



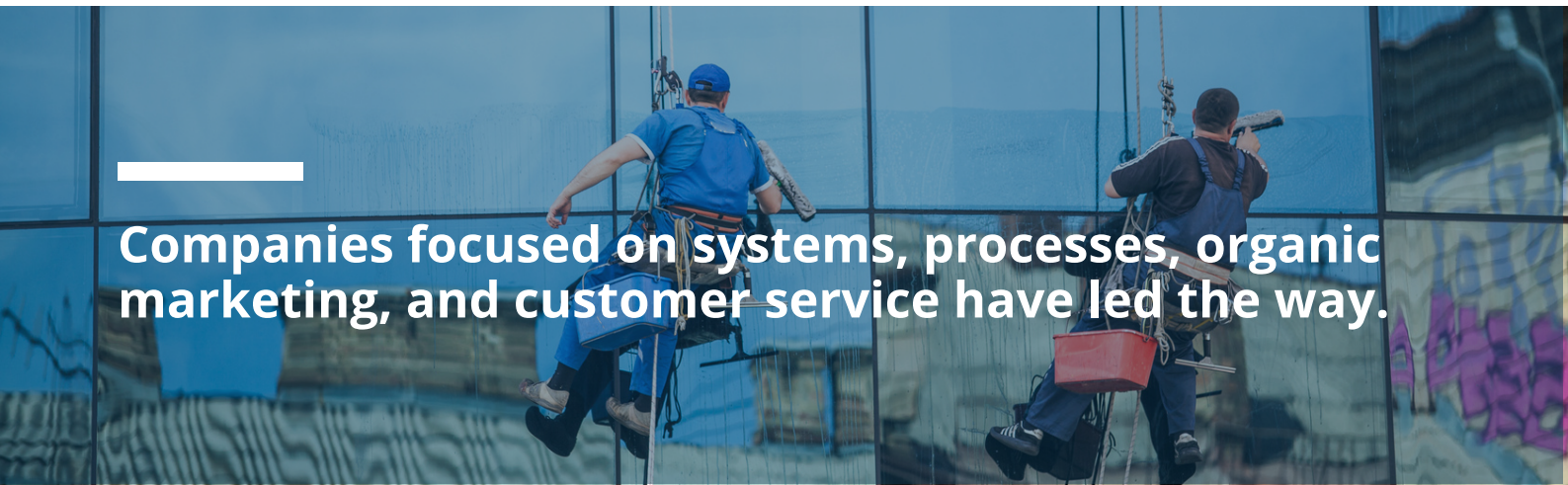
M&A TRENDS IN HOME AND COMMERCIAL SERVICES

GREENWICH CAPITAL GROUP



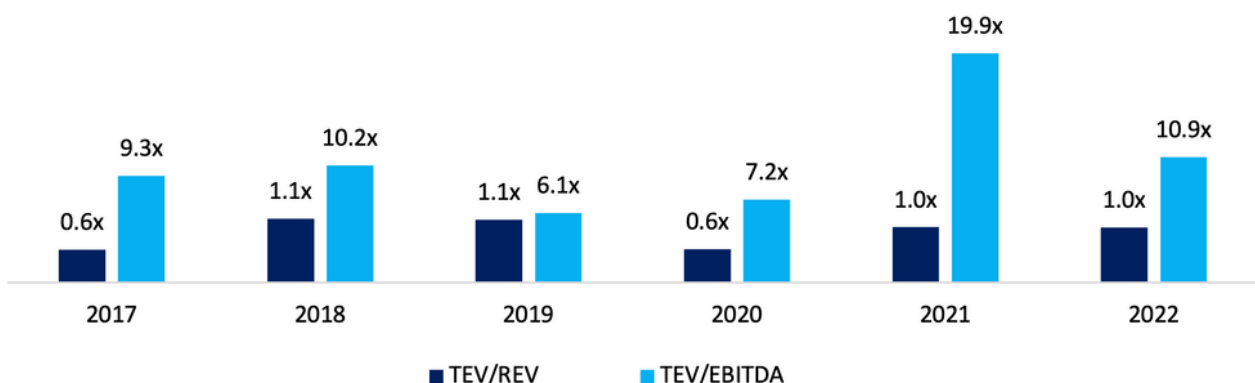
One of the strongest and most active sectors in middle-market M&A continues to be home and commercial services. Private equity firms across the U.S. are building out multi-specialty platforms and are willing to pay a premium for companies that have built a solid regional presence within their respective niches. What started as consolidation solely within the HVAC services industry has proliferated into various service lines performed at residential and commercial sites. Companies focused on systems, processes, organic marketing, and customer service have led the way. Some of the most attractive and active sectors include, but are not limited to, the following:

- Restoration Services
- Plumbing Services
- Electrician Services
- Pest Control
- Lawn and Tree Services
- Handyman Services
- Cleaning Services
- Patio Services
- HVAC Services
- Garage Floor Services
- Animal Waste Cleanup
- Garage Door Services
- Window Services
- Painting Services



Companies focused on systems, processes, organic marketing, and customer service have led the way.

