

Market Update



Facilities Services
Q4 2020









Facilities Services Insights

The Coronavirus (COVID-19) crisis was unexpected and unpredictable, leading to challenges that had widespread effects on the global economy and mergers and acquisitions (M&A) activity in 2020. Despite these challenges, businesses were largely successful in adjusting to this “new normal.” After an initial slowdown in M&A activity due to COVID-19 during early 2020, we witnessed a substantial rebound in M&A in Q4 2020. According to S&P Global, there were 8,526 global M&A transactions announced in Q2 2020, which was ~30% less than Q2 2019. While we saw a slight recovery in Q3 2020, with 11,185 transactions announced globally, that figure was still below the Q3 2019 total of 11,911. However, as the initial shock of the COVID-19 pandemic wore off and investors sought to put capital to work, Q4 2020 saw a substantial rebound in activity. During Q4 2020, there were 13,818 transactions announced, which was 7% higher than the total from Q4 2019, and the highest single quarter total over the last 3+ years.

Within the facilities services sector, we have seen a substantial recovery in M&A activity. The effects of COVID-19 in 2020 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, has been severely impacted by government shutdowns and voluntary actions taken to limit the spread of COVID-19. Conversely, demand for services in areas such as food production, food retailing, healthcare and specialist hygiene services have seen increased demand.

Looking forward to 2021, a potential vaccine with available distribution in process and a workforce better equipped for remote operations, coupled with the significant capital availability and desire to pursue acquisitions by strategic and financial acquirers, we expect M&A in the sector to accelerate. We anticipate a greater focus on domestic deals, as well as add-on acquisitions and platform investments in sectors where investors feel they have thorough understanding of market fundamentals.

Recent Lincoln International Facilities Services Transactions

<p>GEMSPRING CAPITAL</p> <p>has sold</p> <p>THERMA</p> <p>to</p> <p>Blackstone</p> <p>Sell-Side</p> 	<p>WEST SHORE HOME</p> <p>has been recapitalized by</p> <p>LGP LEONARD GREEN & PARTNERS</p> <p>Recapitalization</p> 	<p>CRAFT WORK CAPITAL, LLC</p> <p>a joint venture investment vehicle backed by</p> <p>Aterian INVESTMENT PARTNERS</p> <p>has acquired</p> <p>ROGERS MECHANICAL CONTRACTORS, INC.</p> <p>Senior Credit Facilities</p> 	<p>Rotunda Capital Partners</p> <p>has sold</p> <p>MUNCH'S SUPPLY EST. 1915 WE MAKE IT EASY</p> <p>to</p> <p>Ridgmont EQUITY PARTNERS</p> <p>Sell-Side</p> 
<p>CHAMPLAIN</p> <p>has sold</p> <p>Frontier Fire</p> <p>to</p> <p>Highview CAPITAL</p> <p>Sell-Side</p> 	<p>Audax Private Equity</p> <p>has sold</p> <p>COOLSys</p> <p>to</p> <p>ARES</p> <p>Sell-Side</p> 	<p>THE HALIFAX GROUP</p> <p>has sold</p> <p>K2 Industrial Services™</p> <p>to</p> <p>ASRC INDUSTRIAL SERVICES</p> <p>Sell-Side</p> 	<p>COMVEST PARTNERS</p> <p>has sold</p> <p>RED HAWK Fire & Security</p> <p>to</p> <p>ADT</p> <p>Sell-Side</p> 

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 Lincoln Facilities Services Index stock indices increased by 14.8%, ahead of the S&P 500 Index, which increased by 11.7%, and the S&P 1500 Environmental and Facilities Services Index, which increased by 7.2%. In Q4 2020, historical EV / LTM EBITDA multiples increased to 12.2x, up from 12.0x in Q3 2020.

