

M&A Overview

Despite the headline that M&A deals are down over 20% from 2022 to 2023, the M&A markets remain active and robust. The intense focus by deal makers on asset light recurring business models has driven demand and increased pricing for select assets.

Rising interest rates negatively impacted M&A in 2023, particularly in the upper market. The lower middle market felt the impact, just not as acutely. The increased cost of funds has been softened by the excess supply of capital still present in the market both in undeployed private equity capital and corporate balance sheets.

Businesses focused on providing outsourced services to facilities and business owners continue to be demanding premium valuations. Facility service companies like providers of HVAC, janitorial, and landscaping services, will continue to benefit from accelerating outsourcing trends. Furthermore, demand for smart building automation systems, a complicated regulatory

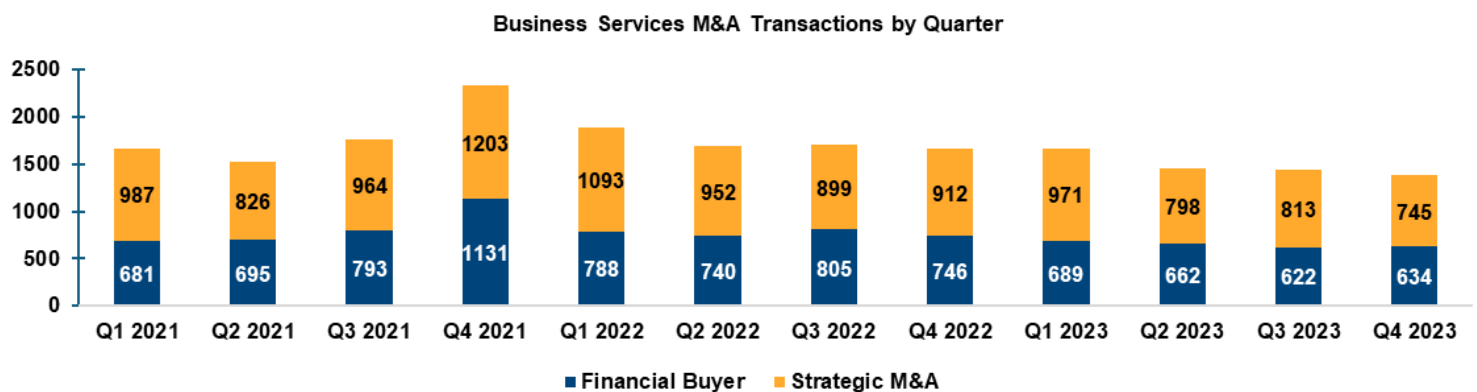
environment, and tenants' demand for new building amenities will provide growth opportunities for facility service providers in 2024.

Sector tailwinds are benefiting from the significant dollars being infused into infrastructure improvement projects. One example is the impact that the Federal Infrastructure Investment and Jobs Act is having on business and M&A. States are allocating meaningful dollars to improve roads, bridges, water systems, and other assets that have been in place for over 50 years. Companies engaged in services to improve or repair aged infrastructure are well-positioned to capitalize on growth from the current and planned investments to improve the country's aging infrastructure.

We expect the M&A market in 2024 to be very similar to 2023. Deal makers remain hopeful for interest rate cuts and the necessity for private equity firms to deploy capital on their time based investment funds.

Business Services Sector: Monthly M&A Transaction Volume

(Financial/Private Buyers represent platform investments)



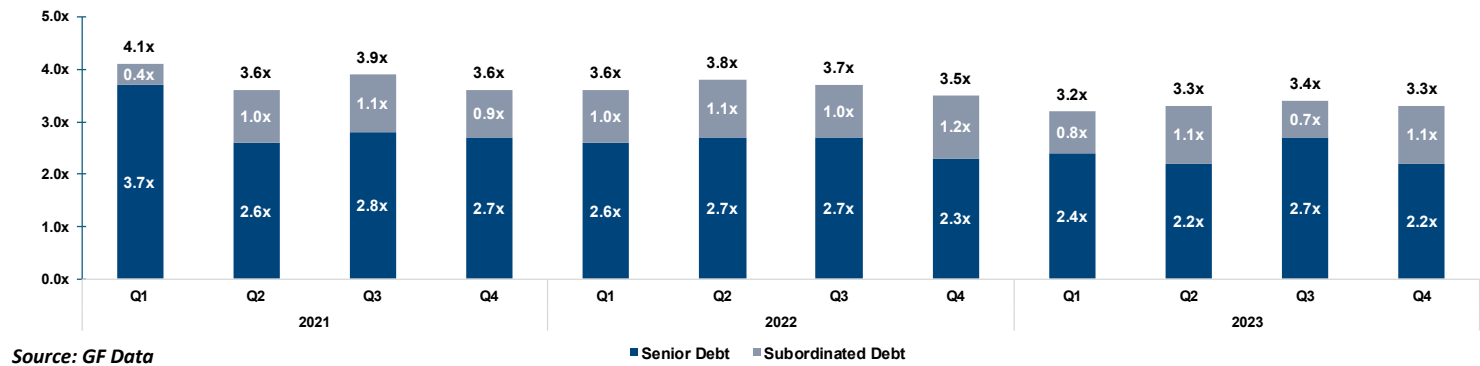
Source: EdgePoint Proprietary Database, Company Filings, CapIQ, News Releases.

