

Rental Solutions

M&A Report | 2022

**CONSIDERABLE M&A ACTIVITY
IN THE RENTAL INDUSTRY**



CONSIDERABLE M&A ACTIVITY IN THE RENTAL INDUSTRY

There has been considerable M&A activity in the Rental industry with multiples up to 10x EBITDA. The strongly growing market combined with the complexity, engineering and customisation of solutions are driving margins. These factors also drive valuation multiples, next to the recurring nature of the business.



BART JONKMAN
Managing Partner

"The Rental solutions sector is becoming more and more of interest to strategic buyers as well as Private Equity. This is mainly related to the continuously increased penetration of rental instead of buying, the increased possibilities on improving utilization rates and better use of capital, resulting in further improvement of margins. The higher the complexity of the solution provided and the more recurring the business, the higher the multiple."

KEY INSIGHTS

- **The European Rental Association (ERA) valued the industry at €26 bln in 2018. The global market being valued at \$93 bln (2019) and expected to grow with almost 5% per year until 2027.** The biggest market in Europe (although not the strongest grower) is the UK. France and Germany are the two other largest markets in Europe and also among the strongest growing ones. Besides, The Dutch market grows equal to the overall European market, with a 4.4% growth rate.
- **The use of rental solutions is still strongest in the (construction) equipment market.** Although we do see rental solutions spreading over other markets as well, like office equipment, plus industrial and consumer markets.
- **Key drivers of growth in the Rental industry are:**
 - The market is growing ahead of the general economy;
 - Increased regulations around safety asking for the latest up to date solutions;
 - increased penetration of rental instead of buying as a result of better use of capital and focus on Total Cost of Ownership decision making;
- Increased recognition of the role of rental in ensuring sustainable solutions;
- Long-term trend towards 'sharing economy'.
- **Valuation multiples are typically around 7.5x EBITDA** with players who are focused on more and/or relatively rare complex solutions receiving the highest multiples. In addition, the more recurring the business the higher the multiple. Listed companies being valued on an average of 10x EBITDA.
- **Managing the quality of the (asset) rental fleet is key: maintenance, replacement capex and expansion capex.**



RENTAL MARKET DRIVERS

The market shows a growing penetration grade of rental over sale. High level of complexity drives margins and customer lock-in. Furthermore, consolidation in the market is driven by the large generalists buying specialised niche businesses.

THE GLOBAL RENTAL EQUIPMENT MARKET IS VALUED AT APPROXIMATELY \$93 BLN AND IS EXPECTED TO KEEP GROWING AT A CAGR OF ~5%

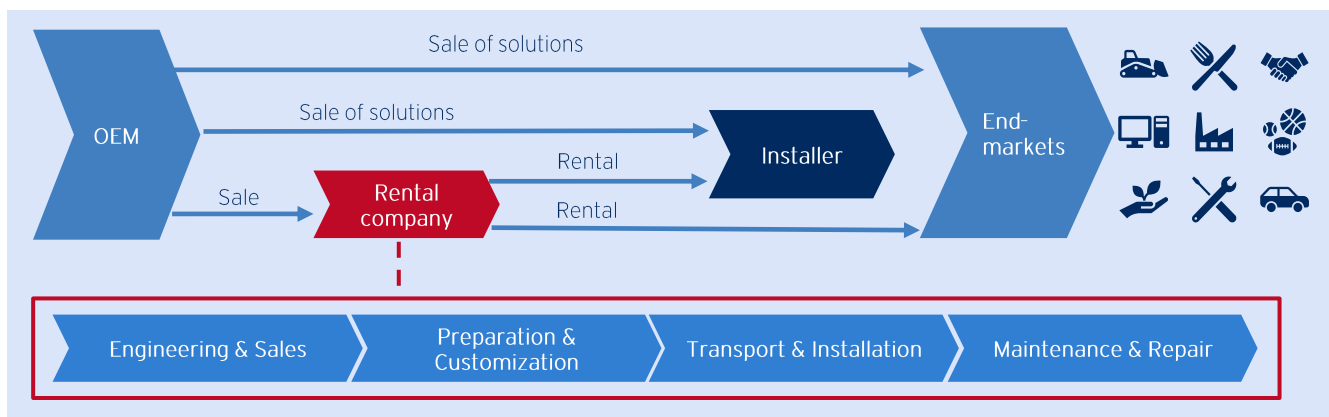
- A main driver for growth is the increased penetration of rental solutions instead of buying.
- The main reasons for end-markets to choose a rental solution are:
 - Focus on core business
 - Flexibility & direct availability of equipment
 - Temporary needs (seasonal, over-capacity, incidents etc)
 - OpEx over CapEx decision making
 - Access to high quality solutions, up to date with the newest technologies
 - Outsourced service & repair (unburdening of customer)
 - Ensuring compliance
- Another key trend is the use of technology, like track & trace and remote monitoring, which increases efficiency and transparency and helps rental companies to increase utilisation rates and henceforth margins.

CONSOLIDATION IN THE RENTAL INDUSTRY HAS BEEN A KEY TREND THE PAST 15 YEARS.