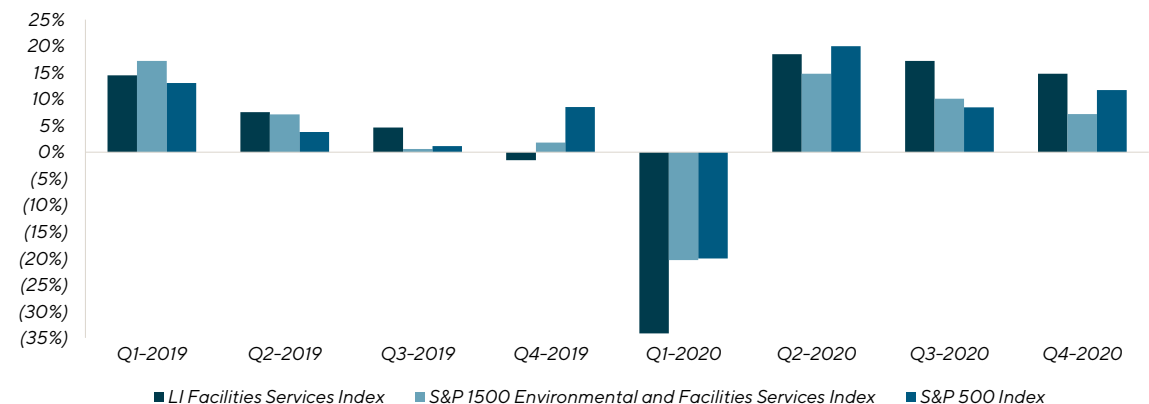
Facilities Services Financial Performance

Quarter-over-Quarter Performance

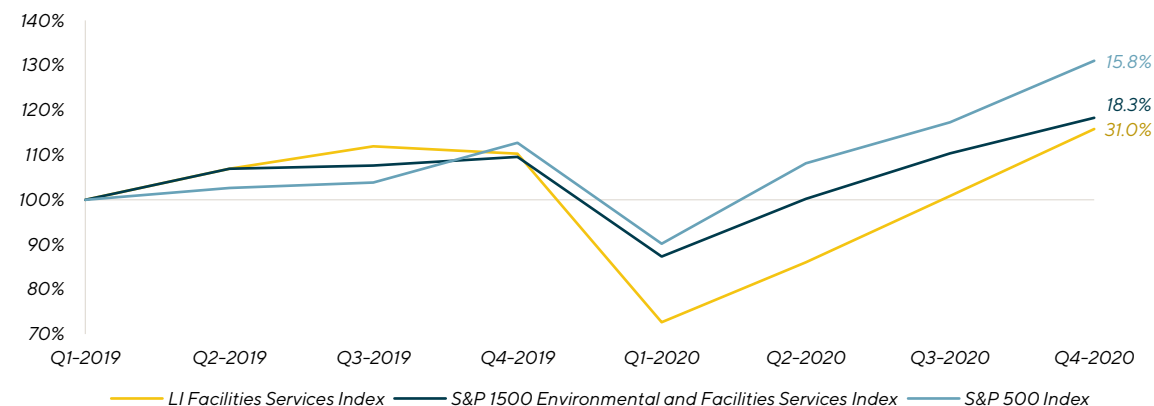
Top Performers	Change	Underperformers	Change
Team, Inc.	98.2%	FirstService Corporation	(0.9%)
Aramark	45.5%	Securitas AB	(3.3%)
EMCOR Group, Inc.	35.1%	Rentokil Initial plc	(4.9%)