Key Metrics

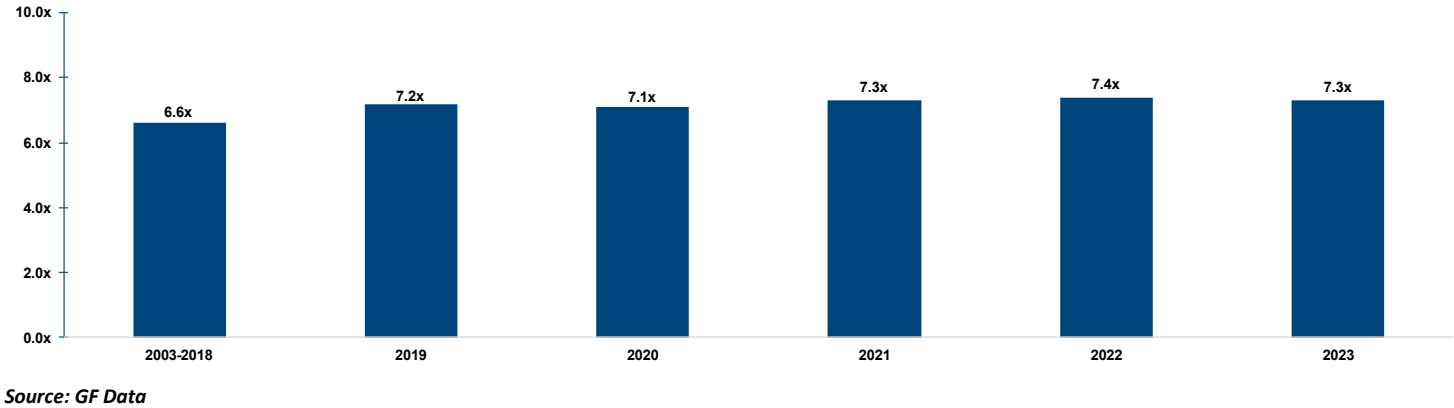
The increased cost of debt impacted leverage rates for middle and lower middle market M&A in 2023, though not as significantly as news headlines may have suggested. Not too long ago, middle market deals were levered at 4x EBITDA. In 2023, those rates fell half a turn. However, the M&A markets remained resilient. Deal activity did fall, but transaction multiples remained relatively stable. This is in sharp contrast to what occurred in the upper market, where activity plummeted and its decline dominated much of the M&A news cycle.

We expect leverage and transaction multiples to be similar to what they were in 2023, as lenders have now become accustomed to the higher interest rate environment and premium, recurring revenue outsourced service providers continue to demand premium valuations. We expect deal activity to resemble 2023 levels as well. However, residential and facility services are two sectors to watch closely. We expect heightened consolidation in those sectors and it’s possible that deal count in those sectors exceeds their 2023 levels.

