

Capstone Partners Sees Healthy M&A Demand for Environmental, Health & Safety Sector Amidst Transformative Trends

Strength in EH&S M&A poised to continue as increasing safety standards and regulations spike demand for specialized outsourced providers

IRVINE, CALIFORNIA, UNITED STATES, November 29, 2023 /EINPresswire.com/ -- Capstone Partners, a leading middle market investment banking firm, anticipates continued steady consolidation and investment activity in the Environmental, Health & Safety (EH&S) sector following the recent [acquisition of HazTek LLC](#) ("HazTek" or "The Company")—a leading safety consulting and worksite safety management services firm—by Code Red Safety, a portfolio company of Warren Equity Partners.

Capstone Partners, which advised HazTek on the acquisition, cites several macro trends fueling accelerating demand for outsourced workplace safety solutions and prime opportunity in the EH&S M&A environment:

1. U.S. Regulatory Environment Grows Increasingly More Stringent: As referenced in Capstone's latest [Environmental Health & Safety Market Update](#), the escalating complexity of laws, regulations, and reporting requirements surrounding workplace safety have amplified the need for specialist guidance as organizations strive to comply. The Occupational Safety and Health Administration (OSHA) continues to expand its regulatory scope and complexity, and in 2021, two companies faced fines in excess of \$1 million dollars from the U.S. Department of Labor following workplace fatalities involving heavy machinery. (1,2)

High-risk industries, including Manufacturing and Construction, have been key contributors to growing demand for outsourced services, as they have significantly above average rates of worker injury.

2. Worker Safety Takes Center Stage as Workplace Injuries Rise: The COVID-19 pandemic thrust occupational health and safety to the front of public consciousness, and the trend has yet to wane—especially as work injury rates rise across the U.S.

According to the U.S. Bureau of Labor Statistics, there were 5,190 fatal work injuries recorded in the United States in 2021, marking an 8.9% increase year-over-year. (3) Among the most hazardous industries in the United States, the private construction sector had 169,600 workplace

injuries and illnesses in 2022, while the private manufacturing sector reported 396,800 workplace injuries and illnesses. (4)

This heightened awareness surrounding worker safety has triggered a fundamental shift in the market, with businesses under increased pressure to prioritize the safety and well-being of their employees.

3. Supply Chain Dynamics and the Reshoring of Manufacturing Increase U.S. Manufacturing Base: The trend of reshoring manufacturing bases, supercharged during the pandemic, has driven significant expansion in the U.S. manufacturing base—and significant need for worksite safety management. According to the National Institute of Standards and Technology (under the U.S. Department of Commerce), the private and federal push for domestic supply of essential goods lead 41% of surveyed companies to reshore at least a portion of manufacturing operations back to the U.S. within the previous 3 years—and 70% of surveyed firms said they were likely to reshore in the coming years. (5)

Legislation like the 2021 Bipartisan Infrastructure Law, the 2022 CHIPS and Science Act, and the 2022 Inflation Reduction Act further incentivize onshoring and reshoring via stipulations regarding the production and procurement of U.S.-made goods that benefit companies manufacturing domestically. Spurred by these trends, spending on the construction of manufacturing facilities soared to an annualized \$114.7 billion in 2022—a 40% jump year-over-year and a 62% increase over the prior five years, according to the U.S. Census Bureau. (6)

4. Social Media Amplifies Accountability: The power of social media to shape public perception, profitability, and stock prices has grown exponentially in recent years. Companies now face increased scrutiny and accountability, with a spotlight on workers' rights and potential controversies.

As the focus and attention towards worker safety continues to increase, companies are actively seeking to enhance their safety protocols through strategic investments, capital allocations, and adopting a more proactive approach to reputation management.

The convergence of these trends is driving opportunities for Environmental, Health & Safety providers as businesses look for ways to improve their safety programs and protect their employees—and as large sector players seek to leverage acquisitions to gain scale and market share and financial buyers seek entry into a growing market.

“Despite tempered activity in the broader M&A market in 2023, we continue to see strong demand from acquirers for companies providing EH&S products and services,” said Chris Cardinale, Director at Capstone who specializes in the EH&S sector. “The attention paid by corporations towards the health and safety of its employees, customers, stakeholders, and the environment continues to increase, and with domestic reshoring and supply-chain efforts in full swing, we anticipate EH&S to remain as a key focus area in M&A for corporations and private

equity groups.”

Read more about the HazTek acquisition [here](#).

ABOUT HAZTEK LLC

Based in Medford, New Jersey, HazTek is one of the nation’s largest independent “pure-play” providers of safety management services for facility capital projects. In addition to consulting services and safety training, HazTek provides on-site safety personnel for large-scale capital projects and ongoing maintenance. The company serves some of the world’s largest brands in high-growth end-markets such as pharmaceutical, datacenter, and e-commerce. HazTek employs a staff of over 300 employees, including 275+ full-time field professionals with various specialized certifications and experience levels—including several Certified Industrial Hygienist (CIH) specialists. For more information visit www.haztekinc.com.

ABOUT CODE RED SAFETY

Founded in the Midwest in 1995, Code Red Safety is a provider of integrated safety solutions designed to enhance worker safety and ensure compliance with government regulations. The company provides highly trained professionals and mission-critical services to keep workers safe and projects on schedule. Code Red operates through eight branches across the United States that provide a range of safety services including turnaround solutions, equipment rentals, standby and emergency rescue teams, safety staffing, training, auditing, and in-plant communications solutions. For more information visit www.coderedsafety.com.

ABOUT WARREN EQUITY PARTNERS

Warren Equity Partners is a private equity firm that invests in lower middle market companies primarily in North America. The firm was founded in 2015 and is headquartered in Jacksonville Beach, Florida. Warren Equity focuses on six sectors: Transportation, Power & Utilities, Buildings & Facilities, Digital Infrastructure, Water & Wastewater, and Waste. The firm has a functional approach to private equity where investors and operators collaborate to build businesses with a strong emphasis on operational value creation, and boasts \$3.4 billion total capital raised, 7,000+ employees at portfolio companies, 27 total platform investments, and 110 total transactions completed.

ABOUT CAPSTONE PARTNERS

For over 20 years, the firm has been a trusted advisor to leading middle market companies, offering a fully integrated range of investment banking and financial advisory services uniquely tailored to help owners, investors, and creditors through each stage of the company's lifecycle. Capstone's services include M&A advisory, debt and equity placement, corporate restructuring, special situations, valuation and fairness opinions, and financial advisory services.

Headquartered in Boston, the firm has 175+ professionals across the U.S. With 12 dedicated industry groups, Capstone delivers sector-specific expertise through large, cross-functional teams. Capstone is a subsidiary of Huntington Bancshares Incorporated (NASDAQ: HBAN). For more information, visit www.capstonepartners.com.

Endnotes:

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