



**STEER**  
PARTNERS

**2023  
October**

**The Future  
of TICC  
Services**

**Technology  
&  
Efficiency**

# What are TICC Services?

Testing, Inspection, Compliance, and Certification (TICC) Services comprise a wide breadth of services, including quality and safety assessments for equipment and infrastructure, site inspections, product testing, and other conformity assessments.



## Testing

Lab-based or field-testing services determine an object or product's degree of conformity according to a specification

- Material Testing
- Physical & Mechanical Testing
- Compositional Analysis Testing
- Environmental Testing



## Inspection

Examination of a product design, product, process or installation and determination of its conformity to a specification

- Building Inspections
- Product Inspections
- Equipment Inspections
- Trade Inspections



## Certification

Third-party confirmation that specified requirements have been met with regards to products, processes, systems or people

- Product Certifications
- Equipment Certifications
- Workplace Certifications



## Compliance

Professional assistance in assuring that best practices are integrated and that all processes are handled in agreement with requirements

- Registrations, Evaluation, Authorization, and Restriction of Chemicals (REACH) Compliance
- Food Safety Modernization Act (FMSA) Compliance
- Greenhouse Gas Emissions Compliance



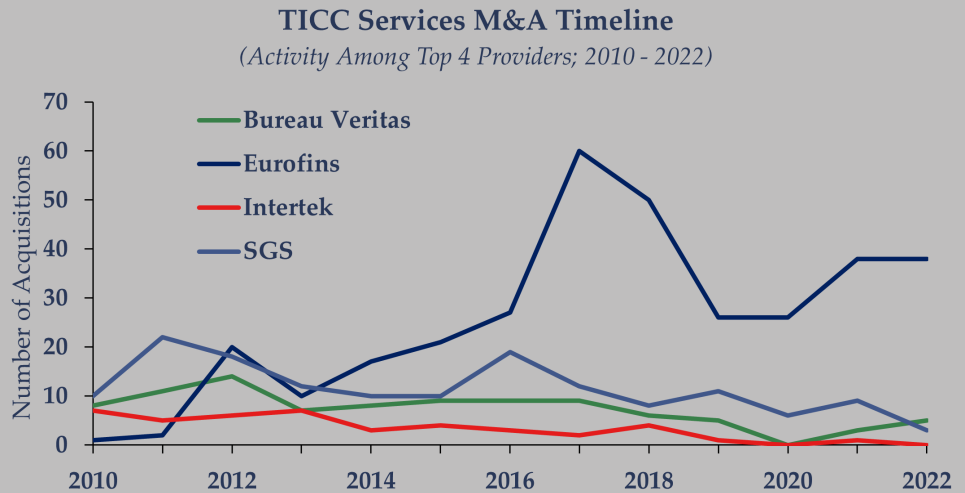
**\$45B - \$50B  
U.S. TICC  
Market Size**

**~3-5% p.a.  
U.S. TICC  
Market Growth**

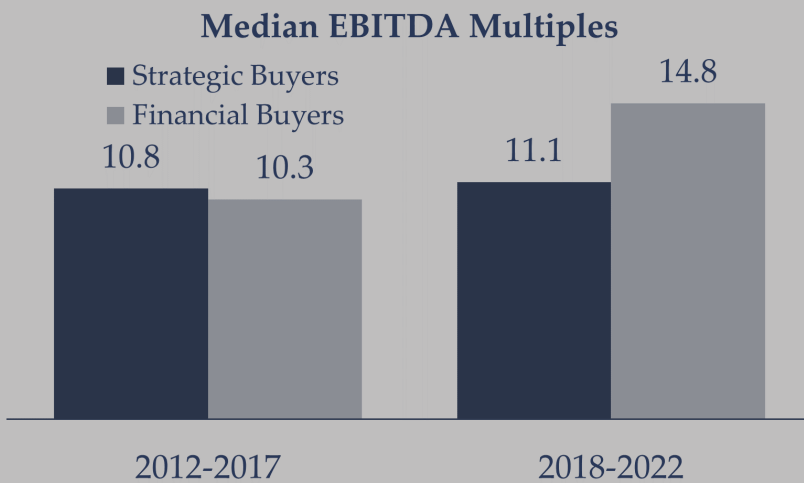
**~40%  
Outsourced  
TICC Services**

# TICC Services Market is Consolidating

The TICC services market is highly fragmented and spread across many different end markets, with thousands of TICC providers in the U.S. alone. Leading TICC providers like Bureau Veritas, Eurofins, Intertek, and SGS have made over 120 combined acquisitions in the past 3 years (Source: Harris Williams).



