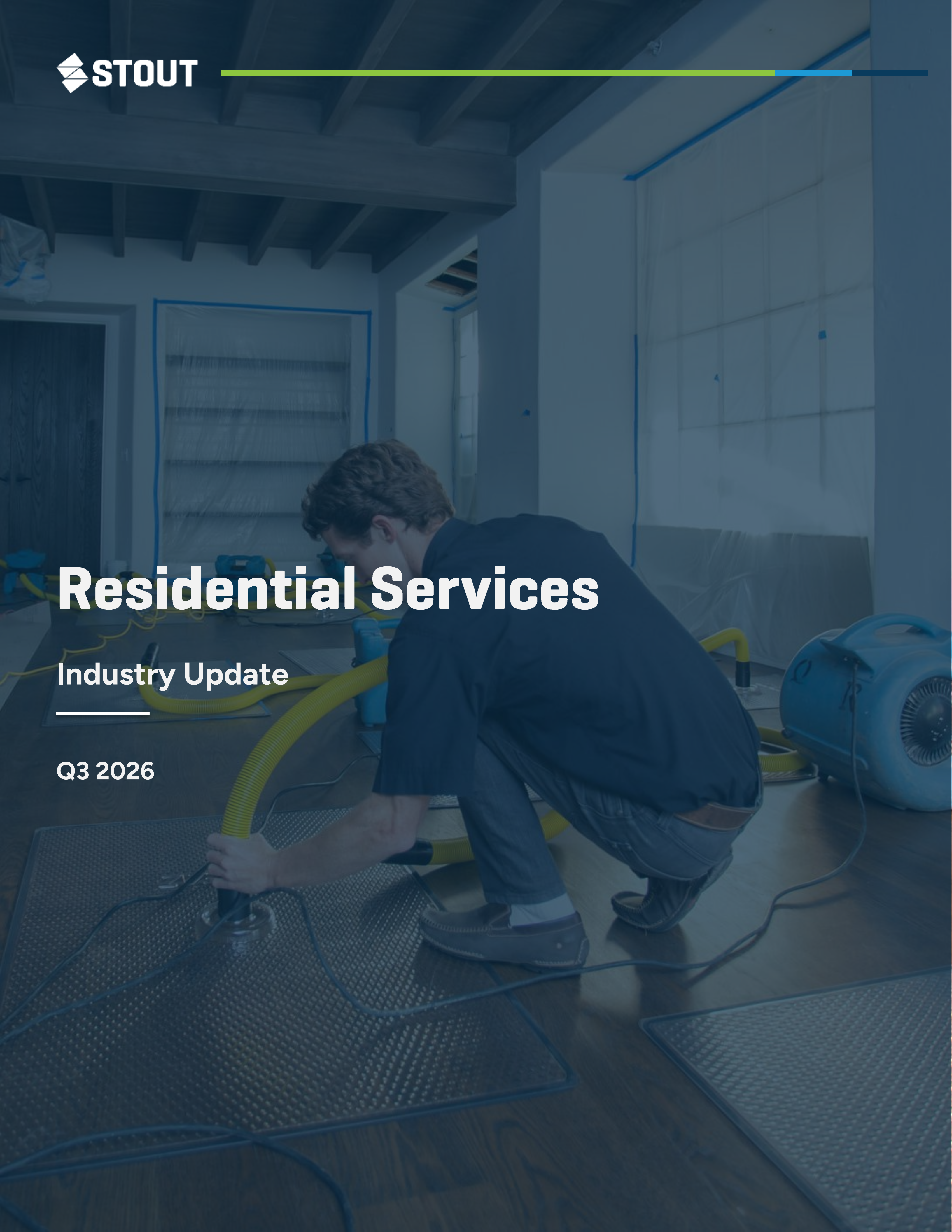


# Residential Services

## Industry Update

Q3 2026

## In This Newsletter



STOUT

**IN THIS EDITION**



# Key Insights and Observations

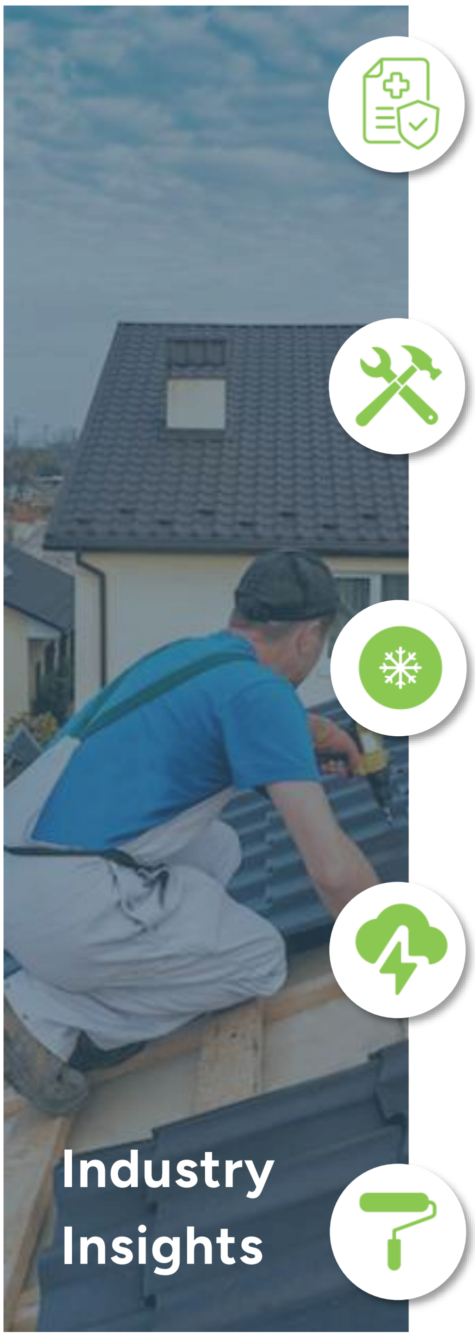
Stout is pleased to present our Residential Services Industry Update for the first half of 2026, highlighting key takeaways from our discussions with industry leaders and our analysis of market trends, company performance, and recent M&A activity. This edition provides a snapshot of sector momentum and the themes shaping activity as we move into the second half of the year.

- Residential services M&A volume held steady in 1H 2026, with sustained interest in nondiscretionary, recurring sectors like HVAC, pest control, and roofing. The sector remains well-positioned to capture growth from favorable secular tailwinds, including aging housing stock, remote work trends, a shift from "Do-It-Yourself" to "Do-It-For-Me," interest rate dynamics, and modest YoY housing turnover growth
- Private equity activity picked up in the first half as sponsors reaccelerated capital deployment, and we expect it to stay robust through year end. Given the highly fragmented nature of residential service sectors, we anticipate continued platform formation, robust add-on activity for existing platform investments, and increasingly flexible deal structures (i.e., majority and minority transactions)
- The July slip in new home sales and weakening consumer confidence point to near-term headwinds for sectors with new construction exposure or discretionary financing needs, such as windows and remodeling

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.

# Market Observations and Growth Drivers

***Residential services demand is increasingly driven by factors outside homeowner discretion, including carriers tightening coverage parameters, the evolution of regulations impacting equipment repair and replacement, and increased volume and severity of impactful weather events. Well-capitalized platforms with scale and geographic reach with differentiated labor recruiting and retention capabilities can gain market share, expand into new and adjacent trades, and attract premium multiples from both private equity and strategic buyers***




### Insurance Underwriting Pressure

- Carriers are reducing coverage and tightening conditions, impacting sectors such as roofing and foundation repair services by increasing homeowner incentives to invest in regular maintenance to prevent structural damage that either comes with a costly deductible or is uncovered

