

**KROLL**

# Industrial and Commercial Services

Industry Insights

SUMMER 2024

[Learn more](#)



# Industry Highlights

## Overview

- M&A activity in the North American industrial and commercial services industry slowed in 2023, with a year-on-year (YoY) decrease of 10% from the elevated levels seen in 2022.
- However, buyer interest in the sector proved remarkably resilient amid rising interest rates, recession risks and poor public market performance, with annual transaction activity ~5% above the historical levels from 2015-2022.
- Elevated interest rates, macroeconomic uncertainty and value expectations between buyers and sellers created challenges in the marketplace. Nevertheless, the industrial and commercial services industry remained strong and outperformed the broader market.
- The M&A outlook remains positive due to the accumulation of dry powder, pressure to deploy capital and the fragmented nature of the industrial and commercial services sector.
- The sector with the highest enterprise value (EV) / last 12 months (LTM) earnings before interest, taxes, depreciation and amortization (EBITDA) multiple is environmental services, with a 15.1x multiple. The sector with the lowest multiple is transportation and logistics services, with an 8.0x multiple.

844

Deals reported in the industrial and commercial services sector across 2023 and Q1 2024

5%

Annual transaction activity in 2023 is 5% higher than the historical levels from 2015-2022

2.0%

Underperformance in industrial and commercial services stock performance compared to the S&P 500 from March 2023-March 2024

13.7x

Aggregate Median EV / LTM EBITDA multiple within industrial and commercial services industry

# Market Update

# Industrial and Commercial Services Industry Overview

Sector	Median Public Trading Multiples	Description of Sector	Key Industry Leaders
Facilities Services	TEV <sup>1</sup> / LTM Rev: 0.7x TEV / LTM EBITDA: 12.1x	Provide a wide array of commercial facility services, including landscaping and ground maintenance, janitorial and other services	
Industrial Services	TEV / LTM Rev: 3.3x TEV / LTM EBITDA: 14.9x	Supply a range of support and solutions for industrial facilities and equipment to help maintain, optimize and improve industrial processes	
Environmental Services	TEV / LTM Rev: 3.2x TEV / LTM EBITDA: 15.1x	Serve a diverse set of customers to create a stronger environment, with common services including collecting, transporting and disposing of waste and garbage	
Construction and Engineering Services	TEV / LTM Rev: 1.2x TEV / LTM EBITDA: 14.0x	Involve companies that help with the design, development, project management and supervision of buildings, roads and other infrastructure projects to provide cost-effective solutions	
Transportation and Logistics Services	TEV / LTM Rev: 1.0x TEV / LTM EBITDA: 8.0x	Provide a variety of solutions to help with the transfer of goods from one location to another. Key services include management of supply chains, inventory, warehousing, distribution and order fulfillment	

1) Total Enterprise Value (TEV)

# Sector Spotlight: Facilities, Industrial and Environmental Services

## Innovation Driving Advancements within the Facilities Services Industry

- Increased competition in the facilities services market is leading increased innovation to gain a competitive advantage in the marketplace.
- Adoption of advanced technology, software and products in cleaning services is being utilized to enhance efficiency of services, including robotic floor cleaners, solar trash compactors and autonomous vacuum cleaners.

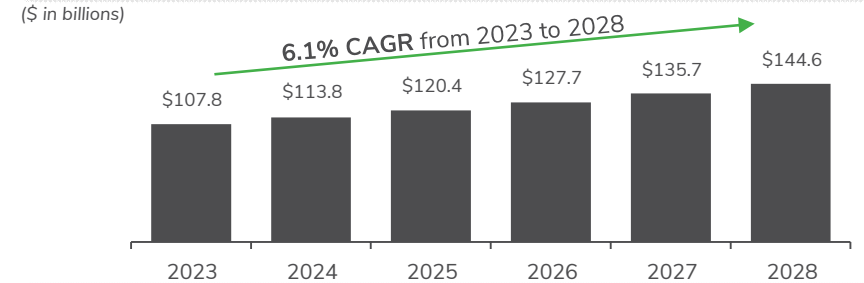
## Predictive Maintenance a Strong Enabler within Industrial Services

- As the demand for Internet of Things-enabled devices has increased within the industrial services industry, the need for data collection to solve maintenance problems has grown.
- Mergers and acquisitions, partnerships and collaborations have become popular trends used to gain a competitive advantage within the industry.