Based on quarter-over-quarter share price performance

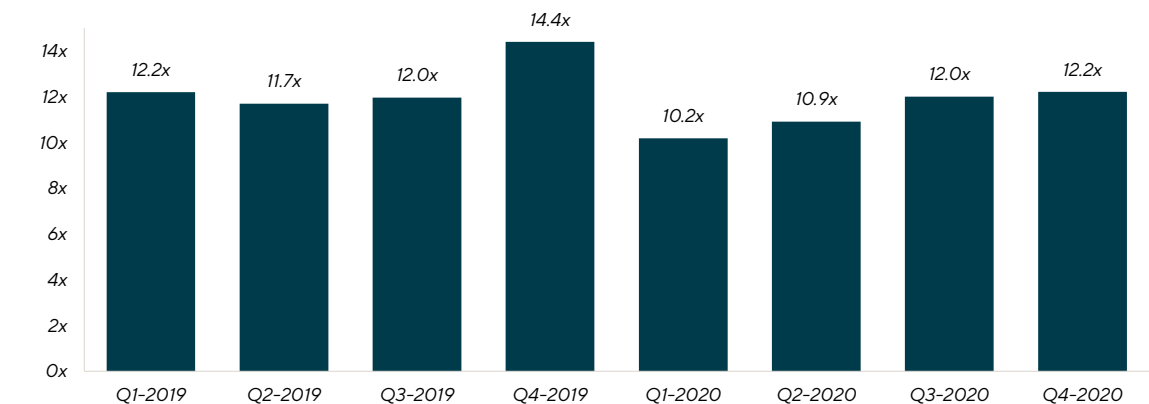
Quarter-over-Quarter Stock Index Change



Two-Year Relative Stock Index Performance



Enterprise Value⁽¹⁾ / LTM EBITDA Multiples



Source: Capital IQ as of 12/31/2020

(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	\$37.84	\$41.79	\$2,526	\$3,039	\$0.00	\$6,151	0.5x	8.2x	11.2x	(5.4%)	14.8%	6.0%	2.0x
Aramark	38.48	47.22	9,771	17,081	(1.83)	14,089	1.2x	21.5x	nmf	(13.0%)	nmf	5.6%	9.3x
BrightView Holdings, Inc.	15.12	17.25	1,585	2,657	(0.40)	2,363	1.1x	12.6x	nmf	0.0%	(18.3%)	8.9%	5.6x
Cintas Corporation	353.46	369.20	37,108	39,106	8.91	7,021	5.6x	nmf	nmf	0.2%	1.4%	21.3%	1.6x
Comfort Systems USA, Inc.	52.66	58.14	1,912	2,162	3.84	2,870	0.8x	9.0x	11.9x	21.0%	18.7%	8.3%	1.2x
Compass Group plc	18.61	27.24	33,193	37,652	0.08	31,160	1.2x	16.5x	20.3x	(0.1%)	(22.3%)	7.3%	2.8x
EMCOR Group, Inc.	91.46	93.65	5,024	4,880	2.51	9,006	0.5x	8.7x	10.6x	2.8%	5.3%	6.2%	0.1x
FirstService Corporation	136.73	148.46	5,957	6,766	1.66	2,603	2.6x	nmf	nmf	25.8%	26.1%	9.5%	2.2x
G4S plc	3.47	3.52	5,358	7,555	0.01	10,275	0.7x	9.6x	11.6x	7.3%	8.9%	7.6%	3.6x
Johnson Controls International plc	46.59	47.58	33,727	41,888	0.84	22,637	1.9x	17.2x	25.8x	(29.0%)	nmf	10.8%	2.8x
Matrix Service Company	11.02	23.08	292	244	(1.60)	1,101	0.2x	6.8x	14.4x	(22.3%)	nmf	3.3%	(1.8x)
MITIE Group plc	0.56	2.04	792	701	0.04	2,706	0.3x	6.0x	6.9x	(6.5%)	(16.3%)	4.3%	2.1x
Prosegur Compañía de Seguridad, S.A.	2.98	4.81	1,502	2,912	0.94	4,488	0.6x	3.1x	3.7x	(1.0%)	95.0%	21.1%	1.3x
Rentokil Initial plc	6.96	7.90	12,848	14,269	0.13	3,595	4.0x	21.7x	nmf	14.1%	9.5%	18.3%	2.1x
Rollins, Inc.	39.07	43.00	19,208	19,496	0.51	2,104	9.3x	nmf	nmf	11.6%	13.4%	20.1%	0.8x
Securitas AB	16.16	19.97	5,899	7,651	7.57	11,983	0.6x	10.6x	14.5x	3.9%	(6.3%)	6.0%	2.5x
Terminix Global Holdings, Inc.	51.01	51.92	6,739	8,239	0.34	2,154	3.8x	21.3x	30.3x	8.0%	(1.8%)	17.9%	4.0x
Sodexo S.A.	84.67	131.19	12,363	17,704	(2.16)	24,855	0.7x	10.4x	13.6x	3.2%	2.6%	6.8%	2.9x
Team, Inc.	10.90	16.08	334	726	(7.52)	1,004	0.7x	nmf	nmf	(15.3%)	33.8%	2.8%	13.5x
UniFirst Corporation	211.69	217.90	3,995	3,562	7.13	1,855	1.9x	12.1x	18.9x	5.2%	(7.8%)	15.9%	(1.3x)
Mean							1.9x	12.2x	14.9x	0.5%	9.2%	10.4%	2.9x
Median							0.9x	10.5x	13.6x	1.5%	5.3%	8.0%	2.2x

Source: Capital IQ

Note: All values based on publicly available data as of 12/31/2020

Heard on the Street

12/16/2020: ISS, the Denmark-based facility services provider, has announced a new strategic plan. The plan includes a focus on key business segments, accelerating technology investments and introducing a new operating model. The company expects this transition will result in a platform for robust long-term performance with strong growth and consistent cash generation. To ensure the short-term recovery of the business as it relates to M&A, the previous medium-term targets have been replaced with turnaround targets to ensure a healthy recovery with a focus on profitability and cash generation.

