

# Market Update



**Facilities Services**  
Q1 2020

# Facilities Services Insights

The Coronavirus Disease 2019 “Coronavirus (COVID-19)” crisis is an incredibly fast-moving and unprecedented challenge that has had widespread effects on the global economy and M&A activity in the middle market. Over the last few weeks, many U.S. states and countries around the world have ordered the closure of nonessential businesses. While the exact definition varies around the world, selected “essential” enterprises include but are not limited to grocery stores, healthcare operations, hardware stores, gas stations, post offices and shipping businesses, transportation businesses, and other businesses that allow essential services and supply chains to operate. For companies deemed essential that continue to operate, the safety and welfare of employees are of the utmost importance, followed by the continued support of customers’ critical needs in these challenging times. Across the Facilities Services sector, several companies have created operational task forces to address the entire spectrum of mission-critical, essential services, while ensuring employee safety and complying with the recommendations and guidelines from the Centers for Disease Control and Prevention (CDC), the World Health Organization (WHO) and the Occupational Safety and Health Administration (OSHA).

The effects of COVID-19 have varied within the facilities services sector depending on the service type and end-markets served. For example, the hospitality industry which includes hotels, restaurants and catering have all been severely impacted driven by government and voluntary actions taken to limit the spread of COVID-19. Conversely, demand for services in areas such as food production, food retailing and healthcare have seen increased demand as well as specialist hygiene services, particularly hygiene disinfection services.

Service providers continue to support clients’ critical operations and are closely monitoring trends and making investments in adjacent products and services where demand is high to support customers throughout the pandemic and during the recovery phase. For example, as the pandemic evolves, Rentokil Initial is responding to the increased global demand for hygiene services (requiring specialist personal protective equipment and Coronavirus-specific training) and precautionary disinfection risk assessment surveys, by training its staff to help support this COVID-19-driven demand. These services will help customers throughout this challenging period, and Rentokil believes that global standards in hygiene will likely be heightened on an ongoing basis.

Given the unprecedented uncertainty around the impact of COVID-19, the facilities services M&A market is slowing down in real-time as companies focus attention on current operations, and several publicly-traded firms are withdrawing financial guidance for 2020. Within facilities services and the market as a whole, M&A is expected to decline for several reasons, including 1) private equity groups, who are often buyers, are focusing efforts on current portfolio operations, 2) lenders have pulled back significantly, especially for debt related to new platform investments and 3) public companies are largely focused on internal operations and protecting profitability, liquidity and cash flow while seeking to ensure they are well-positioned when the recovery takes place. Going forward, the M&A market is expected to remain relatively quiet until the impacts of COVID-19 have primarily subsided, and the capital markets begin to operate normally again. We believe the facilities services industry will likely draw substantial interest from investors within the services sector due to its relative stability as shown both over the long term historically and over the last few weeks during challenging economic times.

## Recent Lincoln International Facilities Services Transactions

 <p>has sold</p>  <p>to</p>  <p>Sell-Side</p> 	 <p>has sold</p>  <p>to</p>  <p>Sell-Side</p> 	 <p>has sold</p>  <p>to</p>  <p>Sell-Side</p> 	 <p>has sold</p>  <p>to</p>  <p>Sell-Side</p> 	 <p>has sold</p>  <p>to</p>  <p>Sell-Side</p> 	 <p>has sold</p>  <p>to</p>  <p>a portfolio company of</p>  <p>Sell-Side</p> 
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## About the Lincoln Facilities Services Index

The Lincoln Facilities Services Index is a market cap-weighted composite stock index similar to the S&P 500 Index. The index is prepared by first selecting a base period, in this case, Q1 2019, and totaling the market caps of the companies in this period. This period and the total market cap is set to a base index at 100%. Next, the current period's total market cap is calculated, divided by the base period's total market cap and then multiplied by the base index (100%).

Quarter-over-quarter the S&P stock indices increased, though the Lincoln Facilities Services Index decreased by 1.5%. LTM Q1 2020 revenue and EBITDA generally increased across the Facilities Services Index, with average growth of 11.9% and 6.6%, respectively.

