



# Commercial Services

MID-YEAR INDUSTRY UPDATE | 1H 2023





## IN THIS EDITION

- Key Insights and Observations
- Subsector Spotlight: Landscaping & Grounds Services
- Public Market Update and Performance
- 1H 2023 M&A Highlights
- Recent Stout Transaction Spotlight
- Select Stout Transaction Experience
- Commercial Services Practice Overview

# Insights and Observations

Stout is pleased to present our Commercial Services Industry Update for 1H 2023. Through our team's ongoing dialogue with leading North American and global services businesses and analysis of subsector trends and broader market health, we have summarized key takeaways below, followed by an in-depth discussion of recent industry trends, public market performance, and notable recent M&A activity.

- ❖ M&A activity in the commercial services sector has largely remained steady from year-end 2022, while aggregate declines in valuations have been driven by persistently higher interest rates, a greater quantity of small versus large transactions, and a tighter credit environment.
- ❖ While the macroeconomic environment continues to be challenging, key attributes within the commercial services industry, such as non-discretionary services, consistent backlog growth, and recurring revenue streams, have enabled the industry to generally outperform the broader market.
- ❖ Key commercial services industry consolidators remain active as they seek out accretive acquisitions that expand service offerings and capture additional customer wallet share. Private equity managers, under pressure to put equity dry powder to work, have shifted their focus to smaller add-on acquisitions.
- ❖ Heading into 2H 2023, we expect activity in the commercial services industry to keep pace as both strategic players and private investors continue to find creative structures to acquire attractive assets in the new M&A environment.

We hope that you find this report helpful and that it serves as a valuable resource to you in staying up to date on the market. We look forward to staying in touch and encourage you to contact us directly if you would like to discuss our perspectives on current market trends or potential M&A opportunities, or to discuss our relevant advisory experience.

# Key Themes Across Commercial Services

Commercial services as a category offers a range of attractive characteristics that continually pique interest from private equity investors and strategic consolidators. Well-capitalized platforms that embrace the ongoing evolution in commercial services and the next wave of market trends are well positioned to capture incremental share, accelerate growth, drive scale through M&A, diversify and strengthen the core business, and attract outsized valuation multiples from investors.



## Technology Development

- ❖ As buildings become increasingly smart and tech-enabled, leading platforms are branching into tangential categories such as fire and life safety, building automation, mechanical controls, and cybersecurity.
- ❖ Tech-enablement has become a necessity for many highly successful commercial services platforms, as technological advancements have significantly impacted how businesses operate and interact with customers.



## Established Revenue Through Customer Loyalty

- ❖ Companies are taking advantage of the opportunity to create predictable cohort-driven demand through the establishment of a deep, captive installed base of managed facilities.
- ❖ Market leaders are packaging demand from predictable upgrade/replacement cycles into preventative maintenance programs with monthly subscription fees, resulting in “synthetic” recurring revenue.



## Cross-Trade Selling Opportunities

- ❖ Platform development is increasingly moving beyond single-trade consolidation to the acquisition of complementary/adjacent services, as businesses have shown a 60-70% probability of selling a new service to an existing customer versus a 5-20% probability of acquiring a new customer.
- ❖ Most cross-trade deals have been in “close-in” categories such as fire protection with security and HVAC with plumbing.



## Emergence of Residential Services

- ❖ Investor interest has expanded quickly beyond commercial/industrial services. Multi-family housing and residential are now a priority as businesses refine scalable models to address these high-spend, high frequency, and underserved end markets.

# Spotlight: Landscaping & Grounds Services



## Industry Overview

- The U.S. landscaping market has a total addressable market size of ~\$176B.
- Lucrative commercial projects like resort and hotel grounds installation and maintenance will increase over the next five years as consumers increase spending on previously foregone travel.
- In addition to new projects, maintenance on existing college, business, and hotel campuses will provide stable work for large landscaping companies.
- Given the extremely fragmented nature of the landscaping industry, substantial opportunity for consolidation continues to exist (with platforms such as Brightview serving as a roadmap for successful execution). Today, even the largest players control only a minor share of the overall market, allowing room for other platforms to continue to find success through a roll-up strategy.