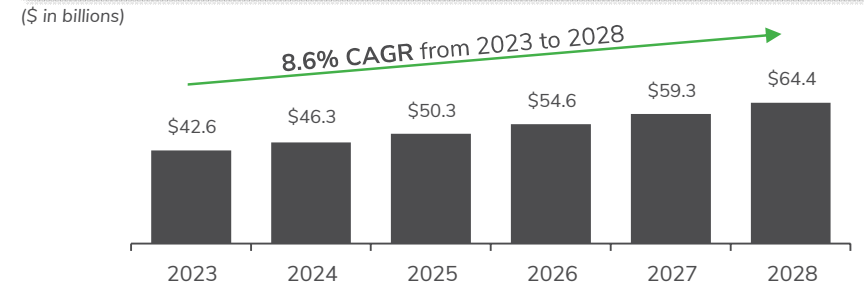
## Long-Term Tailwinds to Support Sustained Growth in Environmental Services

- Environmental services and waste companies are leveraging AI tools to automate tasks to combat labor shortages and improve efficiencies within the industry.
- A growing emphasis on sustainability will continue to propel the environmental services industry to innovate and maintain cleaner ecosystems.

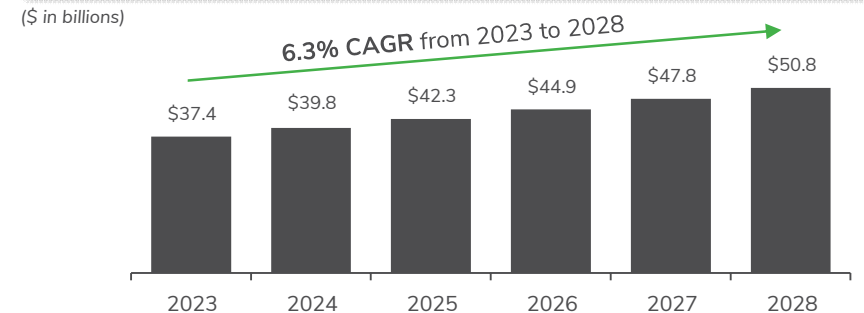
## Facilities Services Industry



## Industrial Services Industry



## Environmental Services Industry



# Sector Spotlight: Construction and Engineering and Transportation and Logistics Services

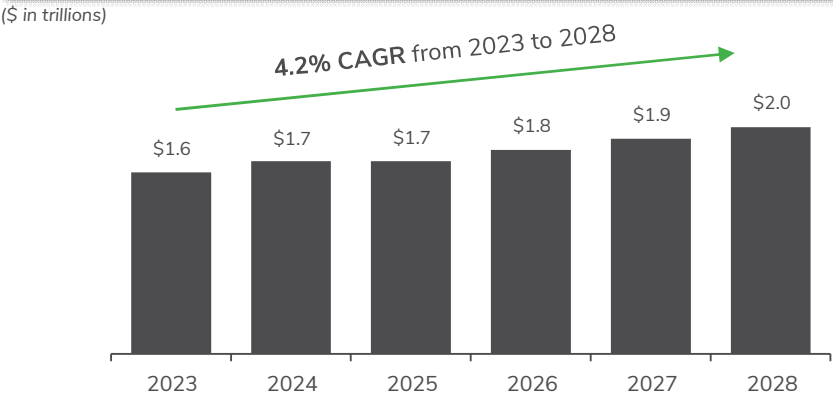
## Key Bills Creating Green Shoots in Construction and Engineering Services

- The Infrastructure Investment and Jobs Act, Inflation Reduction Act and Creating Helpful Incentives to Produce Semiconductors Act are expected to create increased volume as confidence in the construction and engineering industry remains high through Q1 2024.
- As roads, bridges and other aging infrastructure reach the end of their lifespans, the urgency for modernization and innovation becomes critical, creating an opportunity for construction and engineering services.

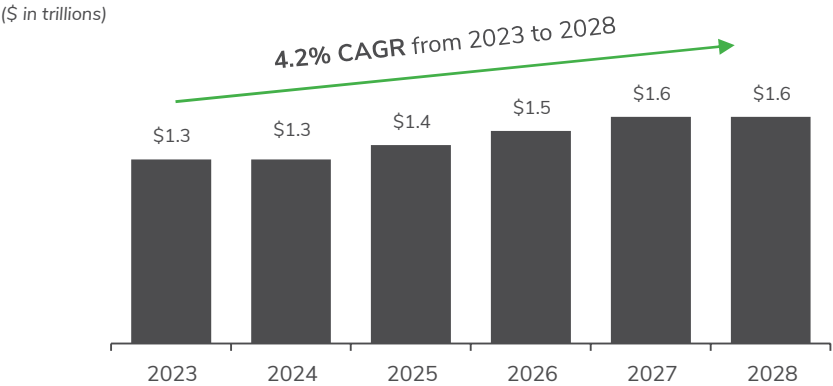
## Global Trade Expanding the Transportation and Logistics Services

- Small- and medium-scale businesses are looking to double their investment in technology advancements within the transportation and logistics industry, creating an opportunity for services to increase.
- The expansion of trade-related agreements strengthens the industry, fostering a globalized trading network.