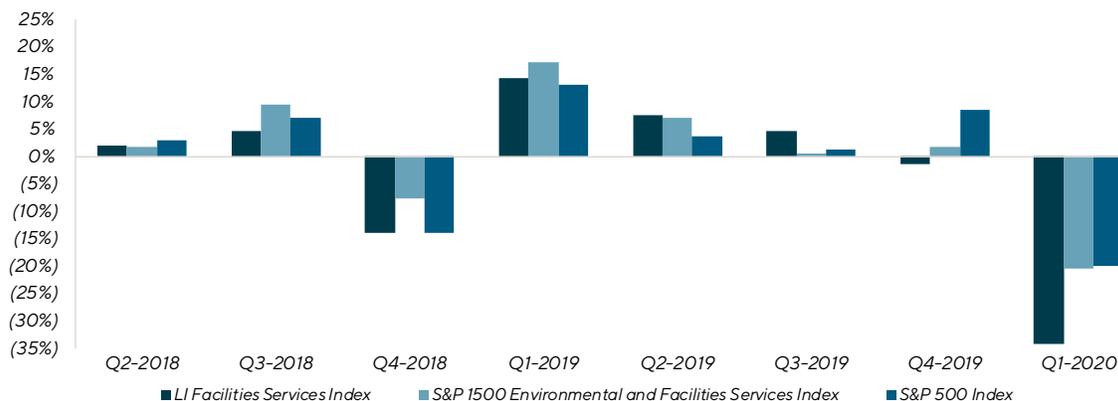
## Facilities Services Financial Performance

### Quarter-over-Quarter Performance

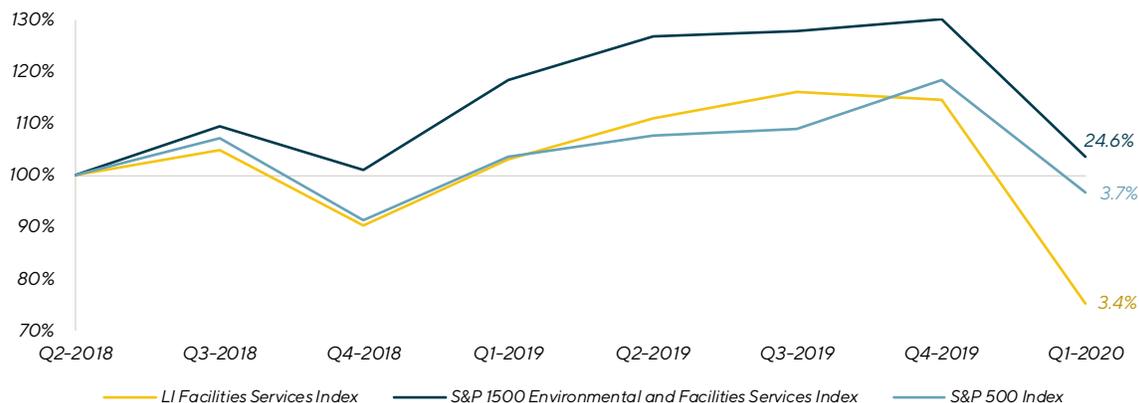
Top Performers	Change	Underperformers	Change
Rollins, Inc.	9.0%	G4S plc	(57.7%)
FirstService Corporation	(10.2%)	Matrix Service Company	(58.6%)
Rentokil Initial plc	(14.4%)	Team, Inc.	(59.3%)

Based on quarter-over-quarter share price performance

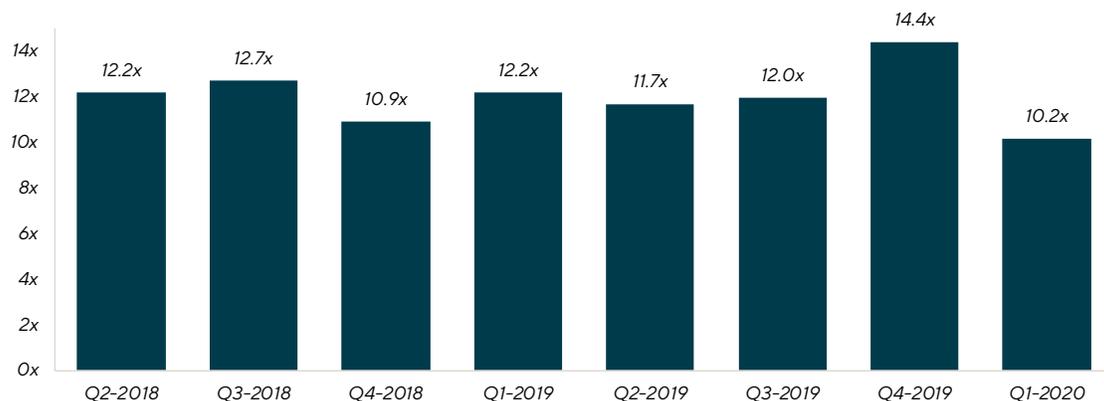
### Quarter-over-Quarter Stock Index Change



