

Market Update



Facilities Services
Q2 2020

Facilities Services Insights

COVID-19 is an incredibly fast-moving and unprecedented challenge that has had widespread effects on the global economy and M&A activity. Over the last few months, governments around the world have taken extreme steps to slow the spread of the virus, causing economic consequences and fundamental changes in day-to-day business operations. 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, as well as sanitization, disinfecting and deep cleaning services have seen increased demand. During these times, investors are increasingly focused on analyzing near-term challenges and opportunities, as well as understanding secular trends driving growth that are longer-lived than the current COVID-19 impact.

The economic uncertainty over the last quarter has resulted in volatility in the capital markets, which has tightened debt availability for many middle-market M&A transactions. In addition, the economic shutdown and impact on performance visibility also have negatively impacted M&A. As we emerge from the battle against COVID-19, we are beginning to see signs of improving economic fundamentals. This nascent improvement in market fundamentals is, in turn, creating a more conducive M&A and debt financing environment.

While global M&A activity has slowed over the past few months, we expect M&A will become increasingly more active given the

significant capital availability and desire to make acquisitions by both strategic and financial acquirers. The supply/demand imbalance is growing, with fewer companies available for sale. Private equity buyers are showing continued appetite for deals and deploying the \$1.4+ trillion of dry powder available globally. While the credit markets have tightened up, debt remains available at attractive levels for add-on acquisitions and for the right platform investments. Similarly, many strategic acquirers remain “open for business” (the top 30 S&P 500 companies raised their cash holdings to \$461 billion at the end of Q1 2020) but expect to evaluate M&A in the coming months conservatively. In the near-term, we expect strategic acquirers to pursue complementary acquisitions (as opposed to adding new solutions or entering unfamiliar markets) to meet growth expectations. Sponsors making strategic add-on acquisitions for their portfolio companies continue to pursue deals actively. These transactions are attractive because they can be purchased at lower effective multiples than many platforms due to the availability of synergies with the existing portfolio company.

As outlined in this publication, several facilities services transactions have closed over the past 90+ days (since the onset of COVID and the related social restrictions). 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 90+ days during these unprecedented 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, Q3 2018, 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 and the Lincoln Facilities Services Index increased, and the EV / LTM EBITDA multiples also increased by 0.7x, reflecting a stronger quarter since Q1 2020.

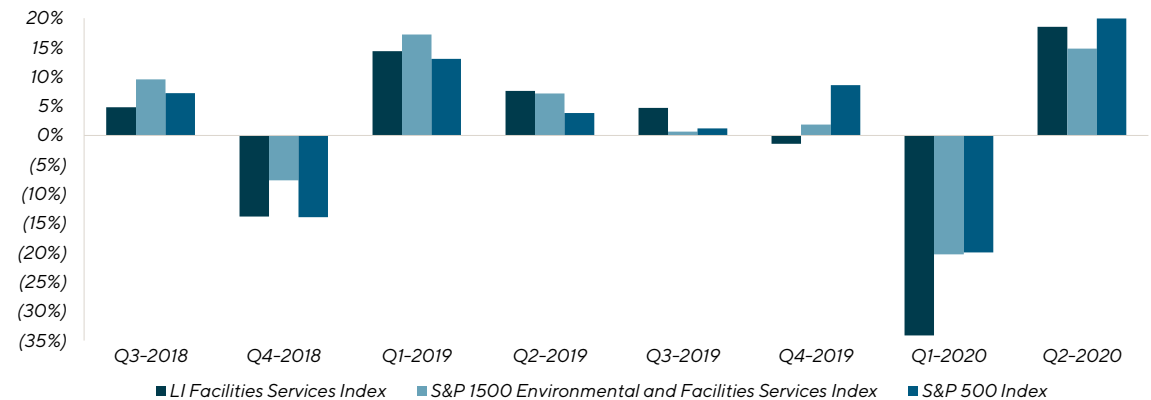
Facilities Services Financial Performance