12/03/2020: Engie, the France-based energy services provider, is currently in discussions with investment banks to analyze strategic alternatives for parts of its services unit. Assets under review include electrical installations and HVAC systems. (As of Jan-21, Engie expects to use proceeds from the potential sale of its customer services business to finance future renewable energy acquisitions.)

11/20/2020: BrightView Holdings, the Pennsylvania-based commercial landscaping services provider, announced that it maintains a strong pipeline of potential acquisition targets and is currently in discussions with a number of opportunities. BrightView has a disciplined acquisition framework that will be utilized as it resumes M&A following an intentional pause during

Q3 2020. (As of Jan-21, BrightView announced the acquisition of Cutting Edge Property Maintenance, a Minnesota-based landscaping service provider.)

11/19/2020: Diversey, the Bain Capital-backed food hygiene and cleaning services provider, is in preliminary discussions with investment banks regarding a potential sale or IPO. The company will continue pursuing acquisition targets focused on cleaning as a result of COVID-19.

11/10/2020: Jackson Mechanical, the commercial HVAC and boiler service provider, has recently launched a partnership with Alpine Investors. The partnership, Orion Group, will serve as a commercial facilities services platform. Alpine intends to invest a meaningful portion of its recently raised \$1 billion fund in family-owned commercial HVAC and plumbing businesses to expand Orion and make it a key national leader.

10/28/2020: ACRE, the LLR Partners-backed provider of integrated security technologies and services, has launched a potential sale process. This process follows the company's stable performance during COVID-19 due to its reliable customer base among K-12 schools and hospitals. Increased demand for no-touch and keyless entry systems has furthered ACRE's stable operations.

