



Industry Insight:
Facility Services

Q1 2024



sequeira
PARTNERS

Facility Services Landscape

Facility Services encompasses the various essential services crucial for the smooth and efficient operation of commercial and industrial facilities. A dynamic and resilient sector of our economy, it has been a focal point for mergers and acquisitions, attracting both strategic and private equity investors. These investors are drawn to the sector's mission-critical services, which offer stable and recurring revenue streams. With its significant market size and substantial growth opportunities, the sector continues to draw robust investment, enhancing capital deployment and promoting an optimistic outlook for its future growth.

Facility Services Subsector Overview

1 Waste and Site Services
Includes waste disposal, recycling, and site cleaning, along with the rental and maintenance of portable sanitation and temporary site equipment.

2 Fire, Safety & Security Services
Installation and maintenance of physical security systems such as alarms, cameras, and access controls, as well as the provision of on-site security personnel.

7 Laundry, Linen, and Uniform
Includes laundering, upkeep, and provision of textiles like linens and uniforms, especially for healthcare, hospitality, and industrial facilities.

3 Janitorial and Cleaning
Includes daily cleaning and sanitation of building interiors to maintain hygiene and provide a healthy environment for occupants and visitors.

6 Workforce Accommodations and Catering
Provides living arrangements for staff, temporary housing and food services, catering to the operational needs of businesses.

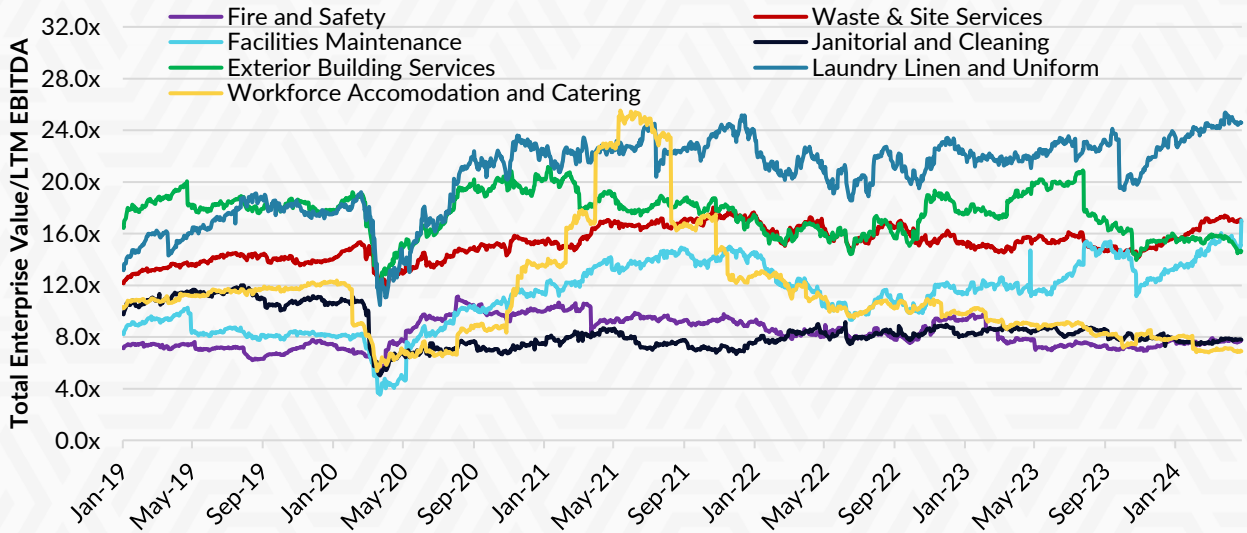
5 Exterior Building Services
Encompasses the enhancement of a building's external appearance and structure through services including paving, roofing, window cleaning, power washing, landscaping/grounds maintenance, and pest control.

4 Facility Maintenance
Services critical for the functionality and safety of building systems, including HVAC and elevators, as well as general facility maintenance.



