

Market Update



Facilities Services
Q3 2020

Facilities Services Insights

Since Q1 2020, the Coronavirus Disease 2019 (“COVID-19”) has had a widespread impact on the global economy and slowed down mergers and acquisitions (M&A) activity in the middle market. Over the last several months, businesses have continued to reopen; however, the impact of COVID-19 remains visible. 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, has all been severely impacted by government and voluntary actions taken to limit the spread of COVID-19. However, not all businesses were equally affected, as certain businesses and verticals such as food production, food retailing and healthcare, as well as sanitization, disinfecting and deep cleaning services, have seen increased demand.

Across the globe, the facilities services M&A market regained traction in Q3 2020. We expect M&A to become increasingly active, given the significant capital availability and desire to make acquisitions by strategic and financial acquirers. The supply/demand imbalance is growing, with fewer companies available for sale. Private equity buyers show a 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 the right platform investments. Similarly, many strategic acquirers remain “open for business.” 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 through the pandemic.

Recent Lincoln International Facilities Services Transactions

 <p>has been recapitalized by</p>  <p>Recapitalization</p> 	 <p>a joint venture investment vehicle backed by</p>  <p>has acquired</p>  <p>Senior Credit Facilities</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>Sell-Side</p> 	 <p>has sold</p>  <p>to</p>  <p>a portfolio company of</p>  <p>Sell-Side</p> 

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%).

Based on quarter-over-quarter stock index changes from Q2 2020 to Q3 2020, the Lincoln Facilities Services Index outperformed both the S&P 500 Index and the S&P 1500 Environmental and Facilities Services Index, and the EV / LTM EBITDA multiples increased by 1.1x from 10.9x in Q2 2020 to 12.0x in Q3 2020.

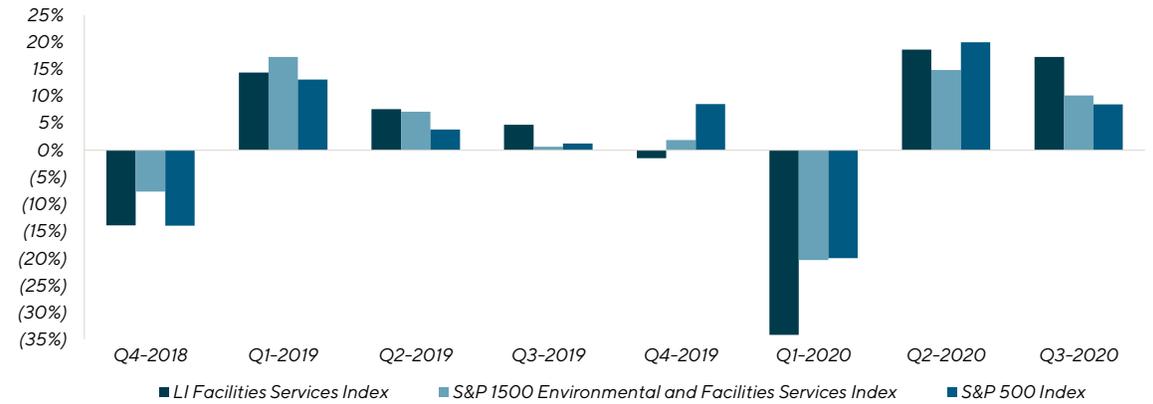
Facilities Services Financial Performance

Quarter-over-Quarter Performance

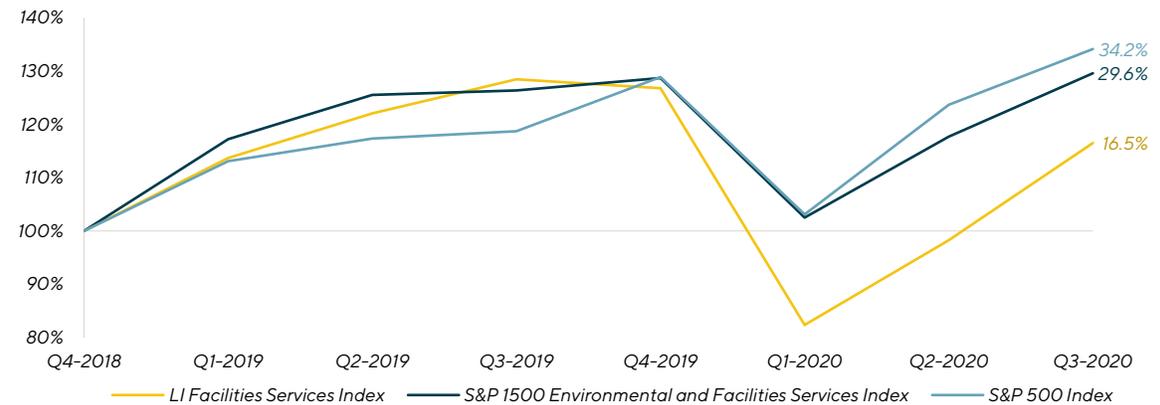
Top Performers	Change	Underperformers	Change
G4S plc	75.8%	Prosegur Compañía de Seguridad, S.A.	(1.5%)
FirstService Corporation	28.5%	Matrix Service Company	(14.1%)
Rollins, Inc.	27.8%	MITIE Group plc	(60.6%)

