

Industrial Services Insights

DECEMBER 2018

Industrial Services News & Trends

CRE Arms Race Likely to Spur Additional Facilities Management M&A Activity

In our December 2018 market update, we explore the recent wave of transformative acquisitions by large commercial real estate (CRE) firms in the Facilities Management (FM) subsector. These acquisitions are a microcosm for what we are experiencing across our Industrial Services practice. Companies are leveraging M&A to enhance technology capabilities and expand service offerings in an effort to create stickier, more embedded customer relationships.

In June 2018, CBRE acquired FacilitySource, a tech-enabled procurement and facilities management provider that is utilized in more than 120,000 locations nationwide, from Warburg Pincus for \$290 million. CBRE described the acquisition as an effort to strengthen “its ability to deliver integrated solutions for occupier clients.” Bill Concannon, CBRE’s Global Group President, summarizes the prevailing M&A drivers aptly, “We are constantly evolving and extending our service offerings with innovative solutions. In FacilitySource, we have found a company that brings complementary technologies, a rich source of data, and a strong leadership team.”

As expected in the highly competitive arms race of CRE, other large providers quickly followed suit:

- In October 2018, JLL acquired ValuD Consulting, a provider of IBM’s digital building management technology. The acquisition will enhance JLL’s facilities management solution and leverage IBM’s technology to offer more data-driven services to its customer base.
- In November 2018, Cushman & Wakefield (C&W) announced it will acquire Quality Solutions, Inc. (QSI), a diversified facilities management firm serving more than 100,000 locations nationwide, from Gridiron Capital. The acquisition will bolster C&W’s facility services offering and provide customers with a one-stop facilities management solution.

These three transactions are likely to spur additional activity in the Facilities Management sector as other large CRE providers press to upgrade their FM capabilities to stay competitive. Further, the M&A activity and disclosed investment rationale create a clear roadmap for smaller private companies and private equity platforms to attract large strategic interest.

Please contact us to discuss M&A opportunities across the Industrial Services landscape.

Spotlight on Recent Bowstring Facility Services Transaction



Bowstring served as the exclusive financial advisor to North American Roofing Services (“NAR”), a leading facility services company focused on reroofing and maintenance services, on its sale to Silver Oak Services Partners. NAR provides comprehensive reroofing and maintenance services, including roof replacement, leak and repair services and preventative maintenance to diverse end markets, customers and facilities nationwide.

Bowstring’s differentiated approach to positioning and process was critical to the successful result. We explicitly highlighted the key differentiators of NAR’s unique model versus a standard roofing contractor model and conducted a high-touch buyer outreach with early engagement through Bowstring’s biennial conference to drive substantial buyer interest. This transaction demonstrates our commitment to sector intelligence as we leveraged our deep experience in facility services to deliver a superior outcome.

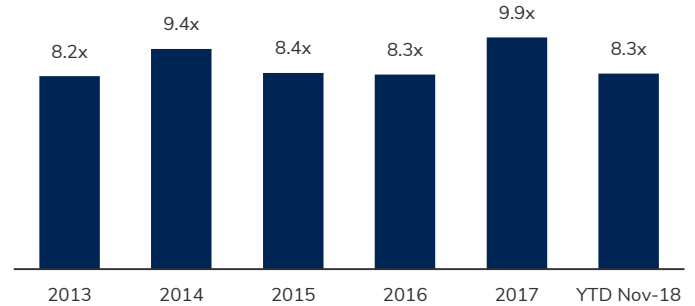
Kelly Wade, CEO of NAR, commented, “The Bowstring team worked tirelessly to guide us through the sale process. The team was comprised of individually unique skill sets, together providing the perfect guidance. They were smart, unbelievably responsive, always brought relevant experience to each situation and had an empathetic understanding of the amount of work challenging myself and my team during the process. Their deep facility services expertise and team approach ultimately ensured the best outcome for our shareholders.”

Industrial Services M&A Activity and Trends

- Over the last four years, Industrial Services M&A activity has largely held steady at elevated levels relative to long term historical averages
- Q3 2018 did however show a meaningful uptick and was the most active quarter since Q2 2015
- Q4 2018 will shed light on whether Q3 2018 was an aberration, or possibly an acceleration in activity as sellers seek to monetize in advance of a potential economic slowdown
- Middle-market M&A valuations in Industrial Services may have peaked in this cycle, with the YTD 2018 average multiple of 8.3x EBITDA meaningfully below the 2017 average of 9.9x EBITDA
- Strategic acquirers have strong balance sheets and private equity firms have record levels of dry powder (~\$1.7T), which should ensure that M&A valuations and activity remain at relatively elevated levels near term
- Public market valuations for most Industrial Services subsectors in 2018 have followed the broader market, with gains in Q2 and Q3, followed by declines in Q4 which have dragged valuations below Q1 levels