### Skilled Trade Labor Scarcity

- The trades face tens of thousands of unfilled openings annually across HVAC, plumbing, and electrical due to a retiring technician base, which constrains capacity industry-wide and benefits scaled platforms. Efficient platforms can recruit, train, and retain at a cost per technician that independent operators cannot match, and effectively set the price for homeowners

### Evolving Compliance & Efficiency Standards

- The phasedown of R-410A and shift to A2L refrigerants in new systems has raised equipment costs and complicated repairs on the installed base, accelerating replace-over-repair decisions across a large aging fleet, while expiration of the Section 25C tax credit, which offsets up to $2,000 of efficiency upgrades, removes a key incentive for proactive replacement

### Severe Weather Frequency

- The rising frequency of high-cost weather events has expanded demand for roofing, water mitigation, restoration, and backup power installation, creating episodic volume spikes on top of recurring maintenance demand and drawing sponsor interest toward platforms with geographic diversification across weather regions

### DIY-to-Professional Conversion

- Millennials now account for ~35% of home service bookings, and two-thirds to three-quarters of technical trade work (HVAC, plumbing, electrical) is completed by a professional, reinforcing growing demand for skilled technicians and licensed contractors as the complexity of modern home systems continues to outpace typical DIY capabilities

# Subsector Spotlight: Septic Services

Demand for septic and onsite wastewater services is supported by a large base of aging systems, mandated inspection and pumping cycles, and tightening state-level biosolids regulation

## Industry Overview

- The U.S. market is valued at approximately $8B and is projected to grow at a 7% CAGR over the next five years, with roughly one in five U.S. households dependent on a septic or other onsite system
- Service is non-deferrable and regulation-driven: tanks require scheduled waste removal every three to five years and should be inspected every one to three years. The EPA estimates 11%+ of U.S. septic systems are non-functional at any given time, and point-of-sale inspections tied to real estate transactions add a transaction-linked revenue stream

## Key Subsector Drivers

### Aging Installed Base and Deferred Replacement

A large share of the U.S. onsite system base was installed decades ago and is at or past design life. Failures produce backups, odors, and groundwater contamination rather than immediate cosmetic damage, which makes remediation non-discretionary. Full system replacement is the highest-margin service category

### Tightening Effluent and Biosolids Regulation

State agencies are tightening nitrogen and phosphorus limits and restricting septage disposal, with states banning biosolids-based or PFAS-containing soil amendments and the EPA flagging PFOA and PFOS risk in biosolids in 2025. Disposal constraints favor operators with owned processing capacity

### Fragmentation and Local Density Economics

No single operator holds more than 5% share across a base of 3,500+ businesses, most of them owner-operated firms running vacuum trucks within a defined radius where route density drives margin

## Key Platforms

Liquid Environmental Solutions
Goldman Sachs Alternatives (2025)

Rescue Cesspool & Drain
Chelsea Square Partners (2025)

Chuck's Septic Tank Sewer & Drain Cleaning
MFG Partners (2022)

Wind River Environmental
Gryphon Investors (2017)

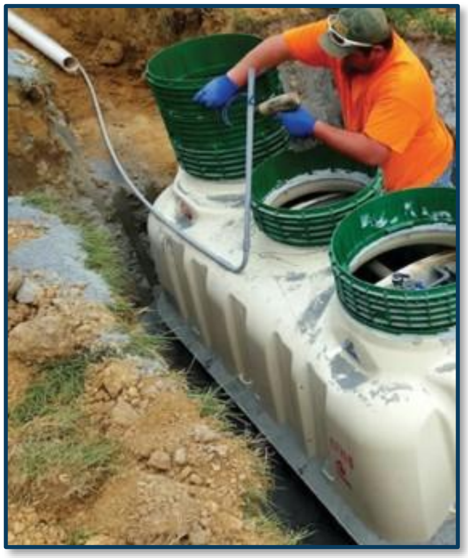
## Technology Spotlight

### IoT Telemetry and Remote System Monitoring

Sensor and telemetry platforms, including control panels from suppliers such as Orenco, now enable real-time remote monitoring of decentralized systems. Visibility into tank levels, pump status, and effluent quality shifts the model from reactive emergency response to scheduled preventative service, improving route planning and creating a recurring monitoring revenue line