Based on quarter-over-quarter share price performance

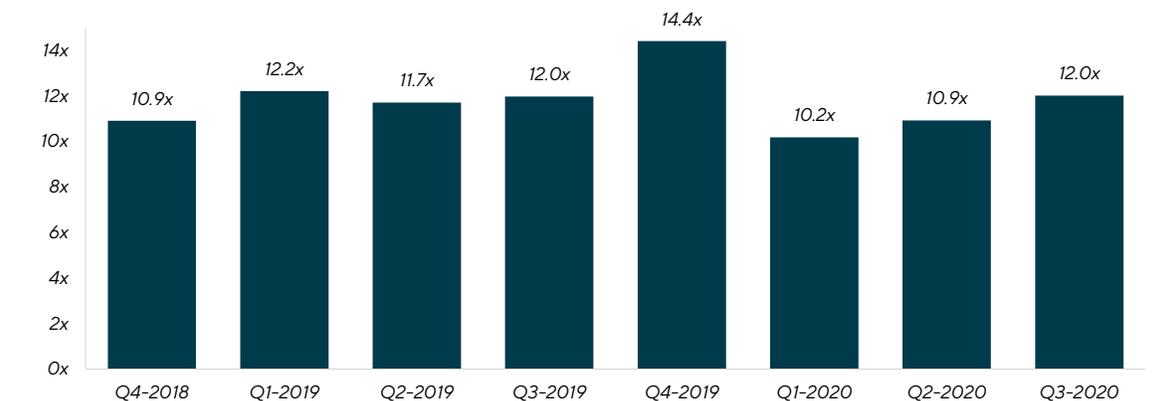
Quarter-over-Quarter Stock Index Change



Two Year Relative Stock Index Performance



Enterprise Value⁽¹⁾ / LTM EBITDA Multiples



Source: Capital IQ as of 09/30/2020

(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	\$36.66	\$40.78	\$2,445	\$3,169	-\$0.07	\$6,405	0.5x	9.3x	13.3x	(1.1%)	9.5%	5.3%	2.5x
Aramark	26.45	47.22	6,691	14,083	(0.91)	15,947	0.9x	10.6x	18.3x	(1.3%)	(6.5%)	8.3%	5.5x
BrightView Holdings, Inc.	11.40	19.67	1,195	2,374	(0.10)	2,412	1.0x	9.4x	19.9x	3.3%	7.0%	10.5%	4.9x
Cintas Corporation	332.83	344.97	35,129	37,413	8.57	7,085	5.3x	25.8x	nmf	2.8%	1.0%	20.5%	1.9x
Comfort Systems USA, Inc.	51.51	55.59	1,875	2,154	3.45	2,777	0.8x	10.2x	13.7x	23.1%	4.0%	7.6%	1.4x
Compass Group plc	15.12	26.97	26,966	33,579	0.65	30,599	1.1x	14.4x	17.4x	2.1%	(17.0%)	7.6%	1.8x
EMCOR Group, Inc.	67.71	93.54	3,718	3,798	2.87	9,316	0.4x	6.7x	8.1x	11.0%	10.8%	6.1%	0.7x
FirstService Corporation	131.89	134.22	5,733	6,460	1.40	2,556	2.5x	26.8x	nmf	28.4%	28.2%	9.4%	3.2x
G4S plc	2.59	2.89	4,004	6,084	0.01	10,275	0.6x	7.7x	9.3x	7.3%	8.9%	7.6%	3.6x
Johnson Controls International plc	40.85	44.82	30,394	38,356	1.05	23,745	1.6x	14.1x	20.1x	(25.1%)	(41.5%)	11.5%	2.6x
Matrix Service Company	8.35	23.83	221	158	(1.24)	1,304	0.1x	3.0x	4.7x	(0.6%)	n/a	4.0%	(0.9x)
MITIE Group plc	0.42	2.16	494	748	0.11	2,863	0.3x	5.1x	6.9x	(2.2%)	20.1%	5.1%	2.2x
Prosegur Compañía de Seguridad, S.A.	2.40	4.62	1,326	2,633	0.66	4,614	0.6x	2.7x	3.3x	4.8%	102.1%	21.1%	1.2x
Rentokil Initial plc	6.93	7.47	12,790	14,136	0.13	3,595	3.9x	21.5x	nmf	14.1%	9.5%	18.3%	2.1x
Rollins, Inc.	54.19	57.16	17,761	18,099	0.65	2,074	8.7x	nmf	nmf	12.6%	9.3%	19.5%	1.1x
Securitas AB	15.32	18.40	5,592	7,437	8.05	11,332	0.7x	10.6x	14.2x	0.2%	(9.7%)	6.2%	2.9x
Terminix Global Holdings, Inc.	39.88	57.95	5,264	6,807	0.56	2,114	3.2x	18.2x	25.7x	8.2%	(3.4%)	17.7%	4.4x
Sodexo S.A.	71.65	127.41	10,435	15,769	4.59	24,147	0.7x	9.7x	12.7x	1.9%	(1.4%)	6.7%	1.6x
Team, Inc.	5.50	18.64	168	546	(7.47)	1,131	0.5x	12.6x	nmf	(6.9%)	n/a	3.8%	9.2x
UniFirst Corporation	189.37	217.90	3,577	3,200	7.86	1,863	1.7x	9.8x	14.5x	7.2%	6.6%	17.5%	(1.1x)
Mean							1.7x	12.0x	13.5x	4.5%	7.6%	10.7%	2.5x
Median							0.8x	10.2x	13.7x	3.0%	6.8%	8.0%	2.2x

