

Market Update



Facilities Services Q1 2019

Market Insights

The first quarter of 2019 saw continued momentum and M&A across all facilities services sub-sectors. There was considerable activity in the Heating, Ventilation, Air Conditioning and Refrigeration (HVACR) market with several acquisitions announced or completed. In particular, private equity continues to be highly active in HVACR – several funds completed platform or add-on investments such as AE Industrial Partners, Apax Partners, Ares Management, Gemspring Capital, Huron Capital and Saw Mill Capital. Valuations in HVACR remain strong, especially for high-quality assets exhibiting robust, proven growth historically and top-tier management teams, with several notable deals trading at double-digit EBITDA multiples and generating significant investor interest. M&A will continue to be a growth lever for industry participants to accelerate or supplement organic initiatives.

Looking further into 2019, we expect M&A activity to remain strong across the Facilities Services market driven by, among other areas: (i) strong underlying secular trends; (ii) healthy corporate balance sheets and a desire among strategics to augment organic growth through M&A; and (iii) significant “dry powder” among private equity firms interested in backing companies with economically resilient business models and strong management teams.

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, Q2 2017, and totaling the market caps of the companies in this period. This period and the total market cap is set to a base index of 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 stock indices increased, with the Lincoln Facilities Services index increasing 14.4%. LTM Q1 2019 revenue and EBITDA generally increased across the Facilities Services Index, with average growth of 4.4% and 14.0%, respectively.

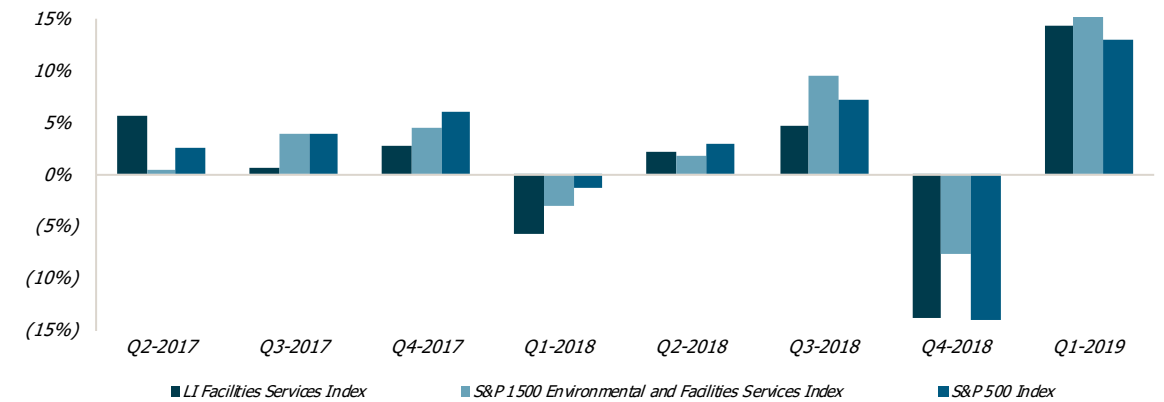
Facilities Services Financial Performance

Quarter over Quarter Performance

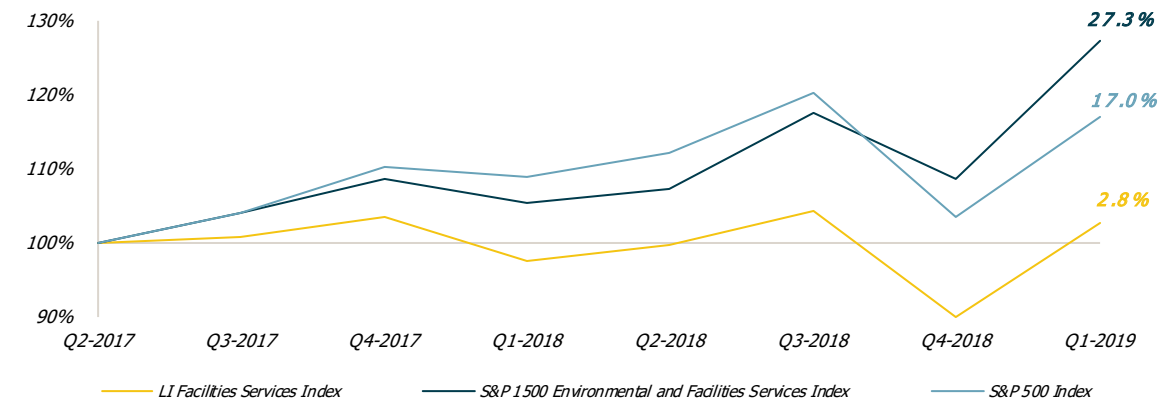
Outperformers	Change	Underperformers	Change
BrightView Holdings, Inc.	41.0%	Rentokil Initial plc	4.8%
MITIE Group plc	34.5%	Aramark	2.0%
ServiceMaster Global Holdings, Inc.	27.1%	G4S plc	(6.8%)