### Advanced Treatment Units and Nitrogen Reduction

Aerobic treatment units, media filters, and nitrogen-reducing systems are steadily replacing conventional anaerobic tanks in regulated watersheds, a shift toward higher-performance, higher-margin systems. Contractors specializing in these systems capture the fastest-growing, most profitable installation work, and the licensing and design expertise required creates a barrier that scaled platforms can build around



# Subsector Spotlight: Emergency Restoration

Emergency restoration demand is insurance-funded and non-deferrable, driven by aging housing stock, increased severe weather events, and rising claim severity, and requires the ability to rapidly deploy crews, often within 48 hours of an event, to comply with insurance carriers' requirements

## Industry Overview

- The U.S. damage restoration market is valued at approximately $7.1B across roughly 60,000+ businesses, with no single operator holding a significant share
- Demand is loss-driven rather than discretionary: emergency response is roughly 60% of activity, and water damage is the largest category at one-third of revenue. Carrier adjusters set the scope and pricing

## Key Subsector Drivers

### Insurance-Funded, Non-Deferrable Demand

A flooded basement or fire-damaged structure requires immediate stabilization, and the bill is paid by the home insurer rather than out of the homeowner's pocket. As such, customers hire providers without checking price, demand holds through economic downturns, and there is no seasonal trough

### Rising Claim Severity and Weather Frequency

Higher property values and more frequent high-cost weather events are lifting both job volume and average ticket size. Platforms with multi-region footprints can deploy crews into catastrophe event areas while retaining a base of everyday loss work

### Aging Housing Stock and Water Loss Frequency

The median age of U.S. owner-occupied homes reached 42 years in 2024, with ~50% of homes built before 1980. Older plumbing, roofing, and building envelopes fail more often, and water intrusion generates follow-on mold remediation that extends job scope

## Key Platforms

AMERICAN RESTORATION
Morgan Stanley Capital (2024)

GUARDIAN RESTORATION PARTNERS
Alpine Investors (2024)

Restoration 1 WATER DAMAGE EXPERTS
Princeton Equity & MPK Equity (2020)

SERVPRO Cleaning. Restoration. Construction.
Blackstone (2019)

## Technology Spotlight

### Remote Moisture Monitoring and Connected Drying

Sensor-equipped air movers and dehumidifiers now report chamber conditions, which are environmental ratings inside the space being restored that continuously inform dashboards, letting project managers verify drying progress without site visits. Fewer truck trips per job improves crew utilization across the service radius, and time-stamped moisture logs act as evidence to support claims

