



Private Equity Sector Brief

Industrial Services

Executive Summary: Industrial Services

This brief outlines the market opportunity, thematic drivers and an overview of market fragmentation for the industrial services sector. It is intended to serve as a roadmap for private equity firms developing an investment thesis or targeting an acquisition in the space.

End Segments Defining Industrial Market:

- ✓ Data Centers
- ✓ Power Generation
- ✓ Oil & Gas
- ✓ Manufacturing

Industrial Services¹ Outlined:

- ✓ Electrical
- ✓ Mechanical
- ✓ Conveyers
- ✓ Boiler/Chiller
- ✓ Sheet Metal
- ✓ Millwright/Rigging

Strategic Case for Industrial Services

Industrial services across the four end segments present a compelling investment opportunity, anchored by their mission-critical nature, recurring revenue streams and a highly fragmented competitive landscape. This fragmentation supports scalable, acquisition-led growth, with significant opportunities for value creation and operational efficiency. Several unique market characteristics create a landscape primed for investment.

Mission-Critical Nature

- Ongoing maintenance and inspection of essential electrical and mechanical systems are crucial for safety, efficiency and regulatory compliance. More importantly, owners recognize that downtime is far costlier than investing in proper maintenance. These services ensure facilities and production lines operate without disruption, protecting both performance and profitability.

Recurring Revenue Model

- Multiple-year service contracts generate predictable, recurring revenue streams. This enhances cash flow visibility and supports long-term customer relationships.

Integrated Multi-Trade Growth

- Facility owners are demanding greater efficiency and simplified procurement, making providers that deliver both new construction and ongoing service across multiple trades increasingly valuable. Yet few firms currently offer this at scale.
- This gap represents two complementary opportunities: capturing client demand through bundling services and pursuing bolt-on acquisitions to build a more integrated and expansive multi-trade platform.

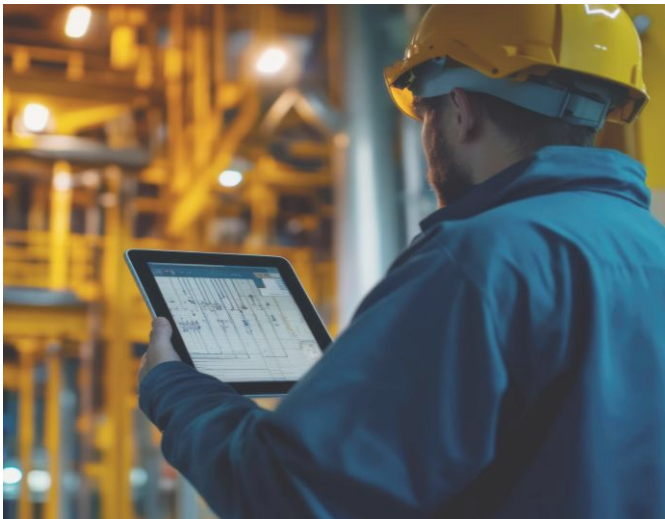
Market Size and Growth Potential

Industrial services represents a stable and growing sector of the construction industry.

- **Total U.S. market:** estimated at \$223 billion in 2025, projected to exceed \$265 billion by 2029 at a 4.4% compound annual growth rate (CAGR).
- **In 2025, maintenance, repair and overhaul (MRO) services** are expected to represent \$56.5 billion in annual spending, while new construction, renovation and retrofits account for \$166.9 billion. MRO is forecast to grow at a 6.6% CAGR from 2025 to 2029, outpacing the 3.7% CAGR projected for new construction, renovation and retrofits during the same period.

¹. Does not include coatings, refractory services, automation, etc.