Based on quarter-over-quarter share price performance

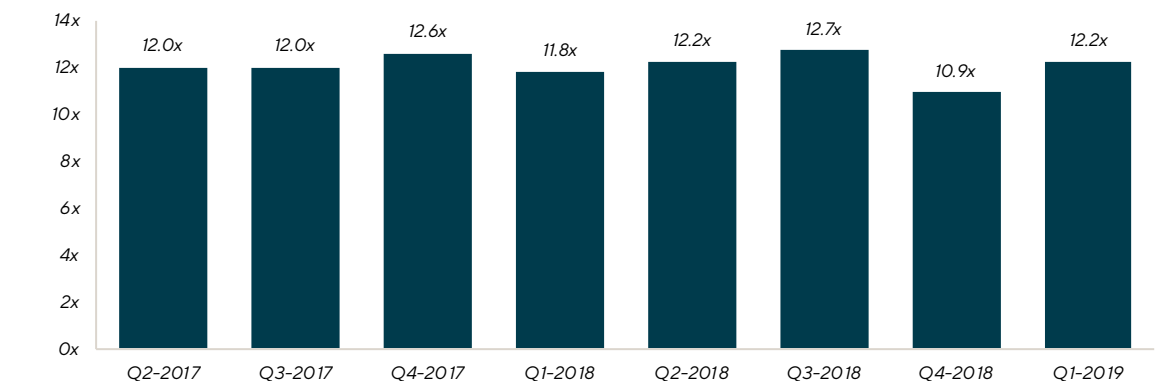
Quarter over Quarter Stock Index Change



Two Year Relative Stock Index Performance








Enterprise Value⁽¹⁾ / LTM EBITDA Multiples



Source: Capital IQ as of 3/31/19

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

Recent Lincoln International Facilities Services Transactions

 has sold  to  Sell-Side 	 has sold  to  Sell-Side 	 has sold  to  Sell-Side 	 has sold  to  a portfolio company of  Sell-Side 	 has acquired the U.K. landscaping division of  Buy-Side  
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Heard on the Street

02/15/2019: Rollins, the Atlanta-based provider of pest and termite control services, plans to continue to pursue strategic acquisitions after recently acquiring Clark Pest Control.

03/12/2019: G4S, a UK-based security services provider, has announced that it has received offers for its Cash Solutions business, which it is looking to separate in the second half of 2019.

03/12/2019: Allied Universal, the California-based security and janitorial services provider, has hired advisors to evaluate several options, including a public listing, a recap of its existing investors or bringing in additional equity, with a formal process planned for this year.

03/26/2019: Cintas, the Ohio-based provider of corporate identity uniform services, is open to tuck-ins and more sizeable deals.

Lincoln Facilities Services Index Stock Data

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	\$36.35	\$37.34	\$2,408	\$3,371	\$1.23	\$6,462	0.5x	11.4x	18.2x	13.1%	30.4%	4.6%	3.3x
Aramark	29.55	43.70	7,278	14,416	2.07	16,090	0.9x	10.1x	17.0x	8.5%	12.1%	8.9%	5.0x
BrightView Holdings, Inc.	14.40	23.42	1,511	2,662	(0.48)	2,329	1.1x	11.6x	nmf	2.8%	(7.5%)	9.9%	5.0x
Cintas Corporation	202.11	217.34	21,208	23,881	7.59	6,768	3.5x	16.6x	nmf	6.8%	17.9%	21.3%	1.9x
Comfort Systems USA, Inc.	52.39	59.83	1,932	1,963	3.00	2,183	0.9x	10.2x	13.1x	22.1%	39.6%	8.8%	0.2x
Compass Group plc	23.50	23.50	37,273	41,819	0.71	29,958	1.4x	14.8x	19.5x	(1.0%)	(0.7%)	9.4%	1.6x
EMCOR Group, Inc.	73.08	82.04	4,092	4,025	4.89	8,131	0.5x	8.2x	9.8x	5.8%	2.4%	6.0%	(0.1x)
FirstService Corporation	89.07	89.60	3,210	3,638	1.80	1,931	1.9x	19.7x	nmf	11.7%	19.1%	9.6%	1.5x
G4S plc	2.39	3.69	3,707	5,784	0.05	9,574	0.6x	12.5x	18.4x	(9.5%)	(42.7%)	4.8%	4.3x
Johnson Controls International plc	36.94	40.33	33,716	46,637	2.52	31,559	1.5x	9.9x	12.8x	11.2%	17.5%	15.0%	2.5x
Matrix Service Company	19.58	25.75	524	453	(0.51)	1,198	0.4x	nmf	nmf	9.3%	15.7%	1.8%	(3.4x)
MITIE Group plc	1.94	2.75	700	961	(0.07)	2,927	0.3x	7.8x	9.1x	(0.9%)	1.4x	4.2%	2.1x
Prosegur Compañía de Seguridad, S.A.	5.42	7.46	3,245	3,877	0.22	4,510	0.9x	7.6x	11.0x	(12.5%)	(16.6%)	11.3%	1.1x
Rentokil Initial plc	4.60	4.70	8,471	9,947	(0.05)	3,151	3.2x	16.6x	nmf	(3.4%)	(11.8%)	19.0%	2.4x
Rollins, Inc.	41.62	42.94	13,632	13,516	0.71	1,822	7.4x	nmf	nmf	8.8%	7.1%	20.5%	(0.3x)
Securitas AB	16.20	17.69	5,914	7,548	8.26	11,418	0.7x	9.6x	13.4x	1.4%	9.2%	6.9%	2.2x
ServiceMaster Global Holdings, Inc.	46.70	62.70	6,354	7,461	(1.20)	1,900	3.9x	19.8x	26.1x	8.3%	5.0%	19.8%	2.9x
Sodexo S.A.	110.17	113.58	16,039	18,692	4.34	23,688	0.8x	11.8x	15.2x	(3.6%)	(16.8%)	6.7%	1.7x
Team, Inc.	17.50	25.55	529	868	(2.10)	1,247	0.7x	nmf	nmf	3.9%	0.5x	1.8%	15.5x
UniFirst Corporation	153.50	193.05	2,939	2,604	8.11	1,737	1.5x	9.1x	14.1x	5.4%	3.8%	16.5%	(1.2x)
Mean							1.6x	12.2x	15.2x	4.4%	14.0%	10.3%	2.4x
Median							0.9x	11.4x	14.1x	5.6%	8.1%	9.1%	2.0x