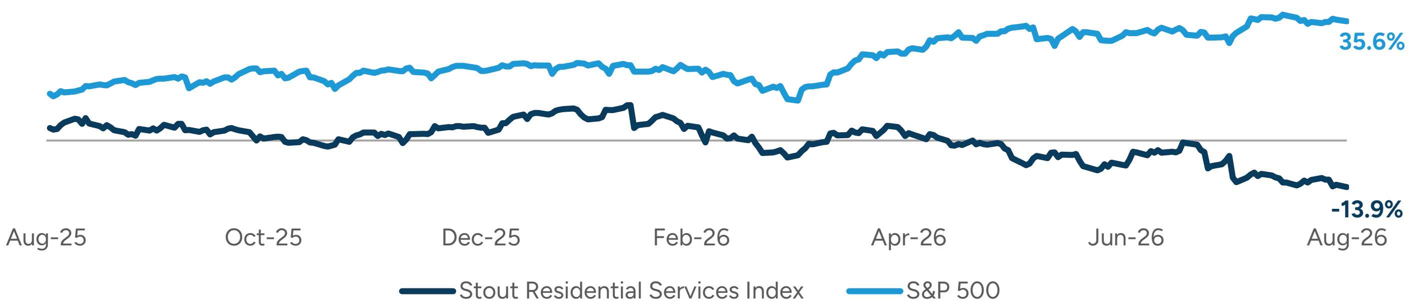

### Digital Claims Documentation and Estimating

Thermal imaging, drone roof capture, and photo-documentation platforms feed standardized adjuster-accepted estimates, compressing approval cycles and reducing scope disputes. Because adjusters (instead of homeowners) approve pricing, documentation quality is a direct driver of realized revenue per job, and it is one of the clearest capability gaps between scaled platforms and independent operators

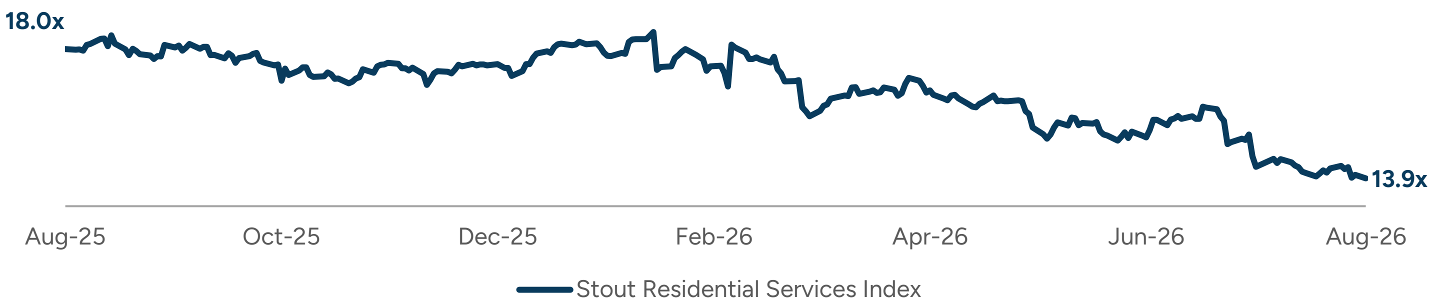
# Public Market Performance

### Indexed Stock Price Performance — Last 12 Months

(Indexed to 0.0% as of 7/31/2025)




### Historical EV / LTM EBITDA Multiples — Last 12 Months




### Public Markets Expert Commentary

#### Public and Private Valuation Divergence

Public multiple compression has not carried through to the private middle market, where scaled residential services platforms with recurring revenue and demonstrated cross-trade expansion continue to clear at competitive multiples. Sponsor demand for fragmented, essential service categories has held up independent of public market sentiment

#### Company Backlogs Point to a Strong Second Half

Forward indicators improved as the quarter closed. FirstService reported a strengthening restoration pipeline late in Q2 and into July and guided that segment to roughly 5% growth in the back half, with larger benefits landing in 2027 as signed projects clear scoping, permitting, and insurance review

Source: S&P Capital IQ, Stout Residential Services Index (Chemed Corporation, FirstService Corporation, Rentokil Initial plc, Rollins, Inc.)