Middle-Market M&A Valuations

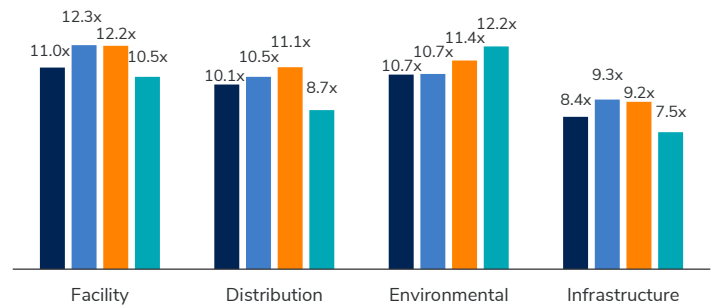
(EV / EBITDA)



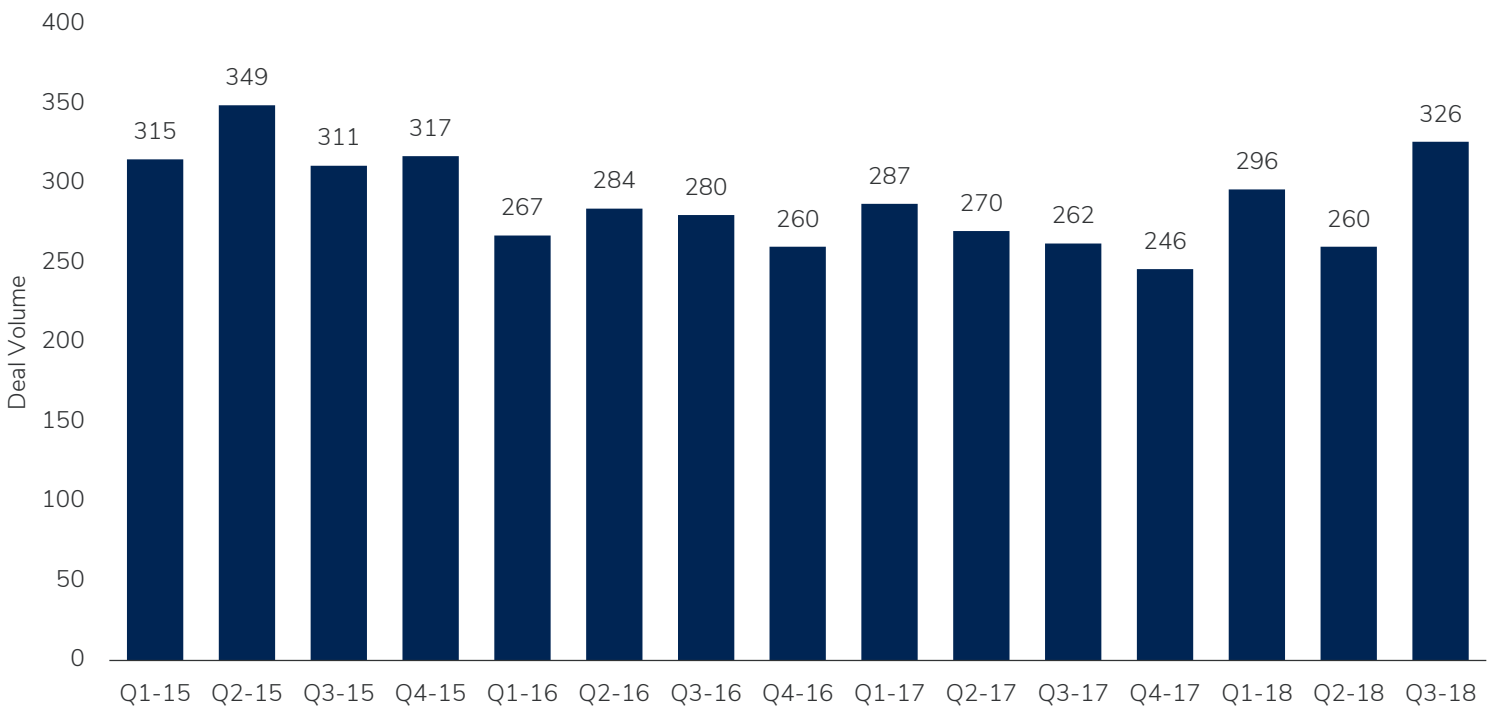
Public Market Valuations

(EV / EBITDA)