Source: Capital IQ

Note: All values based on publicly available data as of 3/31/19

Sub-Sector Spotlight – Heating, Ventilation, Air Conditioning and Refrigeration Market

The heating, ventilation, air conditioning and refrigeration (HVACR) market experienced significant M&A activity in Q1 2019. Supported by favorable industry tailwinds and significant competitive advantages associated with scale, the fragmented HVACR industry remains ripe for consolidation. M&A will continue to be a growth lever for industry participants to accelerate or supplement organic growth.

Key Macro Trends:

- **Growing energy costs drive movement towards newer or retrofitted models** – National standards for energy efficiency, as well as a growing trend toward lowering household and business energy use, are projected to encourage building owners to upgrade to more efficient systems
- **Shortage of skilled technicians** – There is consistent demand for qualified technicians, but only limited supply, driving wage growth and price increases to end customers, contributing to increased overall spending on HVACR services
- **Nonresidential construction growth** – Commercial construction activity has increased for the past eight years, in-line with sustained expansion periods in the 1980s and 1990s

Benefits of Scale:

Service providers with meaningful size, scale and geographic reach benefit from key competitive advantages:

- **Geographic Footprint** – Ability to win customers with a national footprint looking to consolidate vendors and find a trusted provider
- **Broadened End Market Focus** – Opportunity to access customers in adjacent end markets and increase core addressable market and revenue diversity
- **Expanded Suite of Services** – Broaden service capabilities to strengthen solutions offering and benefit from cross-selling of new services in adjacent geographies
- **Larger Pool of Skilled Technicians** – Collective group of technicians with the expertise to handle complex jobs; allows flexibility to meet tight timelines in specific areas and lowers the impact of potential technician turnover

M&A Activity

Several notable transactions were announced or completed in the HVACR industry in Q1 2019:

- **March: Ares Management** acquired **Coolsys**, the leading refrigeration and HVAC services company, from **Audax Private Equity**
 - The partnership enables Coolsys to bolster its growth trajectory. Through a combination of M&A and anticipated organic growth, the company expects to grow 25% annually. CoolSys is seeking targets with up to \$200m in annual revenue. The Company has signed multiple letters of intent, with several deals expected to close by year-end.
- **March: HomeServe USA** acquired **CroppMetcalf**, a provider of residential and commercial HVACR services with more than 300 employees at four locations throughout Washington, DC, Maryland and Northern Virginia
 - The partnership nearly doubles HomeServe’s HVACR workforce and enhances its geographic footprint.
- **March: AE Industrial Partners** acquired **Resolute Industrial**, a leading independent provider of York-brand chilling products, compressor remanufacturing, refrigerant storage and other HVACR equipment services, from **One Equity Partners**
 - The partnership enables Resolute Industrial to accelerate its organic growth by expanding its capabilities and geographic footprint throughout North America.
- **February: Engie North America** acquired **Systecon**, a leading provider of complex modular HVACR and mechanical contracting solutions
 - Following three other recent acquisitions of prominent mechanical and electrical service providers in the U.S. – a portfolio of six mechanical service companies from the Talen Energy Group in addition to the Unity International Group and Donnelly Mechanical – the Systecon acquisition continues to strengthen ENGIE’s capacity to deliver best-in-class mechanical service, maintenance, construction, commissioning, and energy solutions in North America
- **February: Authority Brands**, backed by private equity firm Apax, has acquired **Clockwork**, a provider of critical home services through three leading plumbing, electrical and HVACR providers across the United States, from Centrica for \$300m
 - The addition of the Clockwork group of brands is an important and significant step in the evolution of Authority Brands. All three brands are market-leading franchises within their respective industries and their addition to the Authority Brands portfolio doubles overall system revenue to over \$1bn. This scale enables the company to further strengthen each of its brand’s systems and continue down the path of becoming the home services franchisor of choice for both business owners and consumers.