## Construction and Engineering Industry



## Transportation and Logistics Industry



Sources: Technavio, Statista, AP News, Custom Market Insights, Deloitte

# Recent Market Valuation Indicators

# M&A Market Commentary

In 2023, M&A activity in the industrial and commercial services industry was above average, despite challenges in the broader M&A market throughout the year. In the context of economic challenges and high interest rates and financing costs, there is greater confidence in the macroeconomy reaching a “soft landing,” creating tailwinds in the marketplace.

Although there was a decrease in M&A activity from Q4 2023 to Q1 2024, there is increased momentum, as there is an abundance of PE capital searching for investment opportunities and pent-up demand to deploy capital. Strategic buyers are also looking at M&A as a means for growth with significant cash balances.

## Number of Closed Deals: Industrial and Commercial Services Industry

667 Annual Average of Deals Closed, 2015-2022

700 Deals Closed in 2023



Sources: Staffing Industry Analysts, CapIQ



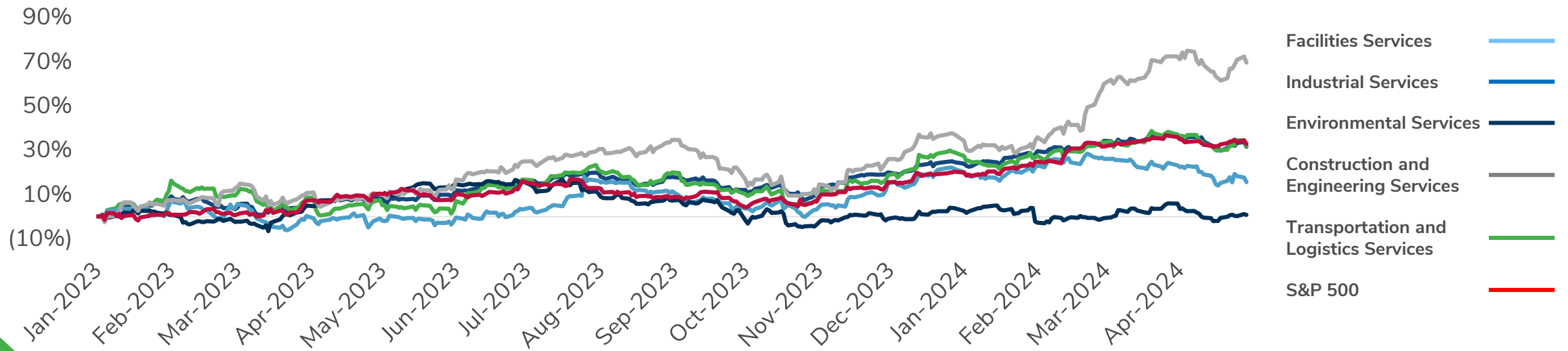
# Industrial and Commercial Services Public Markets Update

## Public Update by Sector

2024 year-to-date industrial and commercial services sector has underperformed the S&P 500 by 4.3%

Subsector	2023 Performance	Median EV/LTM EBITDA Multiple
Facilities Services	0.8%	12.1x
Industrial Services	31.9%	14.9x
Environmental Services	33.0%	15.1x
Construction and Engineering Services	69.8%	14.0x
Transportation and Logistics Services	15.7%	8.0x
S&P 500	31.7%	16.2x

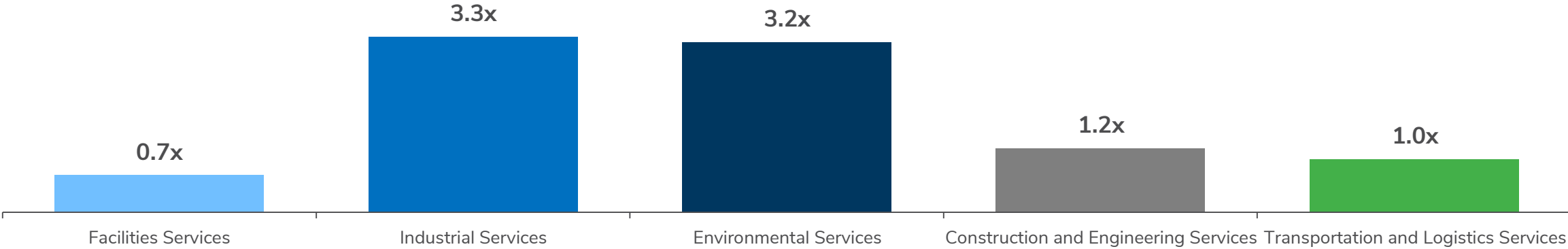
## Jan 2023-April 2024 Indexed Stock Performance



