



SOLOMON
PARTNERS

Q4 2021

QUARTERLY MARKET UPDATE

Facility & Residential Services



Industry Trends & Insights

M&A Velocity and Valuations Remain Strong

- 2021 deal activity was robust in the facility and residential services sector and is likely to continue throughout 2022 given valuation levels at all-time highs
- Best-in-class companies in the sector are trading in the upper-teens, with a handful trading at 20x+
 - Select high watermark facility services trades include the sale of Summit Companies to BlackRock Long-Term Private Capital and the sale of Amarok to AVALT and Northleaf
 - Select high watermark residential services trades include the sale of Goettl to Cortec Group and the sale of SavATree to Apax Partners
- High valuations are compressing sponsor hold periods, with many funds considering exits of well-performing assets in the first two years

The Number of Stalled or Busted Processes Continues to Increase

- Given heightened valuations and the expectation that processes will move quickly, buyers are increasingly selective with respect to where they are spending time
 - Both large and small deals are receiving fewer bids and lower conversion rates as buyers drop out early
- Lofty valuation expectations by sellers are resulting in failed processes for companies that do not warrant “best-in-class” terms
- Notwithstanding mixed results, we expect deal volume to remain very high throughout 2022

Strategic Interest is Increasing Throughout Sectors

- Strategic M&A appetite has rebounded from both sponsor-backed strategics and corporates
- The ability to underwrite significant synergies is giving strategics the ability to compete and win despite heightened sponsor valuations
- Recent examples include:
 - ABM’s acquisition of Able Services for ~\$830 million or ~12.8x EV/EBITDA (~8.3x including the value of anticipated synergies)¹
 - Rentokil’s pending acquisition of Terminix for ~\$6.7 billion or ~19.3x EV/EBITDA¹

Labor Shortages and Wage Pressure Continue to be Issues

- The labor environment is becoming increasingly challenging with unemployment rates at historically low levels resulting in higher wage rates and turnovers
- These challenges are being felt across end markets for both skilled and unskilled workforces
- Wage inflation is compressing margins where companies have not been able to get ahead of the issue and implement price increases for customers
- Fortunately, given the prevalence of inflation throughout the economy, customers are more accepting of price increases than they have been historically

(1) Press releases and Company filings.

Public Markets Outlook On M&A



The ability to underwrite significant synergies, where targets offer core and close-in adjacencies, is giving strategics such as ABM comfort in aggressively pursuing acquisitions.

"As one of the largest players in our industry with strong cash flow to match, we can pursue synergistic acquisitions consistent with our strategy and portfolio priorities to complement our organic growth initiatives ... We will approach acquisitions proactively and pursue companies with proven track records and significant synergy value ..."

*Joshua Feinberg, Executive VP and Chief Strategy & Transformation Officer
December 15, 2021*



M&A tuck-and-roll strategy is a reliable and sustainable source of growth for companies that operate in fragmented markets ripe for consolidation.

"The results of our acquisition strategy continue to benefit our revenue growth ... acquisitions will continue to be a reliable and sustainable source of growth. Our business is cash-generative with low capital intensity, allowing us to consolidate the marketplace in an efficient and disciplined manner that we have shown to be repeatable."

*Andrew Masterman, President, CEO & Director
November 17, 2021*



Consolidation will continue to be pursued by the most successful players in the space who look to better position themselves against competitors.

"So when you look at the whole sector, there's reason to believe that consolidation will continue because the most successful companies in the sector have grown through M&A and have positioned themselves better to serve clients who increasingly are global and want services across product lines, service lines, geography over time. Those companies are the winners, we're the biggest of them. And because of that, the companies see the benefit in it. Their clients see the benefit in it and there's capital there to support consolidation."