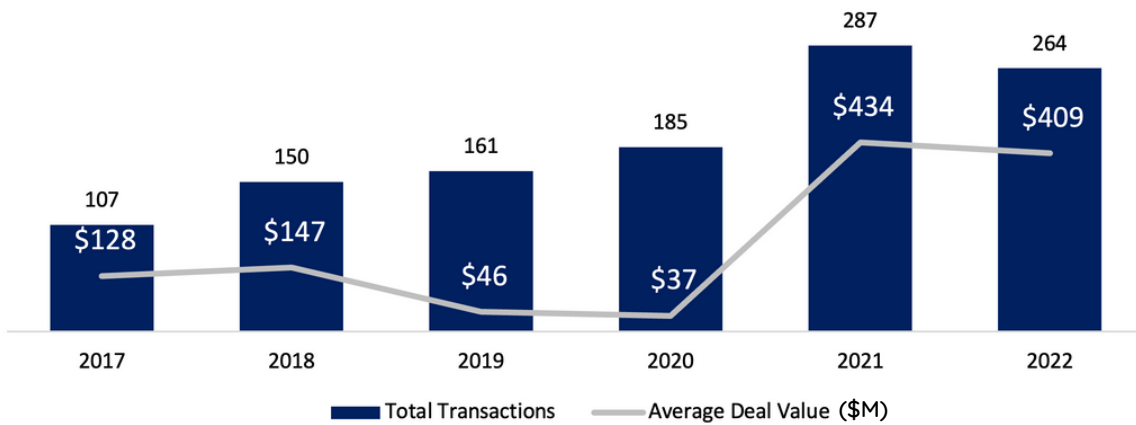
Financial buyers are using their scale, back-office capabilities, cross-selling, and marketing/lead generation infrastructure to realize significant synergies. More importantly, buyers are leveraging the founder-led businesses they are acquiring as the foundation for building a franchise model within each specific vertical within their platforms. This thesis continues to play out with consolidators such as Neighborly, Threshold Brands, Authority Brands, and more.



As buyers are evaluating opportunities in the home and commercial services sector, there are a few key considerations that drive a premium valuation. Some of those factors include, but are not limited to:

1. Diversification of referral sources
2. No significant concentration among commercial customers
3. No significant reliance on any insurer or third-party administrator
4. No primary reliance on “catastrophic” events or being more project-based vs. recurring
5. Fully developed system – Standard Operating Procedures, Training Tools, Field Support, Strong Technology (CRM and ERP)
6. History of growth of average job size
7. Strong management team
8. Diversification of services

In the last five years, there has been an increase in deal volume and transaction value across the industry. Below is an outline that shows the growth from 2017 to 2022:



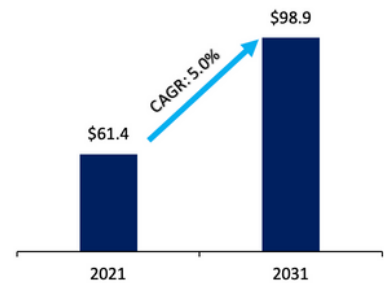
Another key driver for growth in the segment is simply the growth in demand for these services. Consumers and businesses have benefited from the transition from “mom and pop” shops to highly refined companies with high-end customer service, technology, and execution. Below is an outline of some of the growth dynamics within the industry.

Restoration Services

Growth Drivers:

- The restoration industry has grown as people become more aware of the health implications of mold in their houses
- The growing severity of natural disasters, floods and wildfire concerns, and aged homes and infrastructures are all contributing to the continued growth of the market

Global Market Size (in \$B)

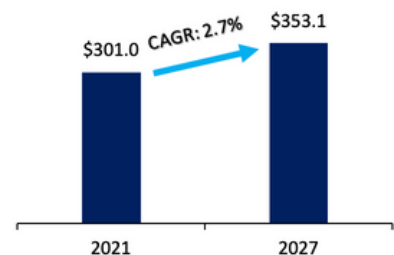


Restoration Services

Electrician Services

Growth Drivers:

- The electrical services industry is estimated to surge owing to the rising decentralization of grid coupled with the extension of micro-grid networks
- Government focus on reconstruction of transmission and distribution lines across the existing infrastructure will also positively sway the business trends

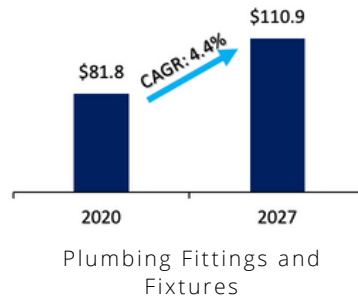


Electrical Services

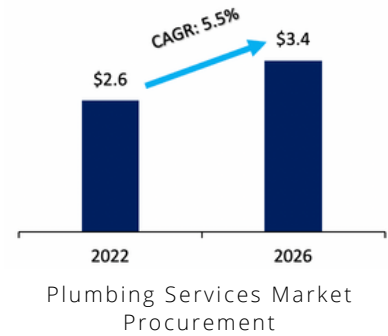
Plumbing Services

Growth Drivers:

- A key driver for the industry is the significant growth in residential sectors and building renovations & remodeling
- Changes in consumer habits during COVID-19 crisis buoy demand for plumbing fittings and fixtures in renovation projects



