

# CONSTRUCTION EQUIPMENT DEALERSHIPS 2024

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# M&A DISCOVERY

## ..... NAVIGATING YOUR PATH TO SUCCESS

You've worked hard to build a successful company and create a legacy. Selling your business is a high-stakes and emotional event. You need a no-surprises approach to help guide you through the final few steps to realizing the value you have worked so hard to achieve.



# M&A DISCOVERY

## NAVIGATING YOUR PATH TO SUCCESS



We're in one of the longest-running positive M&A cycles in recent history. Even as global economic headwinds develop, corporate and private equity investors continue to experience unparalleled access to capital for potential deals. This suggests that the current wave of US industry consolidations and aggressive private equity investing will continue into the foreseeable future, even as deal volume has slowed from recent peaks.

At the same time, with increasing valuations for companies, expectations on sellers are more rigorous. Proactive preparation has become mandatory; processes are more accelerated and data-driven, quality of earnings analysis and sell-side due diligence have become critical. Sellers have to respond appropriately and with confidence as experienced buyers move toward a close.

Selling your company takes informed planning. Whether you are divesting the business completely or bringing in a private equity investor to fuel additional growth, the strategy you develop and follow will play a critical role in creating value for your shareholders and family. Everyone has access to a lot more data to value your business,. The one piece of information the market doesn't have is your story: what you've done and what the business can do next. Your story, when told effectively, can set up a clear and credible case for terms you can justify. A successful transaction will require that you are clear about buyers' expectations, understand your company's value and can evaluate and explain the prospects for your business. Many business owners approach selling their businesses as a finite deal while others have more than a one-time payout in mind. An optimum transaction will structure the deal to meet your long term goals. Before you take the first steps, you will want to work through what you want to accomplish for yourself and your stakeholders with a prospective transaction.

Whatever path you may be considering, we hope this guide serves as a useful starting point for the conversations you will have with your stakeholders, trusted employees and family, as well as your advisers as you realize the value you've worked hard to create.

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# M&A DISCOVERY

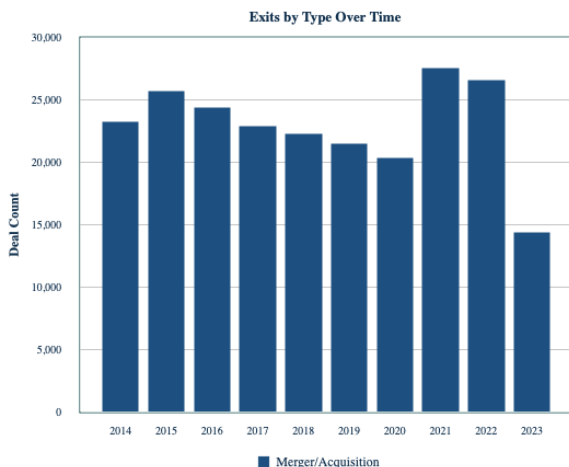
## ANALYZING TRENDS FOR 2024 & BEYOND

As we delve into the current market landscape, there's a distinct sense of optimism surrounding the M&A arena, particularly as we anticipate 2024 and the transition into 2025.

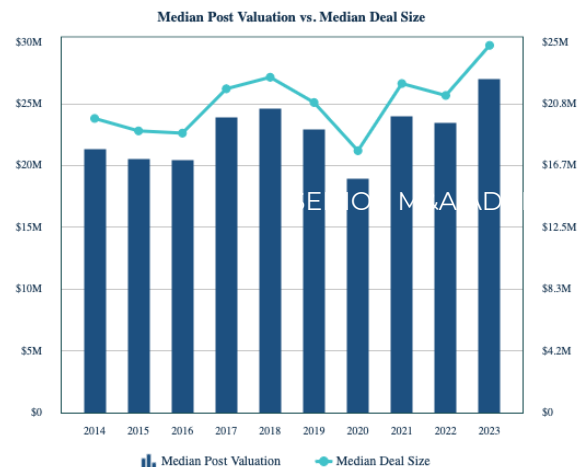
While we acknowledge that the broader macroeconomic conditions will undoubtedly continue to exert influence over dealmaking activities, there is a notable silver lining on the horizon—an impending period of increased interest rate stability. This newfound stability is poised to create an environment that is far more conducive for dealmakers, enabling them to confidently and accurately assess transaction pricing.