# Public Market Performance (cont.)

## Stout Residential Services Index Stock Performance Data

| Company Name | Ticker | Share Price 7/31/26 | Share Price % 52 High | Enterprise Value | Revenue | EBITDA | EBITDA Margin | Debt / EBITDA | EV / Rev LTM | EV / EBITDA LTM | EV / EBITDA NTM |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Residential Services** | | | | | | | | | | | |
| Chemed Corporation | NYSE:CHE | $532.25 | 96.5% | $7,206 | $2,595 | $417 | 16.1% | 0.7x | 2.8x | 17.3x | 13.7x |
| FirstService Corporation | TSX:FSV | 140.76 | 68.0 | 8,076 | 5,597 | 540 | 9.6 | 2.9 | 1.4 | 15.0 | 13.4 |
| Rollins, Inc. | NYSE:ROL | 37.97 | 57.4 | 19,275 | 3,924 | 865 | 22.0 | 1.3 | 4.9 | 22.3 | 20.8 |
| Rentokil Initial plc | LSE:RTO | 4.64 | 68.0 | 15,346 | 7,133 | 1,252 | 17.6 | 4.9 | 2.2 | 12.3 | 9.7 |
| **Overall Median** | | | **68.0%** | **$11,711** | **$4,761** | **$702** | **16.8%** | **2.1x** | **2.5x** | **16.1x** | **13.5x** |
| **Overall Mean** | | | **72.5%** | **$12,476** | **$4,812** | **$768** | **16.3%** | **2.4x** | **2.8x** | **16.7x** | **14.4x** |

## Public Company Leadership Key Commentary

*"Roto-Rooter is building positive operating momentum, with commercial branch programs driving growth and franchise reacquisitions adding scale, while a structural shift from free to paid search leads pressures customer acquisition costs."*

***Kevin J. McNamara - CEO, President & Director***

*"Our second quarter reflected steady execution across the business, with organic growth trends improving and disciplined cost management supporting margins despite a challenging demand backdrop."*

***William Harkins - Executive VP & CFO***

*"Second quarter profitability landed in line with expectations on disciplined execution, with Residential delivering mid-single-digit organic growth and Century Fire outperforming, while macroeconomic headwinds continued to weigh on roofing and housing-linked brands."*

***Jeremy Alan Rakusin - CFO***

*"Encouraged by first half performance, with 3.6% organic growth, 6.6% operating profit growth and 96% cash conversion, though North America residential lead flow softened late in the second quarter and into July."*

***Mike Duffy - CEO***

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 7/31/2026

# M&A Transaction Highlights

| Date | Acquiror (Ownership) | Target (Seller) | Industry Subsector |
|---|---|---|---|
| Aug-26 | Premier Technical Services Group (Warburg Pincus & Macquarie Capital) | Integrated Doorset Solutions Group (LDC) | Home Envelope |
| Aug-26 | Mosaic Capital Partners | Southern Shade Tree Co., Inc. | Exterior Services |
| Aug-26 | Azureon (O2 Investment Partners) | Subcomm Pools | Exterior Services |
| Aug-26 | Catseye Pest Control (Vantage Equity Partners) | Security Pest Elimination | Exterior Services |
| Aug-26 | APHIX (Gauge Capital) | Sunrise of Nashville | Exterior Services |
| Jul-26 | Fairway (Morgan Stanley Capital Partners) | SWAT Mosquito | Exterior Services |
| Jul-26 | Tyro Group (Norvestor) | Dowell Pest Control | Exterior Services |
| Jul-26 | Mariani Premier Group (CI Capital Partners) | Mitschele's | Exterior Services |
| Jul-26 | Leap Service Partners (Concentric Equity Partners) | Central Heat And Air Co. | HVAC, Mechanical, Plumbing, & Electrical |
| Jul-26 | Doyle Security Systems | Sentry Alarms | Interior Installation & Repair |
| Jul-26 | Winterberry Gardens (Gemini Investors) | Willie C. and Sons Landscaping | Exterior Services |
| Jul-26 | Day & Night Air Conditioning, Heating and Plumbing (Alchemy Capital) | Master Rooter | HVAC, Mechanical, Plumbing, & Electrical |
| Jul-26 | ALS, LLC | BFP Plumbing Services | HVAC, Mechanical, Plumbing, & Electrical |
| Jul-26 | Greenix Pest Control (Gridiron Capital) | Essential Pest Control | Exterior Services |
| Jul-26 | Sila Services (Goldman Sachs Alternatives) | Davis Heating and Air Conditioning Company | HVAC, Mechanical, Plumbing, & Electrical |
| Jul-26 | Mariani Premier Group (CI Capital Partners) | Lopez Gardening | Exterior Services |
| Jun-26 | PestCo Holdings (Thompson Street Capital Partners) | Arrow Pest Control | Exterior Services |
| Jun-26 | Azureon (O2 Investment Partners) | Pooltek Services | Exterior Services |
| Jun-26 | Lancaster Group | Kittleson Landscape | Exterior Services |
| Jun-26 | Zeus Fire & Security | Security Equipment | Interior Installation & Repair |
| Jun-26 | Ridgeline Roofing & Restoration (Bertram Capital) | Freedom Roofing & Construction | Home Envelope |
| Jun-26 | Senske Family of Companies (GTCR) | Turfco | Exterior Services |
| Jun-26 | Fortress Pest Brands (Riverarch Equity Partners) | A-1 Inc. Exterminators | Exterior Services |
| Jun-26 | Advanced Integrated Pest Management | ProSource Pest Solutions | Exterior Services |
| Jun-26 | Riverview Landscapes (Talus Holdings) | Landscape, Inc. | Exterior Services |
| Jun-26 | Ridgeline Roofing & Restoration (Bertram Capital) | Fremont Roofing Company | Home Envelope |
| Jun-26 | Becklar (Graham Partners & BV Investment Partners) | Legacy Security Services | Interior Installation & Repair |