Public Market Valuations

LTM EBITDA Multiples



- The Facility Services sector continues to exhibit strong performance and stability within equity markets, highlighted by robust EBITDA multiples in the evolving post-COVID environment. Demand for Laundry, Linen, and Uniform services has significantly increased, propelled by growing needs in the healthcare and hospitality sectors. Valuations in this sector are driven by its predictable, route-based business model and long-term contracts.
- The Waste and Site Services segment has also demonstrated considerable strength and stability. Despite economic headwinds, waste management and recycling companies have sustained premium valuations, underscoring the market's confidence in the sustainability of their revenue streams, even in challenging economic conditions. The consistent performance of this segment not only highlights the sector's resilience but also the broader market's recognition of the essential services these companies provide, which are crucial for environmental sustainability.
- Diverse characteristics within each Facility Services subsector significantly influence investor interest and are reflected in the gap in valuation multiples. Route-based models in sectors like Laundry, Linen, Uniform, and Waste and Site Services often command higher multiples due to their predictable, recurring revenue streams. Both the Fire and Safety and Janitorial and Cleaning sectors benefit from low capital intensity, yet the latter trades at lower multiples due to the high competition, low barriers to entry, and greater labour intensity. Premium multiples in Facilities Maintenance reflect its essential services and potential for stable, long-term contracts. Meanwhile, Workforce Accommodation and Catering experience lower multiples because of a dependency on project-based revenue variability, especially within industries like mining or oil, which are prone to market fluctuations.

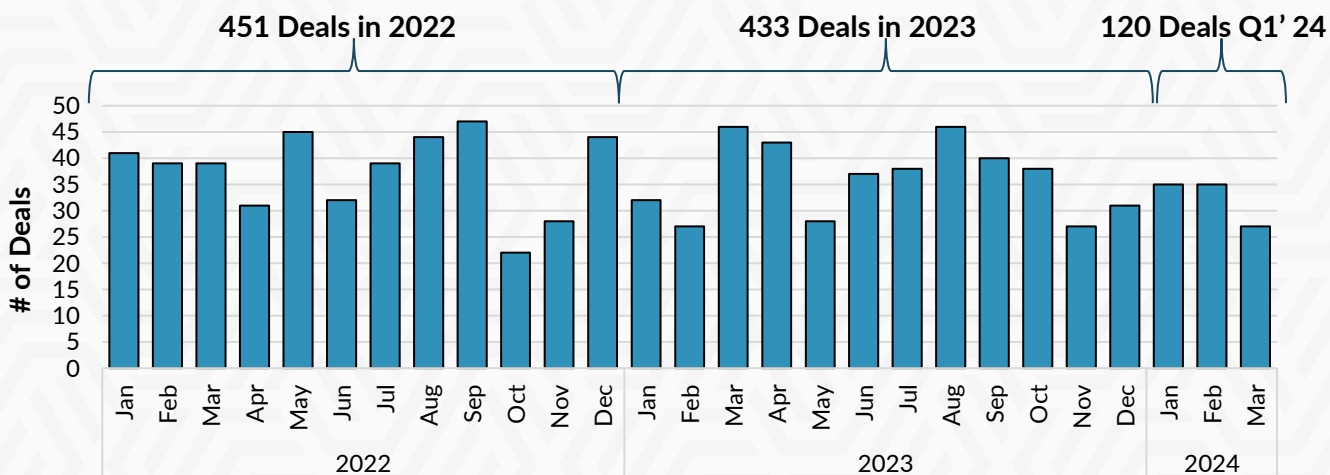
Source: S&P CapitalIQ

Facility Services M&A Overview

Despite the economic turbulence of 2023, the Facility Services sector demonstrated notable strength with 433 reported transactions—a slight retreat from the 451 transactions in 2022. This solid performance reflects the sector’s firm foundation, and the strong confidence investors have in its potential. In the first quarter of 2024, the industry made significant strides by completing 120 reported deals, an uptick from 105 in the same period the previous year, signaling an optimistic outlook for the sector in 2024.