Quarter-over-Quarter Performance

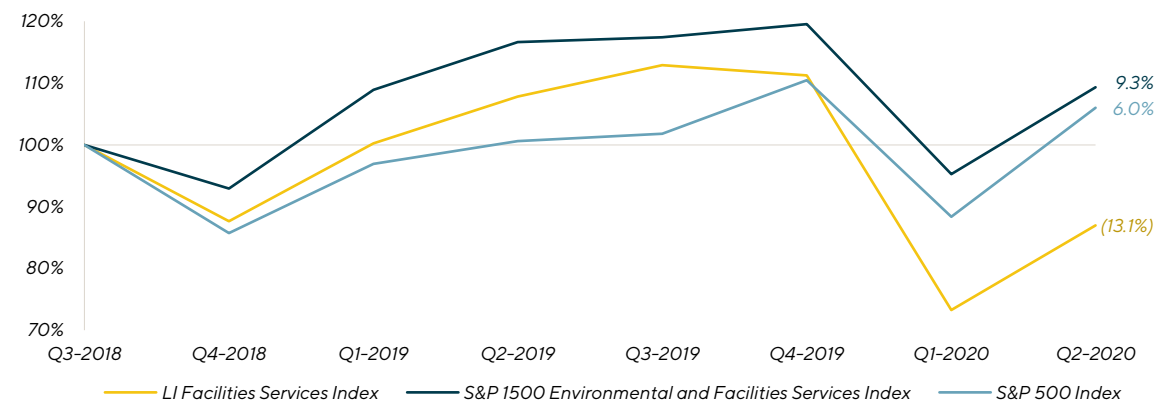
Top Performers	Change	Underperformers	Change
Cintas Corporation	53.8%	Prosegur Compañía de Seguridad, S.A.	(9.4%)
ABM Industries Incorporated	49.0%	Compass Group plc	(12.0%)
ServiceMaster Global Holdings, Inc.	32.2%	Team, Inc.	(14.3%)