*Robert Sulentic, President, CEO & Director
December 7, 2021*

Terminix (NYSE:TMX) To Be Acquired By Rentokil (LSE:RTO)

TERMINIX

to be acquired by

Rentokil

Pending
Announced December 2021

- Terminix, a provider of termite and pest control services, was acquired by Rentokil, a provider of pest control and disinfection services, for ~\$6.7 billion or ~19.3x EV/EBITDA¹, which is slightly accretive to Rentokil's 19.8x² valuation prior to the realization of any synergies
- Acquisition rationale¹:
 - Increased scale and leadership in the global pest control market
 - An enlarged platform for growth
 - A complementary and synergistic portfolio combination, with operating synergies estimated at \$150 million
- Rentokil's share price closed more than 12% below the previous day, following announcement of the transaction; Terminix's share price spiked and closed more than 18% higher following the announcement
 - Analysts believe there is future risk associated with the large integration, as well as general nervousness around the quality of the TMX business³

Able Services Acquired By ABM Industries (NYSE:ABM)



acquired by



September 2021

- Able Services, a privately-held provider of janitorial, engineering and facilities maintenance solutions, was acquired by ABM Industries, a comprehensive provider of facility solutions, for ~\$830 million or ~12.8x EV/EBITDA (~8.3x including the value of anticipated synergies)¹
- Acquisition rationale¹:
 - Add scale to ABM's core businesses and key geographies
 - Bolster ABM's engineering and technical services
 - Expand ABM's sustainability and energy efficiency offerings amid growing demand for environmentally responsible solutions
- Analysts commented that the pre-synergy valuation was near the high end of the facility services range, but believe the critical nature of Able's engineering solutions warrants a premium³

(1) Press releases and Company filings.

(2) Capital IQ as of December 31, 2021.

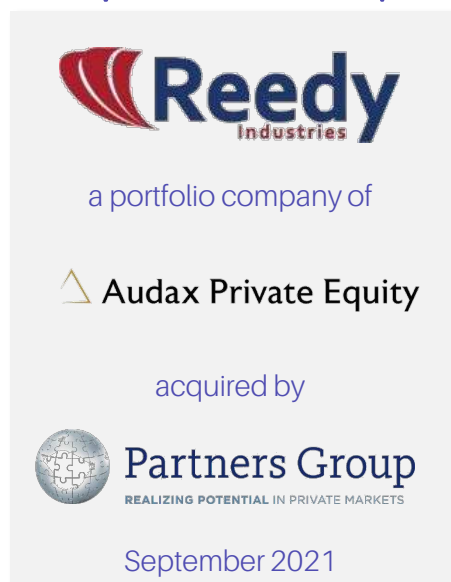
(3) Wall Street consensus research.

Summit Companies Acquired By BlackRock Long-Term Private Capital



- Summit Companies, a provider of fire and life safety services, was acquired by BlackRock Long-Term Private Capital, a New York-based investment firm
- Summit Companies represented an investment in¹:
 - A provider of fire and life safety services designed to protect buildings, assets, and people, with a service offering that includes installation, inspection, monitoring, maintenance, remodeling and consulting
 - An M&A platform that has completed 80+ acquisitions since its founding in 1999
- Summit Companies was previously owned by CI Capital Partners, which acquired the Company in September 2017

Reedy Industries Acquired By Partners Group



- Reedy Industries, a provider of commercial HVAC, mechanical services, controls and energy solutions, was acquired by Partners Group, a Swiss-based investment firm
- Reedy Industries represented an investment in¹:
 - A provider of mission-critical maintenance, repair and replacement services for commercial HVAC, chilled water, plumbing, building automation and controls equipment
 - “A well-established company in an attractive industry, supported by a talented management team who are uniquely positioned to capitalize on multiple tailwinds supporting sector growth”
- Reedy Industries was previously owned by Audax Private Equity, which acquired the Company in May 2019