Source: Capital IQ

Note: All values based on publicly available data as of 09/30/2020

Heard on the Street

09/25/2020: Valet Living, the Ares Management- and Harvest Partners-backed provider of doorstep trash and recycling collection services, is considering a potential sale. Following a recapitalization in September 2015, Valet Living completed multiple add-on acquisitions and has demonstrated strong growth since Ares' and Harvest Partner's investment.

08/27/2020: Nautic Partners, the Rhode Island-based private equity firm, has partnered with industry executives, Charlie Spencer and Buddy Helton to form **Helton Education Services ("HES")**, a provider of outsourced maintenance services to facilities in the education sector. Prior to launching HES, Nautic previously invested with these two executives in partnership with GCA, a leading national provider of janitorial and facility management services, which grew from a start-up to more than \$500 million in annual revenue. HES is actively seeking add-on acquisitions for the platform.

08/21/2020: Divisions Maintenance Group ("DMG"), the Kentucky-based maintenance services provider, is preparing to place a credit facility following its buyout by Roark Capital. Following the transaction, DMG is eager to lever its balance sheet with financing packages expected to be ~6x or greater in leverage.

08/06/2020: Terminix Global Holdings (NYSE:TMX), the Tennessee-based pest control and cleaning services provider (f.k.a. ServiceMaster Global Holdings), has appointed Brett Ponton as its next CEO. Following the leadership transition in October, interim CEO, Naren Gursahaney, will continue as the Chairman of the Board. Prior to transitioning to his role as the Terminix CEO, Mr. Ponton was the CEO of Monro and previously had experience at American Driveline Systems, Heartland Automotive, Veyance Technologies and Goodyear Tire & Rubber.