In our assessment, M&A has evolved into a pivotal "growth driver" unlike any we've witnessed in recent years. Business leaders across industries are increasingly recognizing its potential as a potent tool for strategically repositioning their enterprises, catalyzing growth through targeted acquisitions, and ultimately delivering sustainable, long-term outcomes.

## US M&A VOLUME & VALUE TRENDS



Source: PitchBook Data



Source: PitchBook Data



# M&A DISCOVERY

## SELLERS PREPARE FOR SUCCESS

As we cast our sights forward, we anticipate the emergence of strategic buyers with cash on their balance sheet actively seeking strategic opportunities. Main street to the mid-market segment, encompassing lower to mid-tier M&A activities, is expected to take center stage, with divestitures playing a pivotal role in shaping the deal pipeline. For prospective buyers, securing access to capital will be of paramount importance, necessitating a meticulous approach to financial and non-financial due diligence.

Conversely, for those contemplating the sale of their businesses, meticulous preparation will be the linchpin to achieving success in this dynamic and ever-evolving M&A landscape. Business owners should be prepared and primed to capitalize on the fast-paced and potentially transformative M&A opportunities that lie ahead.

### PREPARATION IS KEY

#### What buyers want

##### Buyers are paying more attention to:

- new strategic growth and value creation levers
- business model transformation opportunities
- technological capabilities (i.e., cloud, cyber, AI)
- a clear hypothesis of impact of generative AI on the business model
- deeper data analysis
- operating model robustness and durability
- Acquiring and retaining talent
- roadmaps to sustainable transformation

#### How can sellers get “deal ready”?

##### Savvy sellers need to prepare:

- a compelling equity story with quality supporting data
- a transformation strategy with targets and KPIs
- a detailed M&A roadmap
- new growth levers
- cost reduction opportunities
- a technology roadmap
- a scenario analysis of upsides and risks (including AI)
- an operations strategy and leverage
- a workforce strategy and metrics
- financial and operating data to meet sustainability reporting requirements



# M&A DISCOVERY

## MARKET OVERVIEW

Within the realm of Construction Equipment Dealerships, a crucial role is played in the supply chain of construction and excavation machinery, fundamental to the successful execution of major infrastructure projects nationwide. These dealerships provide indispensable solutions to the construction and mining sectors, forming the backbone of these industries. As demand continues to surge within these sectors, the need for industry-specific products intensifies. Over the past five years, this dynamic has translated into an impressive Compound Annual Growth Rate (CAGR) of 1.4%, propelling industry revenue to reach \$125.1 billion, with a notable 0.8% uptick in 2023 alone. Furthermore, 2023 witnesses industry profit, measured as earnings before interest and taxes, accounting for 5.0% of industry revenue.

While the initial impact of the COVID-19 pandemic led to a sharp decline in demand from the construction and mining sectors, adversely affecting dealerships and resulting in a dip in industry revenue, subsequent years marked a remarkable turnaround as the economy bounced back. Post-pandemic, heightened private investment in industrial equipment and machinery acted as a catalyst, injecting renewed vitality into the industry.

Looking ahead, the industry is poised for consistent growth over the next five years, with industry revenue projected to rise at a CAGR of 1.0% to reach \$131.5 billion. Dealerships specializing in construction and mining equipment are strategically positioned to capitalize on the opportunities presented by the Infrastructure Investment and Jobs Act, which earmarks substantial funding for construction projects—a pivotal market for the industry. Nevertheless, it's important to note that the growth rate may not replicate the extraordinary pace witnessed in the current period.

In summary, the industry is undergoing a resurgence and stands ready to harness the increasing demand as the economy stages a recovery, and significant infrastructure initiatives gain momentum under the auspices of new legislative endeavors.



# M&A DISCOVERY

## INDUSTRY TRENDS

### Expanding Industry Revenue: The Impact of Construction Sector Demand

- The construction sector's sheer scale establishes it as a pivotal revenue source within the industry's landscape.
- The majority of construction projects necessitate the procurement of machinery like tractors, graders, and rollers, primarily sourced from dealerships.
- The onset of the COVID-19 pandemic instigated widespread consumer uncertainty, dampening spending sentiments temporarily.
- Reduced consumer outlays on tourism and social activities during the pandemic resulted in surplus income redirected towards home improvement endeavors, effectively mitigating industry downturns in 2020.