Based on quarter-over-quarter share price performance

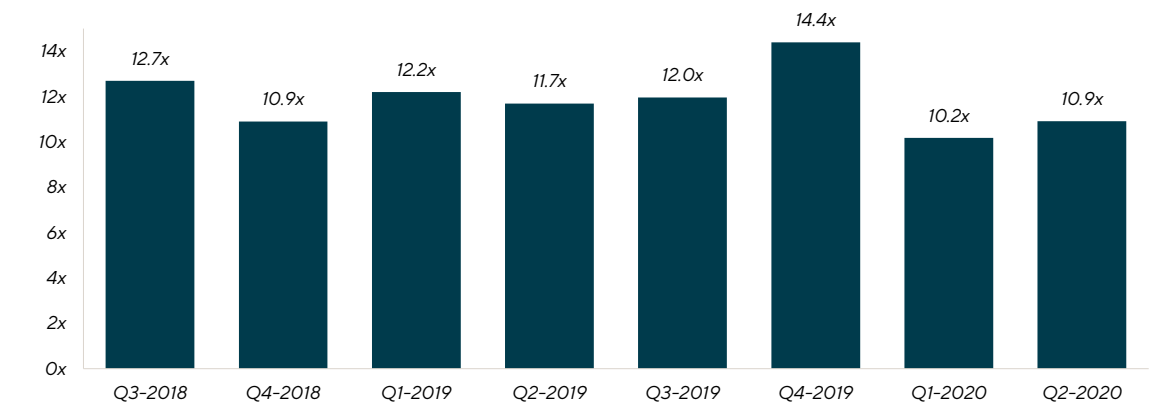
Quarter-over-Quarter Stock Index Change



Two Year Relative Stock Index Performance



Enterprise Value⁽¹⁾ / LTM EBITDA Multiples



Source: Capital IQ as of 06/30/2020

(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	\$36.30	\$42.67	\$2,420	\$3,265	-\$0.36	\$6,405	0.5x	9.6x	13.7x	(1.1%)	11.2%	5.3%	2.5x
Aramark	22.57	47.22	5,702	13,020	0.44	15,947	0.8x	9.8x	16.9x	(1.3%)	(5.5%)	8.3%	5.5x
BrightView Holdings, Inc.	11.20	20.27	1,175	2,416	0.23	2,412	1.0x	9.6x	20.2x	3.3%	2.4%	10.5%	4.9x
Cintas Corporation	266.36	304.81	27,715	30,507	8.82	7,259	4.2x	18.6x	nmf	7.3%	13.9%	22.6%	1.7x
Comfort Systems USA, Inc.	40.75	53.66	1,483	1,769	3.03	2,777	0.6x	8.4x	11.3x	23.1%	4.0%	7.6%	1.4x
Compass Group plc	13.77	26.62	24,561	30,893	0.65	31,160	1.0x	13.7x	16.8x	0.3%	(15.1%)	7.3%	2.8x
EMCOR Group, Inc.	66.14	93.54	3,628	4,037	5.82	9,316	0.4x	7.1x	8.6x	11.0%	10.8%	6.1%	0.7x
FirstService Corporation	100.53	109.99	4,366	5,347	(6.28)	2,556	2.1x	22.2x	nmf	28.4%	28.2%	9.4%	3.2x
G4S plc	1.41	2.77	2,181	4,889	(0.06)	10,275	0.5x	6.2x	7.5x	7.4%	7.2%	7.6%	3.6x
Johnson Controls International plc	34.14	44.82	25,395	33,556	1.41	23,745	1.4x	12.3x	17.6x	0.2%	(6.3%)	11.5%	2.6x
Matrix Service Company	9.72	24.36	254	207	(0.55)	1,304	0.2x	3.9x	6.1x	(0.6%)	n/a	4.0%	(0.9x)
MITIE Group plc	1.03	2.11	373	616	0.11	2,706	0.2x	4.1x	5.8x	(6.5%)	6.9%	5.5%	1.6x
Prosegur Compañía de Seguridad, S.A.	2.33	4.93	1,326	2,631	0.78	4,614	0.6x	2.7x	3.3x	4.8%	102.1%	21.1%	1.2x
Rentokil Initial plc	6.31	6.63	11,652	12,952	0.15	3,595	3.6x	19.7x	nmf	14.1%	8.5%	18.3%	2.1x
Rollins, Inc.	42.39	46.95	13,894	14,332	0.61	2,074	6.9x	nmf	nmf	12.6%	8.7%	19.5%	1.1x
Securitas AB	13.50	18.27	4,926	7,078	8.73	11,332	0.6x	10.0x	13.5x	0.2%	(8.1%)	6.2%	2.9x
ServiceMaster Global Holdings, Inc.	35.69	58.78	4,709	6,372	0.56	2,114	3.0x	17.0x	nmf	11.8%	3.6%	17.7%	4.4x
Sodexo S.A.	67.75	122.10	9,866	14,978	4.59	24,855	0.6x	8.8x	11.5x	3.2%	5.2%	6.8%	2.9x
Team, Inc.	5.57	19.00	171	570	(6.84)	1,131	0.5x	13.1x	nmf	(6.9%)	n/a	3.8%	9.2x
UniFirst Corporation	178.95	217.90	3,380	3,030	7.86	1,855	1.6x	10.4x	16.3x	5.2%	(8.9%)	15.7%	(1.3x)
Mean							1.5x	10.9x	12.1x	5.8%	9.4%	10.7%	2.6x
Median							0.7x	9.8x	12.5x	4.0%	6.0%	8.0%	2.6x

Source: Capital IQ

Note: All values based on publicly available data as of 06/30/2020

Heard on the Street

06/09/2020: Tech-24, the HCI Equity Partners-backed provider of maintenance and repair services for foodservice and HVAC equipment, is seeking add-on acquisitions. Tech-24 hopes to achieve further scale, diversify its capabilities and improve its geographic density through add-on acquisitions.