# M&A Transaction Highlights (cont.)

| Date | Acquiror (Ownership) | Target (Seller) | Industry Subsector |
|---|---|---|---|
| May-26 | Century Fire Protection (FirstService Corporation) | Titan Fire Protection | Interior Installation & Repair |
| May-26 | Apollo Global Management (NYSE:APO)[1] | Apex Service Partners | HVAC, Mechanical, Plumbing, & Electrical |
| May-26 | Juniper Landscaping (Bregal Partners) | Hilton Head Landscapes | Exterior Services |
| May-26 | Certus Pest (Imperial Capital) | Walsh's Pest Control | Exterior Services |
| May-26 | BUGCO (Anticimex) | McGrath Pest Control | Exterior Services |
| May-26 | Arbor Alliance (Caravel Capital) | Thornton's Tree Service | Exterior Services |
| May-26 | PestCo Holdings (Thompson Street Capital Partners) | University Termite & Pest Control | Exterior Services |
| May-26 | GAF Partners | Hydrex Pest Control Co. of San Diego & Imperial Counties | Exterior Services |
| May-26 | JP McHale Pest Management (Anticimex) | Dependable Exterminating | Exterior Services |
| May-26 | Greenix Pest Control (Gridiron Capital) | Insight Pest Solutions | Exterior Services |
| May-26 | Apex Partners (Alpine Investors) | Blazer Heating, Air & Plumbing | HVAC, Mechanical, Plumbing, & Electrical |
| May-26 | Hometree (Pollen Street) | Ovo Home Services | HVAC, Mechanical, Plumbing, & Electrical |
| May-26 | Pye-Barker Fire & Safety (Leonard Green, Altas Partners) | APS Corporation | Interior Installation & Repair |
| May-26 | Mars Energy (Mars Equity Partners) | Sequoia Roofing & Construction | Home Envelope |
| May-26 | Virginia Green (Golden Gate Capital) | Turf Solutions | Exterior Services |
| May-26 | Leap Service Partners (Concentric Equity Partners) | Air Hawk Heating and Cooling | HVAC, Mechanical, Plumbing, & Electrical |
| May-26 | Redwood Services (Atlas Partners) | Sierra, LLC | HVAC, Mechanical, Plumbing, & Electrical |
| May-26 | AXN Growth Partners (Shore Capital Partners) | Adventure Pest & Wildlife | Exterior Services |
| Apr-26 | Valor Exterior Partners (Osceola Capital) | Associate Roofing | Home Envelope |
| Apr-26 | Fix-It Group (Two Parks Capital) | Ballard Natural Gas Service | HVAC, Mechanical, Plumbing, & Electrical |
| Apr-26 | Strata Landscaping Services (Align Capital Partners) | Venco Western | Exterior Services |
| Apr-26 | Visterra Landscape (Trinity Hunt) | Land Corps Landscaping | Exterior Services |
| Mar-26 | Summit Fire Protection (SFP Holding) | Electric Fire & Safety | Interior Installation & Repair |
| Mar-26 | Osprey Landscape Group (Southfield Capital) | Palm Gardens | Exterior Services |
| Mar-26 | Certus Pest (Imperial Capital) | Termio Pest Control | Exterior Services |
| Mar-26 | Pye-Barker Fire & Safety (Leonard Green, Altas Partners) | Priority One Security | Interior Installation & Repair |
| Mar-26 | Oak Hill Capital | Garage Guild | Home Envelope |