### Fragmentation Persists: Limited Competition Dynamics

- Virtually all manufacturers specializing in construction distribute their products via dealership networks. These manufacturers typically appoint a singular dealership entity as their regional representative.
- Predominantly, significant dealerships wield substantial influence over product pricing. Given the immense requirements of the construction sectors, they rely heavily on these dealership for their equipment acquisitions.
- Dealerships persistently reinforce their monopolistic positions within their designated operational regions.



# M&A DISCOVERY

## INDUSTRY OUTLOOK

### Driving Demand from the Construction Sectors

- The forthcoming improvements in the nonresidential construction market are poised to trigger increased investments in new machinery and equipment by companies engaged in constructing offices, industrial facilities, and infrastructure.
- A surge in consumer spending and corporate profitability is anticipated, augmenting the demand for industry products as private nonresidential construction activities in sectors like business and retail expand.
- Conversely, mining sector demand is projected to dwindle, exerting downward pressure and constraining potential revenue growth.

### Boosted Revenue via Expanded Infrastructure Investment

- The Infrastructure Investment and Jobs Act, a substantial legislation signed into law by Congress in 2021, earmarks hundreds of billions of dollars for the overhaul and modernization of US infrastructure.
- Anticipated increments in utilities construction values and enhanced government funding for highway projects will further amplify the demand for industry products.
- Despite the expected upswing in revenue in the near future, industry profitability, gauged in terms of earnings before interest and taxes (EBIT), is forecasted to maintain its stability.
- A significant portion of the rising revenue will be absorbed by mounting employment costs and the emergence of a greater number of new enterprises.





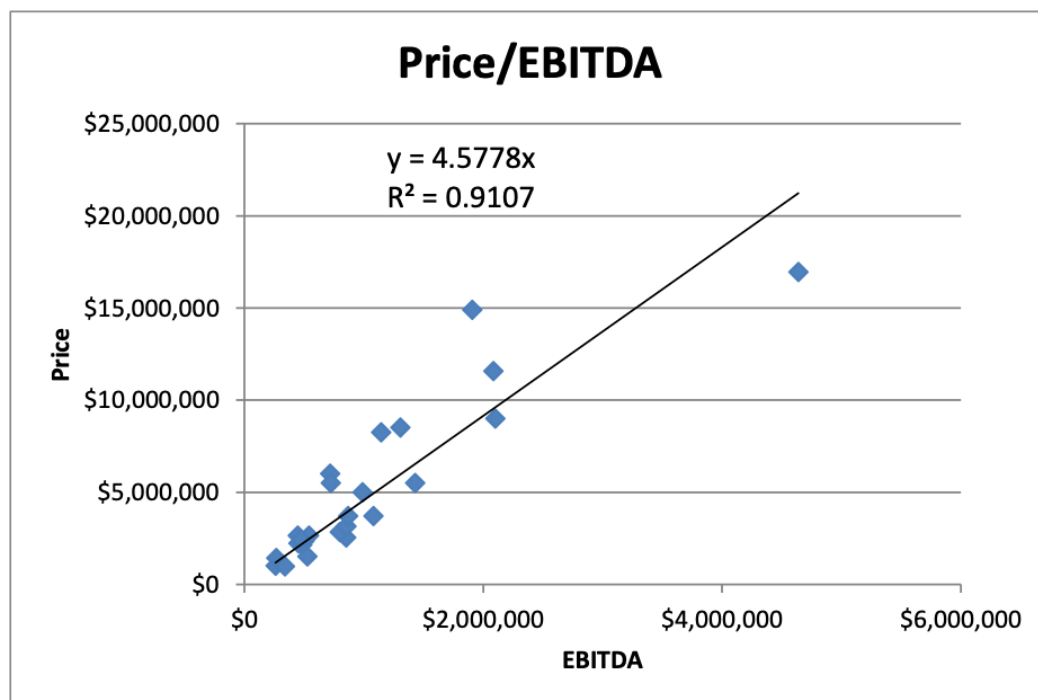
# M&A DISCOVERY

## LARGE MAIN STREET BUSINESSES TRANSACTIONS

### Regression Analysis of Construction Equipment Dealership Transactions

Below is a chart illustrating the results of a regression analysis conducted on Construction Equipment Dealerships transactions using data sourced from PeerComps. In this chart, each diamond symbolizes a company that has been sold, and its position on the chart represents the corresponding sale price (on the left axis) in relation to a specific financial metric (on the bottom axis).