06/05/2020: Rollins Pest Control (NYSE:ROL), the Georgia-based pest control firm, is considering a sale to a competitor, a partial sale or a private equity transaction. Because Rollins and its two largest competitors, Rentokil and ServiceMaster, together account for roughly 50% of the total U.S. pest control market, a potential strategic merger may result in anti-trust concerns.

06/04/2020: SK FireSafety Group, the Apax-backed provider of design, engineering and installation services for the fire protection industry has put its sale process on hold. SK FireSafety postponed its sale due to the COVID-19 pandemic, but Apax Partners intends to continue with the sale process once the market stabilizes.

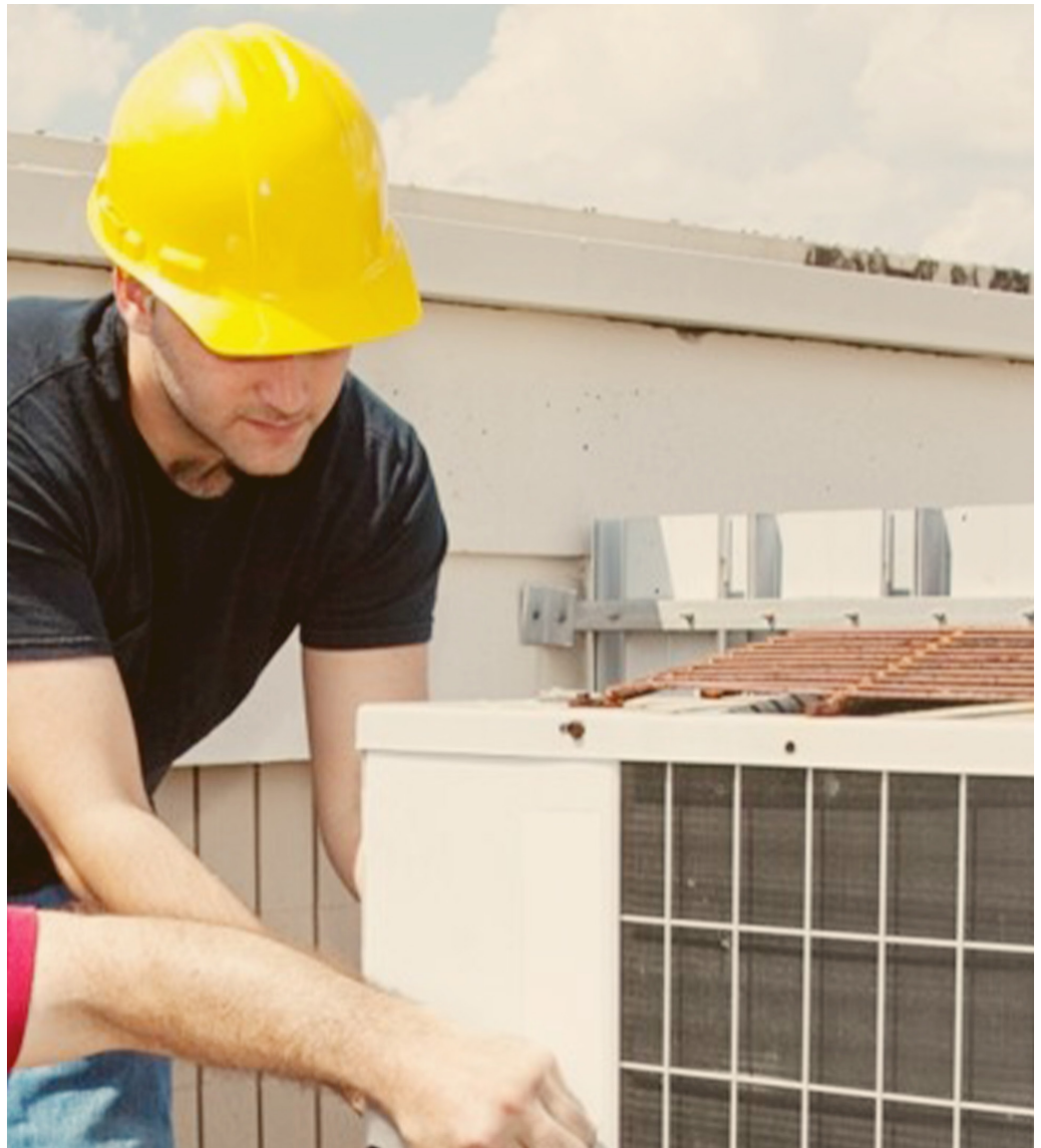