With interest rates and inflation stabilizing, the M&A landscape in the Facility Services sector looks promising for 2024. Favorable economic conditions are expected to fuel increased investment and quicken the pace of transactions, setting the stage for an exciting and dynamic year ahead.

North American Announced Transaction Volume ¹

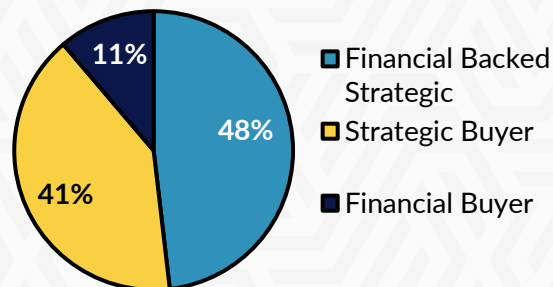


The M&A landscape within Facility Services has primarily been shaped by two major categories of buyers:

- Public company strategics
- Private equity-backed strategics

The sector has garnered significant interest from private equity, with nearly 60% of transactions involving a private equity group or investor, underscoring the appealing investment thesis that the sector offers. The attractive return on investment profile in this space is expected to continue driving private equity activity, fueled by the industry’s pronounced fragmentation and the resulting opportunities for consolidation.

Purchaser Universe



⁽¹⁾ Source: S&P Capital IQ – Includes announced & closed deals, based on the sub-categories listed on page 2

Key Drivers of M&A Activity

Buoyed by the promising prospects of stabilizing interest rates and inflation, the Facility Services sector is poised for a surge in M&A activity in 2024. This anticipated uptick is driven by increased market consolidation, strategic diversification of services, sustained private equity investment, and the continued integration of technology. Collectively, these factors herald a vibrant year ahead for the sector, as companies adapt to and capitalize on emerging opportunities.



Market Consolidation

The industry remains highly fragmented, marked by intense competition between major players against smaller local companies. This fragmentation creates opportunity for continued consolidation in the sector.



Diversification

The drive for diversification remains a strong motivator for acquisitions, as consolidators expand their service offerings and geographic presence to cater to national accounts.



Private Equity Investment

Private equity investment in the sector is driven by the stable and predictable revenue streams generated from multi-year contracts, which attract investors seeking long-term returns.



Integration of Technology

Firms are leveraging technological advancements to enhance their competitive edge by improving automation and efficiency.