### Two Year Relative Stock Index Performance



### Enterprise Value<sup>(1)</sup> / LTM EBITDA Multiples



Source: Capital IQ as of 03/31/2020

(1) Enterprise Value is calculated as market capitalization plus total net debt, preferred equity and minority interest

# Lincoln Facilities Services Index Stock Data

\$ in millions

Company Name	Current Price	52-Wk High	Market Cap	Enterprise Value	Diluted EPS	LTM Rev	EV/LTM Rev	EV/LTM EBITDA	EV/LTM EBIT	LTM Growth Rev	LTM Growth EBITDA	EBITDA Margin	Net Debt / EBITDA
ABM Industries Incorporated	\$24.36	\$42.67	\$1,623	\$2,619	\$2.12	\$6,504	0.4x	7.7x	11.0x	0.6%	14.5%	5.3%	2.9x
Aramark	19.97	47.22	5,038	12,407	1.36	16,216	0.8x	9.2x	15.6x	0.8%	(4.5%)	8.3%	5.5x
BrightView Holdings, Inc.	11.06	20.27	1,159	2,382	0.39	2,449	1.0x	8.8x	17.6x	5.2%	16.5%	11.1%	4.5x
Cintas Corporation	173.22	304.81	18,019	20,812	8.82	7,259	2.9x	12.6x	16.4x	7.3%	14.3%	22.7%	1.6x
Comfort Systems USA, Inc.	36.55	58.21	1,335	1,624	3.08	2,615	0.6x	7.7x	10.1x	19.8%	10.4%	8.1%	1.2x
Compass Group plc	15.74	26.77	24,989	29,354	0.70	30,599	1.0x	11.4x	15.2x	2.5%	(7.2%)	8.4%	1.7x
EMCOR Group, Inc.	61.32	93.54	3,450	3,662	5.75	9,175	0.4x	6.6x	7.9x	12.8%	13.5%	6.1%	0.4x
FirstService Corporation	76.56	105.56	3,185	4,066	(6.58)	2,407	1.7x	17.9x	27.6x	24.6%	22.8%	9.4%	3.5x
G4S plc	1.15	3.01	1,777	4,500	(0.06)	10,275	0.4x	5.1x	7.9x	7.3%	29.7%	8.5%	3.3x
Johnson Controls International plc	26.96	44.82	20,565	27,901	1.38	24,080	1.2x	10.2x	14.6x	2.2%	(8.6%)	11.4%	2.3x
Matrix Service Company	9.47	24.36	253	190	(0.01)	1,414	0.1x	2.9x	4.2x	18.1%	n/a	4.6%	(1.0x)
MITIE Group plc	0.81	2.12	293	618	0.09	2,863	0.2x	4.2x	5.6x	9.7%	23.9%	5.2%	2.2x
Prosegur Compañía de Seguridad, S.A.	2.51	5.55	1,430	2,502	0.19	4,711	0.5x	4.5x	6.5x	4.5%	7.7%	11.7%	1.8x
Rentokil Initial plc	4.83	6.66	8,916	10,223	0.15	3,595	2.8x	15.6x	26.3x	14.1%	8.5%	18.3%	2.1x
Rollins, Inc.	36.14	43.91	11,846	12,245	0.62	2,015	6.1x	nfm	nfm	10.6%	5.9%	19.8%	1.0x
Securitas AB	10.82	17.12	3,947	5,773	9.20	11,871	0.5x	7.5x	9.9x	4.0%	2.5%	6.5%	2.5x
ServiceMaster Global Holdings, Inc.	27.00	58.78	3,657	5,246	0.95	2,077	2.5x	13.2x	18.0x	9.3%	5.0%	19.1%	4.0x
Sodexo S.A.	67.74	119.40	9,867	12,482	4.50	24,147	0.5x	7.7x	10.0x	1.9%	1.0%	6.7%	1.6x
Team, Inc.	6.50	19.00	198	588	(1.07)	1,163	0.5x	12.2x	nfm	(6.7%)	n/a	4.2%	8.1x
UniFirst Corporation	151.09	217.90	2,860	2,549	9.21	1,863	1.4x	7.9x	11.7x	7.2%	5.6%	17.4%	(1.1x)
<b>Mean</b>							<b>1.3x</b>	<b>9.1x</b>	<b>13.1x</b>	<b>7.8%</b>	<b>9.0%</b>	<b>10.6%</b>	<b>2.4x</b>
<b>Median</b>							<b>0.7x</b>	<b>7.9x</b>	<b>11.4x</b>	<b>7.3%</b>	<b>8.1%</b>	<b>8.5%</b>	<b>2.1x</b>