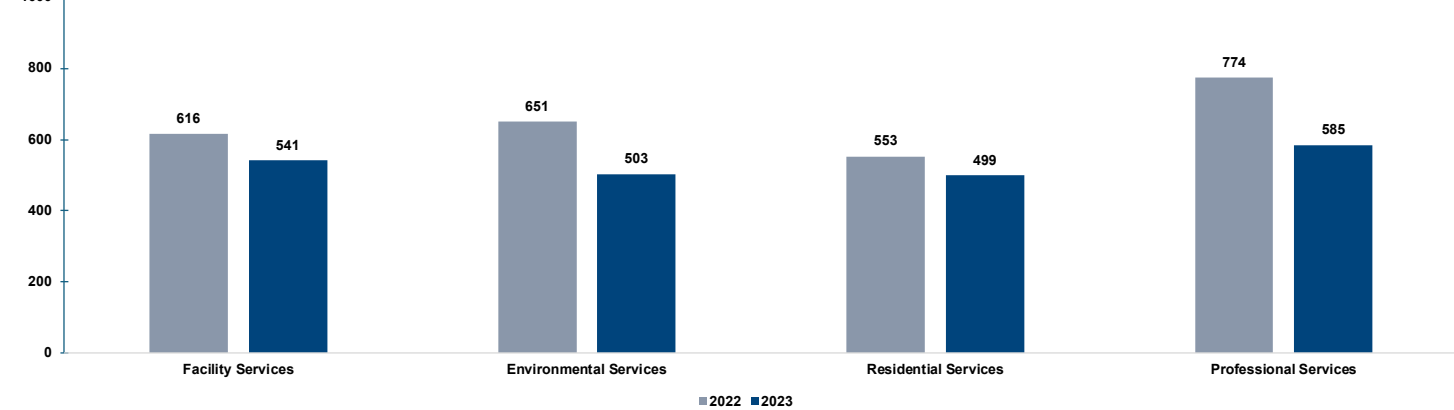
Middle Market Quarterly Leverage Rates



Business Services M&A Transaction Multiples (\$10-250M TEV)



Transactions by Sub-Sector (2022 vs. 2023)



Select Noteworthy Transactions

Date: October 2023 (Closed)

Target:

Acquirer:

metropolis

Key Metrics:

Enterprise Value:

\$1.5bn

EV/EBITDA:

13.1x

EV/Revenue:

0.86x

Overview / Strategic Rationale:

Facility Services

Parking technology provider Metropolis Technologies has agreed to buy SP Plus Corp, which provides parking facility management services, for \$1.5 billion, including debt.

Metropolis develops and deploys leading-edge computer vision technology that creates a “drive in and drive out” payment experience for consumers.

SP+ is a best-in-class technology and operations management provider. It manages approximately two million parking spaces and provides services at over 3,300 commercial locations and over 160 airports.

With the acquisition, Metropolis will be able to bring new capabilities to North America’s leading parking network and process over \$4 billion in payments annually.

Date: December 2023 (Closed)

Target:

Acquirer:

FirstService

Key Metrics:

Enterprise Value:

\$467mm

EV/EBITDA:

n/a

EV/Revenue:

n/a

Overview / Strategic Rationale:

Residential Services

Soundcore Capital Partners has announced the sale of Roofing Corporation of America to FirstService Corporation (NASDAQ: FSV).

Headquartered in Atlanta, GA, Roofing Corporation is a full-service provider of commercial, industrial, and residential roof replacements and repairs, new roof installation, and ongoing preventative maintenance.

FirstService Corporation is a North American leader in the essential outsourced property services sector.

FirstService plans to incorporate Roofing Corp into its portfolio of residential community managers and providers of essential property services.

Date: October 2023 (Closed)

Target:

Acquirer:

J.F. Lehman & Company

Key Metrics:

Enterprise Value:

\$1.1bn

EV/EBITDA:

7.2x

EV/Revenue:

1.7x

Overview / Strategic Rationale:

Environmental Services

Heritage-Crystal Clean, Inc. announced that an investment affiliate of J.F. Lehman & Company has completed its previously announced acquisition of the Company. J.F. Lehman acquired all of the outstanding shares of Crystal Clean stock. As a result of the transaction, Crystal Clean’s common stock no longer trades on the NASDAQ stock exchange.

Heritage-Crystal Clean is a leading provider of parts cleaning, used oil re-refining, hazardous and non-hazardous waste disposal, emergency spill response, and industrial and field services to vehicle maintenance businesses, manufacturers and other industrial businesses, as well as utilities and governmental entities.

J.F. Lehman plans to build on the Company’s foundation as a category leader and provider of environmental and waste disposal services.

Date: February 2024 (Closed)

Target:

Acquirer:

GENERAL ATLANTIC

Key Metrics:

Enterprise Value:

\$1.7bn

EV/EBITDA:

11.3x

EV/Revenue:

2.5x

Overview / Strategic Rationale:

Professional Services

HireRight Holdings Corporation announced it has received a non-binding proposal from Stone Point Capital and General Atlantic to acquire all of the Company’s outstanding shares of common stock that are not already owned by the Sponsors for \$12.75 in cash per share.

HireRight is a leading global provider of technology-driven workforce risk management and compliance solutions. It provides comprehensive background screening, verification, identification, monitoring, and drug and health screening services for approximately 37,000 customers across the globe.

The Sponsors are currently the beneficial owners of approximately 75% of the Company’s outstanding shares of common stock.