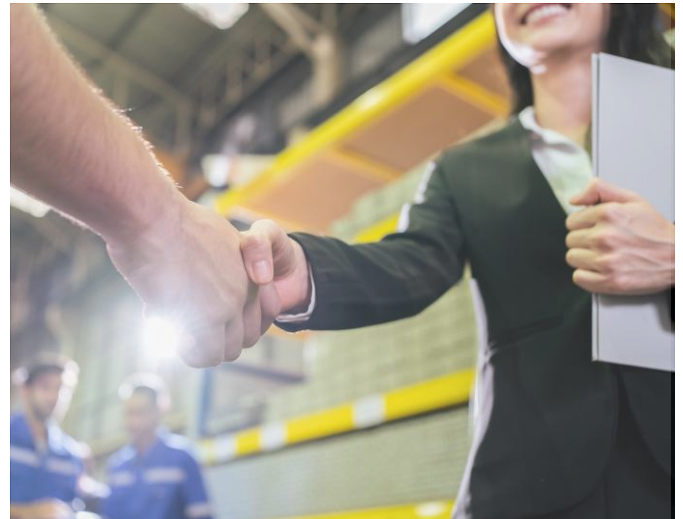
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Key Growth Drivers

Industrial services are being propelled by increased reshoring efforts and growth in segments critical to economic competitiveness, as well as an expanding installed base driven by aging infrastructure and heightened construction activity following the pandemic. These trends, along with growing owner demand to streamline procurement by relying more on multi-trade contractors rather than in-house talent, are reinforcing demand for new construction, renovation and ongoing maintenance work.

- **70% of the industrial install base is 35+ years old.**
- Manufacturers are increasingly considering reshoring operations as a response to **supply chain vulnerabilities, labor shortages, and shifting trade policies and government incentives.**
- The rapid expansion in data centers, artificial intelligence and semiconductor production is **creating strong demand for contractors** equipped with the technical capabilities to operate in highly specialized and complex environments.