M&A Transaction Highlights

Closed	Target	Target Description	Acquirer	Enterprise Value
Announced	Commercial Fire & Communications / Allied Fire Protection	Fire protection systems and fire alarm installation services	Century Fire Protection	-
Announced	Clark Pest Control	Pest management, termite control and landscaping management	Rollins	-
Announced	Brookfield Global Integrated Solutions	Integrated facilities management services	CCMP Capital Advisors	\$1,000
Announced	Clockwork	Residential plumbing and HVAC maintenance services	Authority Brands	\$300
Announced	Servpro Industries	Residential and commercial restoration services	The Blackstone Group	-
Mar-19	Five Star Food Service	On-site food and beverage solutions to employers	Freeman Spogli & Co.	-
Mar-19	Coastal Signage + Wayfinding	Exterior and interior branding and wayfinding products	MC Sign	-
Mar-19	CroppMetcalfe	HVAC, plumbing, pest control and other services	HomeServe USA	-
Mar-19	Miller Environmental Group	Environmental response and remediation services	GenNx360 Capital Partners	-
Mar-19	Market Mechanical	Refrigeration and HVAC installation and maintenance services	Climate Pros	-
Mar-19	Empire Electric M & S	Electrical maintenance services	Sciens Building Solutions	-
Mar-19	CoolSys	Refrigeration and HVAC installation and maintenance services	Ares Management	-
Mar-19	Resolute Industrial	York-brand chilling products and HVACR equipment services	AE Industrial Partners	-
Mar-19	A.B.C. Refrigeration & A/C	Refrigeration and HVAC installation and maintenance	CoolSys	-
Feb-19	Integrated Mechanical Systems	Mechanical design, fabrication and maintenance services	Therma	-
Feb-19	Fire Defenses of New England (d/b/a Allstate Fire Equipment)	Fire protection services	AI Fire	-
Feb-19	Mid-South Maintenance	Commercial kitchen equipment repair and maintenance services	Smart Care Equipment Solutions	-
Feb-19	Benchmark Landscapes	Landscaping design, construction and maintenance services	BrightView Holdings	-
Feb-19	Systecon	Complex modular HVAC and mechanical contracting services	Engie North America	-
Jan-19	AMPM Facility Services	Facilities management services	GDI Integrated Facility Services	-
Jan-19	Integrity Tree Services	Residential and commercial tree care services	Nature's Trees	-
Jan-19	Arjae	HVAC installation, service and maintenance	CoolSys	-
Jan-19	Sterling Services	Corporate dining, office coffee, catering and micro markets	Continental Services	-
Jan-19	CARBER	Specialty mechanical services to heavy industrial sectors	HydroChemPSC	-
Jan-19	ABC Fire and Cylinder Service	Sells fire alarms and safety equipment	Summit Companies	-
Jan-19	Hill York Service Corporation	HVAC installation and maintenance	EMCOR Building Services	-
Jan-19	Emerald Landscape Company	Commercial landscape maintenance and irrigation services	BrightView Holdings	-
Jan-19	Newgaard Mechanical / CFM Mechanical	Design, installation and maintenance of HVAC systems	Pueblo Mechanical & Controls	-
Jan-19	K2 Industrial Services	Industrial cleaning and multi-craft solutions	ASRC Industrial Services	-
Jan-19	Quality Solutions	Facilities management and construction services	Cushman & Wakefield	\$251
Jan-19	Yearout Mechanical	Mechanical, fabrication and maintenance services	Therma	-

Source: Capital IQ, Mergermarket, Company Filings



Advisory Services

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

Contributors

Luke Webb
Managing Director | Chicago
lwebb@lincolninternational.com
+1 (312) 506-2747

Andy Schwartz
Director | Chicago
aschwartz@lincolninternational.com
+1 (312) 506-2726

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 15 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.

Connect with a professional in Lincoln International's Business Services Group at www.lincolninternational.com/business-services