M&A Transaction Highlights

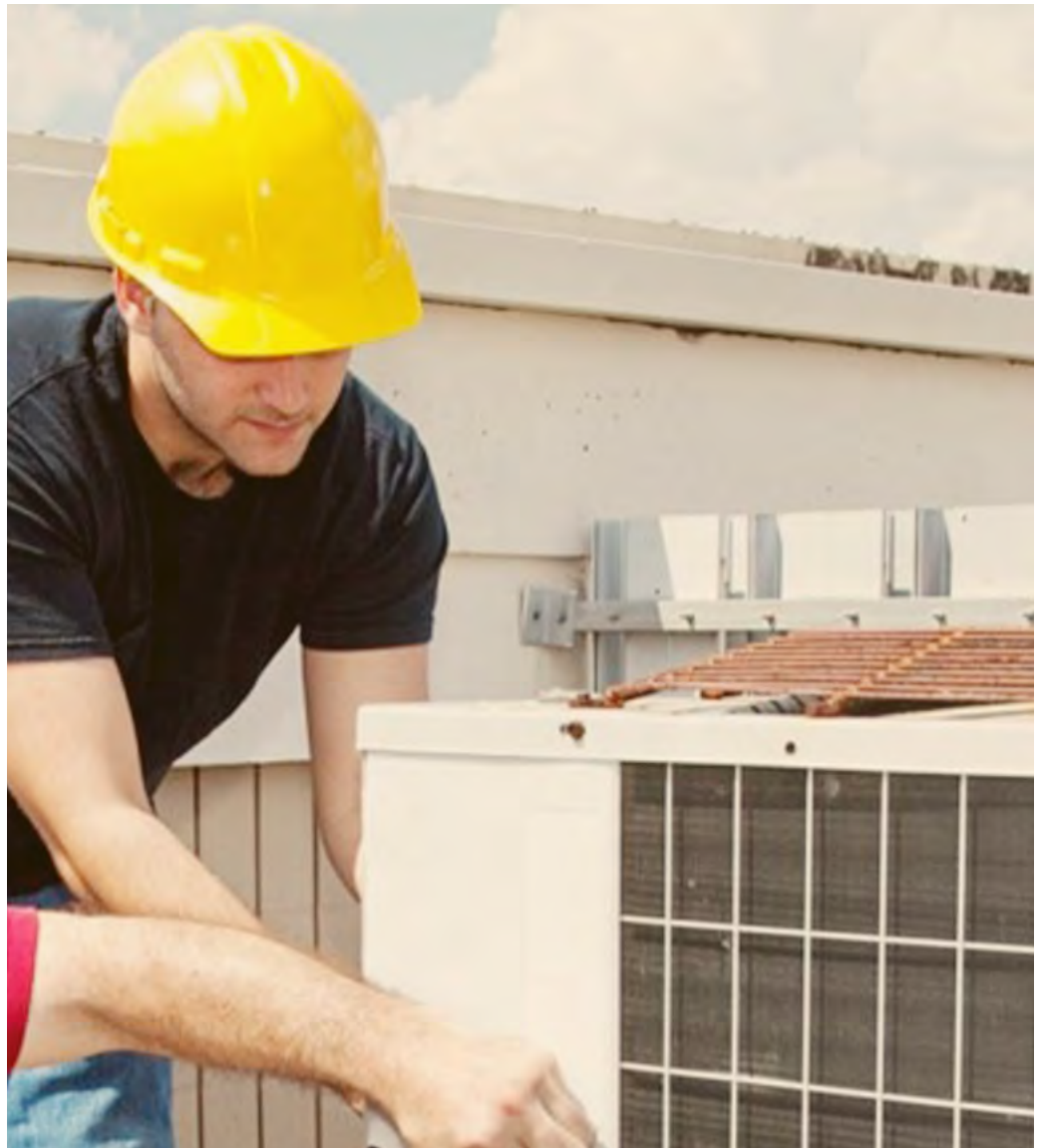
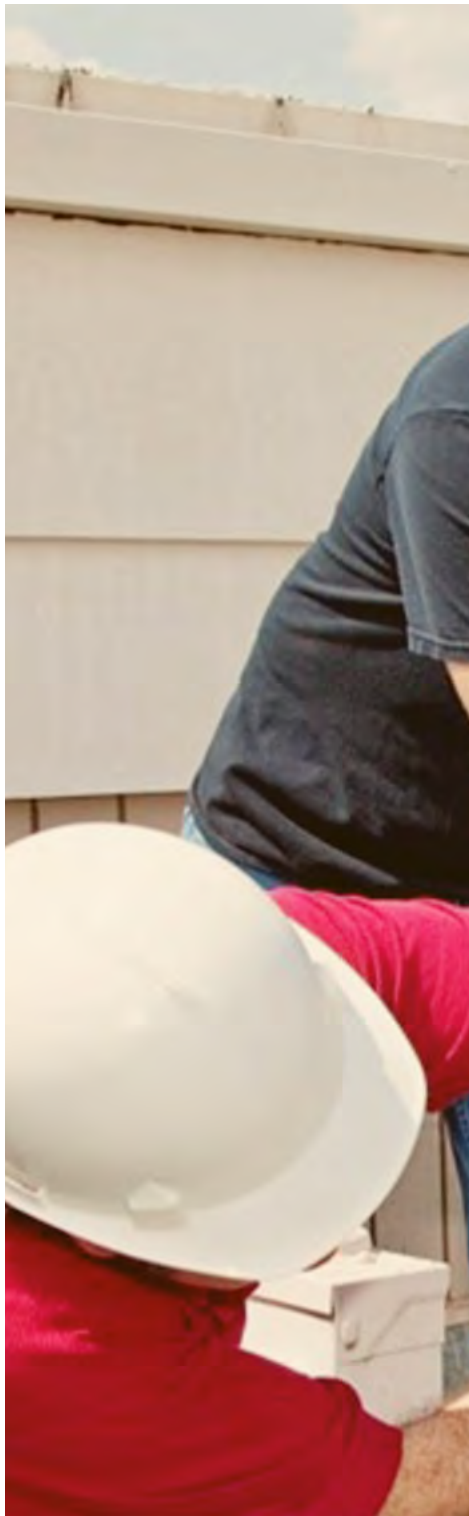
Closed	Target	Target Description	Acquirer
Announced	G4S	Provides security and related services	Allied Universal Security Services
Dec-20	Service Champions (CenterOak)	Provides air conditioning repair and replacement, plumbing, solar and electrical services	Odyssey Investment Partners
Dec-20	Therma Corporation (Gemspring Capital)	Provides mechanical, electrical and controls services	The Blackstone Group
Dec-20	Right Time Heating and Air Conditioning Canada (Clairvest Group)	Provides preventative maintenance programs, repairs and replacements of HVAC systems	Gryphon Investors
Dec-20	Dayspring Restoration	Provides disaster restoration, mitigation and renovation services	Trinity Hunt Partners
Dec-20	Sterling Air Service	Provides service plans, repair and installation services for the home	HomeServe USA
Dec-20	Action Elevator	Provides elevator modernization, maintenance, repair and new construction services	Southwest Elevator Company (Align Capital)
Dec-20	Appalachian Railcar Services (GenNx360 Capital Partners)	Provides railcar maintenance, mobile repair, track repair and railcar storage services	Star America Infrastructure Partners (Tikehau Capital); Cathcart Rail
Dec-20	Heartland Home Services (North Branch Capital)	Provides HVAC replacement and maintenance, plumbing and electrical services	The Jordan Company; Cobepa
Dec-20	H.V.A.C. Team Mechanical Services	Provides HVAC repair, replacement, construction and installation services	Air Conditioning Innovative Solutions
Dec-20	Pro-Clean Industrial Services	Provides preventative maintenance programs, repairs and replacements of household HVAC systems	Red Industries
Dec-20	Total Fire & Safety	Provides fire suppression installation and inspection services and hazard analysis	Marmic Fire & Safety (Thompson Street Capital Partners)
Dec-20	Premier Roofing	Provides roofing services	Aurora Capital Partners
Dec-20	Lor-Mar Mechanical Services	Provides HVAC and plumbing construction and services	Crescendo Capital Partners
Dec-20	Cambridge Maintenance Services	Provides facility maintenance services	Rockpool Investments
Dec-20	All-Star Fire	Provides fire and life safety services	Fire Safety and Protection
Dec-20	KSB Service	Provides electrical maintenance and repair services	Dalkia France
Dec-20	J. B. Russell & Son Construction	Provides cleaning and waste processing services	VLS Recovery Services (Aurora Capital Partners)
Dec-20	Titan Elevators	Provides liquid waste management and industrial cleaning solutions	Cibes Lift Group (Nalka Invest)
Dec-20	Smith Hamilton	Provides physical security solutions	Convergint Technologies (Ares Private Equity Group)
Dec-20	DC Scientific Pest Control	Provides elevator maintenance, modernization and repair services	Arrow Exterminators
Dec-20	Floyd Total Security	Provides security services for residential and commercial properties	Per Mar Security and Research

