



OBSERVATIONS FROM THE ASNT ANNUAL CONFERENCE

NASHVILLE, TN | NOVEMBER 2017



The American
Society for
Nondestructive
Testing



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WHAT WE HEARD IN NASHVILLE

Harris Williams & Co. recently attended the ASNT Annual Conference in Nashville, TN, the largest non-destructive testing (NDT) focused conference in the U.S. Below is a summary of observations from our conversations with service providers at the conference. Our discussions were with a broad array of operators, ranging from sales personnel to executives and investors.

- **Strengthening Activity** – 2017 appears to be a mixed bag for many operators. After a sluggish start to the year, activity levels seem to have rebounded, in a few instances to the highest levels operators have seen in the last 24 months. This feedback was not consistent, however. For operators with a major presence in the Gulf, Hurricane Harvey resulted in temporary work disruption followed by nominal increases in activity related to event driven call-out work, some of which is still ongoing. In sectors outside of oil and gas, a number of conversations pointed toward strong demand, namely in the broader industrials and aerospace industries, which have shown more stability and fewer pockets of “chop” throughout the year than commodities-dependent industries.
- **Pricing Returning Slowly** – While most operators noted they are far from prior pricing levels, several commented that the pricing environment is beginning to firm up with select opportunities to push price increases in labor markets that had tightened. One provider noted that the “rush to the bottom” on pricing was beginning to abate, an optimistic sign for the industry. As the market continues to strengthen, most operators with whom we spoke expect pricing power to return as customers work through their backlogs and begin generating new contracted work.
- **Capitalizing on Oil and Gas Slowdown** – Operators noted several strategies to capitalize on the slowdown, including retention of key employees and crews and diversification of revenue streams. Several operators noted they have been able to successfully deploy into new markets and geographies albeit on a much smaller scale. It is unclear if these strategies are proactive or reactive – a few noted that core oil and gas markets are still considerably slow, but had forced them to reposition their business mix.
- **Consolidation Continues** – Strategic consolidation combined with private capital interest in the sector has created a much more competitive environment for assets. Several investors and owners noted they are being priced out of their comfort zone on deals they would have done on a proprietary basis in years past.
- **Optimism for 2018** – Nearly every operator with whom we spoke expects 2018 performance to exceed 2017, many of which are expecting significant growth. Growing customer certainty around commodity prices, larger O&M and capital budgets, and continued overall economic health are the attributes most pointed to as drivers.

If you would like to discuss these trends or any additional color on our conversations from the conference, please contact us.

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