In the equation that characterizes the line that best fits these observations, "y" denotes the value (sale price), and "x" signifies the financial metric (EBITDA). The numerical value associated with this equation represents the multiple applied. Additionally, we use R-squared as a statistical metric to assess how well this equation aligns with the actual outcomes. R-squared ranges from 0 (indicating no correlation) to 1.0 (indicating a perfect correlation).



# M&A DISCOVERY

## ..... INDICATION OF VALUE: MAIN STREET BUSINESSES

This indicative valuation range is based on EBITDA analysis relative to other companies that have sold. Once we receive detailed financials, we can perform a more thorough assessment based on Seller's Discretionary Earnings (SDE) and EBITDA, that may increase the value, or could decrease it, depending on the various expenses of each location.

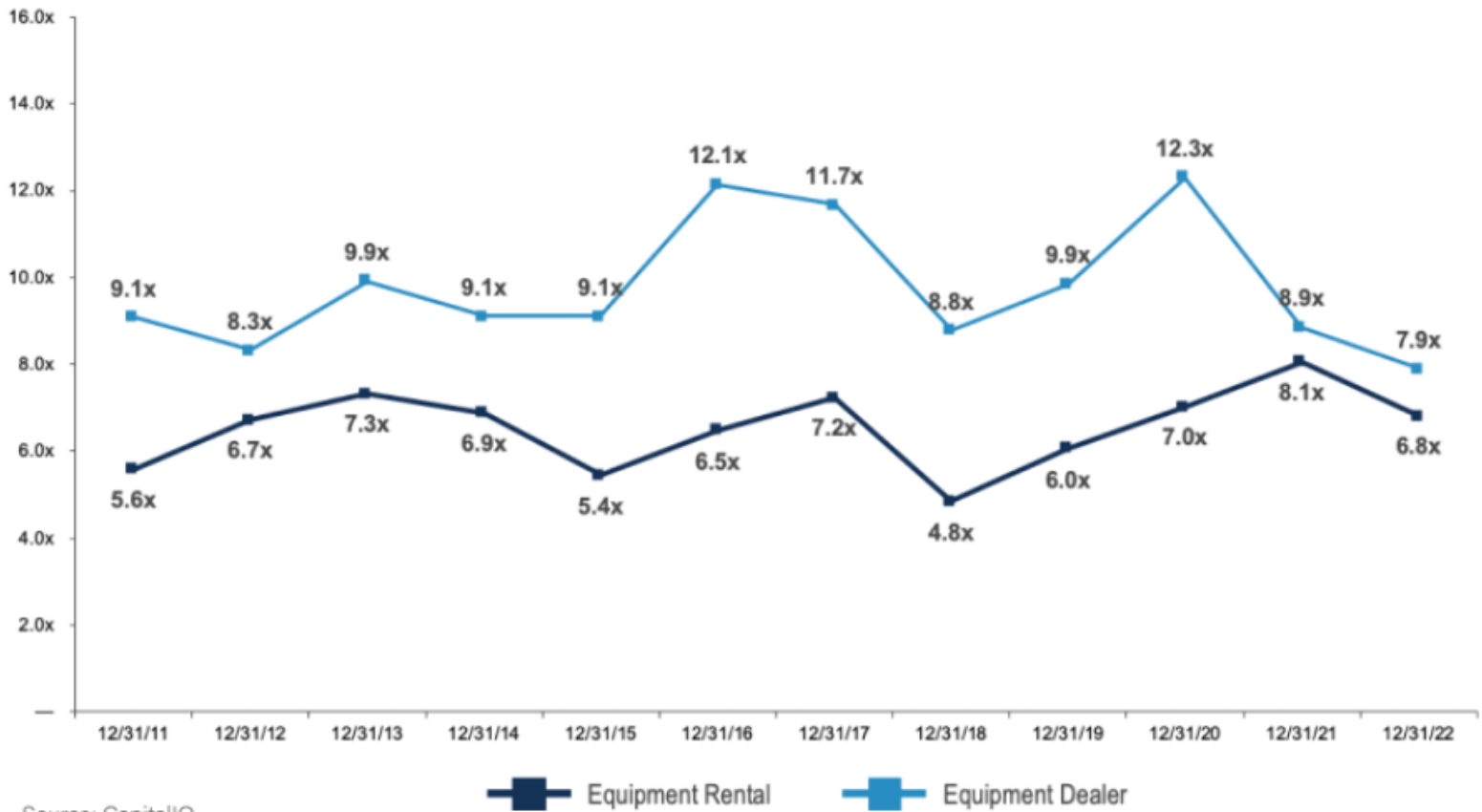
EBITDA	Indicative Value Range
Less Than \$100,000	N/A
\$100,000 - \$250,000	\$458,000 - \$1,145,000
\$250,000 - \$500,000	\$1,145,000 - \$2,290,000
\$500,000 - \$1,000,000	\$2,290,000 - \$4,580,000
\$1,000,000 - \$2,500,000	\$4,580,000 - \$11,450,000
\$2,500,000 - \$5,000,000	\$11,450,000 - \$22,900,000