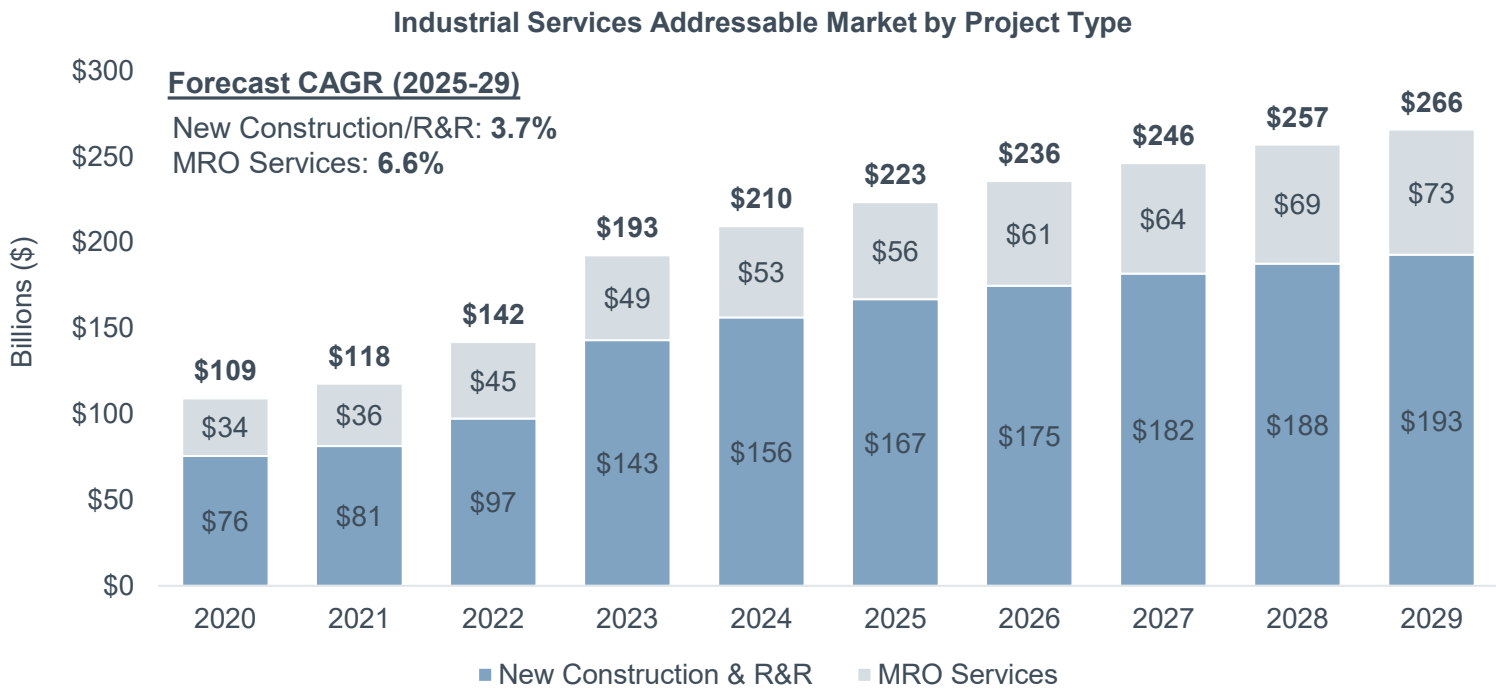


Competitive Landscape and Acquisition Opportunity

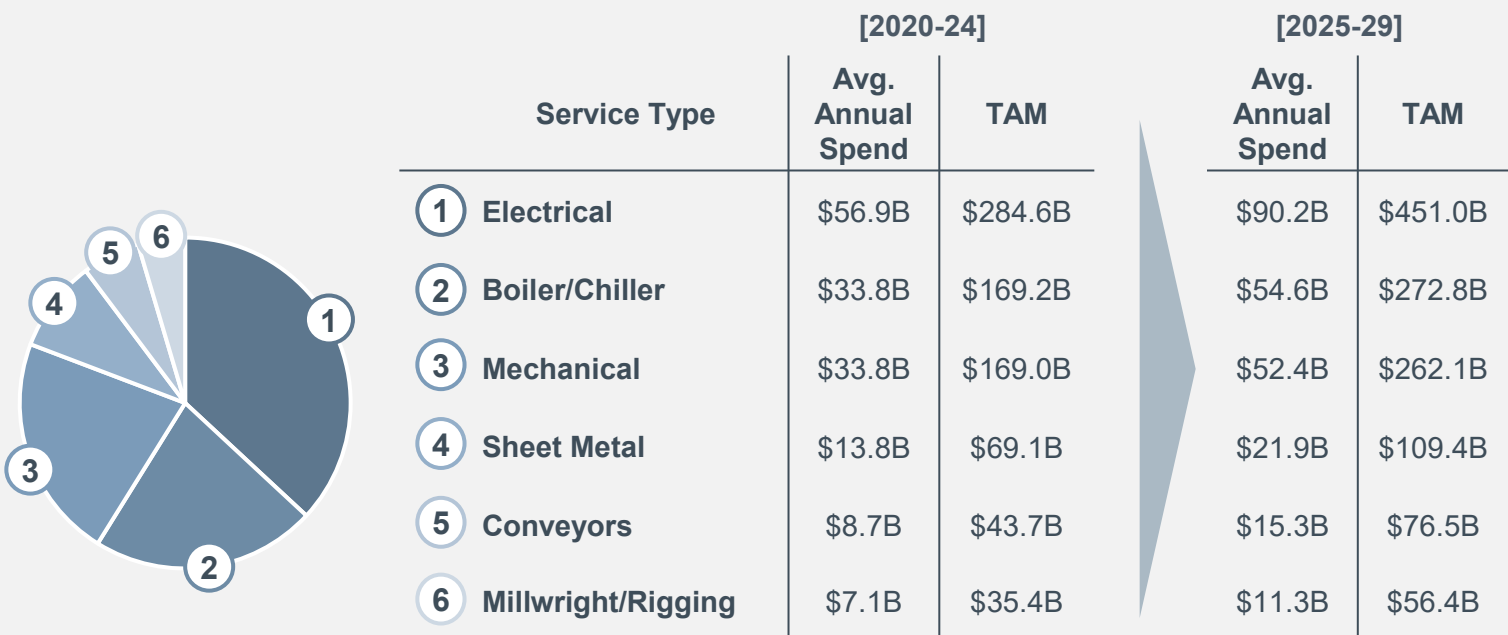
- The market composition of industrial service providers is **highly fragmented.**
- The market remains dominated by local and regional firms, with only a limited number of contractors possessing the scale, end segment specialization and service breadth to operate as true full-service partners to facility owners. This dynamic presents significant opportunity for consolidation, with a broad pool of acquisition targets spanning geographies and specialized service lines.
- **With limited national players and a market projected to exceed \$265 billion by 2029, the sector is primed for increased investment, consolidation of regional providers and the buildout of scalable platforms designed to better serve the evolving needs of industrial facility owners.**