Selected M&A Transaction Activity – Commercial

Date	Target	Target Description	Acquirer
Pending	The Arcticom Group	Provides HVACR service, maintenance and installation services	A&M Capital Partners
Pending	Fidelity Building Services Group	Provides contracting, mission-critical HVAC, plumbing and mechanical services	Onex Corporation
Pending	Reconstruction Experts	Provides specialized property and reconstruction services	Johns Lyng Group
Pending	RWS Facility Services	Provides managed solutions for waste management, commodity recycling and facility services	Quest Resource Holding Corporation (NASDAQ:QRHC)
12/22/21	ACIS	Provides maintenance, on-call services, and scheduled repairs for building automation, HVAC and plumbing systems	Atlantic Street Capital
12/16/21	Mantis Innovation Group	Provides tech-enabled facility services	Gemspring Capital
12/15/21	Sciens Building Solutions	Provides fire detection, security, communications and electrical solutions	The Carlyle Group
12/15/21	Hays Service	Provides HVAC services	Reedy Industries (Partners Group)
12/14/21	Facility Health Inc	Provides asset monitoring software intended to mitigate facility and asset risks	Dude Solutions (Clearlake)
12/13/21	AMAROK	Provides full-perimeter solar powered security systems	AVALT Holdings / Northleaf Capital
12/10/21	Headrick Elevator	Provides elevator and escalator maintenance, repair and modernization services	3Phase (Berkshire)
12/09/21	Mountain Alarm Fire & Security	Provides alarm monitoring, installation, maintenance and inspection services for fire alarms, security alarms, CCTV systems and access control systems	Pye-Barker (Altas Holdings)
12/07/21	RMS Mechanical Services	Provides foodservice and commercial HVAC equipment repair, maintenance and installation	Tech-24 (HCI Equity)
12/07/21	Texas Fire Alarm	Provides fire protection services	National Fire & Safety (Highview Capital)
12/03/21	Coverall North America	Provides commercial and office cleaning services	Wellspring Capital
12/02/21	Supreme Security Systems	Provides security alarm monitoring services	Securitas (OM:SECU B)
12/01/21	ISS N.A. Portfolio (Janitorial and Specialized Services Contracts)	Portfolio of select janitorial and specialized cleaning contracts	Argenbright Holdings
11/30/21	Alarm & Suppression	Provides fire and life safety equipment and services	Cross-Fire & Security (AE Industrial Partners)
11/17/21	Angelica Corporation	Provides textile rental and linen management services	Healthcare Linen Services (Thompson Street)
11/17/21	ColoradoScapes	Provides commercial landscaping services	Orion Group (Alpine Investors)
11/17/21	Cumming Group	Provides project and cost management services	New Mountain Capital
11/15/21	Ecoteam	Provides pest control services	PestCo Holdings (Thompson Street)
11/14/21	Helix Traffic Solutions	Provides traffic control services and traffic control devices	Nonantum Capital Partners
11/14/21	Owen Equipment Company	Provides environmental equipment to municipal, utility and commercial customers	Wynnchurch Capital
11/10/21	Bel-Aire Mechanical	Provides mechanical HVAC and plumbing contractor services	Therma Holdings (Blackstone)
11/09/21	Presto Pest Control	Provides commercial pest control services	PestCo Holdings (Thompson Street)
11/07/21	Commercial Kitchens	Provides professional repairs on food service equipment and refrigeration systems	Tech-24 (HCI Equity)
11/03/21	Parts Town	Provides OEM repair and maintenance parts for the foodservice market	Leonard Green & Partners / Berkshire
11/03/21	Globe Mechanical	Provides HVAC mechanical and repair services	American Refrigeration Company (Southfield)
11/02/21	BRAVO! Building Services	Provides commercial janitorial and facility services solutions	Kellermeyer Bergensons Services (Cerberus)
11/02/21	The Millard Group	Provides commercial facility cleaning services	Allied Universal (Warburg Pincus)
11/02/21	Turner & Townsend	Provides program management, cost consultancy, project management and advisory consulting services	CBRE Group (NYSE:CBRE)
11/01/21	ArborWorks	Provides vegetation management and tree care services	New State Capital
11/01/21	PestCo Holdings	Provides pest control services	Thompson Street Capital Partners
10/23/21	Vantage Elevator Solutions	Provides elevator transportation modernization solutions	Ontario Teachers' Pension Plan Board
10/22/21	Building Engines	Provides property management cloud platform	JLL (NYSE:JLL)
10/19/21	BluSky Restoration	Provides restoration services	Partners Group / Kohlberg & Company
10/14/21	Pritchard Industries	Provides building and facility maintenance services	Littlejohn & Co.
10/05/21	Off Duty Services	Provides off duty police officers for private sector use	Protos Security (Southfield)