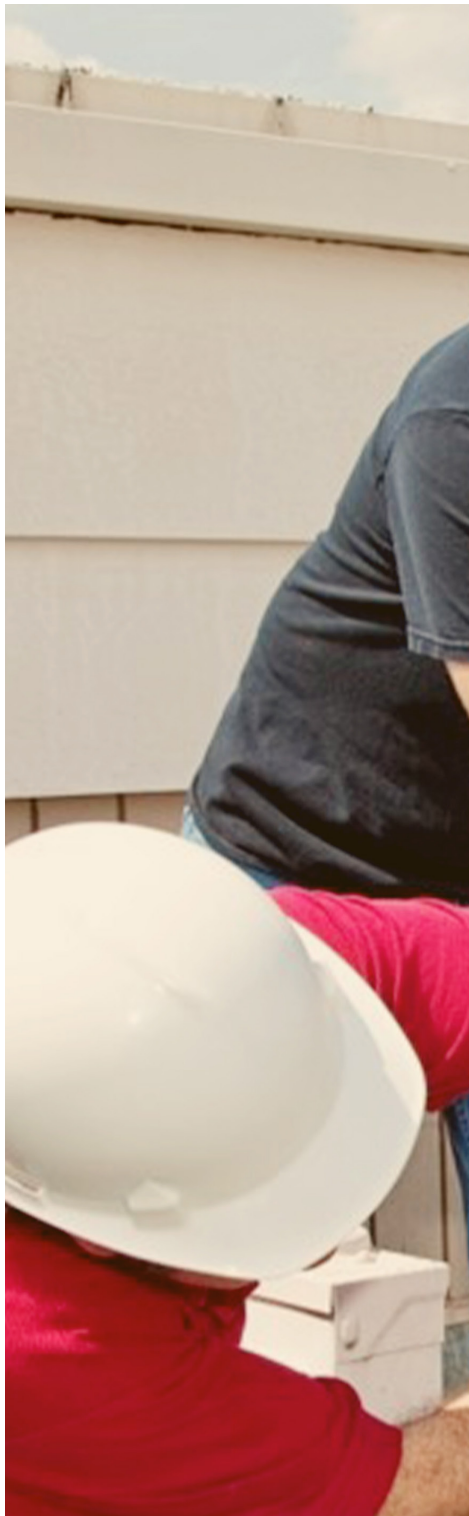
05/04/2020: EMCOR Group (NYSE:EME), the Connecticut-based provider of critical infrastructure services, maintains a strong acquisition pipeline. Despite the current market backdrop, the company has identified several targets within a \$40 million to \$60 million transaction size range. EMCOR is seeking acquisitions to bolster either its geographic or market presence, and it will continue to be acquisitive when the market normalizes.

04/30/2020: Boyd Group Services (TSX:BOYD), the Canada-based owner of collision repair shops, announced it will raise ~\$160 million through common shares. Boyd has completed 44 acquisitions over the past 5 years throughout Canada and the U.S.