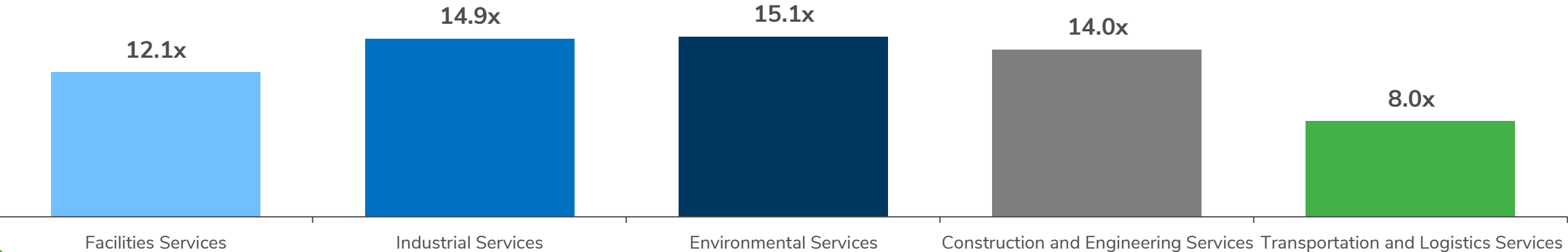
Source: CapIQ

# Industrial and Commercial Services Public Markets Update

## Median EV/LTM Revenue



## Median EV/LTM EBITDA



Source: CapIQ

# **Kroll Qualifications and Contacts**

# Recent Transactions

## SELL SIDE M&A ADVISOR

*United***Service**  
Companies

has been acquired by



a portfolio company of

**GREENBRIAR**

Financial Adviser to United  
Service Companies

## Transaction Overview

- Kroll's Diversified Industrial Investment Banking Practice advised United Service Companies on its sale to The Facilities Group, a portfolio company of Greenbriar Equity Group.

## About United Service Companies (the "Company" or "United")

- United is a highly diversified facility services business providing commercial cleaning, security solutions and other facility support services throughout the United States. The Company's specialized service model has cultivated a diverse customer base with long-tenured relationships creating a highly predictable recurring revenue model.
- United has deep-rooted relationships with a diverse base of 600+ active customers across various end markets including hospitality, commercial, aviation and sporting events.

## About The Facilities Group ("TFG")

- TFG, a portfolio of Greenbriar Equity Group, is a family of integrated facility maintenance organizations servicing commercial properties throughout the United States. The companies include local, regional and national brands with proven reputations, in-market knowledge and operational excellence.

## SELL SIDE M&A ADVISOR

**fern**

has been acquired by



a portfolio company of



Financial Adviser to Fern

## Transaction Overview

- Kroll's Diversified Industrial Investment Banking Practice advised Fern on its sale to nth Degree, a portfolio company of MSouth Equity Partners.

## About Fern

- Fern is a leading exhibition and event service provider, offering a full suite of services that address the complex logistical, marketing and organizational needs of both event organizers and exhibitors across the United States with headquarters in Cincinnati, Ohio.
- Fern services over 1,000 trade shows and corporate events annually across more than 100 cities, including multiple top-100 shows. The Company is the #3 provider of trade show and event services nationally and the #1 provider in numerous regional markets.

## About Nth Degree

- Nth Degree, a portfolio of MSouth Equity Partners, is a leading provider of exhibit management and event services, providing highly specialized installation and dismantle services for trade shows. Nth Degree also serves as an experiential marketing and management agency.