## Industry Trends



Labor shortage concerns improving



Increased focus around sufficient training

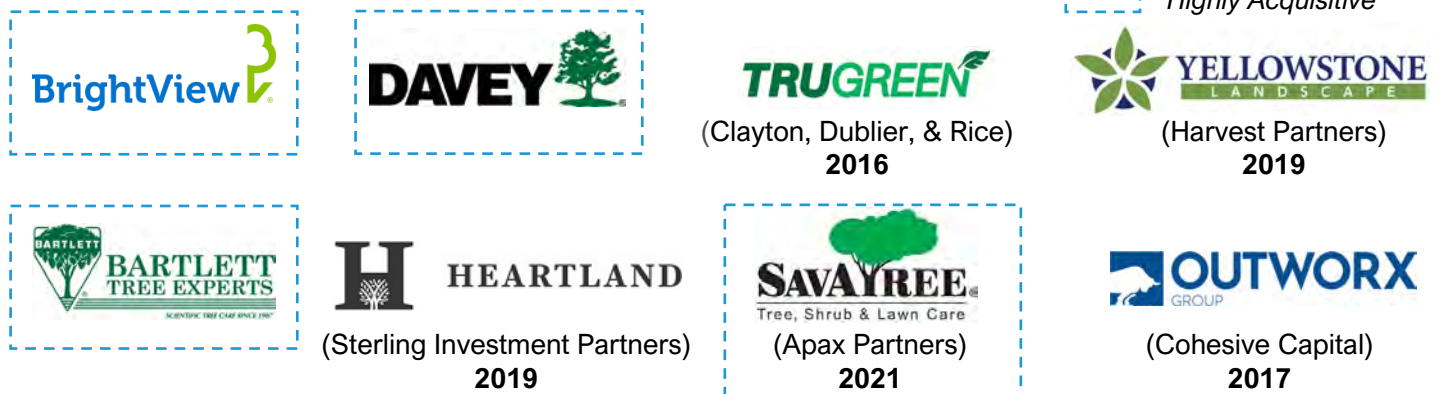


Crew wages are on the rise

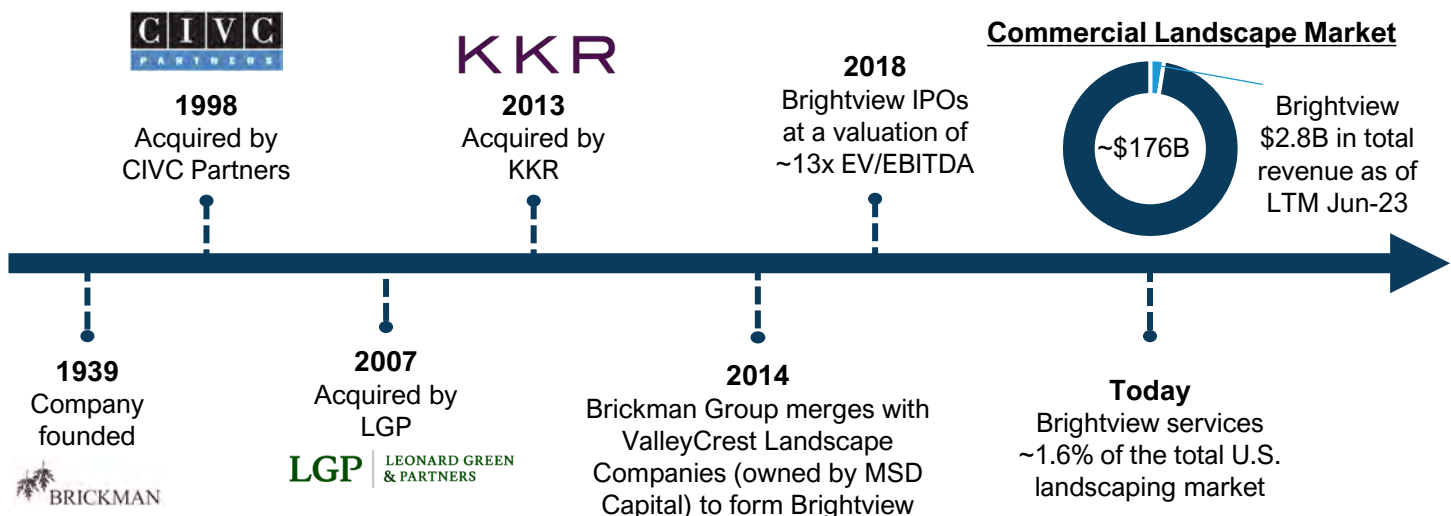


Emphasis on eco-friendly sustainable landscaping

## Key Platforms Driving Consolidation



## Brightview as a Roadmap for a Successful Platform



Source: IBISWorld, S&P Capital IQ, BrightView website, Greenius

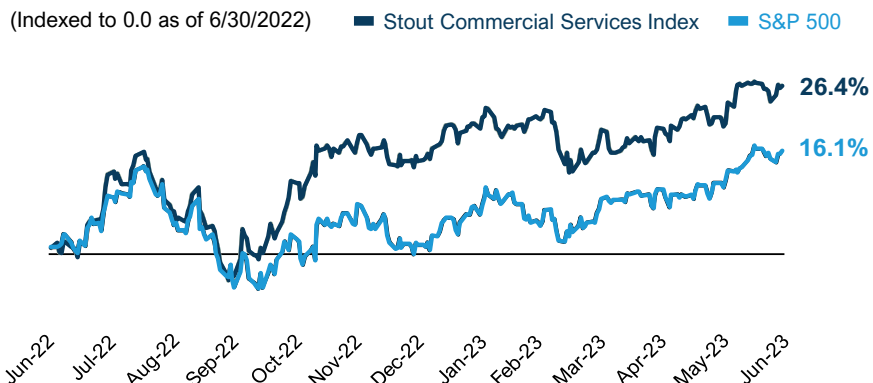
# Public Markets Performance

During the first half of 2023, U.S. public equities have experienced significant divergence in performance across size, sectors, and styles, against a backdrop of low volatility, with the S&P 500 Index ultimately finishing the last 12 months up 16.1%.

The Federal Reserve has made strong progress on the inflation front so far this year, and many investors are optimistic it has finally reached its terminal interest rate of the current cycle. Wall Street analysts are expecting earnings to stabilize in 2H 2023, projecting a 0.2% increase in S&P 500 earnings in Q3 and another 7.5% growth in Q4.