Source: Capital IQ

Note: All values based on publicly available data as of 03/31/2020

## Heard on the Street

**04/02/2020: UniFirst**, the Massachusetts-based workwear and textile service company, is seeking add-on acquisition opportunities as part of its strategic plan for 2020.

**03/26/2020: Service Logic**, the Warburg Pincus-backed commercial HVAC/R services provider, is preparing for a sale process and has already been attracting interest from both private equity sponsors and strategic acquirers. Warburg Pincus acquired Service Logic from Sterling Investment Partners in 2017.

**03/25/2020: Rentokil**, the UK-based pest control and hygiene services group, announced that it has suspended its M&A program in the wake of the ongoing coronavirus outbreak.

**03/10/2020: ABM Industries**, the New York-based provider of facility solutions, is actively looking to acquire technical solutions providers.

**02/27/2020: Hudson Valley Restoration & Mitigation**, the New York-based provider of restoration and mitigation services for residential and commercial customers, received growth capital funding from Brookstone Partners. While Hudson Valley's core strategy is based on continuing organic growth by expanding its customer base, Brookstone will provide the financing to support acquisitions in adjacent geographies.

**01/22/2020: Cotton Holdings**, the Texas-based provider of infrastructure support services, is looking for add-on acquisitions to support its commercial restoration business. Sun Capital Partners engaged in a management buyout of Cotton in early 2020.

**01/21/2020: ServiceMaster**, the Tennessee-based provider of pest control and cleaning services, is exploring a sale of its ServiceMaster Brands business, which provides residential and commercial facility services primarily through franchised operations.