# M&A DISCOVERY

## MULTIPLE RANGES PAID BY STRATEGIC BUYERS

HISTORICAL EQUIPMENT RENTAL & DEALER ENTERPRISE VALUE / EBITDA TRADING MULTIPLES <sup>(1)</sup> <sup>(2)</sup> <sup>(3)</sup>



Source: CapitalIQ

(1) Equipment Rental Index: AHT, CTOS, HEES, URI, HRI

(2) Equipment Dealer Index: ALTG, FTT, RUSH.B, TITN, TIH, WJX

(3) Median of comps set

2023 Equipment Rental & Dealer Report

### Regression Analysis of Construction Equipment Dealership Transactions

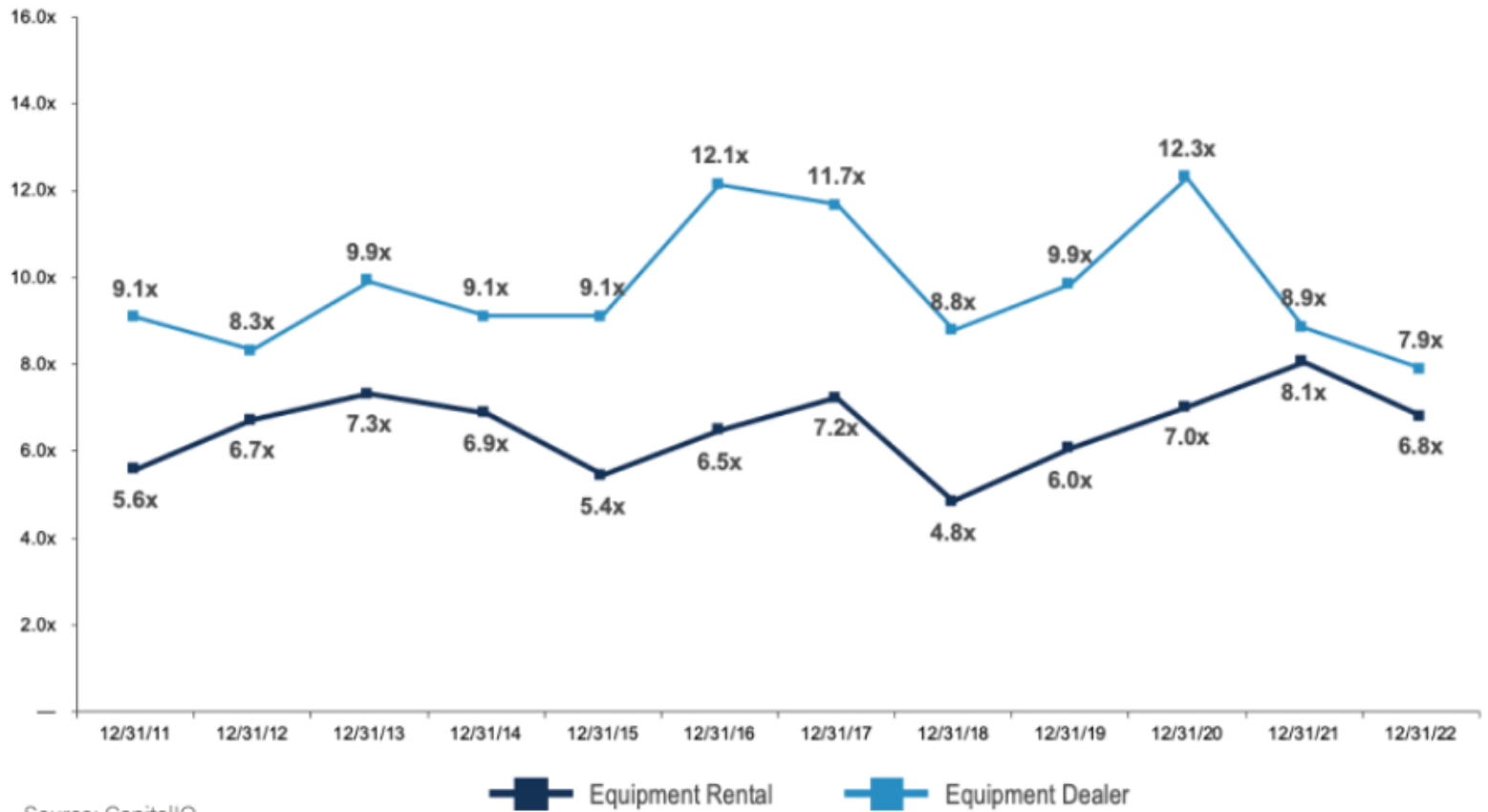
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# M&A DISCOVERY