Market Size and Growth: Industrial Services

U.S. Industrial Services Market Opportunity

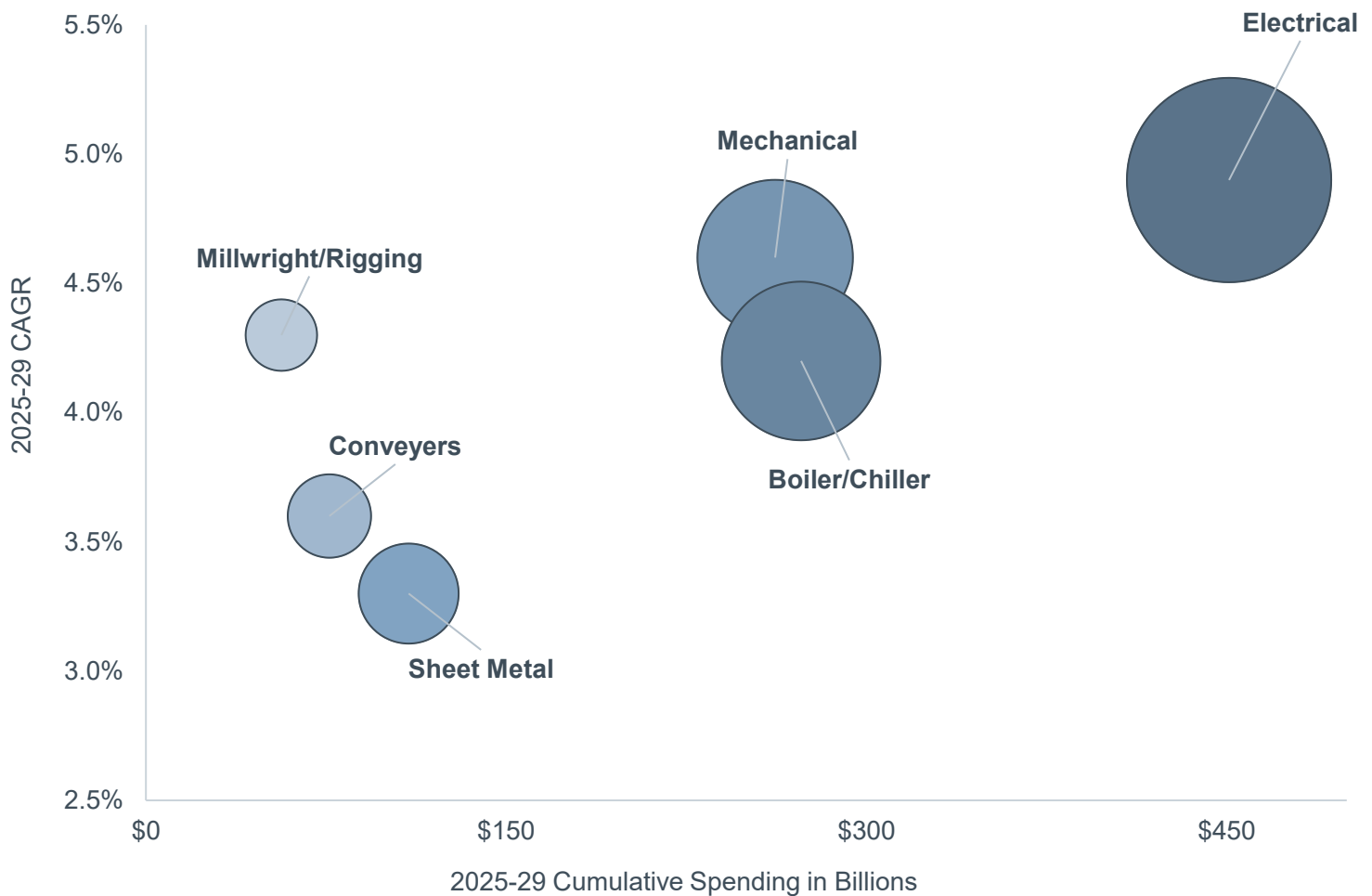


- MRO presents an attractive opportunity for buyers given its resilience in economic downturns, largely due to the **essential, non-deferrable nature** of these activities.
- The industrial services market expanded by **92% between 2020 and 2024**, driven by **inflation-induced increases in construction costs and a strong post-pandemic rebound in new construction projects that were paused or delayed until markets reopened**. Growth was also spurred by federal infrastructure investment and demand for higher power-generation output.