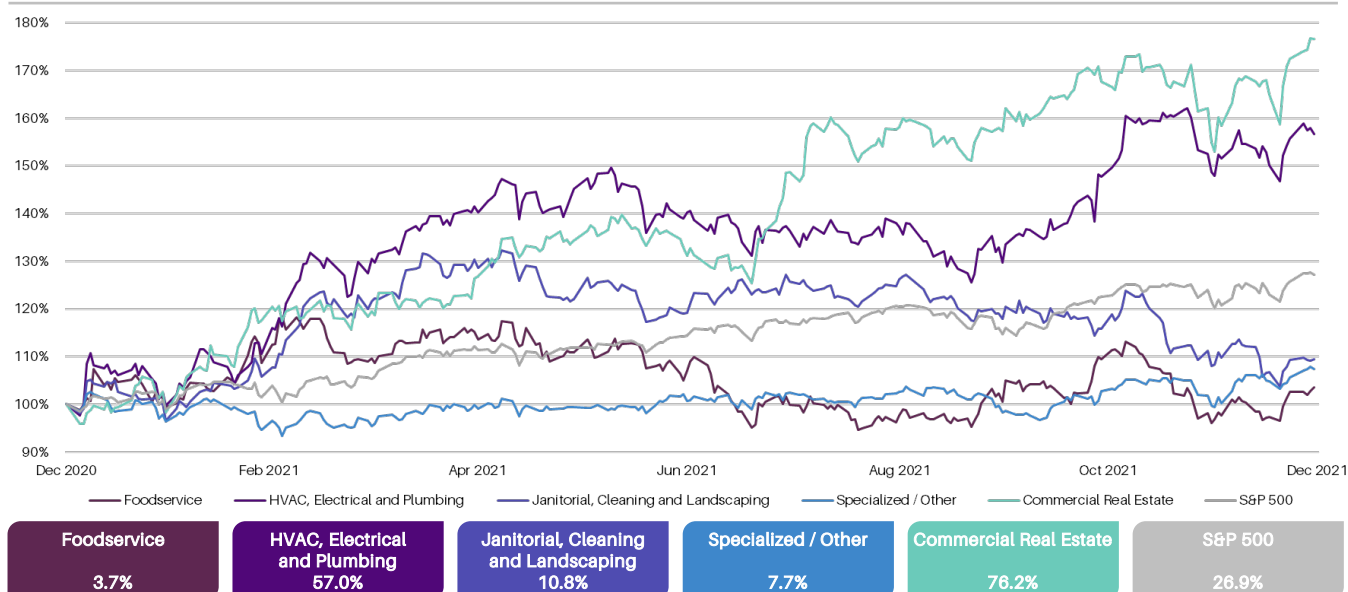
Selected M&A Transaction Activity – Residential