M&A Transaction Highlights

Closed	Target	Target Description	Acquirer
Announced	Thyssenkrupp Elevator	Provides elevator maintenance services	Advent International; Cinven
Announced	Van Vynck Environmental Services	Provides pest and bird control services	Rollins
Jun-20	April Building Services	Provides waterproofing, metal refinishing, stone repair, window cleaning and other related services	Jobs Building Services
Jun-20	Richmond Refrigeration Service	Provides commercial refrigeration, air conditioning and installation services	CoolSys
Jun-20	Eastern Refrigeration	Provides service and installation for commercial refrigeration systems	CoolSys
Jun-20	Diamond Restoration	Provides water restoration and repair services for fire, flood, smoke and water damage	BMS CAT, Inc.
Jun-20	Wimix Resurs	Provides household services and cleaning services	HomeMaid
Jun-20	Eternal Services and Plumbing Solutions	Provides plumbing services including drain and sewer cleaning and renovations	Goettl Air Conditioning
Jun-20	Tech-24	Provides installation, maintenance and repair services for foodservice and heating, ventilation and air conditioning equipment	HCI Equity Partners
Jun-20	Aéro Solutions	Provides inspection, maintenance and renovation services for cooling towers	Massenberg
Jun-20	Carolina Heating Service	Provides maintenance, repair and installation services for heating, ventilation and air conditioning equipment	NearU HVAC Services
Jun-20	Hays Cooling & Heating	Provides heating and plumbing services	HomeServe USA
Jun-20	Fix-It Group	Provides home maintenance, repair and replacement services	New Harbor Capital Management
Jun-20	Pitstop Car Wash	Provides car wash services	Mammoth Holdings
Jun-20	Gilbert Mechanical Contractors	Provides maintenance services and energy modeling for heating, ventilating and air conditioning equipment	Therma
Jun-20	Flysta Elservice	Provides installation and reinstallation services for power plants, lighting, cable TV and alarms	Bravida
Jun-20	Southend Exteriors	Provides exterior home siding and roofing installation services	Professional Builders Supply
May-20	Yown's Boiler Service	Provides installation and repair services for boilers, pressure vessels, piping systems and industrial combustion applications	Thermogenics
May-20	ProFloors	Provides flooring solutions along with warranties and installation services	Diverzify
May-20	Kesselheld	Provides maintenance and repair services for heating systems	Ariston Thermo
May-20	Saltire Facilities Management	Provides electrical and central heating contract services	United Capital
May-20	Zips Car Wash	Provides car wash services	Atlantic Street Capital
May-20	Central Laundry	Provides laundry and dry cleaning services	Elis
May-20	ONE Nordic	Provides maintenance services for the energy and industrial sectors	Eleda Acquisition
May-20	Unitec Elevator	Provides maintenance, modernization, testing, repair and code compliance services of transportation systems	Arcline Investment Management
May-20	Carmacy	Provides on-site oil changes, tire rotations and repair services	Get Spiffy
May-20	HARBRO	Provides emergency and reconstruction services	BluSky Restoration Contractors
May-20	Kent Greenhouse & Gardens	Provides landscape design, installation and garden maintenance services	Hoffman Landscapes
May-20	Emun	Provides maintenance and conservation services for elevators	Schindler
Apr-20	Decatur Pest Control	Provides pest inspection services	ServiceMaster Global Holdings
Apr-20	Fairway Lawns	Provides residential lawn treatment and pest control services	Prairie Capital
Apr-20	Restoration 1	Provides fire, water and mold damage restoration services	MPK Equity Partners, Princeton Equity Group
Apr-20	Basic Fire and Safety	Provides fire protection services and distributes fire protection equipment	Performance Systems Integration
Apr-20	Bob Popp Building Services	Provides window cleaning services	Top Gun Pressure Washing
Apr-20	Lawn Butler	Provides landscape management services	Aero Operating
Apr-20	Albany Environmental Services	Provides pest and vermin control services	Rollins
Apr-20	Dominion Pest Control Services	Provides pest management services	Certus Pest
Apr-20	Strategic Pest Control	Provides pest management services to the residential clients	Certus Pest

Source: Capital IQ, Mergermarket, Company Filings



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