Select Canadian Transactions

Select Disclosed Facility Services Deals in Canada

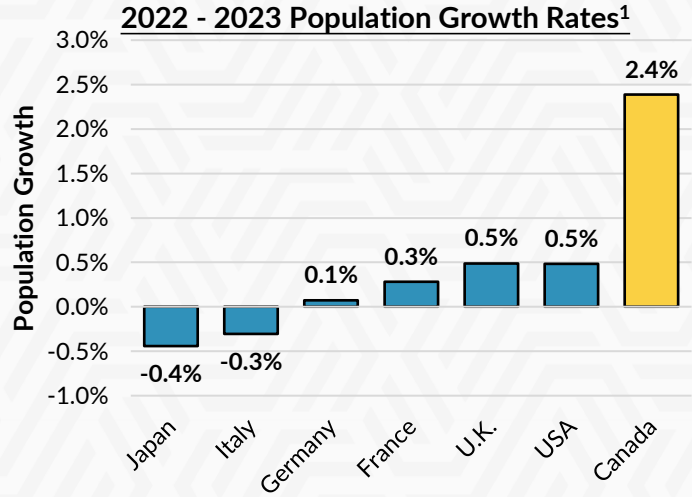
Date	Target	Sub-Sector Classification	Buyer
09-Jan-24	Fire Prevention Services 2016 Ltd.	Fire, Safety & Security Services	Atco Frontec Ltd.
21-Dec-23	Drake Clean Up Systems Inc./JDI Cleaning Systems Inc.	Janitorial and Cleaning	JDI Cleaning Systems Inc.
02-Nov-23	Fielding Environmental	Waste and Site Services	GFL Environmental Inc.
01-Nov-23	Buanderie Villeray Ltee	Laundry, Linen, and Uniform	K-Bro Linen Inc.
19-Oct-23	Performance Elevator	Facility Maintenance	Atta Elevators Corp.
17-Oct-23	Future Waste Management Inc	Waste and Site Services	Minus Global Holdings Inc.
01-Sep-23	Atlas Pest and Wildlife Control Ltd	Exterior Building Services	Orkin Canada, LLC
25-Jul-23	Hanna Paper Fibres Ltd.	Waste and Site Services	Sustana Group
19-Jul-23	Knight Plumbing, Heating and Air Conditioning	Facility Maintenance	Right Time Group Inc.
21-Apr-23	Fusion Security Inc.	Fire, Safety & Security Services	Scarlet Security & Risk Group
16-Feb-23	Environmental 360 Solutions Ltd.	Waste and Site Services	Blackrock Alternatives Management
14-Feb-23	Johnsons Sanitation Service Ltd., Central Sanitation, Lacombe LSC, Gilbert's Restrooms Chantler's Environmental	Waste and Site Services	Trivest Partners, L.P.
09-Feb-23	Local Environmental Services	Waste and Site Services	Environmental 360 Solutions Ltd.
05-Dec-22	VCI Controls Inc.	Janitorial and Cleaning	Dexterra Group Inc.
02-Dec-22	Omar's Environmental Ltd.	Waste and Site Services	GFL Environmental Inc.
23-Nov-22	Sirius Security Services	Fire, Safety & Security Services	Scarlet Security & Risk Group
02-Nov-22	Scarlet Security & Risk Group	Fire, Safety & Security Services	Trilogy Capital Partners, Inc.
05-Oct-22	National Alarm Monitoring and Central stations of Armstrong's Communication Ltd.	Janitorial and Cleaning	AvantGuard Monitoring Centers, LLC
06-Jun-22	Sani-Eco Inc.	Waste and Site Services	Waste Connections of Canada Inc.
03-May-22	United Environmental Holdings Inc.	Waste and Site Services	York1 Inc.
30-Mar-22	Logixx Security Inc.	Fire, Safety & Security Services	SSC Security Services Corp.
01-Feb-22	Superior Fire Control Ltd.	Fire, Safety & Security Services	Dynamic Well Control Inc.
31-Jan-22	Tricom Building Maintenance Ltd.	Facility Maintenance	Dexterra Group Inc.
21-Jan-22	JDI Cleaning Systems Inc.	Janitorial and Cleaning	TrussPoint Equity Partners
12-Oct-21	Russell Security Services Inc.	Fire, Safety & Security Services	Securiguards Services Limited
23-Jul-21	City Elevator Ltd.	Facility Maintenance	Thyssenkrupp Elevator (Canada) Limited
06-Jul-21	SWAT Consulting Inc. (U.S. Division)	Waste and Site Services	Ambipar Group
03-Jun-21	Comfort Masters Ltd.	Facility Maintenance	Right Time Group Inc.
26-May-21	Bay Elevator/Direct Elevator/True Canadian Elevator Maintenance Company	Facility Maintenance	Thyssenkrupp Elevator (Canada) Limited

Trends Impacting the Sector

The Canadian Facility Services market is influenced by several factors, most notably, the steadily growing population and evolving real estate market within the sector. These dynamics create new opportunities and challenges for service providers, compelling them to adapt and innovate in response to the shifting demands of the market.