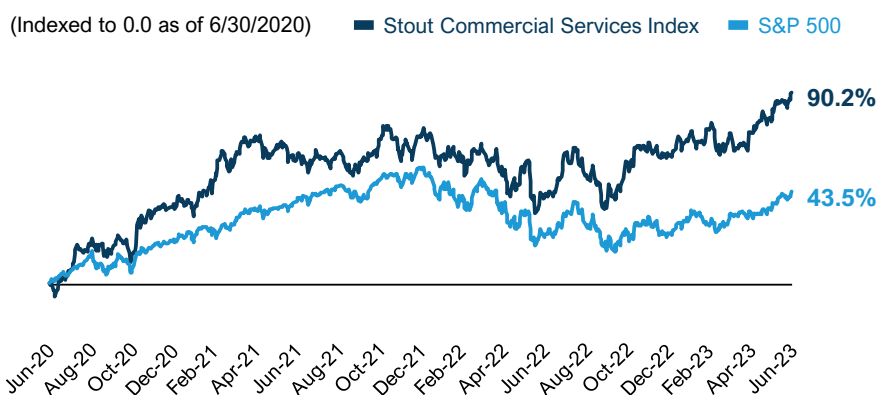
The Stout Commercial Services Index is a proprietary, market cap-weighted composite stock index comprised of top public companies across a range of commercial services verticals. Since June of 2020, the Stout Index has outperformed the S&P 500, up 90.2% in the last three years, compared to 43.5% for the S&P 500 Index.

## Indexed Stock Price Performance — Last 12 Months



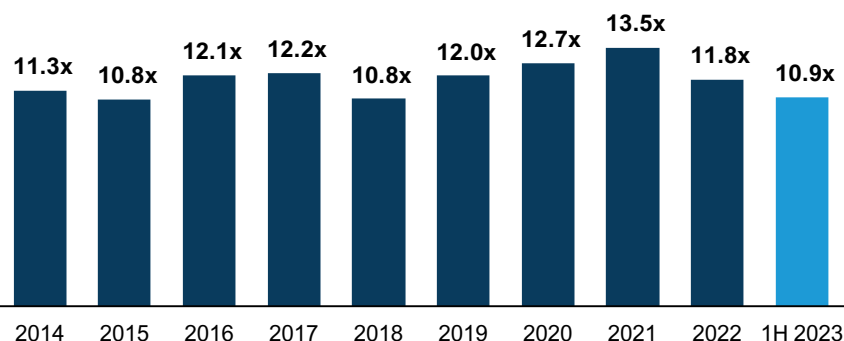
Source: S&P Capital IQ, Stout Proprietary Index

## Indexed Stock Price Performance — Last Three Years



Source: S&P Capital IQ, Stout Proprietary Index

## Historical Median EV/LTM EBITDA Multiples



Source: S&P Capital IQ, Stout Proprietary Index

As a result of rising interest rates, cost of capital increases, and a larger quantity of bolt-on acquisitions and smaller transactions, valuations for the broad market along with publicly traded commercial services companies continued to see a decline in valuation in 1H 2023.