## UNDERSTANDING YOUR SALEABILITY

### HISTORICAL EQUIPMENT RENTAL & DEALER ENTERPRISE VALUE / EBITDA TRADING MULTIPLES <sup>(1)</sup> <sup>(2)</sup> <sup>(3)</sup>



Source: CapitalIQ

(1) Equipment Rental Index: AHT, CTOS, HEES, URI, HRI

(2) Equipment Dealer Index: ALTG, FTT, RUSH.B, TITN, TIH, WJX

(3) Median of comps set

2023 Equipment Rental & Dealer Report

### Regression Analysis of Construction Equipment Dealership Transactions

Be



# WHO WE ARE



We are a skilled team of trusted and experienced M&A advisors specializing in lower-middle market companies ranging from \$5MM to \$50MM in annual revenue. Our primary objective is to help your clients determine an accurate business valuation and develop an exit strategy that matches their timeline and meets their financial expectations. Our dedicated team of advisors will handle the complexities and noise of searching for the right buyer and completing the transaction so that your clients can stay focused on running and growing their business.

Our client-centric approach and demonstrated results have made us the partner of choice for many great companies. Our goal is to maximize the value of your client's company and maximize cash to shareholders. When you choose to partner with us, you are opting for the full-service approach. Your clients enjoy:

**AN INITIAL DEEP-DIVE  
CONSULTATION AND  
BUSINESS VALUATION**

**OUR CONFIDENTIAL  
MARKETING PROCESS  
DESIGNED TO SELL  
YOUR BUSINESS**

**A THOROUGH  
SCREENING OF  
PROSPECTIVE BUYERS**

**PROVEN SALES PROCESS  
CONFIDENTIALLY,  
DISCREETLY,  
AND PROFITABLY**

**NEGOTIATING OFFERS  
AND STRUCTURING  
THE DEAL**

**EXPERTISE DURING  
DUE DILIGENCE AND  
CLOSING**

We have extensive real-world experience in business research and advanced analytics. We understand the importance of data, information, and action. This gives us a unique perspective on M&A deals and allows us to deliver similarly unique outcomes for your clients. We welcome the opportunity to discuss our process with you and share our blueprint for success.