Sources: CapIQ, Company Filings, Pitchbook, News Releases

Recent Announced & Closed Transactions *(select transactions, not intended to be all-inclusive)*

Date	Target	Acquirer	Target Description	EV (\$mm)	EBITDA Multiple	Revenue Multiple
FACILITY SERVICES						
12/12/2023	Metro Fire Protection, Inc.	Relay Fire and Safety	Metro offers maintenance, inspection, repair, and violation and deficiency services in all five boroughs of New York City	-	-	-
12/11/2023	Bear Mountain Mechanical	PremiStar, LLC	Bear Mountain Mechanical provides installation, maintenance, repair, and emergency HVAC services	-	-	-
11/14/2023	C & C Service LLC	Crete Mechanical Group, Inc.	C & C Service LLC provides HVAC repair services to residential and commercial customers	-	-	-
10/19/2023	Quality Heating & Air Conditioning Company Inc.	Kelso Industries, LLC	Quality Heating & Air Conditioning is an installer of commercial sheet metal ductwork for commercial customers	-	-	-
10/16/2023	DECCO, Inc.	Comfort Systems USA, Inc.	DECCO provides process and utility piping installation, plumbing, and turnkey equipment installation services	\$60	-	-
8/15/2023	AAA Fire Safety & Alarm, Inc.	Pye-Barker Fire & Safety, LLC	AAA Fire Safety & Alarm provides 24-hour emergency service of fire alarm and sprinkler systems	-	-	-
8/9/2023	Pronto Repairs, Inc.	Tech24	Pronto is a hot- and cold-side services provider for hospitals and medical centers in New York City	-	-	-
RESIDENTIAL SERVICES						
12/26/2023	Noland's Roofing Inc.	Dunes Point Capital, L.P.	Noland's Roofing is a provider of re-roofing and building exterior services to residential customers	-	-	-
11/30/2023	Roof Technologies, L.L.C.	Roofing Corp. of America, Inc.	Roof Technologies offers emergency roofing services, regular leak repair, and annual roofing maintenance	-	-	-
11/28/2023	Multi Mechanical, Inc.	AMPAM Parks Mechanical, Inc.	Multi Mechanical is a leading HVAC services provider focused on the multifamily housing market	-	-	-
10/23/2023	Burns & McBride Inc.	Sila Heating & Air Conditioning, Inc.	Burns & McBride is a leading name in heating and cooling services to residential customers in the Mid-Atlantic	-	-	-
8/3/2023	One Two Tree, Inc.	Turf Masters Brands, Inc.	One Two Tree, Inc. provides residential lawn care, tree care, and pest control services	-	-	-
8/2/2023	Ritenour Custom Lawn Care, Inc.	HCI Equity Partners	Ritenour is a provider of lawn care treatment services to residential customers in the Pittsburgh metro area	-	-	-
8/1/2023	PestNow of Virginia, LLC	Palmetto Exterminators, Inc.	Palmetto Exterminators, Inc. provides general pest, recurring termite, and mosquito control services	-	-	-
ENVIRONMENTAL SERVICES						
12/12/2023	Environmental Concepts and Services, Inc.	TAS Environmental Services, L.P.	ECS is a specialized provider of waste transportation, treatment and disposal, and other industrial services	-	-	-
11/15/2023	Quality Environmental Services, LLC	Caymus Equity Partners	Quality Environmental Services is a leading provider of environmental remediation services	-	-	-
11/14/2023	Geo-Solutions Inc.	Blue Sage Capital, L.P.	Geo-Solutions Inc. provides highly complex geotechnical and environmental remediation services	-	-	-
11/6/2023	Ramey Environmental Compliance, Inc.	PERC Water Corporation	Ramey Environmental Compliance, Inc. provides water operation and wastewater treatment services	\$4	-	-
11/1/2023	Patriot Transportation Holding, Inc.	Blue Horizon Partners, Inc.	Patriot Transportation provides hauling services for petroleum and dry bulk commodities	\$61	5.5x	0.6x
10/16/2023	Palmetto Legacy LLC	Northwest Fuel Systems, Inc.	Palmetto provides environmental investigation, remediation, and due diligence services	-	-	-
PROFESSIONAL SERVICES						
11/27/2023	KeyLogic Systems, Inc.	GAP Solutions Inc.	KeyLogic is an established consulting leader for the energy, commerce, and defense sectors	-	-	-
11/20/2023	Datasys Group, Inc.	Neptune Wellness Solutions Inc.	Datasys Group is a leading data, analytics and digital media solutions provider	\$105	11.5x	4.2x
11/1/2023	ProcureAbility Inc.	Jabil Inc.	ProcureAbility Inc. provides procurement services, staffing, and recruiting solutions	\$60	-	-
8/9/2023	Computer Task Group, Incorporated	Cegeka Groep NV	Computer Task Group offers business process transformation solutions	\$182	10.7x	0.6x
7/24/2023	SmartLinx Solutions LLC	Lone View Capital Management, L.P.	Smartlinx provides workforce management solutions for the long-term care, post-acute, and adjacent senior care industries	-	-	-

Sources: EdgePoint Proprietary Database, Company Filings, CapIQ, News Releases

Subsector Profile: Facility Services

The Facility Services M&A market continues to mature and evolve, due in large part to the success of the outsourced facility business model. The success of investors in this sector has drawn additional interest in this highly fragmented business sector. Today, a vast array of private equity firms have invested and grown into a variety of interesting platforms. These buyers are sophisticated and numerous. They continue to pay premiums for businesses that have recurring revenue, high service route density, and that deploy an asset light business model.