(1) Apollo acquired a minority stake with Alpine staying on as the majority owner

# Commercial & Residential Services Investment Banking Team

## PRACTICE OVERVIEW

The Stout Residential 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 maintains strong, tenured relationships with the most relevant strategic consolidators and private equity investors and holds a long track record of success advising residential services businesses in the middle market.

## DEEP RESIDENTIAL SERVICES SUBSECTOR COVERAGE

- Exterior Services
- Home Envelope
- HVAC, Mechanical, Plumbing, & Electrical
- Interior Installation & Repair
- Mitigation & Restoration
- Property Management

## ROBUST COMMERCIAL SERVICES SUBSECTOR COVERAGE

- Access Control
- Fire & Life Safety
- Elevator Services
- HVAC, Mechanical, Plumbing, & Electrical
- Exterior Services
- Rental Services & Equipment
- Facility Services
- Safety, Inspection, & Compliance

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# Select Transaction Experience

Continuum Services
a portfolio company of
Redico
has acquired
Reliable Landscaping, Inc.
"Quality Not Only On The Surface"
BUY-SIDE ADVISOR

Continuum Services
a portfolio company of
Redico
has acquired
Allied Building Service
BUY-SIDE ADVISOR

Prairie Mechanical Corporation
has been acquired by
BCTS
a portfolio company of
INVESTCORP
SELL-SIDE ADVISOR

Sierra Air Conditioning, Inc.
a portfolio company of
S|E|Capital
has been acquired by
Airtron Heating & Air Conditioning
a portfolio company of
Gamut Capital
SELL-SIDE ADVISOR

sylvan
a portfolio company of
BLUEPOINT Capital Partners
has been acquired by
E3Tech
andreessen. horowitz
SELL-SIDE ADVISOR

Stamback Services
has been acquired by
FusionSite
a portfolio company of
The Cynosure Group
SELL-SIDE ADVISOR

RSM Facility Solutions
has been acquired by
ORION
a portfolio company of
ALPINE
SELL-SIDE ADVISOR

Star Laundry
has received an investment from
TRP Capital Partners
SELL-SIDE ADVISOR

ESKOLA Roofing & Waterproofing
has been acquired by
EAGLE Merchant Partners
SELL-SIDE ADVISOR

MONARCH Landscape Companies
has been acquired by
Audax Group
SELL-SIDE ADVISOR

Seneca Companies
has been acquired by
OWL
a portfolio company of
TRIVE CAPITAL
SELL-SIDE ADVISOR

IHS
a portfolio company of
North Branch Capital
has been acquired by
LightBay
Freeman Spogli
SELL-SIDE ADVISOR

cresa
completed growth financing with
ALARIS Equity Partners
SOLE PLACEMENT AGENT

examinetics
a portfolio company of
FREEDOM 3
has been acquired by
COALESCE Capital
SELL-SIDE ADVISOR

Wrench Group
a portfolio company of
INVESTCORP
STRATEGIC ADVISOR

LEW Corporation
The Environmental Company™
has been acquired by
EVOLUTION Capital Partners℠
SELL-SIDE ADVISOR

## 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**.