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East coast's No.1 equipment hire biz Orange Hire set to change hands

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[Arcadia Capital](https://www.afr.com/street-talk/arcadia-capital-seals-orange-hire-acquisition-20201216-p56nvw) [https://www.afr.com/street-talk/arcadia-capital-seals-orange-hire-acquisition-20201216-p56nvw] dealmakers are preparing to hand over the keys to their industrial equipment rental business Orange Hire, in a deal that should spell a bumper payday for all shareholders and see the profitable business fall into the hands of the world's largest player in the sector.

Street Talk can reveal Arcadia's Leigh Oliver and Sam Walker have agreed terms to sell Orange Hire to NYSE-listed giant United Rentals Inc, which posted \$US3.485 billion (\$5.25 billion) revenue for the March quarter.

It has a sprawling business in North America and Europe, and ranks as an S&P 500 company, with a \$US47 billion market capitalisation.



Arcadia Capital co-founders Sam Walker (left) and Leigh Oliver.

It is understood Orange Hire's earnings before interest, taxes, depreciation, and amortisation (EBITDA) shot up from about \$18 million at the time of Arcadia's arrival in late 2020 to \$30 million-plus, meaning investors can expect a juicy cheque to hit their bank accounts soon.

Orange Hire is the biggest dry equipment hire businesses on the east coast, offering earthmoving equipment (think, excavators, dump trucks, compactors and the like), barriers, fencing, and traffic control paraphernalia to construction sites across NSW, Victoria and Queensland.

In addition to rentals, it also provides hire-to-buy and second-hand sales. Sydney's Alceon Private Equity owned just over 60 per cent, while Arcadia controlled the rest alongside management.

The business competes with Seven Group Holding's Coates Hire, the No.1 player in the segment. But it has also tapped into its bigger competitors' nous over the years.

Arcadia's Coates Hire encore

Arcadia co-founders [<https://www.afr.com/street-talk/arcadia-capital-seals-orange-hire-acquisition-20201216-p56nww>]' erstwhile employer, The Carlyle Group, once owned a slice of Coates Hire - offering Oliver and Walker unique insight into building a successful equipment hire business.

Oliver had also worked at KKR, spearheading the firm's big-ticket tilts [<https://www.afr.com/street-talk/kkr-director-to-start-private-equity-firm-20180205-h0tnpp>] on targets like telco Vocus Group in 2017 and Treasury Wine Estates in 2016.

This is Arcadia's first exit to cross Street Talk's desk, since Oliver and Walker hung out their shingle in 2018, promising to hunt for companies on a deal-by-deal basis. The Orange Hire exit is expected to place the firm on the radar of prospective backers who may tip into Arcadia's future deals.

As for Alceon Private Equity, run by Zac Midalia and David Wilshire, the Orange Hire exit comes after it made net 80 per cent internal rate of return for its backers floating childcare business Nido Education [<https://www.afr.com/street-talk/happy-days-for-alceon-pe-s-backers-as-nido-lists-20231017-p5ed0q>]. The two have also just invested in agricultural equipment business Boss Engineering. [<https://www.afr.com/street-talk/alceon-pe-ready-to-harvest-50pc-of-agricultural-equipment-biz-20240312-p5fbru>]

Private equity has reaped solid returns from equipment hire businesses over the years, thanks to hard-asset backing from fleets, line of sight on receivables from locked-in contracts, and tailwinds from construction and infrastructure activity.

As reported by this column in February, 1300Te pFence has commenced a sale process via PwC with \$50 million EBITDA guidance [<https://www.afr.com/street-talk/pwc-in-buyer-hunt-for-high-margin-fencing-biz-coates-hire-in-mix-20240227-p5f840>]. Also simmering in the background is Singapore's Tat Hong Holdings' sale of its local business, Tutt Bryant Group [<https://www.afr.com/street-talk/tat-hong-builds-case-for-800m-tutt-bryant-construction-carve-out-20230517-p5d96u>]. Lastly, National Group has hired Jefferies [<https://www.afr.com/street-talk/deutsche-bank-barclays-in-talks-for-national-group-s-refi-20240415-p5fjy3>] to seek equity backers, amid a refinancing.

Also in the sector, Pacific Equity Partners owns Altus Traffic [<https://www.afr.com/street-talk/aftermarket-raid-at-traffic-manager-avada-group-eyes-on-pep-20240319-p5fdpo>], while Roe Partners owns Kiwi player Hirepool. Anchorage Capital Partners recently crossed the ditch to buy Speirs Finance [<https://www.afr.com/street-talk/kiwi-pe-firm-to-sell-nz700m-lease-book-maintenance-biz-to-anchorage-20240229-p5f8wr>], a critical asset leasing business with a \$NZ700 million (\$654 million) receivables book and AB Equipment, a \$NZ500 million a year sales and maintenance business for critical assets.