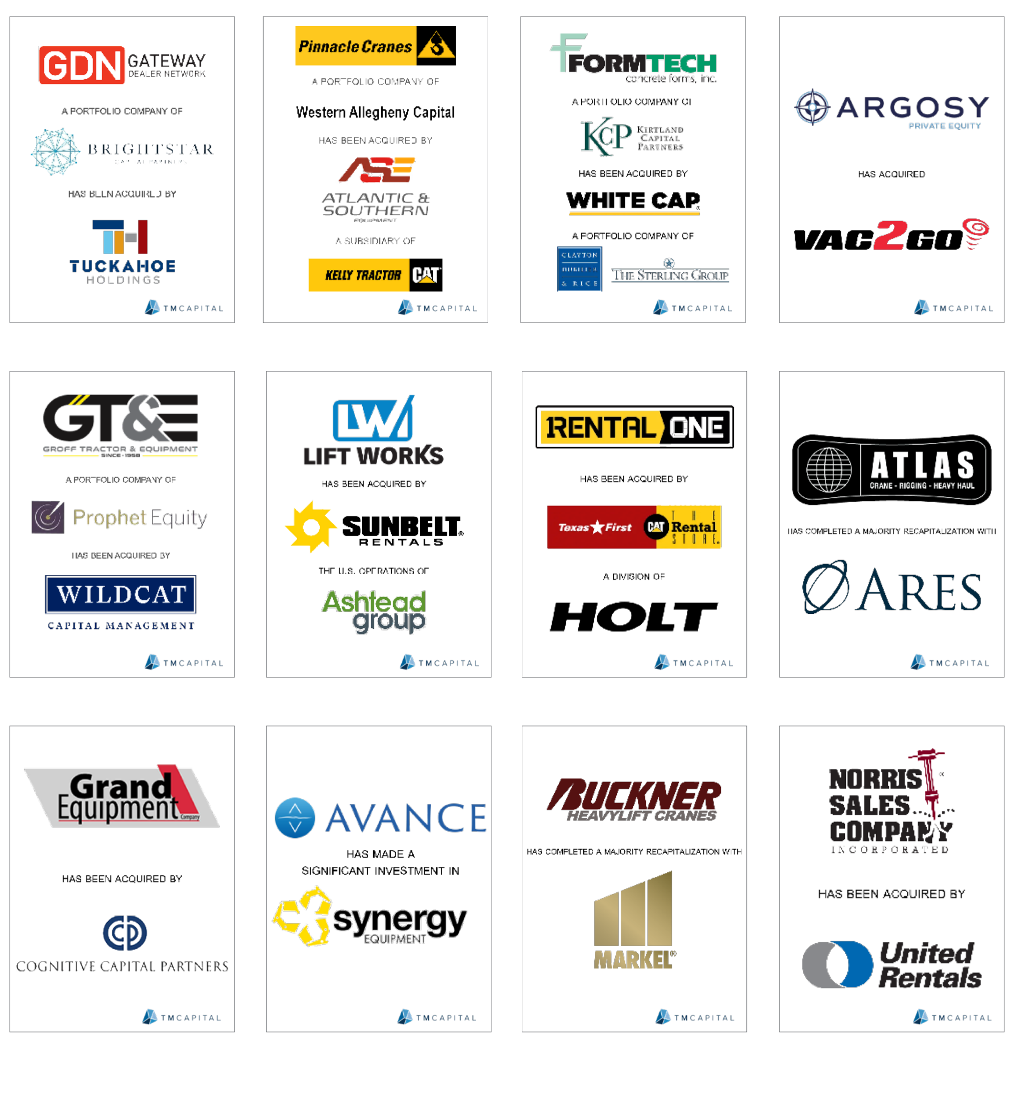
United Rentals

April 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.



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