Source: Harris Williams North American TICC Overview (2023)



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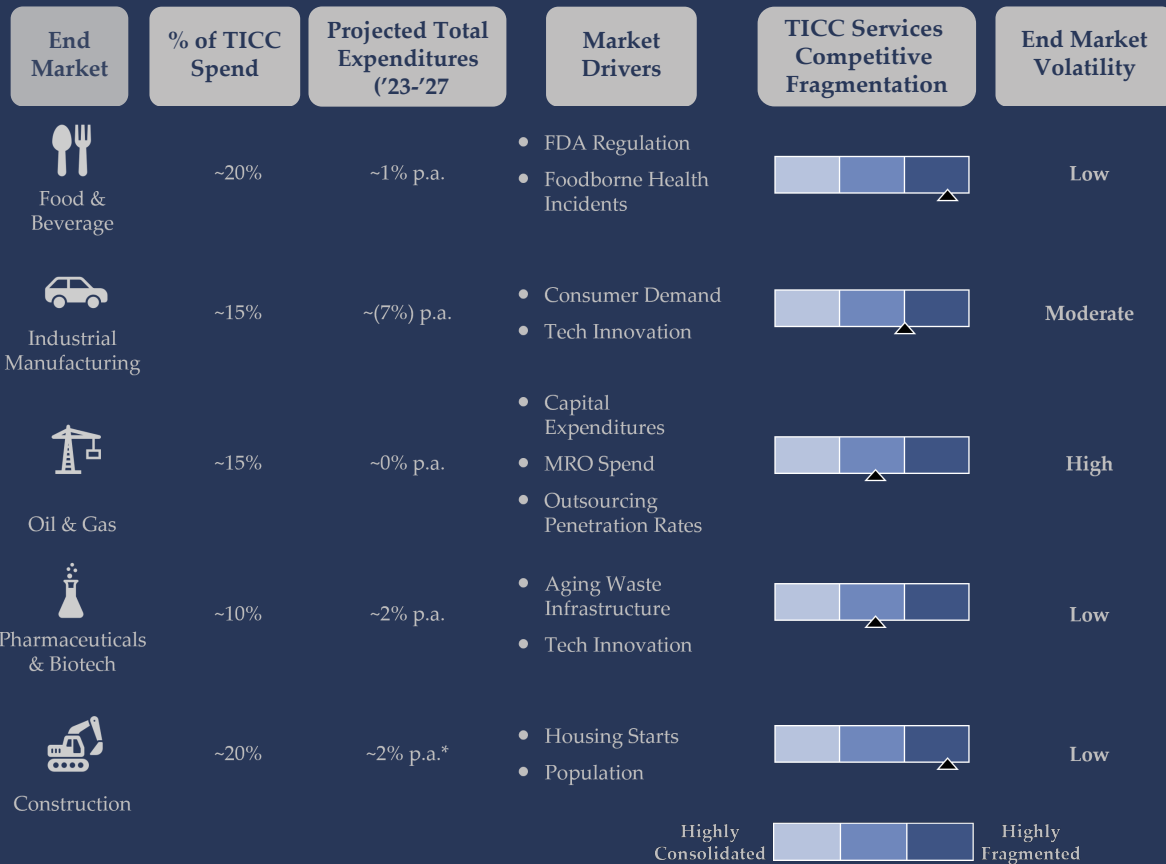
Financial buyers, particularly private equity firms, have grown more aggressive when transacting in the TICC sector. TICC platform multiples from financial buyers have risen **+4.5x** over the past nine years, indicating a growing financial interest in the sector (Harris Williams).

STEER expects consolidation to continue in the TICC services sector over the next 3-5 years as the leading players continue to expand their reach across different end markets.



# Who Outsources TICC Services?

Many end markets make use of third-party TICC services, including but not limited to manufacturing, oil & gas, food & beverage, and pharmaceuticals / biotech.