# M&A Transaction Highlights

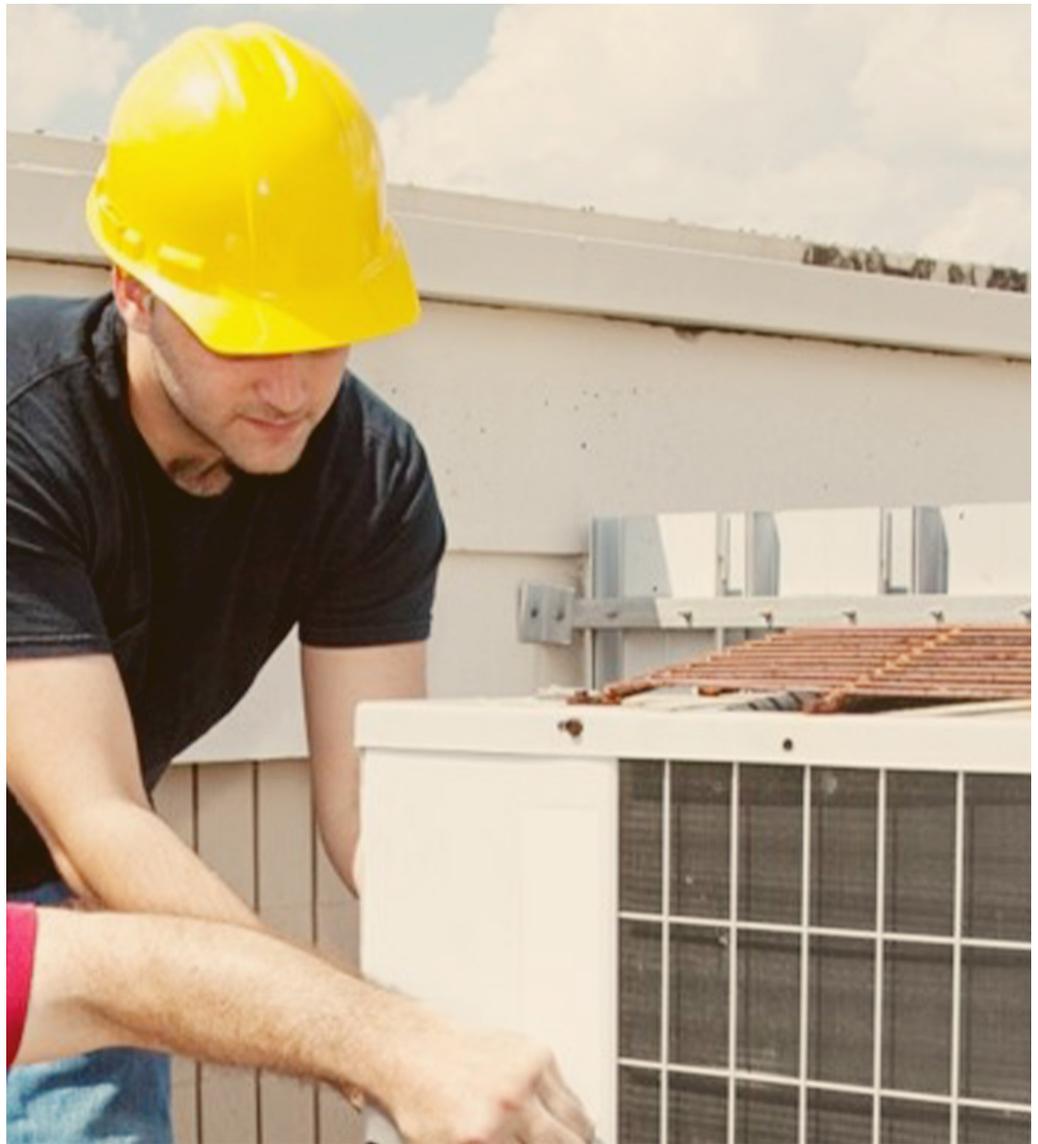
Closed	Target	Target Description	Acquirer
Announced	Starr Electric Company	Provides electrical installation and off-site construction services	Comfort Systems
Mar-20	Cool Air Mechanical	Provides heating, ventilation and air conditioning installation and maintenance services	Turnpoint Services
Mar-20	4 Seasons Landscape Group	Provides landscape maintenance, installation and other facility support services	BrightView Holdings
Mar-20	Donovan Heat and Air	Provides heating, ventilation and air conditioning installation, repair and maintenance services	Wrench Group
Mar-20	Meetze Plumbing Co.	Provides residential and commercial plumbing services including sewer and drain services	Turnpoint Services
Mar-20	Advanced Mechanical Plus	Provides kitchen equipment, refrigeration, and heating, ventilation and air conditioning repair and maintenance services	Smart Care Equipment Solutions
Mar-20	Access Exterminator Service	Provides pest control services for residential and commercial customers	Rentokil
Mar-20	Advance Fire & Safety	Provides fire protection services including certification, recharging and maintenance	Performance Systems Integration
Mar-20	Kelly's Exterminating Service	Provides pest and termite control services	Arrow Exterminators
Mar-20	Ellington A/C & Heat	Provides residential and commercial heating, ventilation and air conditioning services	Turnpoint Services
Mar-20	P&J Sprinkler Company	Provides fire protection services including inspection, testing and retrofit installation	AI Fire
Mar-20	Zuke's Landscape	Provides commercial landscape management and maintenance services	Enhanced Landscape Management
Feb-20	Dryer Vent Wizard	Provides dryer vent cleaning, installation, inspection and repair services	Neighborly
Feb-20	Atlas Pumping Services	Provides grease and septic pumping services	Liquid Environmental Solutions
Feb-20	Len The Plumber	Provides residential plumbing repair services	Thompson Street Capital Partners
Feb-20	Aerial Lighting & Electric	Provides electrical design and installation contracting services	IES Residential
Feb-20	Clark Pest Control	Provides pest control services	Rollins
Feb-20	Santa Rita Landscaping	Provides residential and commercial landscaping services	Westhook Capital
Feb-20	Landmark Elevator	Provides elevator service, modernization and new installation services	Oracle Elevator Company
Feb-20	Bell Brothers Plumbing Heating and Air	Provides residential air conditioning and plumbing services	Service Champions
Feb-20	Alliant Integrators	Provides commercial fire alarm detection, installation, inspection and maintenance services	ADT
Feb-20	LRC Fire Safety	Provides fire protection services including fire sprinkler and alarm inspection, installation and maintenance	AI Fire
Jan-20	American LubeFast	Provides lube services through franchisors and automotive service centers	FullSpeed Automotive

