# Equipment Rental and Dealer State of the Market: Q1 2025

TM CAPITAL
A DIVISION OF JANNEY

The Equipment Rental and Dealer sector realized incremental growth through the end of 2024, reflecting continued industry maturation, which is driving more predictable annual spending. Several sustainable tailwinds continue to drive increased spending, primarily in the form of multi-year mega projects, while small-to-midsize local projects face greater challenges. Mega projects focused on the rehabilitation and development of the nation's infrastructure, on-shoring of manufacturing capabilities, construction of data centers and broadening of power generation portend continued growth in spending through the medium-term. Despite short-term headwinds, including still-elevated interest rates, increased supply of new equipment in the market and political uncertainty, the American Rental Association ("ARA") affirmed the sector grew 8% YoY in 2024.

As the industry shifts into a more mature and predictable cycle – reflected by the ARA's 2025 growth forecast of 5.3% – major players are turning to M&A to accelerate growth. Herc Rentals (NYSE:HRI) recently announced their agreement to acquire H&E Equipment Services (NSDQ:HEES) for $5.3 billion, which will combine two of the largest general equipment rental companies in the world. United Rentals (NYSE:URI) initially entered into a merger agreement with H&E Equipment Services but was quickly usurped by Herc Rentals under H&E's "go shop" provision, which generated an offer from Herc Rentals ~$500 million in excess of the offer from United Rentals. The strategic combination will impact the competitive landscape, especially as mega project planning, which requires national coverage and broad equipment availability, continues to grow.

Continued AI advancements, semiconductor demand and strength within the infrastructure and manufacturing sectors all signal consistent growth in future demand, creating a positive outlook for 2025 and beyond. See below for what public company executives had to say regarding the state of the market on recent earnings calls between December 2024 and March 2025.

*"2024 was a year of resilience and disciplined execution amid challenging market conditions. The impact of higher interest rates, an oversupplied equipment market and election year uncertainty weighed on market demand across key end markets. . . While infrastructure projects provided some stability, overall demand remained subdued."*

*"As the market adjusts to an equipment oversupply, we are confident that the supply-demand imbalance will normalize by mid-year 2025, creating a healthier environment for new equipment sales."*

*"Additionally, state DOT budgets in key regions, including Florida, the Northeast and the Midwest remained elevated, reinforcing demand for heavy equipment rentals and service."*

*Ryan Greenawalt,*
*CEO & Chairman*

ALTA EQUIPMENT COMPANY

*March 5, 2025*

*"We saw sequential improvements in our two main rental KPIs: average OEC on-rent and average utilization. These trends align with our utility contractor customers' expectations of sustained and increased activity through the end of last year, which they expect to continue into 2025. . . Recent trends and customer interactions confirm that the conditions in the Utility end market are continuing to normalize. We continue to see attractive rental demand across our Utility and other primary end markets, [including] Infrastructure, Rail and Telecommunications."*

*"We are witnessing significant growth in electricity demand driven by AI-driven data center development, grid upgrades and investments, and electrification trends. Recent industry reports project a 24% to 29% increase in U.S. electricity demand by 2035, nearly double the previous forecast."*

*Ryan McMonagle,*
*CEO & Director*

CUSTOM TRUCK ONE SOURCE

*March 5, 2025*

*"For 2025, we're seeing continued strength signals for mega projects in LNG, data centers and semiconductors, along with strength in health care, education and infrastructure. New projects, together with increasing demand for specialty solutions, the contribution from industrial and commercial maintenance projects...and the ramp-up of mega project starts from the back half of 2024 should more than offset the persistent weakness in interest rate-sensitive local markets..."*

*"Overall, the strong demand we're experiencing across the manufacturing, industrial and infrastructure markets, along with the stability that comes from industrial and commercial maintenance projects provides plenty of opportunity to continue to grow even through this slower phase of the cycle."*

*"Taking a look at the updated industrial spending forecast, Industrial Info Resources is projecting 2025 to be another strong year of capital and maintenance spending at $446 billion. Dodge's forecast for nonresidential construction starts in 2025 are estimated to increase 8% to $482 billion. Additionally, there's another $357 billion in infrastructure projects forecasted for 2025."*

*Lawrence H. Silber,*
*President & CEO*

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

HercRentals

*February 13, 2025*

*"Throughout the half [year], we experienced ongoing dynamics in our construction end markets, with mega project activities and pipeline levels continuing to expand, while on the other hand, local nonresidential construction activity is softened as prolonged higher interest rates have weighed on local and regional developers. This local market softening was more than offset by mega projects and response activities related to Hurricanes Helene and Milton in the period. However, we think it would be just too fast to expect the local construction market to rebound in the second half of our fiscal year."*

*"...we continue to see cross currents in our end markets. Overall outlook for construction growth continues to be underpinned by mega projects and infrastructure work, which continued to gain momentum, albeit slowly..."*

*"At the same time, there's an ongoing softening within the local commercial construction space as the prolonged higher interest rate environment has weighed on local and regional developers. This, of course, impacts some of the small, mid and regional size contractors. Some things have started to move in the right direction, [such as the] beginning of interest rate cuts, some clarity following the U.S. election, and we're seeing increased planning activity – so this will rebound, and I think quite strongly..."*



*Brendan Horgan, CEO*

SUNBELT RENTALS

*December 10, 2024*

*"By vertical, we continue to see similar trends to the rest of last year with nonresidential growth helping to fuel construction and industrial growth driven by manufacturing and power. And we saw new projects across data centers, chip manufacturing, sports stadiums and power to name a few."*

*"Now let's turn to 2025, which we expect to be another year of growth, again led by large project growth. Customer optimism, backlogs and feedback from our field team, combined with the demand we're carrying into the new year, all support our guidance."*

*"Regardless of the political environment and all the pontificating on what's going to happen, there's a need for [renewable, grid data centers] to continue to be upgraded. That was long before chip data centers and [that's going to be the case] going forward, with or without the same level of chip data centers."*

*Matthew J. Flannery, CEO*

United Rentals

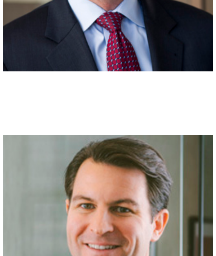
*January 30, 2025*

## 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.


TM Capital's Equipment Rental & Dealer Investment Banking Team



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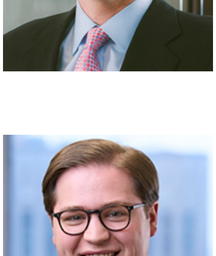

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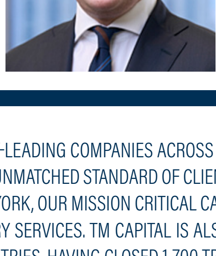

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**ABOUT TM CAPITAL, A DIVISION OF JANNEY**

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.