- US-based United Rentals for example, now being the largest rental business globally, has realised over 200 acquisitions. In Europe the French-based Loxam and Kiloutou, Dutch company Boels Rental and Nordic based Cramo and Ramirent are the main consolidators.
- Buyers are focused on knowledgeable, specialised rental companies with a high level of engineering and customisation, that provide their services on periodically recurring contracts, resulting in high margins and recurring revenues.
- A strong international scalable market position and growth potential are important criteria as well.
- Buyers are mainly targeting specialised rental companies focused on a niche segment. The market is still highly fragmented. In Europe the top 50 players represent 50% of the market, the top 10 close to 25%.

THE RENTAL COMPANY TAKES CARE OF THE FULL VALUE CHAIN STEPS

- The higher the level of complexity, engineering and customisation, the higher the margins realised and also the higher the level of recurring business due to a natural customer lock-in.



Sources: S&P Capital IQ, ERA Market Report 2019, Reports and Data HVAC reporting, KHL, Grand View Research

RECENT RENTAL TRANSACTIONS

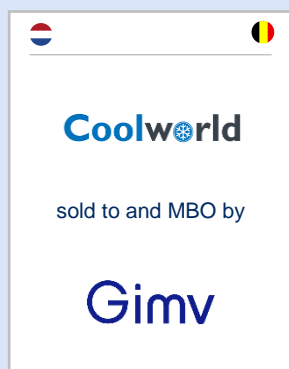
The median multiple of recent rental transactions is 7.5x. The transactions, as presented below, are all related to the rental environment and are transactions where the EV/EBITDA multiple is known.

Date	Target	Target sub-sector	Country	Acquirer	Country	EV / EBITDA
Apr/22	Rabern Rentals, LP	Heavy construction equipment rental	US	Manitex International, Inc.	US	4.6x
Feb/22	Arena Events Group plc	Turnkey event solutions rental	GB	TasHeel Holding Group; IHC Industrial Holding	SA	7.9x
Oct/21	Sizewise Rentals, LLC	Hospital equipment rental	US	Agiliti, Inc.	US	7.5x
Oct/20	Dutch Cabin Group B.V.	Temporary and permanent building rental	NL	Adapteo Oyj	FI	6.9x
May/21	General Finance Corporation	Portable storage rental	US	United Rentals, Inc.	US	10.6x
Apr/21	Nippan Rental Co.,Ltd.	Construction machinery and vehicles rental	JP	Individual person, Haruhiko Ishizuka	CN	3.0x
Dec/20	BS Rental Co., Ltd.	Consumer rental and leasing	KR	Daishin Cactus Buyout Co., Ltd.	KR	17.2x
May/19	IFCO Systems B.V.	RPC & Pallet Pooling	NL	Triton Fund	GB	10.1x
Jul/18	Bakercorp International Holdings	Containment fleet rental	US	United Rentals, Inc.	US	9.0x
Jul/18	VSM Entreprenad AB	Construction equipment leasing and rental	SE	Bellman Group AB (publ)	SE	4.0x
Nov/17	Prolift Access Limited	Powered access platform rental	GB	Speedy Hire Plc	GB	4.8x
Oct/17	Neff Corporation	Equipment rental	US	United Rentals, Inc.	US	6,9x
				Median		7.5x

SPECIFIC RENTAL CHARACTERISTICS

Managing the quality of the rental fleet and therefore the potential of the rental solutions is key in any rental company. Although rental companies are typically characterised by a relatively higher level of capex, it is important to have a detailed understanding of the split between (i) maintenance, (ii) replacement capex and (iii) expansion capex. Maintaining the fleet well on the one hand and making the right choices between for example an overhaul of an asset instead of purchasing a new asset on the other hand, will optimize the rental fleet by making use of the hidden asset reserves. These will not solely improve the utilisation of the assets and ultimately the profitability, but also result in higher valuation multiples paid by buyers.

CASE STUDY: Recent Capitalmind Rental Transactions



HVAC equipment rental

ABOUT THE DEAL

- Coolworld Rentals is a cooling and heating equipment rental company. Listed on Euronext Brussels since 1997, Gimv PE manages around €1.6 bln, invested in about 50 portfolio companies.



Electric Crane Rental



ABOUT THE DEAL

- Stravers offers extensive rental services, which are augmented with maintenance and other services plus a part in crane sales. In providing all of those services, Stravers is able to engineer the best solution for their clients



THEY RELY ON US

A selection of our recent Business Services/ Rental deals

Coolworld

sold to and MBO by

Gimv

HVAC equipment rental






Advised management of

the rent company

on the sale/MBO to


WATERLAND
PRIVATE EQUITY INVESTMENTS

Laptop rental

Châteauform'

completed a fundraising
underwritten by

naxicap
PARTNERS

Rental of corporate seminar locations






infraserv
 höchst





15 M&A and capital raising deal involving












Site services






STK STRAVERS by
Torenkranen

Sold a minority stake to

ING 

Electric Crane Rental

SIPAREX



sold its stake in


SYLPA

through a MBO supported by


Apax
PARTNERS

Electrical installation services



sold to

kiwa 
Partner for progress

Inspection




ADF

acquired

polymont

from

d.a.c.p

Industrial maintenance



Contact us

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