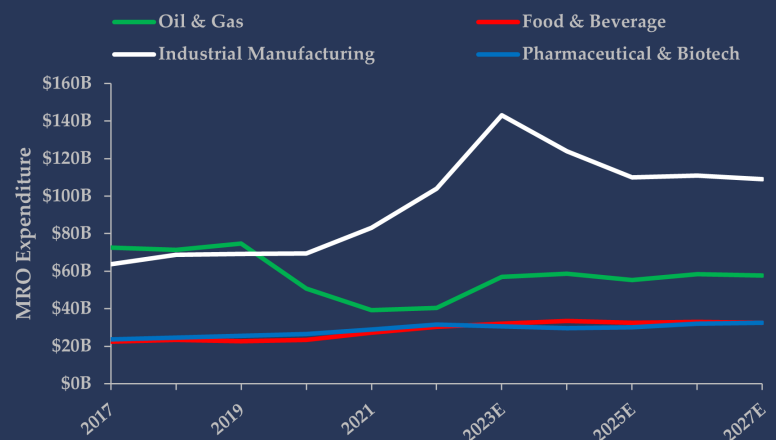
Note\*: Total construction spending projection from American Institute of Architects

## TICC Services Spend is Increasing

The COVID-19 pandemic had varying effects on the major TICC services end markets, with pronounced positive and negative spend effects in industrial manufacturing, oil & gas, respectively.

Outsourced TICC service spend is expected to grow over the next 3-5 years as workplace regulations tighten and total expenditures recover.

Total Expenditures by End Market (IIR Data; 2017 - 2027E)



Source: Industrial Info Resources

# The U.S. Regulatory Landscape is Changing

STEER expects the TICC services growth to outpace industry growth in the food and beverage, oil & gas, and pharmaceuticals sectors, thanks in part to the ever-changing regulatory landscape. Some example regulatory changes are listed below:



OSHA introduced a new workplace safety plan in early 2023, aimed at reducing injuries and fatalities in American workplaces.

The plan includes the following initiatives:

- **Targeting high - risk industries** like construction and manufacturing (frequent users of TICC services)
- **Increasing** the number of workplace inspections and citations
- **Emphasizing injury prevention** by encouraging employers to preemptively identify hazards



The FDA introduced a new food safety and traceability plan in 2020 to mitigate foodborne illnesses, issuing the final rule in November of 2022.

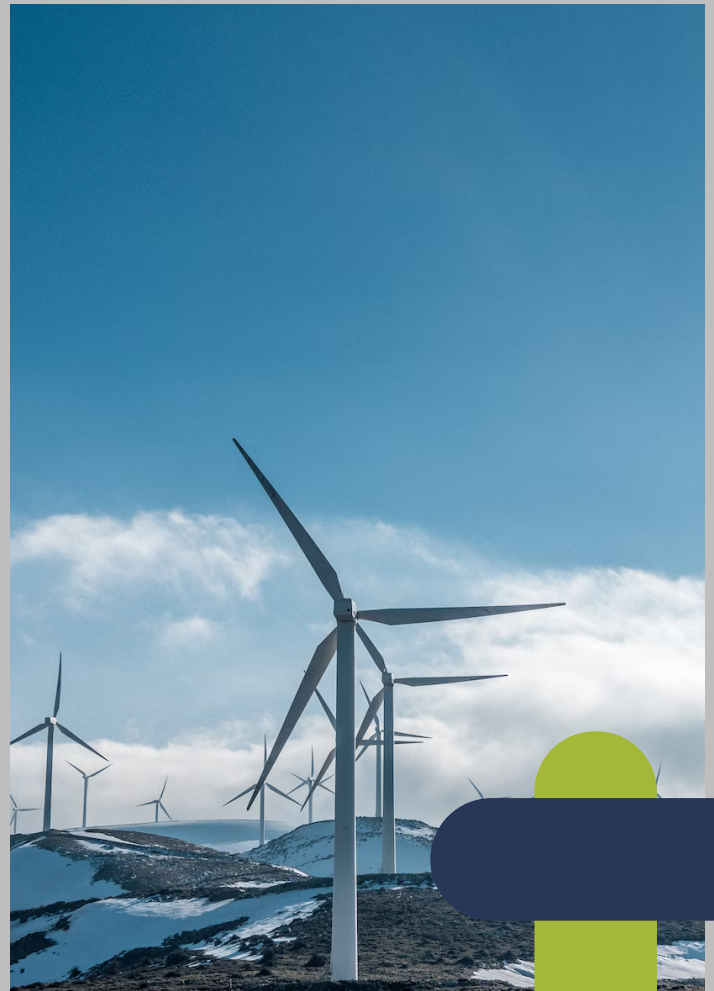
The plan included a Food Traceability List (FTL), which designated foods that now need to be recorded along each step of the supply chain from origin through production