Date	Target	Target Description	Acquirer
Pending	Terminix (NYSE:TMX)	Provides termite and pest control services	Rentokil Initial (LSERTO)
12/28/21	Metro Service Company	Provides air conditioning and heating contracting services	Royal House Partners (CPS Capital)
12/21/21	Adam Mechanical	Provides HVAC services and plumbing systems	Sila (Morgan Stanley)
12/20/21	MaxHome	Provides replacement windows and bathroom remodeling services	Titan Holdings (York Capital)
12/20/21	Russo Bros	Provides HVAC, plumbing, electrical and indoor air quality services	Len the Plumber (Thompson Street)
12/17/21	Yarnell Security Systems	Provides home security services	Pye-Barker (Altas Holdings)
12/14/21	Burton Plumbing	Provides HVAC, plumbing and electrical services	LightBay Capital
12/10/21	Goettl	Provides air conditioning and heating equipment repair, maintenance and installation services	Cortec Group
12/09/21	Climate Air Heating & Air Conditioning	Provides heating, cooling, air quality and hot water services	Right Time Group of Companies (Gryphon Investors)
12/09/21	Homeowner Services Group	Provides water and wastewater services	Apax Partners
12/07/21	Buckeye Heating & Cooling	Provides air conditioning and heating services	Wrench Group (Leonard Green & Partners)
12/01/21	Korte Does It All	Provides residential HVAC, plumbing and electrical services	Frontier Service Partners (Imperial Capital)
11/30/21	Home Pest Control	Provides pest control services	Rockit Pest (Hallee Capital)
11/24/21	Action Air Conditioning, Heating and Solar	Provides air conditioning, heating and solar services	NearU Services (SkyNight)
11/22/21	American Mechanical	Provides plumbing, HVAC, electrical services and indoor air quality systems	NearU Services (SkyNight)
11/19/21	Brewer Companies	Provides plumbing services	Synergos
11/18/21	Premium Home Services	Provides HVAC services	NearU Services (SkyNight)
11/16/21	Westcoast Gate	Provides automated gate and security solutions	Aurora Capital Partners
11/10/21	Home Brands Group (Re-Bath)	Provides bathroom remodeling services	TZP Group
11/09/21	Sunpro Solar	Provides rooftop solar systems	ADT Inc. (NYSE:ADT)
11/02/21	Service Today	Provides HVAC, plumbing, electrical and indoor air quality services	Len the Plumber (Thompson Street)
10/31/21	SavATree	Provides landscape maintenance services	Apax Partners
10/28/21	Done Service Group	Provides residential plumbing services, HVAC installation and repair services and excavation and sewer line services	Radiant (Riverside)
10/27/21	Capital Construction	Provides roof replacement and other exterior restoration services	O2 Investment Partners
10/26/21	All My Sons	Provides residential moving services	Golden Gate Capital
10/22/21	Isaac HVAC	Provides HVAC services	TruArch Partners
10/21/21	Morris-Jenkins	Provides air conditioning, heating and plumbing services	Wrench Group (Leonard Green & Partners)
10/06/21	Perfect Power Wash	Provides exterior property cleaning services	Incline Equity Partners
10/04/21	Southern HVAC	Provides HVAC repair and installation services	Gryphon Investors