■ Q1-18 ■ Q2-18 ■ Q3-18 ■ YTD Nov-18



Quarterly Industrial Services M&A Deal Volume



Notable Transactions – Facility Services



HAS ACQUIRED



A PORTFOLIO COMPANY OF



Q4 2018

Provides on-demand facility maintenance and project management services through a national network of facilities contractors

ALTA S
PARTNERS

HAS ACQUIRED



A PORTFOLIO COMPANY OF

ONCAP

Q4 2018

Provides roofing contracting services, including span installation, replacement, new construction and repairs

CBRE

HAS ACQUIRED



A PORTFOLIO COMPANY OF

WARBURG PINCUS

Q3 2018

Developer of real-time facility support software services intended for facility maintenance management and process optimization

Notable Transactions – Distribution



HAS ACQUIRED



A PORTFOLIO COMPANY OF



Q4 2018

Route-based specialty distributor of equipment, jobsite safety products and consumable construction tools

LITTLEJOHN & CO.

HAS ACQUIRED



A PORTFOLIO COMPANY OF



Q4 2018

Provider of architectural doors, frames, door hardware and related building products

SNOW PHIPPS

HAS ACQUIRED



A PORTFOLIO COMPANY OF



Q3 2018

Value-added industrial distributor of cutting tools, abrasives and MRO products

Notable Transactions – Environmental

SUMMER STREET
CAPITAL PARTNERS

HAS RECAPITALIZED



Q4 2018

Provides solid waste disposal and recycling services

COTTON CREEK CAPITAL

HAS ACQUIRED



Q4 2018

Provides routine maintenance and mission critical industrial and environmental services to plants and facilities



Investment Partners

HAS RECAPITALIZED



Q2 2018

Provider of abatement, indoor air quality and decontamination services for asbestos, lead-based paint and other hazardous materials

Notable Transactions – Infrastructure



A PORTFOLIO COMPANY OF



HAS ACQUIRED
GRAY WOLF
INDUSTRIAL

Q4 2018

Specialized mechanical contractor focused on the power, refinery and heavy industrial markets



HAS ACQUIRED



A PORTFOLIO COMPANY OF

KELSO
PRIVATE EQUITY

Q3 2018

Provides outsourced services for natural gas and electric transmission and distribution infrastructure



HAMILTON
ROBINSON
CAPITAL
PARTNERS

HAS RECAPITALIZED



Q2 2018

Provider of cleaning, electrical maintenance, environmental remediation, process automation, and specialty construction services

Public Trading Statistics

Facility Services

Company Name	Market Data				Operating Statistics			EV as a Multiple of:				Growth	
	Stock Price 12/14/18	% of 52 Week High	Market Cap.	Enterprise Value	CY2018			CY2018		CY2019		5-Year EPS CAGR Growth	3 Year Rev CAGR
					Revenue	EBITDA	% Margin	Revenue	EBITDA	Revenue	EBITDA		
Ecolab Inc.	\$154.47	94.8%	\$44,622	\$51,576	\$14,676	\$3,054	20.8%	3.51x	16.9x	3.33x	15.6x	12.6%	1.8%
CBRE Group, Inc.	41.04	81.4%	13,628	16,623	20,992	1,886	9.0%	0.79x	8.8x	0.74x	8.5x	11.0%	17.5%
Rollins, Inc.	36.60	85.2%	11,980	11,861	1,823	380	20.8%	6.51x	31.2x	6.14x	28.6x	10.0%	6.9%
Iron Mountain Incorporated	35.02	91.2%	10,023	18,153	4,237	1,442	34.0%	4.28x	12.6x	4.11x	11.7x	5.6%	11.1%
Aramark	32.08	69.6%	7,915	14,953	15,808	1,646	10.4%	0.93x	8.8x	0.91x	8.9x	11.7%	3.3%
Jones Lang LaSalle Incorporated	133.25	74.5%	6,072	7,382	8,968	908	10.1%	0.82x	8.1x	0.81x	8.2x	13.5%	14.4%
ServiceMaster Global Holdings, Inc.	38.41	61.3%	5,211	7,437	2,868	601	21.0%	2.59x	12.4x	3.75x	16.6x	0.0%	6.3%
The Scotts Miracle-Gro Company	63.51	57.7%	3,514	5,499	2,667	470	17.6%	2.02x	11.3x	1.88x	10.5x	7.5%	4.0%
The Brink's Company	67.24	76.3%	3,403	4,629	3,504	511	14.6%	1.32x	9.1x	1.22x	7.5x	17.3%	3.1%
Healthcare Services Group, Inc.	42.73	76.0%	3,153	3,073	2,021	142	7.0%	1.52x	21.7x	1.44x	18.5x	15.0%	12.5%
The GEO Group, Inc.	22.48	80.1%	2,736	5,408	2,321	446	19.2%	2.33x	12.1x	2.25x	11.9x	6.0%	9.1%
ABM Industries Incorporated	25.90	64.8%	1,706	2,685	6,472	329	5.1%	0.41x	8.1x	0.40x	7.6x	16.0%	11.5%
Comfort Systems USA, Inc.	45.08	75.3%	1,666	1,744	2,163	199	9.2%	0.81x	8.8x	0.74x	8.1x	20.0%	9.8%
Tennant Company	54.43	63.3%	987	1,283	1,124	122	10.8%	1.14x	10.5x	1.10x	9.5x	10.0%	10.8%
SP Plus Corporation	28.24	67.7%	631	718	786	95	12.1%	0.91x	7.5x	0.82x	6.5x	14.0%	(4.1%)
Mean		74.6%					14.8%	1.99x	12.5x	1.98x	11.9x	11.3%	7.9%
Median		75.3%					12.1%	1.32x	10.5x	1.22x	9.5x	11.7%	9.1%