The FDA has also expanded the Food, Drug, and Cosmetic Act to include laboratory-developed tests, indicating a strengthening regulatory landscape in the pharmaceutical and biotech sector

## New TICC Technology

Leading TICC service providers have begun investing in new technologies and testing methods to improve their service offerings. Advanced sensors can proactively prevent assets from falling into non-compliance by anticipating issues before they arise. Artificial intelligence can be used to identify damage and extract inspection data quickly, improving service efficiency.

The advent of technology is poised to disrupt the TICC market as providers begin offering an increasingly digitized service. STEER expects new technology to impact most TICC service types, particularly **non-destructive testing (NDT) services**, where STEER expects the largest technology-driven changes to occur.



## Non-Destructive Testing

Non-Destructive Testing (NDT) services use non-invasive analysis techniques to evaluate the safety of critical infrastructure **without disrupting active operations or damaging assets.**

NDT services account for **~10%** of the U.S. TICC services market and are growing at **~6-8% p.a.**, outpacing the rest of the U.S. TICC services market (~3-5% p.a.). The growth rate in NDT is driven by a combination of tightening regulations impacting all of TICC services and the pronounced impact of new technology in the NDT segment specifically.

End users of NDT services are frequently found in the industrial manufacturing, oil & gas, chemicals, power generation, aerospace & defense, and healthcare industries.

## NDT Technology is Changing

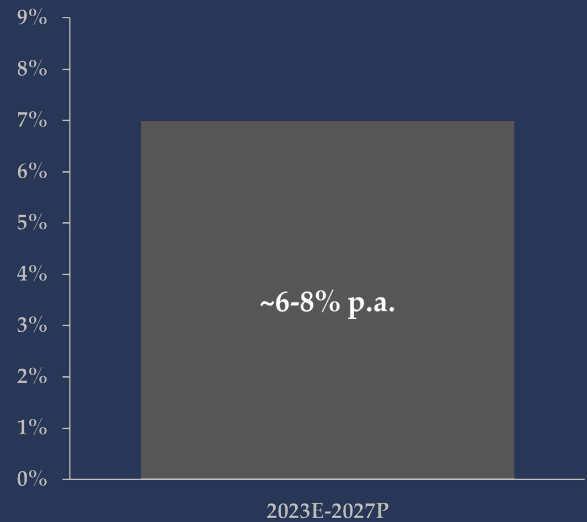
New technology has enabled NDT providers to offer safer and more efficient NDT services. Drones allow providers to safely gather data in hazardous environments. New diagnostic equipment and artificial intelligence allow for more efficient data collection, allowing providers to analyze larger infrastructure projects more quickly.

STEER expects tech-driven NDT services to grow in popularity over the next 3-5 years, as they offer new opportunities for end users to cut down on labor costs and improve efficiency and safety.

Large end users will benefit more from the new NDT services, as they can afford the more expensive tech, while smaller end users will likely find the new technology cost prohibitive in the short-term.

### Projected U.S. NDT Services Market Growth

(2023E-2027P)



Source: Mordor Intelligence



The wider TICC services market is **changing rapidly** with the development of new technology and **private equity's growing interest** in the sector. Investors can find opportunities among the **long tail of TICC services providers** in more regulated and ever-changing end markets such as **food & beverage, pharmaceuticals, and construction.**

Within TICC services, the **non-destructive testing subsegment (NDT)** is likely to undergo the largest technology-driven changes. Largely used in the manufacturing, oil & gas, construction, and power generation industries, NDT service providers are using technology to increase efficiency, improve technician safety, and further mitigate end user risk. As end users use more digitized NDT services, providers increasingly need to incorporate new technology into their service offerings. Investors interested in the NDT services segment should look for providers focusing on a technology-backed service, as they can likely drive higher ticket prices and provide a more efficient and differentiated service than traditional providers.



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