Source: Capital IQ, Mergermarket, Company Filings

## M&A Transaction Highlights (cont'd)

Closed	Target	Target Description	Acquirer
Jan-20	Bigham Services	Provides heating, ventilation and air conditioning repair, installation and maintenance services	Trans-Pacific Holdings
Jan-20	Huckestein Mechanical Services	Provides heating, ventilation and air conditioning services including design-build, ongoing maintenance and repair	Service Logic
Jan-20	Aegis Fire Systems Technology	Provides fire protection services including design and installation of fire suppression systems	Rapid Fire Protection
Jan-20	Site Support Services	Provides maintenance and installation services for precision cooling systems	Tate Engineering Systems
Jan-20	Twin-Boro Termite & Pest Control	Provides pest extermination and control services	Excel Termite & Pest Control
Jan-20	Potomac Electrical Services	Provides electrical testing, maintenance and repair services	Technical Diagnostic Services
Jan-20	Signature Coast Holdings	Provides landscape maintenance services including installation, arbor care and snow removal services	BrightView Holdings
Jan-20	Summit Landscape Group	Provides commercial landscaping services	BrightView Holdings
Jan-20	Hospitality Staffing Solutions	Provides facilities management services including housekeeping, food service and day-to-day management	Kellermeyer Bergensons Services
Jan-20	Renew Crew Franchising Corporation	Provides outdoor surface cleaning services	Premium Service Brands
Jan-20	Will's All Pro Plumbing & Air Conditioning	Provides plumbing, heating, ventilation and air conditioning services	Goettl Air Conditioning
Jan-20	Easy Ice	Provides commercial ice machine rental and related support services	Freeman Spogli Management
Jan-20	Sharp, Robbins & Popwell	Provides fire and storm restoration, renovation and new construction services	BluSky Restoration Contractors
Jan-20	Cotton Holdings	Provides property restoration, construction, roofing, temporary workforce housing and culinary services	Sun Capital Partners
Jan-20	Excel Elevator & Escalator	Provides elevators and escalators installation, repair, maintenance and modernization services	3 Phase Elevator Corporation
Jan-20	SAFire Co.	Provides fire protection engineering services	Jensen Hughes
Jan-20	Defenders	Provides home security and safety products	ADT
Jan-20	Sentinel Pest Management	Provides pest control services	Clark Pest Control Of Stockton
Jan-20	Spectrum Mechanical & Service Contractors	Provides commercial heating, ventilation, and air conditioning design, installation and maintenance services	HB McClure Company
Jan-20	TriStar PetroServ	Provides tank cleaning and processing and vapor control services	HydroChemPSC

Source: Capital IQ, Mergermarket, Company Filings



## Advisory Services

Mergers & Acquisitions  
Capital Advisory  
Joint Ventures & Partnering  
Valuations & Opinions

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## About Lincoln International

We are trusted investment banking advisors to business owners and senior executives of leading private equity firms and public and privately held companies around the world. Our advisory services include mergers and acquisitions and capital markets advisory for the mid-market. We also provide valuations and fairness opinions and joint ventures advisory services. As one tightly integrated team of more than 500 professionals across 16 countries, we offer an unobstructed perspective, backed by superb execution and a deep commitment to client success. With extensive industry knowledge and relationships, timely market intelligence and strategic insights, we forge deep, productive client relationships that endure for decades. Connect with us to learn more at [www.lincolninternational.com](http://www.lincolninternational.com).

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