# OUR SERVICES

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**BUSINESS  
BROKERAGE**



**MERGERS &  
ACQUISITIONS**



**BUSINESS  
VALUATION**

# OUR SUCCESS

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**96%**

BUSINESSES WE  
SELL TRANSACT FOR  
AT LEAST 96% OF  
THE LISTED PRICE,  
ON AVERAGE

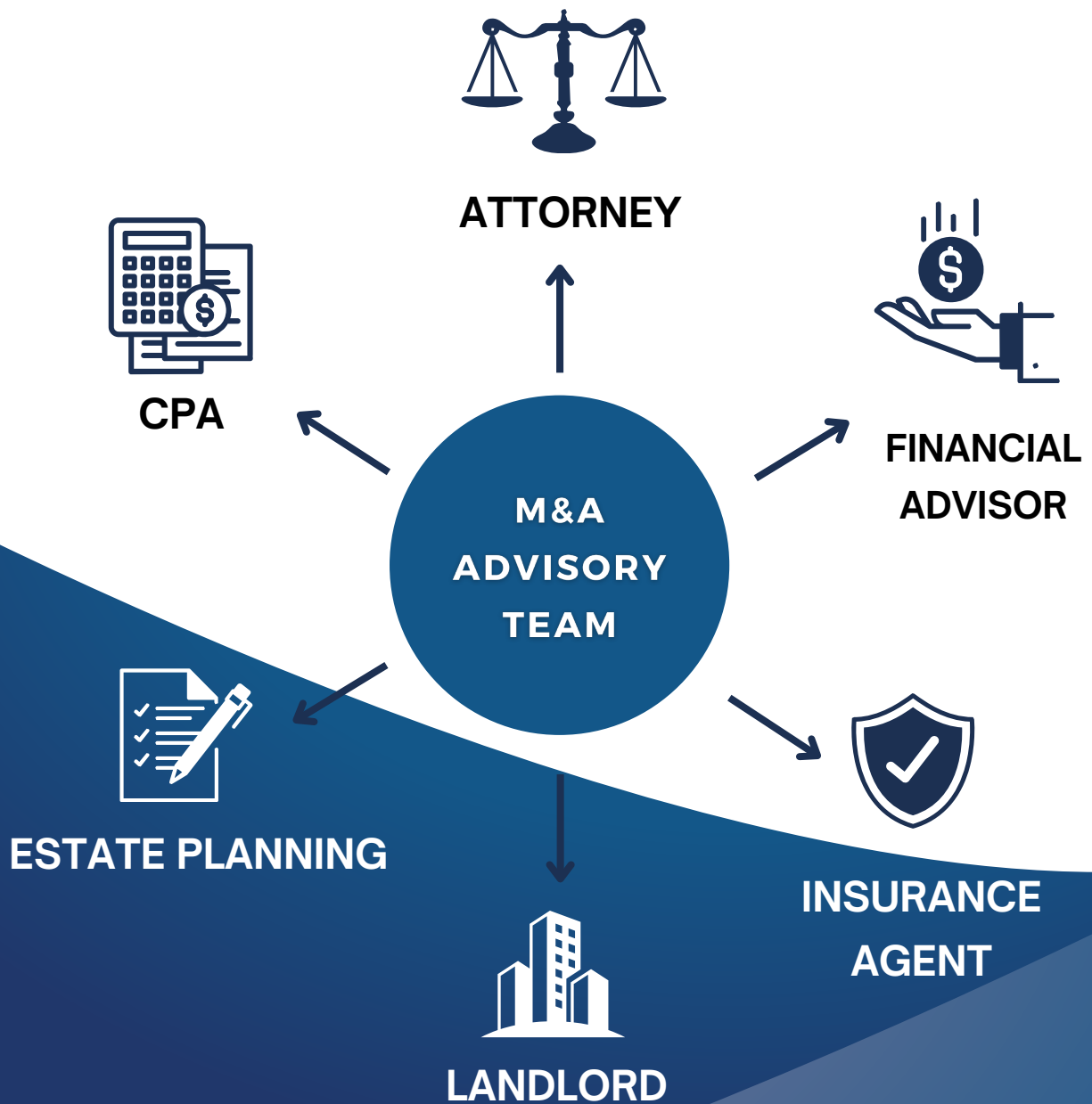
**\$419MM**

TOTAL TRANSACTION  
VOLUME NATIONWIDE  
IN 2022

**140+**

OVER 140 OFFICES  
ACROSS THE U.S. HELPING  
TO CONNECT YOUR  
BUSINESS WITH BUYERS

# HOW WE MANAGE THE DEAL TEAM



# WE BRING BUYERS TO THE TABLE



Our network of buyers share our passion for building strong relationships and thinking long-term when it comes to mergers and acquisitions. We have a proven track record of working with many types of buyers across multiple industries.

**STRATEGIC BUYERS**

**PRIVATE EQUITY  
GROUPS**

**HIGH NET  
WORTH INDIVIDUALS**

**FAMILY OFFICES**

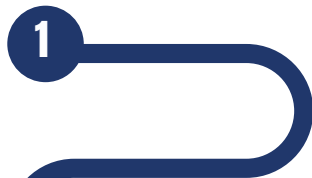
We leverage our buyer network to provide our sell-side clients with rich opportunities and to entice prospective buyers to bring in compelling offers. Our buyers are interested in acquiring great companies.