As of 1H 2023, the median EV/LTM EBITDA multiple for the Stout Commercial Services Index was 10.9x, down 8.3% from 11.8x in Q4 2022.

# Public Markets Performance (cont.)

## Stout Commercial Services Index Stock Performance Data

Company Name	Ticker	Share Price		Enterprise		EBITDA	EBITDA Margin	EV / Rev LTM	EV / EBITDA	
		6/30/23	% 52 High	Value	Revenue				LTM	NTM
ABM Industries Incorporated	NYSE:ABM	\$42.65	85.0%	\$4,266	\$7,948	\$451	5.7%	0.5x	9.5x	8.0x
APi Group Corporation	NYSE:APG	27.26	99.2	9,680	6,823	613	9.0	1.4	15.8	11.7
Aramark	NYSE:ARMK	43.05	94.2	18,780	18,343	1,290	7.0	1.0	14.6	11.3
BrightView Holdings, Inc.	NYSE:BV	7.18	54.1	2,101	2,796	261	9.4	0.8	8.0	6.6
Cintas Corporation	NasdaqGS:CTAS	497.08	99.8	53,697	8,816	2,093	23.7	6.1	25.7	22.3
Comfort Systems USA, Inc.	NYSE:FIX	164.20	98.0	6,081	4,708	395	8.4	1.3	15.4	13.3
Compass Group PLC	LSE:CPG	27.98	97.9	52,419	36,707	2,859	7.8	1.4	18.3	13.2
GDI Integrated Facility Services Inc.	TSX:GDI	31.51	81.3	1,071	1,775	100	5.6	0.6	10.7	9.5
ISS A/S	CPSE:ISS	21.14	89.6	5,901	11,617	475	4.1	0.5	12.4	7.2
McGrath RentCorp	NasdaqGS:MGRC	92.48	82.8	2,942	822	184	22.4	3.6	15.9	9.4
Rentokil Initial plc	LSE:RTO	7.82	93.4	23,795	6,116	1,170	19.1	3.9	20.3	14.2
Securitas AB (publ)	OM: SECU B	8.20	83.5	8,909	14,067	1,038	7.4	0.6	8.6	6.9
Sodexo S.A.	ENXTPA:SW	110.10	97.0	20,225	24,361	1,546	6.3	0.8	13.1	9.6
The Brink's Company	NYSE:BCO	67.83	92.4	6,100	4,729	655	13.9	1.3	9.3	6.5
UniFirst Corporation	NYSE:UNF	155.01	75.4	2,896	2,178	248	11.4	1.3	11.7	9.4
WillScot Mobile Mini Holdings Corp.	NasdaqCM:WSC	47.79	89.4	12,981	2,316	673	29.0	5.6	19.3	11.9
<b>Median</b>			<b>91.0%</b>	<b>\$7,504</b>	<b>\$6,470</b>	<b>\$634</b>	<b>8.7%</b>	<b>1.3x</b>	<b>13.8x</b>	<b>9.5x</b>
<b>Mean</b>			<b>88.3%</b>	<b>\$14,490</b>	<b>\$9,633</b>	<b>\$878</b>	<b>11.9%</b>	<b>1.9x</b>	<b>14.3x</b>	<b>10.7x</b>

Note: \$ in millions, except share price; Enterprise Value (EV) equals Market Value plus straight/convertible debt, preferred stock, minority interest, less cash and short-term investments