Market Size and Growth: Industrial Services

U.S. Industrial Services Market Opportunity & Trade-Specific Trends



Key Trends Elevating Demand for Specialty Trades

- **Electrification and Automation:** The shift to electrified equipment and processes, combined with advanced automation in manufacturing, is significantly increasing both power demand and the complexity of mechanical systems. As a result, owners are consulting contractors across the spectrum, from mechanical and electrical to fabricators, about how to best position their facilities to respond to these shifts.
- **Energy Efficiency and Sustainability:** Tightening efficiency standards and decarbonization mandates are compelling operators to upgrade systems that reduce emissions and lower operating costs. This is creating opportunities for contractors and service providers that prioritize energy efficiency, as owners are increasingly choosing partners who can help them meet these goals.
- **Complex Facility Buildouts:** Rising capital investment across the industrial landscape is driving the development of larger, more technically sophisticated facilities. This is especially evident in oil and gas and advanced manufacturing, where average facility square footage is growing and the high cost of downtime amplifies the need for highly skilled industrial service providers. The current new-build activity in these sectors creates a long-term opportunity for MRO.

Industry Tailwinds and Drivers: Industrial Services

Why Industrial Services Has Attractive Fundamentals

Primary Drivers

Aging Industrial Infrastructure

- As industrial infrastructure ages, facility owners are increasingly investing in maintenance, regulatory upgrades and modernization to align with evolving manufacturing technologies and performance standards. **Approximately 50% of the U.S. industrial building stock was constructed before 1980, and nearly 70% before 1990.** This aging footprint serves as a key driver for renovation and new construction, reinforcing the essential role of industrial contractors across all trades.

Reshoring Manufacturing

- Reshoring efforts continue to accelerate as manufacturers respond to persistent supply chain disruptions and labor market considerations. At the same time, U.S. political measures such as tariffs and tax incentives are reinforcing sentiment in favor of expanding and modernizing domestic manufacturing capacity.
- Federal policies such as Build America Buy America, the Inflation Reduction Act and evolving trade strategies are further reinforcing domestic production as a national priority. **These factors have expanded the installed base of industrial facilities, driving demand for a greater volume of master service agreements (MSAs) and creating new opportunities for industrial contractors to service and support ongoing operations.**

Secondary Drivers

Growth in Industrial End Segments Critical to Economic Competitiveness

- Shifting federal policy and corporate priorities are renewing the focus on industrial end segments critical to domestic supply chains and long-term competitiveness.
- High-growth areas such as energy, semiconductors, AI infrastructure and pharmaceutical manufacturing are receiving increased private and public investment due to their foundational role in technological leadership and economic resilience.
- This growth is creating sustained demand for contractors capable of supporting complex, regulation-driven and capital-intensive environments, positioning the industrial services market for long-term opportunity.

Increasing Demand to Outsource MRO Services to Multi-Trade Contractors

- Facility owners are increasingly outsourcing MRO services to multi-trade contractors as part of a broader shift toward streamlined procurement.
- By consolidating services with a single provider, owners reduce administrative complexity and improve accountability. This trend is most evident in the electrical trade, where outsourcing has accelerated amid rising system complexity from the integration of automation, digital controls and energy management systems.
- Beyond criteria such as safety and quality, owners value technical expertise and availability. Multi-trade contractors that align with these priorities are becoming the preferred partners for ongoing MRO services.