Canadian Population Growth

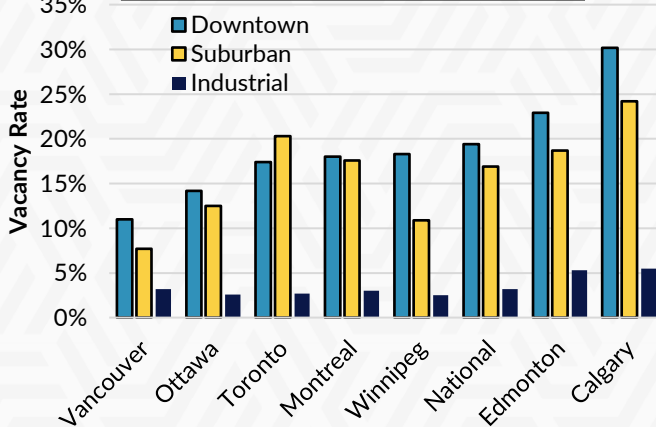
- Canada's population growth is outpacing that of almost all other developed nations, leading to increased foot traffic in establishments and higher demand for essential services such as cleaning, security, and waste management. Providers are responding by expanding their operations and enhancing their service portfolios.
- Additionally, this surge in population growth improves labor availability, which supports the expansion and viability of facility services companies by providing a larger workforce for their labor-intensive operations.



⁽¹⁾ Source: World Economic Outlook Database

Canadian Real Estate Market

Canadian Vacancy Rates by Market¹



⁽¹⁾ Source: CBRE Q4 Canadian Market Reports

- As facility service demand is closely linked to facility utilization, shifts in national vacancy rates are driving strategic changes within the sector. Providers are adjusting their operations to concentrate on the more resilient suburban and industrial markets, where demand for services continues.
- Despite significant office vacancy rates, driven by the rise of work-from-home policies, industrial spaces conversely maintain low vacancy rates due to steady economic growth. This stark contrast has led to wider valuation differentials between these sectors, prompting companies to actively pursue acquisitions and strengthen their footholds in the more stable industrial markets.

Select Transaction Experience

Advisor to



on the sale to



Advisor to



on the sale to



Advisor to



on the sale to



Advisor to



on its sale to



Advisor to



on the proposed sale to



Advisor to




on the sale to




A subsidiary of



Advisor to



on the sale to



Advisor to



on the sale to



Client Testimonial

"Working with Sequeira helps you present your organization in its best light, and with a serious intent to sell. And that's going to bring more motivated buyers who are probably willing to pay more. The team was really, really good at the technical financial arguments and financial engineering required to present ourselves the best way possible. And really good at emotional support, too." - Chris LaBossiere, Founder, Local Environmental Services

"Ecofish was my life's work. If I was going to sell, I wanted to do it right. I chose Sequeira and got a top-quality, organized and detail-oriented team who gave us their complete and undivided attention. As a scientist, it's my job to always be critiquing. We deal with all kinds of consultants and very few rise to the same level of professionalism as Sequeira Partners." - Adam Lewis, Ecofish Research

Interested in Learning More?

Sequeira Partners is a leading Canadian advisor in the mid-market sector. If you are interested in learning more as a potential buyer, seller or fellow facility services industry enthusiast, we would love to hear from you.

Our dedicated partners and team are always available and eager to discuss market trends and strategize on opportunities.

Facility Services Team



Julie Afanasiff, CA, CBV
Partner



Ryan Turpin, CPA, CBV
Vice President



John Scott, CPA, CBV
Senior Associate



Timothy Chow, CPA
Analyst

About Us

Sequeira Partners is Western Canada's largest boutique advisory firm, specializing in sell-side deal advisory and corporate valuations. Having completed more than 175 national and cross-border transactions, and over 500 valuation mandates, we are proud of our diverse industry experience and credentials. At Sequeira Partners, we combine decades of experience and top-tier credentials to deliver client-centric service with a personalized, boutique approach.

www.sequeirapartners.com



Our Partners

M&A

Scott Acheson, CA, CBV, CFA
sacheson@sequeirapartners.com
780.784.0124

Julie Afanasiff, CA, CBV
jafanasiff@sequeirapartners.com
780.784.0116

Erica McGuinness, CA, CBV
emcguinness@sequeirapartners.com
236.317.6353

Mark McRae, CA, CBV
mmcrae@sequeirapartners.com
780.784.0115

Ken Tarry, MBA
ktarry@sequeirapartners.com
236.317.6351

Valuations

Kira Gregson, CA, CBV
kgregson@sequeirapartners.com
780.784.0125

Jordan Martel, CBV, ASA, MBA
jmartel@sequeirapartners.com
587.943.7222