Source: S&P Capital IQ as of 6/30/2023

# M&A Transaction Highlights

Date	Acquiror (Ownership)	Target (Seller)	Industry Subsector
Jun-23	EEC Acquisition (Wind Point Advisors)	Richard Meek Air Conditioning	Operations, Maintenance, & Repair
Jun-23	Valcourt Building Services (Littlejohn & Co.)	Clear View Building Services	Janitorial Services
Jun-23	Valcourt Building Services (Littlejohn & Co.)	South Shore Building Services	Janitorial Services
Jun-23	Pye-Barker Fire & Safety (Atlas Partners)	Acadiana Security Plus	Security Services
Jun-23	Dupré Logistics (Dupré Investments)	Interstate Transport	Field & Route-Based Services
Jun-23	Engineered Protection Systems	Maximum Security and Sound	Security Services
Jun-23	OneOutdoor Holdings	Georgia Scapes	Landscaping & Ground Services
Jun-23	GenServe (GenNx360 Capital Partners)	R&J Control	Operations, Maintenance, & Repair
Jun-23	Utility Sales and Service	Power Equipment Leasing Company	Rental Services & Equipment
Jun-23	Bueso & Forman	Twin Ridge Auto and Light Truck Service	Field & Route-Based Services
Jun-23	Security Pro 24/7	Enno Enterprises Incorporated	Security / Fire & Life Safety Services
Jun-23	HeartLand (Sterling Investment Partners)	Santa Rita Landscaping (Westhook Capital)	Landscaping & Ground Services
Jun-23	Altus Fire and Life Safety (AE Industrial Partners)	Priority Fire and Security	Security / Fire & Life Safety Services
May-23	Commercial Foodservice Repair Company (HCI Equity Partners)	Total Mechanical Repair Services	Food & Beverage Services
May-23	Senske (GTCR)	Barnes Quality Pest Control	Field & Route-Based Services
May-23	ByNext (Flashpoint Venture Capital)	Lazy Susans Cleaning Service	Janitorial Services
May-23	Tendit Group (Osceola Capital Management)	Clean D Windows	Janitorial Services
May-23	Performance Systems Integration (The Riverside Company)	Integrated Fire Systems	Fire & Life Safety Services
May-23	Threshold Brands (The Riverside Company)	Mold Medics	Operations, Maintenance, & Repair
May-23	The Facilities Group (Greenbriar Equity Group)	Red River Sanitors	Janitorial Services
Apr-23	Maintenance Porter	PermaTreat	Field & Route-Based Services
Apr-23	CARDS Holdings (Kinderhook Industries)	John's Refuse	Field & Route-Based Services
Apr-23	The Hiller Companies (Littlejohn & Co.)	Southern Nevada Fire Protection	Fire & Life Safety Services
Apr-23	Service Champions (Odyssey Investment Partners)	Climate Control Experts (The Flint Group)	Operations, Maintenance, & Repair
Apr-23	Sila Heating & Air Conditioning (Morgan Stanley Capital Partners)	Jackson Comfort Systems	Operations, Maintenance, & Repair
Apr-23	MSA Security; Allied Universal Security Services (MKH Capital Partners)	Elite Tactical Security Solutions	Security Services
Apr-23	Fairway Lawns (Morgan Stanley Private Equity)	Your Green Team / Next Level Turf Management	Landscaping & Ground Services
Apr-23	Rollins, Inc. (NYSE:ROL)	FPC Holdings	Field & Route-Based Services
Apr-23	United Land Services Holdings (Centre Partners)	Herbafex	Landscaping & Ground Services