M&A Transaction Highlights

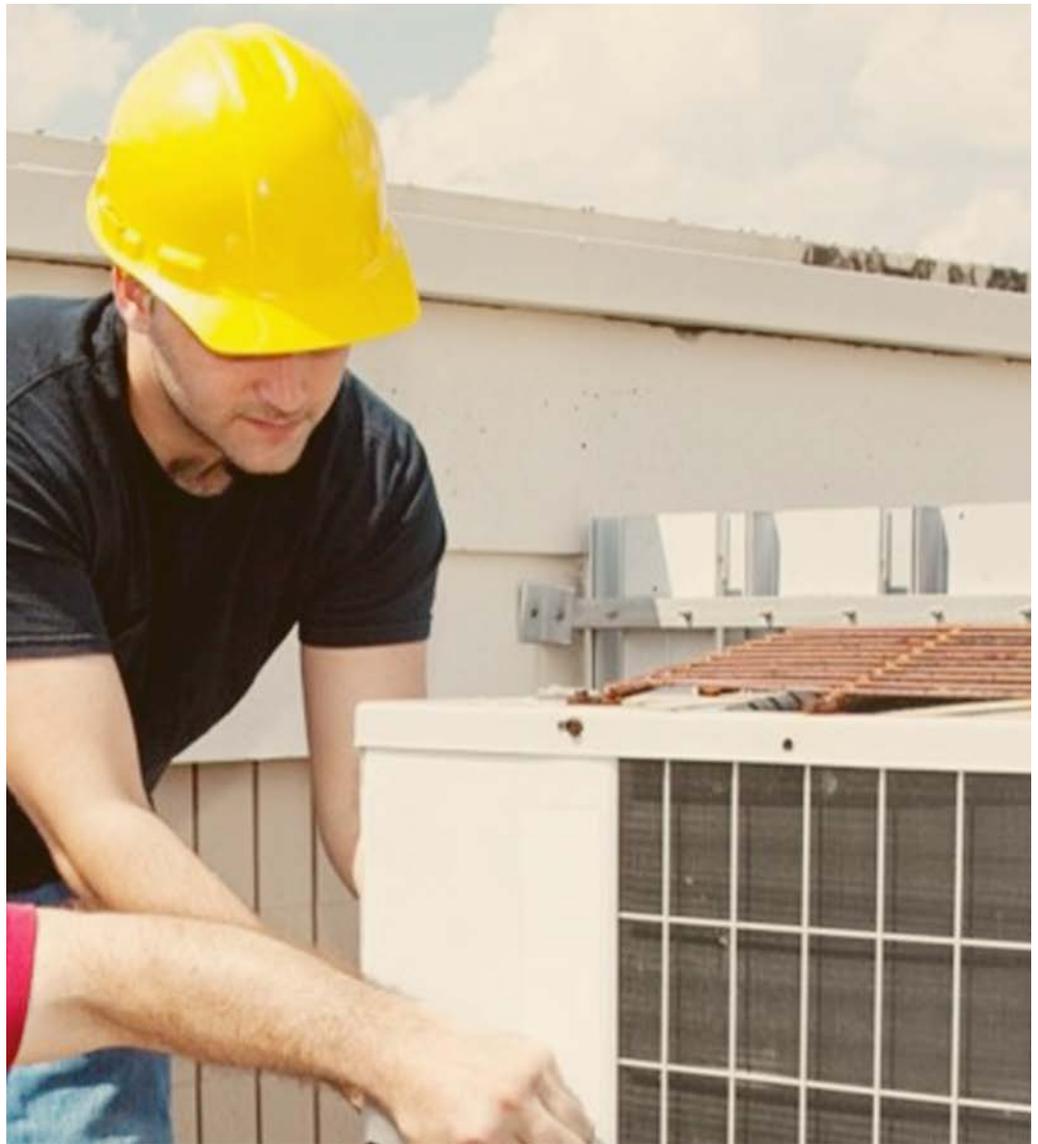
Closed	Target	Target Description	Acquirer
Announced	American Residential Services	Provides maintenance, repair, and replacement services for HVAC and home appliances	GI Partners
Announced	Landscape Workshop	Provides grounds maintenance services for commercial properties	Carousel Capital; McKinney Capital
Oct-20	West Shore Home	Provides home improvement services	Leonard Green & Partners
Oct-20	ServiceMaster Brands Businesses of Terminix	Provides restoration, commercial and residential cleaning, cabinet and furniture repair and home inspection services	Roark Capital Group
Sep-20	Carolina Refrigeration Services	Provides residential HVAC service and installation services	CoolSys
Sep-20	Fire Protection Division of Onwatch Multifire	Provides fire protection services	Churches Fire & Security
Sep-20	All Commercial Landscape Service	Provides landscape installation and management services for residential and commercial developments	BrightView Holdings
Sep-20	All Star Equipment Rentals And Sales	Provides rental construction and remodeling equipment	Hunter Street Partners
Sep-20	FloHawks	Provides commercial and residential pumping and septic services	Liquid Environmental Solutions
Sep-20	Brick Wall Fire Sprinkler	Designs and develops fire protection systems and provides full-service fire protection solutions	Rapid Fire Protection
Sep-20	Element Fire Protection	Provides fire safety and inspection services	National Fire & Safety
Sep-20	Handcraft Cleaners & Launderers	Provides dry cleaning and laundry services	Puritan Systems
Sep-20	Sila Heating & Air Conditioning	Provides heating and air conditioning services and products	Astar Heating & Air
Sep-20	Wilson's Pest Control	Provides pest management and control services	Wayne's Pest Control Company
Sep-20	Clearview Cleaning Service	Provides commercial janitorial, window washing and floor care services	Kellermeyer Bergensons Services
Sep-20	Domus Building Cleaning Company	Provides commercial cleaning services	Alpine Building Maintenance
Sep-20	All About Water	Provides plumbing and water treatment services	Wrench Group
Aug-20	Westco Grounds Maintenance	Provides commercial landscaping installation and maintenance services	Altos Partners; Gemini Investors
Aug-20	Divisions	Provides integrated facilities maintenance services, including elevator and HVAC services	Roark Capital Group
Aug-20	D & D Elevator Maintenance	Provides elevator construction, maintenance, removal, and repair services	Arcline Investment Management
Aug-20	Preferred Pest, Termite and Turf Management	Provides pest control services	Wayne's Pest Control Company
Aug-20	Assets of DriExpress and Empire Holdings	Provides HVAC equipment rental services	Resolute Industrial
Aug-20	Jersey Elevator	Provides elevator maintenance, modernization and installation services	Arcline Investment Management
Aug-20	Comfort Experts	Provides residential HVAC and plumbing service, maintenance and equipment replacement	Turnpoint Services
Aug-20	Worry Free Comfort Systems	Provides HVAC and plumbing installation, maintenance and repair services	HomeServe USA
Aug-20	Fire Equipment Company of Florida	Provides inspection and selling services for fire extinguishers and fire suppression systems	Republic Fire Protection
Aug-20	Builder's Heating and Air Conditioning	Provides HVAC services	Fix-It 24/7
Aug-20	JC Roofing and Gutters	Provides commercial and residential roofing and gutters repair and installation services	Restoration Builders
Aug-20	TFM Services	Provides buildings and facilities management services, including janitorial services	Gen Cap America