Distribution

Company Name	Market Data				Operating Statistics			EV as a Multiple of:				Growth	
	Stock Price 12/14/18	% of 52 Week High	Market Cap.	Enterprise Value	CY2018			CY2018		CY2019		5-Year EPS CAGR Growth	3 Year Rev CAGR
					Revenue	EBITDA	% Margin	Revenue	EBITDA	Revenue	EBITDA		
W.W. Grainger, Inc.	\$284.41	76.4%	\$16,018	\$17,898	\$11,264	\$1,592	14.1%	1.59x	11.2x	1.49x	10.3x	13.9%	3.5%
Fastenal Company	53.87	88.1%	15,464	15,724	4,951	1,129	22.8%	3.18x	13.9x	2.92x	13.0x	16.0%	7.6%
Brenntag AG	37.00	67.1%	5,717	7,670	12,503	878	7.0%	0.61x	8.7x	0.59x	8.2x	11.3%	5.8%
HD Supply Holdings, Inc.	36.57	79.0%	6,514	8,453	5,146	727	14.1%	1.41x	9.7x	1.33x	9.0x	16.4%	(6.5%)
Watsco, Inc.	147.43	76.4%	5,099	5,442	4,565	402	8.8%	1.19x	13.6x	1.14x	12.7x	10.0%	3.4%
MSC Industrial Direct Co., Inc.	80.00	80.0%	4,462	4,951	3,205	484	15.1%	1.52x	10.1x	1.41x	9.3x	12.1%	3.3%
Univar Inc.	18.65	58.4%	2,641	5,155	8,657	640	7.4%	0.60x	8.0x	0.58x	7.5x	13.6%	(2.9%)
Beacon Roofing Supply, Inc.	31.67	47.6%	2,159	5,048	6,494	509	7.8%	0.73x	9.7x	0.71x	8.9x	12.0%	36.7%
WESCO International, Inc.	48.73	70.3%	2,275	3,419	8,224	417	5.1%	0.42x	8.2x	0.40x	7.5x	10.5%	2.2%
Applied Industrial Technologies, Inc.	57.11	69.4%	2,213	3,129	3,058	274	9.0%	0.91x	9.6x	0.91x	9.1x	11.0%	6.6%
Anixter International Inc.	57.08	64.2%	1,911	3,105	8,395	394	4.7%	0.37x	7.9x	0.35x	7.0x	8.0%	12.6%
Builders FirstSource, Inc.	10.98	47.2%	1,260	3,067	7,786	496	6.4%	0.39x	6.2x	0.40x	6.2x	40.9%	45.3%
MRC Global Inc.	14.06	61.2%	1,270	2,315	4,176	281	6.7%	0.55x	8.2x	0.53x	7.5x	N/A	(7.1%)
Boise Cascade Company	23.30	47.3%	907	1,186	5,045	252	5.0%	0.24x	4.7x	0.23x	4.9x	15.3%	11.5%
Nexeo Solutions, Inc.	8.77	69.4%	787	1,526	4,027	209	5.2%	0.38x	7.3x	0.36x	6.7x	19.8%	0.0%
DXP Enterprises, Inc.	32.27	65.2%	567	792	1,208	91	7.5%	0.66x	8.7x	0.61x	7.5x	30.0%	(4.7%)
Mean		66.7%					9.2%	0.92x	9.1x	0.87x	8.5x	16.0%	7.3%
Median		68.2%					7.5%	0.63x	8.7x	0.60x	7.9x	13.6%	3.5%