Companies focused on providing outsourced facility services have experienced high levels of growth. This growth has been driven by many factors including skilled staffing shortages, complexity of machinery requiring repair services, increased regulatory regulations, and the overall desire by companies to focus on their core business. The two historical key drivers of the industry continue to be regulation and the demand for a more responsive service solution. Today, the winners are offering customized services, leveraging technology to drive better outcomes, and increasing scalability from recurring services to an established customer base.

Facility automation has increased the complexity of operating office and industrial buildings in a meaningful way. In a recent

survey by CBRE, 78% of facility managers indicated that they are making meaningful investments into building automation in the next 12 months. Additionally, 38% of these same managers acknowledged that their team lacks the skills to properly operate these new systems. HVAC, electrical, and safety systems are being upgraded to be more energy efficient and integrated with building automation systems.

Federal and state regulations are again making operating a facility more difficult. Over the past several years, the number and complexity of regulations has risen dramatically. Environmentally conscious states like California continue to be at the forefront of these changing regulations (i.e. California AB 2446, California AB 595, etc.). These regulations require updates and retrofits to reduce emissions and improve air quality. These changes are driving companies to outsource this work.

Office building managers are experiencing a different type of change as tenants are demanding enhanced amenities as more professionals are working at home. The addition of complex air purification systems, EV charging stations, and other amenities are driving the demand for outsourced services. These sectors are organically growing and are a major acquisition thesis for strategic and financial buyers.

Major Strategies



PE Backed Platforms (Date of Investment & Sponsor)

<div>2021</div> <div></div> <div>Incline Equity Partners</div>	<div>2021</div> <div></div> <div>Wellspring Capital</div>	<div>2022</div> <div></div> <div>Knox Lane</div>	<div>2021</div> <div></div> <div>Ares Capital</div>
<div>2022</div> <div></div> <div>OMERS Private Equity</div>	<div>2022</div> <div></div> <div>L Catterton</div>	<div>2022</div> <div></div> <div>Falcon Affiliates</div>	<div>2022</div> <div></div> <div>Gauge Capital</div>
<div>2022</div> <div></div> <div>Sun Capital</div>	<div>2021</div> <div></div> <div>Gryphon Investors</div>	<div>2022</div> <div></div> <div>Dunes Point Capital</div>	<div>2022</div> <div></div> <div>LLR Partners</div>

Subsector Profile: Residential Services

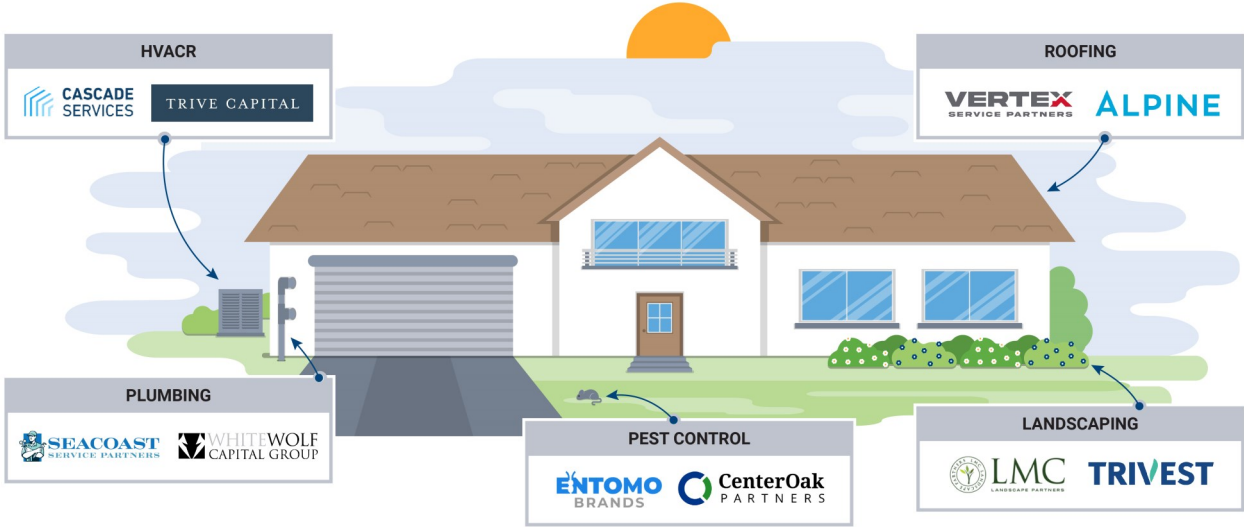
The residential services landscape is highly fragmented with profitable and growing businesses. Today, this sector is best summarized as one in active consolidation. The acquirors are in pursuit of targets with scale, recurring revenue models, and those that are leveraging technology to better service their markets.