Source: Capital IQ, Mergermarket, Company Filings

M&A Transaction Highlights (cont'd)

Closed	Target	Target Description	Acquirer
Aug-20	American Technologies	Provides disaster recovery, restoration, environmental remediation and reconstruction services	TSG Consumer Partners
Aug-20	VIP Security	Provides electronic security systems installation and maintenance services	Advanced Security Group
Aug-20	ASI Hastings	Provides residential HVAC and plumbing services	Service Champions
Jul-20	thyssenkrupp Elevator	Provides elevator maintenance services	Advent International; Cinven
Jul-20	Academy Air	Provides plumbing and HVAC installation services	Apex Service Partners
Jul-20	Bass Air Conditioning	Provides HVAC equipment installation and maintenance services	NearU HVAC Services
Jul-20	Phoenix Systems & Service	Provides security systems services	Allied Universal
Jul-20	Savannah Termite and Pest Control	Provides pest control services	McCall Service
Jul-20	American Fire and Safety	Provides repair services for fire protection products	Pye-Barker Fire & Safety
Jul-20	Affordable Water Heaters and Plumbing	Provides gas and electric water heaters replacement, installation and repair services	Dubin Clark & Company
Jul-20	Envirosweep	Provides street sweeping services	Sweeping Corporation of America
Jul-20	Stark Exterminators	Provides pest control services	Arrow Exterminators
Jul-20	Abc Cooling, Heating & Plumbing	Provides HVAC and plumbing services, including repair, maintenance and installation	Service Champions
Jul-20	Arctic Engineering	Provides HVAC installation and design services	Reedy Industries
Jul-20	Kennebec Fire Equipment	Provides fire protection services	AI Fire
Jul-20	J&J Maintenance	Provides maintenance, cleaning and other services to military bases and other facilities operated by the U.S. Federal government	Arlington Capital Partners
Jul-20	Winnipeg Elevator Group	Provides maintenance, installation and repair services for elevators, escalators and handicap lifts	thyssenkrupp Elevator
Jul-20	Classic Fire Protection	Provides fire and life safety equipment and installation services	McCain Capital Partners
Jul-20	3G Air Conditioning and Heating	Provides air conditioning repair, electrical and plumbing services	Wrench Group
Jul-20	Rolyn Companies	Provides disaster recovery, restoration, remediation and decontamination services	Global Restoration Holdings
Jul-20	On-Time Air Conditioning & Heating	Provides residential HVAC repair and installation services	Wrench Group
Jul-20	Adams Pest Control	Provides pest control services	Rollins
Jul-20	Gunnison Tree Services	Provides tree care, surgery and removal services in residential and commercial sectors	Warren Equity Partners

Source: Capital IQ, Mergermarket, Company Filings



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