Public Markets Overview

(\$ in millions, except per share data)	Share Price	% of 52-Week	Market	Enterprise	LTM Financials				EV / Revenue		EV / EBITDA	
	12/31/2021	High	Cap	Value	Revenue	EBITDA	EBITDA %	FCF Conv.	LTM	CY 2022E	LTM	CY 2022E
Foodservice												
Aramark	\$36.85	85.5%	\$9,451	\$16,826	\$12,096	\$742	6.1%	45.0%	1.4x	1.1x	22.7x	12.4x
Compass Group	22.36	98.2%	39,879	43,491	24,179	1,383	5.7%	77.7%	1.8	1.4	31.5	14.8
Elior Group	7.24	82.6%	1,247	2,481	4,277	58	1.4%	NM	0.6	0.5	42.8	8.8
Sodexo	87.64	87.5%	12,820	16,803	20,571	1,008	4.9%	65.3%	0.8	0.7	16.7	9.2
Median									1.1x	0.9x	27.1x	10.8x
HVAC, Electrical and Plumbing												
Comfort Systems	\$98.94	95.4%	\$3,554	\$3,865	\$2,917	\$251	8.6%	91.8%	1.3x	1.2x	15.4x	12.1x
EMCOR Group	127.39	93.7%	6,799	6,698	9,545	642	6.7%	93.8%	0.7	0.7	10.4	9.9
Mitie Group	0.87	81.6%	1,244	1,230	4,711	187	4.0%	94.2%	0.3	0.3	6.6	4.8
Median									0.7x	0.7x	10.4x	9.9x
Janitorial, Cleaning and Landscaping												
ABM Industries	\$40.85	73.6%	\$2,750	\$3,727	\$6,229	\$448	7.2%	92.3%	0.6x	0.5x	8.3x	7.9x
BrightView Holdings	14.08	73.4%	1,477	2,602	2,554	265	10.4%	76.9%	1.0	1.0	9.8	8.2
GDI Integrated Facility Services	42.52	89.7%	983	1,134	1,209	101	8.4%	86.0%	0.9	0.8	11.2	10.8
ISS	19.12	77.0%	3,531	5,612	10,962	(265)	(2.4%)	NM	0.5	0.5	NM	8.1
Median									0.8x	0.7x	9.8x	8.2x
Specialized / Other												
Chemed	\$529.04	94.5%	\$8,109	\$8,220	\$2,132	\$396	18.6%	84.7%	3.9x	3.7x	20.7x	17.6x
Cintas	443.17	96.0%	45,941	48,450	7,432	1,748	23.5%	88.9%	6.5	6.1	27.7	24.4
Ecolab	234.59	98.2%	67,226	72,685	12,434	2,706	21.8%	79.7%	5.8	5.2	26.9	22.0
FirstService	196.45	97.1%	8,630	9,434	3,167	310	9.8%	83.6%	3.0	2.7	30.5	26.4
Frontdoor	36.65	62.2%	3,104	3,479	1,586	280	17.7%	89.6%	2.2	2.0	12.4	10.4
Healthcare Services Group	17.79	49.7%	1,326	1,139	1,645	92	5.6%	94.1%	0.7	0.7	12.3	12.2
HomeServe	11.84	71.8%	3,984	4,836	1,861	308	16.5%	96.6%	2.6	2.4	15.7	10.4
Rentokil Initial	7.91	88.2%	14,642	16,176	4,137	819	19.8%	78.5%	3.9	3.8	19.8	16.4
Rollins	34.21	81.8%	16,833	17,037	2,360	530	22.5%	95.2%	7.2	6.6	32.1	29.2
Terminix Global Holdings	45.23	82.2%	5,480	6,340	2,021	357	17.7%	93.6%	3.1	3.0	17.8	15.5
UniFirst	210.40	81.3%	3,970	3,500	1,866	292	15.7%	57.9%	1.9	1.8	12.0	13.2
Median									3.1x	3.0x	19.8x	16.4x
Commercial Real Estate												
CBRE Group	\$108.51	99.0%	\$35,589	\$37,863	\$26,106	\$2,462	9.4%	92.0%	1.5x	1.2x	15.4x	13.1x
Jones Lang LaSalle	269.34	97.7%	13,593	17,275	10,189	1,352	13.3%	89.0%	1.7	1.5	12.8	12.1
Cushman & Wakefield	22.24	97.7%	4,970	7,570	8,778	576	6.6%	92.0%	0.9	0.8	13.1	8.4
Colliers International Group	148.86	98.8%	6,554	8,027	3,657	496	13.6%	88.9%	2.2	1.9	16.2	13.9
Newmark Group	18.70	99.0%	3,669	5,921	2,523	26	1.0%	42.5%	2.3	2.0	NM	10.3
Median									1.7x	1.5x	14.3x	12.1x

LTM Stock Price Index Performance



Source: Capital IQ as of December 31, 2021.

Solomon's Facility & Residential Services Practice Overview

Facility & Residential Services Sub-Sector Coverage

Technical

HVAC, refrigeration, plumbing, drain cleaning systems, fire and life safety, elevator maintenance, restoration, roofing, foundation repair, waterproofing, etc.



Cleaning

Floor maintenance, carpet care, housekeeping services, window washing, sanitation services, sterilization services, water restoration, pressure washing, etc.



Laundry

Laundry, linen, uniform rental, laundering of customer-owned goods, restroom supplies, floor care supplies, first aid supplies, etc.



Grounds

Landscaping, lawn maintenance, gutter cleaning, tree / shrub services, pest control, power sweeping, parking services, lot maintenance, snow removal, etc.



Security

Manned guards, private security, electronic security systems integration, alarm monitoring, security and threat consulting, explosive detection, etc.



Foodservice

Corporate and campus dining, catering, concessions, vending, micro markets, coffee and beverage services, commissary, etc.



Active Selected Strategic Relationships



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