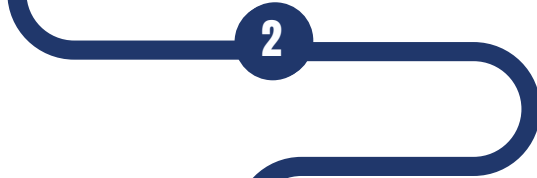


# 4 STEPS TO QUALIFIED OFFERS

**BUSINESS VALUATION**



**OFFERING PACKAGE**



**MARKETING PLAN**



**SCREEN PROSPECTS**

**EVALUATE OFFERS**



# TULLY RYAN

## CERTIFIED M&A ADVISOR

Tully Ryan, a recognized industry leader, serves as the firm's managing director. A Certified M&A Advisor and licensed real estate broker, Tully has over 30 years of experience leading companies in all facets of business including business development, go-to-market planning and execution, financial controls, capital raises, and acquisitions. Tully has also served on various boards including the East Carolina University Board of Visitors and the Carolina Virginia Business Brokers Board of Directors.



# JESSE STONE

## CERTIFIED M&A ADVISOR

Jesse Stone, is a South Carolina native who has been a top Merger and Acquisition Advisor for close to a decade. Jesse has 20 years' experience starting, acquiring, selling and brokering companies in the Southeast. Jesse has served on several chamber of commerce boards, community development and economic boards in the Carolinas. Jesse has a passion to assist business owners in successfully exiting their company.

# JASON ROWE, PHD

## SENIOR M&A ADVISOR

Jason Rowe has over 25 years of business-to-business sales and marketing experience. Jason specializes in the use of historical databases and predictive analytics to maximize business valuation across all industry sectors. He holds a PhD in Business Administration (Marketing) from the University of Kentucky and an MBA and BBA in Marketing, both from Marshall University.



# CLIENT TESTIMONIALS



”

Tully Ryan and the team at Murphy Business Sales have a deep understanding of our market, the competitive landscape and important trends. Their tailored approach resulted in a terrific outcome for the acquisition of our (business) as well as our employees who are excited about the next phase of the company. Murphy Business’ valuable counsel, experience, and diligent process management were all critical in achieving a great result.

**-George Leviton**

***COO OF TWIN TOWERS TRADING SITE MANAGEMENT LLC***

# CLIENT TESTIMONIALS

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”

Tully, and the entire Murphy Business Team, streamlined our acquisition management processes through seamless communication and collaboration between Monro and Murphy. They Identified existing automotive repair and tire chains for acquisitions, assisted with due diligence and negotiating the purchase, directed real estate lease related activities, and managed the process through closing — all in coordination with our Legal and Finance team. Tully and his team got things done in an expeditious and efficient manor, adding value to our M&A group by allowing us to focus on priority issues and close more transactions.

**-Paul Barrata**

***VICE PRESIDENT OF REAL ESTATE MONRO, INC.***

# CLIENT TESTIMONIALS

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”

We were looking for a team that had experience with middle market acquisitions. Our Wells Fargo Wealth Advisor referred us to Ron Buck and Tully Ryan with Murphy Business Sales, and we got exactly what we were looking for. Ron, Tully, and the entire Murphy team not only met, but far surpassed our expectations. We were extremely satisfied with their expertise, thoroughness, and level-headed navigation through the inevitable noise of the transaction. Not to mention the price, terms, strength of the buyer, and the time it took to complete the transaction. We really appreciate all that they did for us, from initial engagement to closing (and even post-closing), and would highly recommend them to other owners interested in selling their business.

**-Mark Edelman and Ken McMullen**

*CO-OWNERS, MARK-AIR, INC*

# CLIENT TESTIMONIALS

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”

Overwhelmingly positive experience with Murphy Business. I tried selling my business for 3 years with a different business broker and within 167 days after listing, Murphy Business found a buyer and closed the sale for 100% of our asking price. I have had an overwhelmingly positive experience with the Murphy Business Services team and Tully Ryan. I have found Tully to be honest, knowledgeable, and attentive to the needs of both buyer and seller.

By setting realistic expectations and using his expertise and past experiences, Tully brings incredible value to both sides of the transaction, facilitating successful transactions which maximize value for sellers, while simultaneously setting up a buyer for long-term success. I would not hesitate in recommending him to anyone who is seriously considering selling their business.

**-Chris Carpenter**

***PRESIDENT***

# CONTACT US



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