Source: S&P Capital IQ, Stout Proprietary Database

# M&A Transaction Highlights (cont.)

Date	Acquiror (Ownership)	Target (Seller)	Industry Subsector
Mar-23	Marmic Fire & Safety (HGGC)	Kansas City Fire and Security	Fire & Life Safety Services
Mar-23	Superhero Fire Protection (Hidden Harbor)	Fire Protection Solutions	Fire & Life Safety Services
Mar-23	Aegion (American Industrial Partners)	Proline Vactor Services	Safety, Inspection, & Compliance
Mar-23	Security 101 (Gemspring Capital)	Security Solutions Northwest	Security Services
Mar-23	Turf Masters Brands (CenterOak Partners)	Fairway Green	Landscaping & Grounds
Mar-23	Pye-Barker Fire & Safety (Atlas Partners)	AC Daughtry Security Systems	Fire & Life Safety Services
Mar-23	Pavion (Wind Point Partners)	Turnkey Technology	Security Services
Feb-23	SavATree (Apax Partners)	Boise Tree	Landscaping & Grounds
Feb-23	Pavement Partners Holding (Shoreline Equity)	Brothers Paving & Concrete	Field & Route-Based Services
Feb-23	Tech-24 (HCI Equity Partners)	Commercial Kitchen Repairs	Operations, Maintenance, & Repair
Feb-23	American Equipment Holdings (Rotunda Capital)	Shannahan Crane & Hoist	Operations, Maintenance, & Repair
Feb-23	Total Sanitation Services (Trivest Partners)	Central Sanitation	Rental Services & Equipment
Feb-23	A1 Garage Door Service (Cortec Group)	Legends Garage Door	Field & Route-Based Services
Feb-23	Easy Ice (Freeman Spogli)	San Diego Ice Company	Rental Services & Equipment
Feb-23	UniFirst Corporation (NYSE:UNF)	Clean Uniform Company	Field & Route-Based Services
Feb-23	Ironclad Environmental Solutions (Kinderhook)	Adler Tank Rentals	Rental Services & Equipment
Feb-23	Morgan Stanley Private Equity	Apex Companies (Sentinel Capital)	Field & Route-Based Services
Jan-23	BrightView Holdings (NYSE:BV)	Smith's Tree Care	Landscaping & Grounds
Jan-23	O2 Investment Partners	4M Building Solutions	Janitorial Services
Jan-23	CMS NexTech (Audax Private Equity)	Aire-Rite	Operations, Maintenance, & Repair
Jan-23	United Land Services (Centre Partners)	Buccaneer Landscape	Landscaping & Grounds
Jan-23	Sila Heating & Air Conditioning (Morgan Stanley)	Central Cooling and Heating	Operations, Maintenance & Repair
Jan-23	Diversified Maintenance (Frontenac Company)	Perennial Medical Cleaning Solutions	Janitorial Services
Jan-23	Soundcore Capital Partners	Asphalt Concrete Solutions	Field & Route-Based Services
Jan-23	The Facilities Group (Revolent, Greenbriar)	Janitech	Janitorial Services
Jan-23	Bland Landscaping Company (Prospect Partners)	Mutch Landscaping	Landscaping & Grounds
Jan-23	Healthcare Linen Services Group (York Capital)	Linen King (Seaport Capital)	Field & Route-Based Services
Jan-23	GenServe (GenNx360 Capital Partners)	Illini Power Products Company	Operations, Maintenance, & Repair
Jan-23	Yellowstone Landscape (Harvest Partners)	Moore Landscapes	Landscaping & Grounds

Source: S&P Capital IQ, Stout Proprietary Database



# Recent Stout Transaction Spotlight



## Stout Advised Examinetics on Sale to Coalesce Capital

### CLIENT PROFILE

- ❖ Examinetics, Inc. is a leading provider of workforce health solutions through mobile and on-demand technology across a range of industries.
- ❖ The company offers a comprehensive suite of compliance testing services, including hearing conservation, respiratory protection, and other medical screening and surveillance to more than 3,000 clients, including many blue-chip, Fortune 500 companies, at ~18,000 client locations across the United States annually.

### BUYER PROFILE

- ❖ Coalesce Capital is a New York-based private equity firm recently founded by an ex-Warburg Pincus partner that seeks to invest in mid-sized human capital and technology enabled business services companies.
- ❖ Coalesce's investment in Examinetics represents the firm's first platform investment.

### PROCESS SUMMARY AND OUTCOME

- ❖ Examinetics attended Stout's inaugural Private Company Conference, after which Stout facilitated numerous preemptive discussions with highly-interested parties before ultimately closing a transaction with Coalesce in August 2023.
- ❖ Coalesce's investment is expected to enable the company to significantly accelerate its expansion in existing and new markets, as well as support the introduction of new and innovative technologies and services to meet the increasingly complex regulatory requirements facing its clients.
- ❖ Stout served as the exclusive financial advisor to Examinetics throughout the process.

# Recent Stout Transactions

**examinetics**  
a portfolio company of  
**FREEDOMil3**  
has been acquired by  
**COALESCE**  
CAPITAL

---

SELL-SIDE ADVISOR

**ambipar**  
GROUP  
has acquired  
**WITT O'BRIEN'S**  
a division of  
**SEACOR**  
a portfolio company of  
AMERICAN INDUSTRIAL PARTNERS