Industry Tailwinds & Drivers: Industrial Services

Key Themes Across Each End Segment



Data Centers

- FMI estimates **U.S. data center construction-related spending will expand at a 16.9% CAGR from 2025 to 2029**, driven primarily by accelerating AI adoption and the rapid growth of cloud services, both of which require significant computing power and specialized infrastructure.
- These forces are **reshaping data center design: the average facility grew 141% in square footage since 2010, while the average site acreage increased 123%**.
- As buildouts become larger and more complex, contractors with a workforce capable of flexibly scaling to meet the demands of these large projects will be best positioned to grow market share.

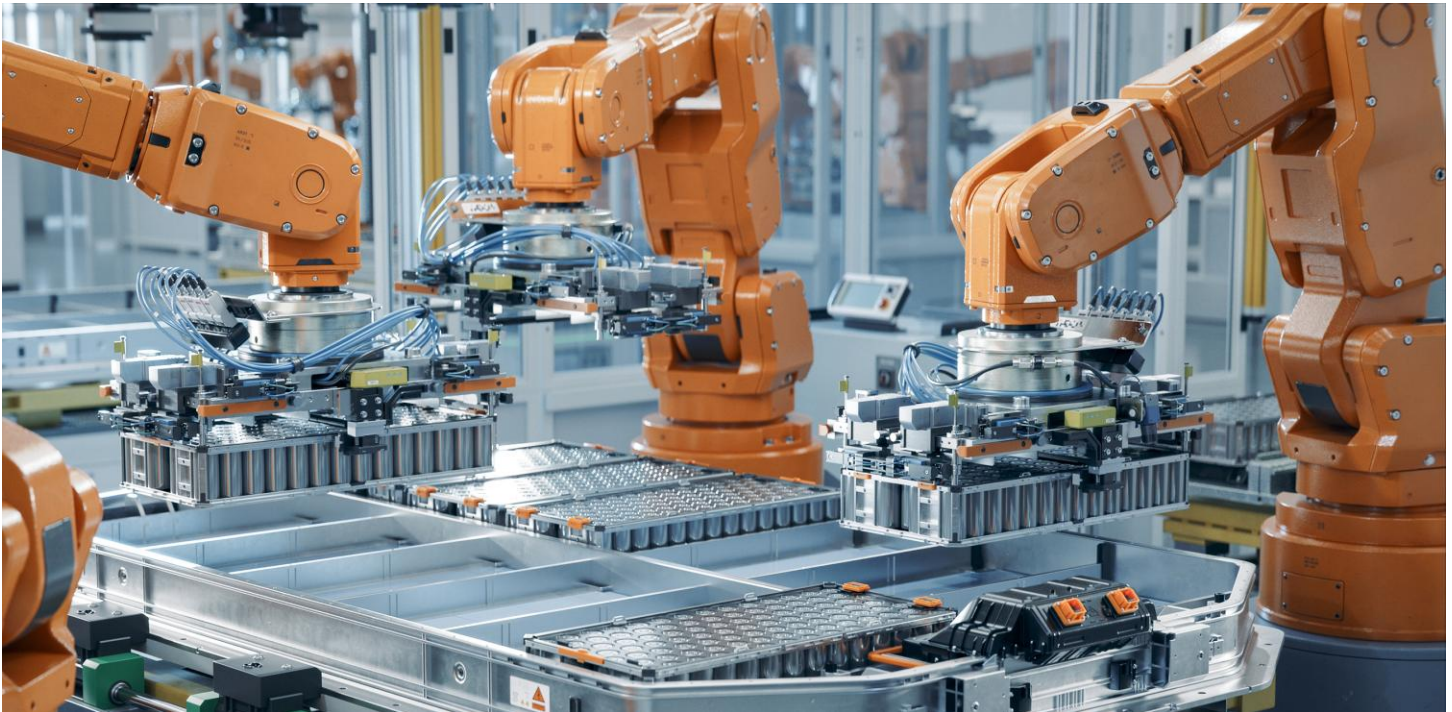


Power Generation / Oil & Gas

- **FMI estimates the U.S. power market will grow at a 5.8% CAGR from 2025 to 2029.**
- Growth is fueled by rising electricity demand from artificial intelligence, along with expanding data storage and transmission needs, all of which depend on highly reliable power to function.
- Even as policy incentives shift, wind and solar are strengthening their role in U.S. power generation, and nuclear, though subject to rigorous regulatory review, is gaining momentum, exemplified by the growing interest in small modular reactors.
- Fossil fuels (natural gas, coal, etc.) remain the largest source of electricity generation and are expected to continue to play a central role in ensuring grid stability and reliable baseload supply.