Technology and enhanced services are being demanded by the largest home buying segment, millennials. This buying group are “digital natives” and are impatient consumers. The convergence of

these factors is driving a robust and financially attractive residential services M&A market.

The complexity of building codes and systems and insurance regulations are a few of the drivers of recurring revenue residential service models. These models have garnered the interest of several private equity groups that have recently established platforms in the residential services space, as evidenced by the below infographic.

Residential Services Platforms — Overview



The demand for residential service businesses has dramatically increased and have taken purchase multiples upward in recent months. Private equity groups have formed platforms in sectors such as HVACR, plumbing, roofing, and pest control and are aggressively pursuing add-on acquisitions to scale those platforms.

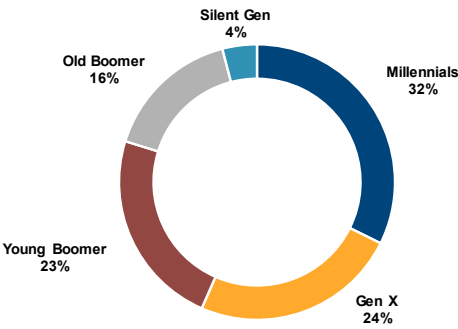
We expect private equity groups to continue to form residential service platforms in 2024 in the above sectors. We also expect them to invest in sectors that are not depicted above, like home

automation, security, and home inspection. Another strategy to track is if private equity groups choose to add complimentary services within their residential service platforms. For example, adding HVACR, landscaping, or plumbing capabilities to a roofing platform to form a complete residential services platform. Regardless, we expect residential services to be a sector to watch in 2024 and beyond.

Consumer Experience - Millennial Impact

Millennials are now the largest segment of the home buying market place, comprising approximately 32% of the market. This generation values technology, ease of scheduling, and personalized services more so than the other age categories.

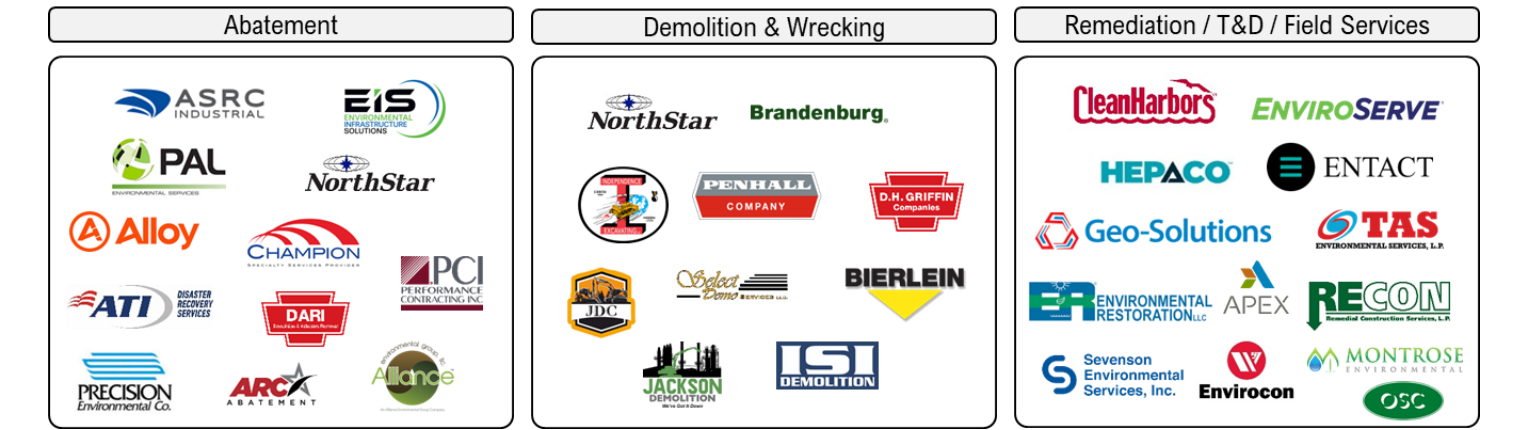
Residential service platforms are actively investing to improve and update their service offering to attract the millennial home buyer to recurring service agreements.