Global Market Size (in \$B)



Pest Control

Growth Drivers:

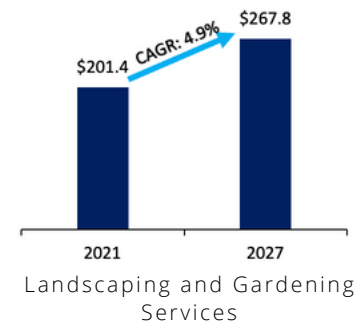
- Accelerating Urbanization and Exponential Population Growth and Convenient Access to Pest Control Products and Services Drives the Global Market
- Moreover, the variations in weather conditions are also expected to foster market growth



Lawn and Tree Services

Growth Drivers:

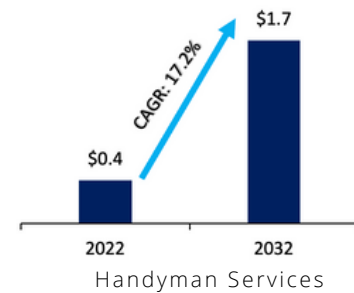
- The increasing popularity of organic gardening and the availability of advanced landscaping tools owing to rapid industrialization are some of the factors expected to drive growth
- Moreover, the growing interest in enhancing the beauty of landscapes is also expected to drive growth in the market



Handyman Services

Growth Drivers:

- The recovering market and expanding service sector are gaining traction for the handyman services market, and have led to the growth of the market



As the landscape becomes more competitive within the sector, it will be absolutely critical for business owners to determine whether they are buyers or sellers.

Cleaning Services

Growth Drivers:

- The growth factors of the cleaning services include growth in infrastructure, investment in the real state and the growing number of working women. Moreover, growth in the construction of commercial and non-commercial buildings is also expected to drive the market
- In the residential market, the baby boomer generation will create more opportunities for cleaning services as they lack physical ability but have the financial resources to hire professionals

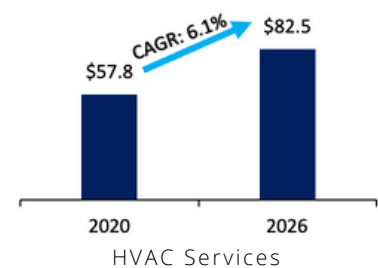
Global Market Size (in \$B)



HVAC Services

Growth Drivers:

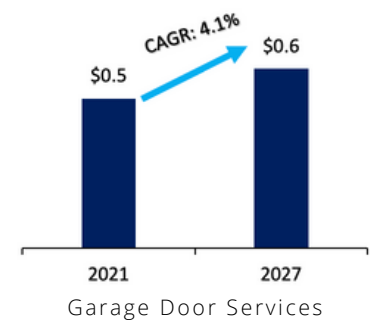
- The rising applications of HVAC services in residential construction activities owing to inflating disposable incomes, the increasing population, and rapid urbanization are driving the market
- Furthermore, the growing penetration of the Internet of things (IoT) in HVAC services to increase the efficiency of service providers is likely to support the market growth in the future years



Garage Door Services

Growth Drivers:

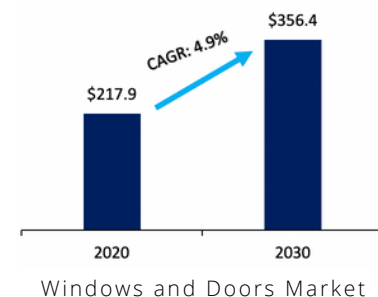
- The swift operability of garage and overhead doors is a crucial factor responsible for driving the market's growth.
- Time-saving, reliable, and durable technologies are attracting a large number of customers to adopt advanced garage doors.



Window Services

Growth Drivers:

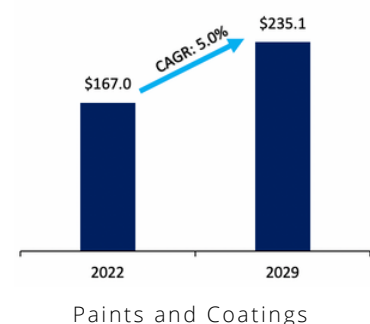
- Rise in disposable income, increase in housing requirements, and governmental initiatives to invest in construction-related activities drive the growth of the global windows and doors market



Painting Services

Growth Drivers:

- The major factor responsible for the growth of the industry is rapid expansion of the construction industry along with the architecture industry



IN CONCLUSION

As the landscape becomes more competitive within the sector, it will be absolutely critical for business owners to determine whether they are buyers or sellers. As business owners naturally realize a slowdown in growth as they scale statewide or regionally, they will need to be very thoughtful about their long-range plan and their ability to scale organically as they run into an expanding universe of larger competitors with more resources and capital to spend to push them out of their respective markets. In addition, the ability to compete with national competitors with multiple services, better technology, and more field resources will push business owners to consider growing via their own acquisition or a majority or outright sale of their own business that allows them to participate in the upside of future growth, while adding significant resources, diversifying risk, and adding cross-selling opportunities as part of a broader platform.



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Relevant Transaction



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