Source: Capital IQ, Mergermarket, Company Filings

M&A Transaction Highlights (cont'd)

Closed	Target	Target Description	Acquirer
Nov-20	Sweeping Corporation of America (Soundcore Capital)	Provides contract street sweeping services	Warburg Pincus
Nov-20	Monarch Environmental Services	Provides waste management services	Miller Environmental Group (GenNx360 Capital Partners)
Nov-20	Valet Living (Ares, Harvest Partners)	Provides doorstep trash and recycling collection services	GI Partners
Nov-20	Adeedo Plumbing & Heating	Provides HVAC services	Service Champions (CenterOak)
Nov-20	JW Plumbing Heating & Air	Provides HVAC services	Service Champions (CenterOak)
Nov-20	A-Avis Home Services Plumbing	Provides HVAC services	Service Champions (CenterOak)
Nov-20	Monument Electronics	Provides security installation services	Per Mar Security and Research
Nov-20	Arizona's Dukes of Air	Provides residential HVAC system repair and maintenance services	HomeServe USA
Nov-20	The Hattenbach Company	Provides commercial refrigeration and HVAC services	Climate Pros (Saw Mill Capital)
Nov-20	Turnpoint Services (Trivest Partners)	Provides maintenance and repair services	OMERS Private Equity
Nov-20	Premier Elevator	Provides elevator installation, maintenance and repair services	Oracle Elevator Company (L Squared Capital Partners)
Nov-20	Beck Facility Services	Provides janitorial, light maintenance and material handling services	Kellermeyer Bergensons Services (Cerberus Capital Management)
Nov-20	A&D Fire Sprinklers	Provides fire protection services	The Hiller Companies
Oct-20	Service Logic (Warburg Pincus)	Provides HVAC services	Leonard Green & Partners
Oct-20	Hamilton Service Company	Provides commercial refrigeration, electrical and HVAC services	Temp-Con
Oct-20	Mitec Controls	Provides fire and property protection services	Pye-Barker Fire & Safety (Leonard Green & Partners)
Oct-20	Commercial Tree Care	Provides tree care services, including pruning, removals and planting	BrightView Holdings
Oct-20	Blind & Sons	Provides commercial janitorial, window washing and floor care services	Heartland Home Services
Oct-20	Doctor Dead-Bug	Provides pest control services	Plunkett'S Pest Control
Oct-20	UGI HVAC Enterprises	Provides HVAC services	HomeServe USA

Source: Capital IQ, Mergermarket, Company Filings



Advisory Services

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

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About Lincoln International

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