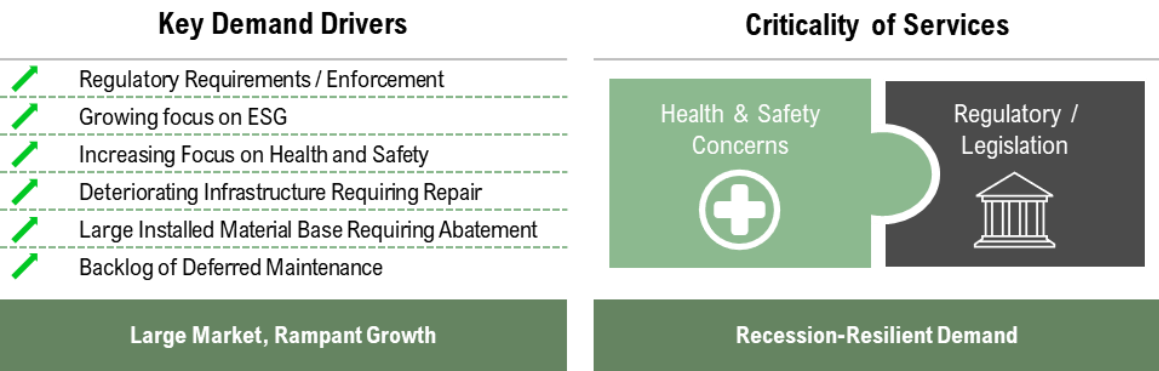
Sub-Sector Profile | Environmental Services: Abatement, Demolition & Remediation

The Environmental Services Industry represents a combination of services which involve the restoration of environmental sites, commercial/residential buildings, and soil and ground water to remove hazardous/toxic waste and materials such as asbestos, lead, and mold. These services include abatement, demolition and wrecking, and soil and water remediation and related transportation and disposal activities, among others. The estimated market size of these services in the US is greater than \$30 billion per year.

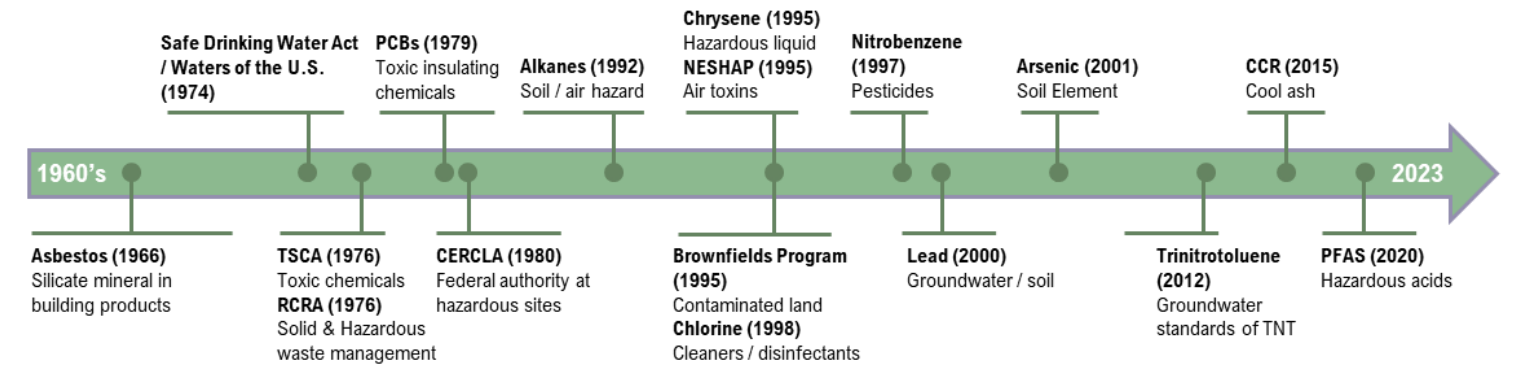
Key Industry Players by Primary Sub-Sector



Major Industry Demand Drivers Promote Criticality of Services



Environmental Regulation Timeline



- Environmental Services is in strong demand across industries given its regulatory and non-discretionary driven demand fundamentals → **the estimated market size of the U.S. Environmental Services market is greater than \$30 billion annually**
- The essential nature of Environmental Services → **promotes consistent, stable demand across economic cycles**
- Strong momentum from ongoing regulatory support, fundamental growth in end-markets and an “ESG-conscience” economy

Sources: CIQ, ENR, EPA, US Census, Pitchbook, FMI

Public Company Comparable Index Constituents

Facility Services

Company Name	Enterprise Value (EV)	LTM Margins		EBITDA		EV/EBITDA		Revenue LTM	Revenue Growth		Stock Price	% of 52 Wk High
		Gross	EBITDA	LTM	2024E	LTM	2024E		LTM	3-Yr. CAGR		
ABM Industries Incorporated	\$ 3,971	13.9%	5.7%	\$ 461	\$ 521	7.1x	7.6x	\$ 8,096	3.7%	10.6%	\$ 40.83	77.0%
BrightView Holdings, Inc.	2,230	23.9%	9.0%	250	321	7.2x	7.0x	2,787	-1.8%	6.2%	8.63	94.2%
Comfort Systems USA, Inc.	10,178	19.0%	9.6%	498	617	17.6x	16.5x	5,207	25.8%	22.2%	284.68	97.4%
Median		19.0%	9.0%	461	521	7.2x	7.6x	5,207	3.7%	10.6%	40.83	94.2%
Mean		18.9%	8.1%	403	486	10.6x	10.4x	5,363	9.2%	13.0%	111.38	89.5%