---

BUY-SIDE ADVISOR

**Better 4 You**  
MEALS  
sale of assets pursuant to  
Section 363 sale  
**revolution**foods.

---

ADVISOR TO DEBTOR

**UCC**  
environmental  
has been acquired by  
**CLAVIS**  
CAPITAL PARTNERS

---

SELL-SIDE ADVISOR

**HERBST**  
ELECTRIC COMPANY  
has been acquired by  
**The State Group**  
a portfolio company of  
**BLUE WOLF**

---

SELL-SIDE ADVISOR

**LEW**  
CORPORATION  
The Environmental Company™  
has been acquired by  
**EVOLUTION**  
CAPITAL PARTNERS™

---

SELL-SIDE ADVISOR

**MELLOTT**  
COMPANY  
has been acquired by  
**MFG**  
**PNC**  
MEZZANINE CAPITAL

---

SELL-SIDE ADVISOR

**ARCLINE**  
INVESTMENT MANAGEMENT  
has acquired  
**PRIDE & SERVICE**  
ELEVATOR

---

BUY-SIDE ADVISOR

**The LiRo Group**  
has been acquired by  
**GISI**

---

SELL-SIDE ADVISOR

**pace**  
COMPANIES  
has been acquired by  
**Aterian**  
INVESTMENT PARTNERS

---

SELL-SIDE ADVISOR

**IDWAL**  
a portfolio company of  
**GRAIG**  
has been acquired by  
**LDC**

---

SELL-SIDE ADVISOR

**Nuverra**  
Environmental Solutions™  
has acquired  
**Clearwater**

---

BUY-SIDE ADVISOR

**American**  
Civil  
Constructors  
a portfolio company of  
**Insight Equity**  
has been acquired by  
**IEA**

---

JOINT BOOKRUNNER

**HARRIS**  
40  
QUALITY INC.  
has been acquired by  
**HUMMER**  
DON HUMMER TRUCKING

---

SELL-SIDE ADVISOR

**ECOLAB**  
Equipment Care Division  
has been acquired by  
**Audax Group**

---

SELL-SIDE ADVISOR

**Advent International**  
GLOBAL PRIVATE EQUITY  
has acquired  
**Quala**  
a Cleaner Company  
a portfolio company of  
**ROARK**  
CAPITAL GROUP

---

BUY-SIDE ADVISOR

# Commercial Services Practice

## PRACTICE OVERVIEW

The Stout Commercial Services group leverages deep advisory experience and expertise as well as dedicated coverage across a range of business models and key industry subsectors. The team additionally maintains strong, tenured relationships with the most relevant strategic consolidators and private equity investors in addition to a long track record of success advising commercial services businesses in the middle market.

## DEEP SUBSECTOR COVERAGE



**Field & Route-Based Services**



**Fire & Life Safety Services**



**Food & Beverage Services**



**Janitorial Services**



**Landscaping & Grounds Services**



**Operations, Maintenance, & Repair**



**Rental Services & Equipment**



**Safety, Inspection, & Compliance**



**Security Services**

## STOUT CONTACTS



**Kevin Manning**

Head of Investment Banking  
[kmanning@stout.com](mailto:kmanning@stout.com)  
+312.752.3335



**Mark Abbott**

Managing Director  
[mabbott@stout.com](mailto:mabbott@stout.com)  
+616.965.2408



**Steven Rathbone**

Managing Director  
[srathbone@stout.com](mailto:srathbone@stout.com)  
+646.810.4366



**Mike Knoblock**

Director  
[mknoblock@stout.com](mailto:mknoblock@stout.com)  
+248.432.1251



**Jack Kedroski**

Vice President  
[jkedroski@stout.com](mailto:jkedroski@stout.com)  
+312.237.4872



**Jack Dunsire**

Associate  
[jdunsire@stout.com](mailto:jdunsire@stout.com)  
+312.752.3377



**Austin Strilko**

Analyst  
[astrilko@stout.com](mailto:astrilko@stout.com)  
+312.763.6639



## ABOUT STOUT INVESTMENT BANKING

Stout's Investment Banking group provides mergers and acquisitions (M&A) advisory, capital market financing, and other financial advisory services to portfolio companies of private equity firms, closely held or family-owned businesses, and divisions of large corporate parents. Learn more about our [Investment Banking services](#).

Stout is a trade name for Stout Risius Ross, LLC, Stout Advisors SA, Stout Bluepeak Asia Ltd, Stout GmbH, MB e Associati S.r.l., Stout Park Ltd, and Stout Capital, LLC, a FINRA-registered broker-dealer and SIPC member firm. The term "Stout" refers to one or more of these legally separate and independent advisory practices. Please see [www.stout.com/about](http://www.stout.com/about) to learn more.