# Select Kroll Industrial and Commercial Services Experience

**Sell-Side Advisor**

 **The Liberty Group**  
Executive Search & Staffing  
a portfolio company of

 **MERIT CAPITAL PARTNERS**

and


 **SIX PILLARS PARTNERS**

has been acquired by

 **THE HALIFAX GROUP**

*Diversified Services to the Multifamily Residential Specialty Staffing Market*


**Sell-Side Advisor**

 **Shipware**™

has been acquired by

 **rib** | FIXED COST REDUCTION

a portfolio company of

 **O2** O2 Investment Partners, LLC

*Provides Contract Optimization Services to Reduce Shipping Costs*

**Capital Raise**

 **AHI TRAVEL**  
ESTABLISHED 1962

has been acquired by

**Certares**

*Designer and Service Provider of Guided Land and River Journeys*

**Capital Raise**



has received debt financing from

 **Goldman Sachs**

*Provides Residential HVAC Services, Including Repair, Maintenance and Installation*

**Buy-Side Advisor**

 **Cennox**  
a portfolio company of

 **YORK CAPITAL MANAGEMENT**

has acquired

 **BANCOSOURCE**

a portfolio company of

 **CAPITALWORKS**

*Facility Management Solutions Provider, Including ATM/Interactive Teller Machine Services*

**Sell-Side Advisor**

 **ETA-K**

a portfolio company of

 **MOSAIC CAPITAL PARTNERS**

has been acquired by

 **ADB COMPANIES**

*Provides Scheduled Maintenance and Ground Installation Services*

**Sell-Side Advisor**

 **NUSOURCE FINANCIAL**

a portfolio company of

 **TONKA BAY**

has been acquired by

 **MOSAIC CAPITAL PARTNERS**

*Provides New and Used ATM Machines and Services to Financial Institutions*

**Sell-Side Advisor**

 **ICON**

a portfolio company of

 **MERIT CAPITAL PARTNERS**

has been acquired by


 **MC group**  
Building Better Brands

a portfolio company of


 **ARCAPITA**

*Leader in Brand Implementation Services, Specializing in Signage*


**Sell-Side Advisor**

 **Faultless**  
Healthcare Linen

has been acquired by

 **ImageFIRST**  
HEALTHCARE LAUNDRY SPECIALISTS

a portfolio company of

 **CALERA CAPITAL**

*Leading Provider of Critical Laundry and Linen Management Solutions*

**Sell-Side Advisor**

 **VLS recovery**  
SERVICES

has been acquired by

 **AURORA CAPITAL PARTNERS**

*Leading Provider of Specialty Cleaning Services*



For more information, please contact:



**Steve Burt**

Global Head of M&A  
Advisory

Chicago

+1 312-697-4620

[steve.burt@kroll.com](mailto:steve.burt@kroll.com)



**David Althoff**

Global Head of Diversified  
Industrials M&A Advisory

Chicago

+1 312-697-4625

[david.althoff@kroll.com](mailto:david.althoff@kroll.com)



**Jeffrey McNamara**

Managing Director, Diversified  
Industrials M&A Advisory

Chicago

+1 312-697-4638

[jeffrey.mcnamara@kroll.com](mailto:jeffrey.mcnamara@kroll.com)



**Jessica Baillargeon**

Director, Diversified  
Industrials M&A Advisory

Denver

+1 713-237-5353

[jessica.baillargeon@kroll.com](mailto:jessica.baillargeon@kroll.com)



**Dr. Howard E. Johnson**

Managing Director, Canadian  
M&A Advisory

Toronto

+1 416-597-4500

[howard.johnson@kroll.com](mailto:howard.johnson@kroll.com)

**About Kroll**

As the leading independent provider of risk and financial advisory solutions, Kroll leverages our unique insights, data and technology to help clients stay ahead of complex demands. Kroll's global team continues the firm's nearly 100-year history of trusted expertise spanning risk, governance, transactions and valuation. Our advanced solutions and intelligence provide clients the foresight they need to create an enduring competitive advantage. At Kroll, our values define who we are and how we partner with clients and communities. Learn more at [www.kroll.com](http://www.kroll.com).

M&A advisory, capital raising and secondary market advisory services in the United States are provided by Kroll Securities, LLC (member FINRA/SIPC). M&A advisory, capital raising and secondary market advisory services in the United Kingdom are provided by Kroll Securities Ltd., which is authorized and regulated by the Financial Conduct Authority (FCA). Valuation Advisory Services in India are provided by Kroll Advisory Private Limited (formerly Duff & Phelps India Private Limited), under a category 1 merchant banker license issued by the Securities and Exchange Board of India.

The material in this report is for information purposes only and is not intended to be relied upon as financial, accounting, tax, legal or other professional advice. This report does not constitute, and should not be construed as soliciting or offering any investment or other transaction, identifying securities for you to purchase or offer to purchase, or recommending the acquisition or disposition of any investment. Kroll does not guarantee the accuracy or reliability of any data provided from third-party resources. Although, we endeavor to provide accurate information from third party sources, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future.