Industry Tailwinds & Drivers: Industrial Services

Key Themes Across Each End Segment

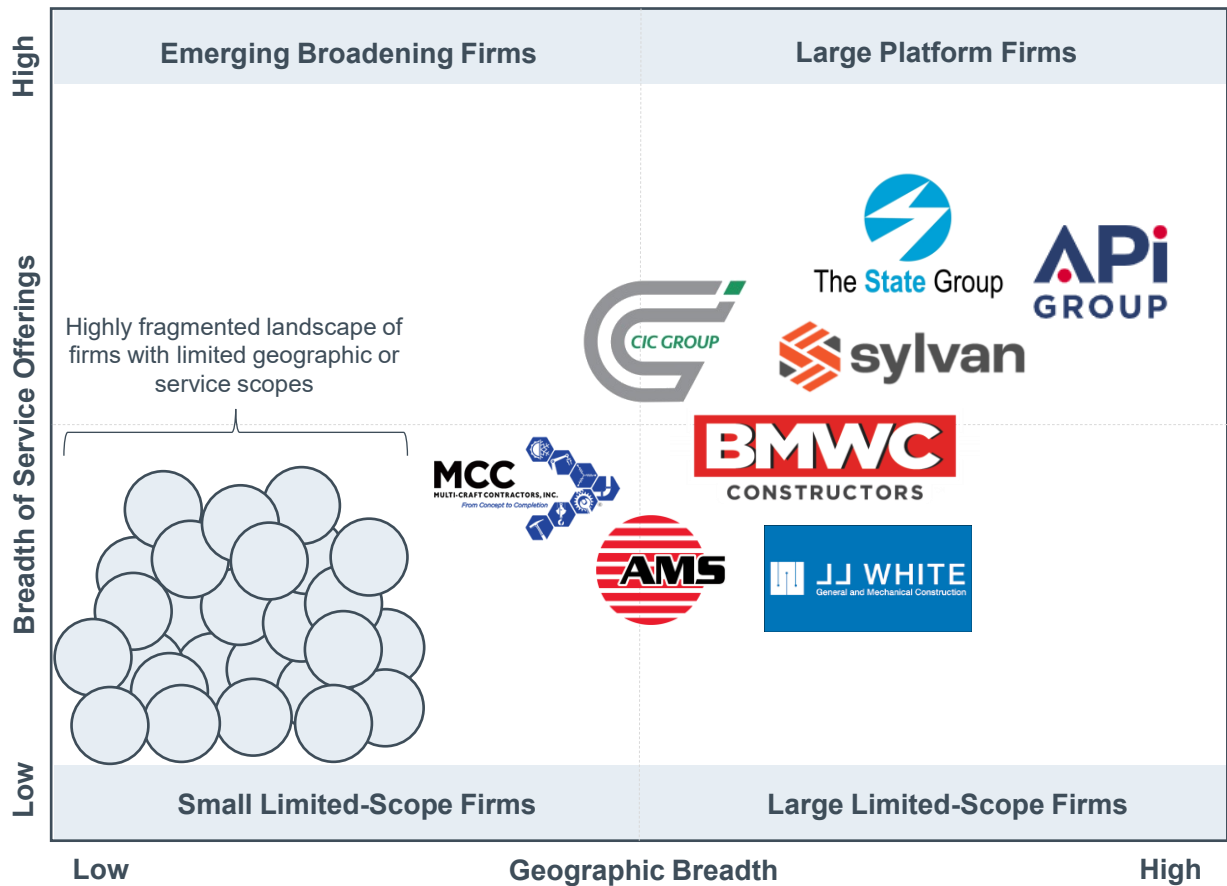


Manufacturing

- FMI projects a **2.3% CAGR in construction put in place (CPIP) for manufacturing** through the forecast period, reflecting more moderate growth after a significant surge over the past five years.
- Unprecedented federal investment through the CHIPS and Science Act and IRA, combined with strong post-pandemic construction activity, elevated manufacturing spending to a significantly higher baseline. Rather than outsized year-over-year gains, the sector is positioned for steady, sustainable growth going forward.
- Manufacturing is **propelled by key sectors such as battery, semiconductors, chemical and pharmaceuticals**. More specifically, semiconductor manufacturing is critical to economic activity, powering everything from consumer electronics and vehicles to medical devices, making domestic capacity critical in international competitiveness and economic resilience.
- Advanced manufacturing facilities (semiconductors, battery, etc.) grew substantially in scale, **with average square footage up 141% and average site acreage up 144% since 2010**, underscoring the increasing complexity and capacity demands of U.S. manufacturing. Contractors able to effectively scale project size are becoming more favorable for industrial facility owners.

Competitive Landscape: Industrial Services

Highly Fragmented Market	Opportunity to Scale and Partner
<ul style="list-style-type: none"> ▪ The landscape is significantly fragmented and largely consists of local, narrowly focused firms that lack the comprehensive service offerings increasingly favored by owners. ▪ Most firms tend to focus on a specific trade or a particular project type, such as new construction or MRO services. While specialization offers clear benefits, few offer a full-service solution at scale, highlighting a potential avenue for private equity firms to build a platform. 	<p>As consolidation accelerates due to increasing demand for bundled services and owners seeking greater operational efficiency, PE firms can:</p> <ul style="list-style-type: none"> ▪ Acquire and integrate regional providers to grow market share and enhance cross-selling opportunities. ▪ Form partnerships with operators to provide strategic guidance and support beyond capital. ▪ Provide what is often first-time institutional capital, which can unlock significant value creation.



Emerging Consolidation and Service Line Expansion Opportunity

- As interest grows in industrial services, early movers have a unique opportunity to scale local and regional providers into national platforms.