Residential Services

Company Name	Enterprise Value (EV)	LTM Margins		EBITDA		EV/EBITDA		Revenue LTM	Revenue Growth		Stock Price	% of 52 Wk High
		Gross	EBITDA	LTM	2024E	LTM	2024E		LTM	3-Yr. CAGR		
ADT Inc.	\$ 15,479	69.5%	40.1%	\$ 2,526	\$ 2,437	5.9x	6.4x	\$ 6,305	20.5%	6.0%	\$ 6.63	82.8%
Rollins, Inc.	21,485	52.2%	22.5%	691	780	26.3x	27.5x	3,073	14.0%	12.5%	42.93	95.3%
NVR, Inc.	22,021	26.3%	20.4%	1,972	1,967	10.8x	11.2x	9,683	-8.4%	8.6%	7,569.56	99.2%
Median		52.2%	22.5%	1,972	1,967	10.8x	11.2x	6,305	14.0%	8.6%	42.93	95.3%
Mean		49.3%	27.6%	1,730	1,728	14.3x	15.0x	6,354	8.7%	9.0%	2,539.71	92.4%

Environmental Services

Company Name	Enterprise Value (EV)	LTM Margins		EBITDA		EV/EBITDA		Revenue LTM	Revenue Growth		Stock Price	% of 52 Wk High
		Gross	EBITDA	LTM	2024E	LTM	2024E		LTM	3-Yr. CAGR		
CECO Environmental Corp.	\$ 859	30.6%	9.1%	\$ 46	\$ 55	17.2x	15.5x	\$ 508	26.9%	16.3%	\$ 21.42	98.7%
Clean Harbors, Inc.	11,992	30.7%	18.1%	978	1,087	9.8x	11.0x	5,409	4.7%	19.8%	183.96	97.3%
Stericycle, Inc.	6,459	37.2%	15.9%	426	414	11.1x	15.6x	2,678	-0.5%	-1.7%	50.93	99.4%
Median		30.7%	15.9%	426	414	11.1x	15.5x	2,678	4.7%	16.3%	50.93	98.7%
Mean		32.9%	14.4%	484	519	12.7x	14.0x	2,865	10.4%	11.5%	85.44	98.4%

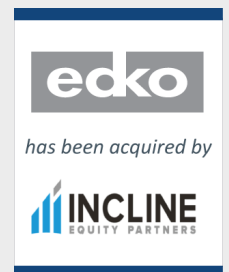
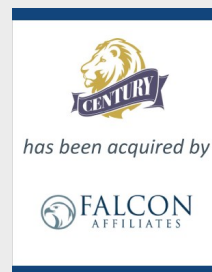
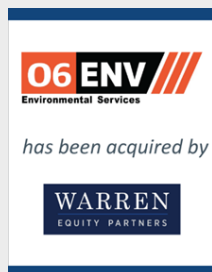
Professional Services

Company Name	Enterprise Value (EV)	LTM Margins		EBITDA		EV/EBITDA		Revenue LTM	Revenue Growth		Stock Price	% of 52 Wk High
		Gross	EBITDA	LTM	2024E	LTM	2024E		LTM	3-Yr. CAGR		
Korn Ferry	\$ 3,032	21.7%	11.5%	\$ 325	\$ 389	7.9x	7.8x	\$ 2,815	-0.4%	17.5%	\$ 59.40	97.2%
ManpowerGroup Inc.	4,346	17.8%	2.8%	535	511	6.3x	8.5x	18,915	-4.6%	1.7%	72.35	81.4%
Robert Half Inc.	7,840	40.3%	8.1%	519	533	12.9x	14.7x	6,393	-11.7%	7.8%	80.52	91.1%
Median		21.7%	8.1%	519	511	7.9x	8.5x	6,393	-4.6%	7.8%	72.35	91.1%
Mean		26.6%	7.5%	460	478	9.0x	10.3x	9,374	-5.6%	9.0%	70.76	89.9%

Source: CapIQ, public trading data as of February 26, 2024

- Despite macroeconomic headwinds like inflation and high interest rates, business services public companies have performed well over the last 12 months
- Strong performance in the environmental services industry is due to major investment in new and existing infrastructure at the federal, state, and local levels
- Investors are confident in a positive 2024, driven by the industry's nondiscretionary nature and persistent market tailwinds

Representative EdgePoint Business Services Transactions



For more information and insights, please contact us:



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