- Besides geographic expansion, another point of emphasis is on building service-line breadth by adding specialized capabilities such as automation or refractory services. Developing deep expertise in select niches through targeted rollups is also an important consideration for creating differentiated value and long-term market positioning.

Example M&A Activity: Industrial Services

- M&A activity remains robust, primarily fueled by the attractive recurring revenue model stemming from MRO services.
- Additionally, the construction boom following the pandemic expanded the installed base, driving further demand for MRO. Providers of new construction and retrofit projects are especially well-positioned to capture this growth, leveraging their incumbent roles and knowledge of the facilities to cross-sell MRO services.
- PE and strategic buyers are attracted to the industry's fragmentation, which provides ample opportunity for add-ons, operational improvements and service-offering expansion. This interest is expected to continue driving consolidation and investment across the industrial services market.

Recent Transactions in the Industrial Services Space¹

Firm	Acquirer	Year	Services Offered
Streamline Industrial Services	Thorpe Specialty Services (KLH Capital)	2025	Refractory Design & Engineering, Installation, Coatings, Fireproofing
IMMEC, Inc.	CORE Industrial Partners	2025	Mechanical, Electrical, Civil, Rigging/Millwright, Automation & Controls
Doral Corporation	Main Street Capital	2025	Millwright/Rigging, Fabrication Services, Conveyor Installation
Northeast Riggers	MEI Industrial Solutions (Olympus Partners)	2025	Rigging/Millwright, Transportation Services
Sylvan, Inc.	E-3 Tech, Andreessen Horowitz	2025	MEP Services, Millwright/Rigging, Piping Systems
Mid-State Industrial Maintenance	ONCAP	2025	Mechanical & Electrical Field Services, Equipment Repair, Industrial Fabrication

Case Study

Sylvan Inc. illustrates how private equity can effectively scale a business within a fragmented landscape through targeted acquisitions and operational improvement. Backed by Blue Point Capital Partners since 2018 and transitioning to E-3 Tech ownership in early 2025, Sylvan expanded to more than 10 locations across the United States, Canada and Mexico. The company executed a series of targeted acquisitions, integrating businesses with capabilities in rigging, mechanical, conveyer services and other complementary industrial offerings. These successful add-ons highlight the sector's investment potential, demonstrating how M&A can drive scale, expand service offerings and unlock value through operational integration.



¹. The table above depicts a small subset of example transactions within the industrial services landscape.



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