Public Trading Statistics

Environmental

Company Name	Market Data				Operating Statistics			EV as a Multiple of:				Growth	
	Stock Price 12/14/18	% of 52 Week High	Market Cap.	Enterprise Value	CY2018			CY2018		CY2019		5-Year EPS CAGR Growth	3 Year Rev CAGR
					Revenue	EBITDA	% Margin	Revenue	EBITDA	Revenue	EBITDA		
Waste Management, Inc.	\$91.14	95.4%	\$38,857	\$48,792	\$14,862	\$4,211	28.3%	3.28x	11.6x	3.14x	11.1x	11.2%	3.8%
Republic Services, Inc.	74.42	94.8%	24,155	32,326	10,049	2,826	28.1%	3.22x	11.4x	3.07x	10.8x	10.4%	3.6%
Waste Connections, Inc.	76.91	94.5%	20,266	23,784	4,888	1,556	31.8%	4.87x	15.3x	4.46x	13.8x	11.7%	31.7%
Stericycle, Inc.	40.40	52.7%	3,660	6,457	3,484	746	21.4%	1.85x	8.7x	1.85x	8.4x	7.6%	8.3%
Clean Harbors, Inc.	55.53	76.6%	3,110	4,481	3,268	481	14.7%	1.37x	9.3x	1.31x	8.8x	0.0%	(2.2%)
Casella Waste Systems, Inc.	30.37	88.1%	1,303	1,817	651	139	21.4%	2.79x	13.0x	2.55x	11.7x	4.7%	4.0%
US Ecology, Inc.	65.35	84.7%	1,440	1,691	558	126	22.5%	3.03x	13.5x	2.75x	11.8x	N/A	(2.3%)
Heritage-Crystal Clean, Inc.	25.01	87.1%	576	560	407	44	10.7%	1.38x	12.8x	1.27x	9.3x	15.0%	2.8%
Mean		84.2%					22.4%	2.72x	12.0x	2.55x	10.7x	8.7%	6.2%
Median		87.6%					22.0%	2.91x	12.2x	2.65x	10.9x	10.4%	3.7%

Infrastructure

Company Name	Market Data				Operating Statistics			EV as a Multiple of:				Growth	
	Stock Price 12/14/18	% of 52 Week High	Market Cap.	Enterprise Value	CY2018			CY2018		CY2019		5-Year EPS CAGR Growth	3 Year Rev CAGR
					Revenue	EBITDA	% Margin	Revenue	EBITDA	Revenue	EBITDA		
SNC-Lavalin Group Inc.	\$47.44	77.1%	\$8,328	\$11,013	\$10,407	\$1,063	10.2%	1.06x	10.4x	0.99x	9.2x	N/A	2.3%
Fluor Corporation	32.90	53.0%	4,628	4,586	19,219	705	3.7%	0.24x	6.5x	0.23x	5.0x	17.0%	0.3%
Jacobs Engineering Group Inc.	58.70	71.4%	8,355	9,804	15,116	1,077	7.1%	0.61x	8.2x	0.60x	7.6x	11.7%	7.3%
AECOM	27.91	69.9%	4,364	7,289	20,099	882	4.4%	0.36x	8.5x	0.36x	7.4x	9.6%	3.9%
Quanta Services, Inc.	30.27	75.5%	4,435	5,299	11,001	885	8.0%	0.48x	6.0x	0.46x	5.5x	8.0%	11.0%
MasTec, Inc.	39.50	71.1%	3,050	4,756	6,897	720	10.4%	0.69x	6.6x	0.63x	6.1x	N/A	14.3%
Stantec Inc.	30.02	81.5%	3,413	4,176	3,533	371	10.5%	1.18x	11.3x	1.15x	9.3x	9.3%	14.5%
Dycom Industries, Inc.	53.92	43.5%	1,688	2,519	2,995	384	12.8%	0.81x	7.5x	0.74x	6.0x	12.3%	0.0%
Tetra Tech, Inc.	54.56	75.2%	3,020	3,150	2,219	256	11.5%	1.42x	12.4x	1.37x	11.7x	15.0%	8.6%
Granite Construction Incorporated	40.40	58.9%	1,895	1,833	3,390	270	8.0%	0.54x	6.8x	0.48x	4.7x	7.0%	11.5%
McDermott International, Inc.	7.12	26.2%	1,286	4,262	7,273	798	11.0%	0.59x	5.3x	0.44x	4.3x	N/A	18.6%
Primoris Services Corporation	22.10	76.5%	1,132	1,447	2,901	194	6.7%	0.50x	7.5x	0.44x	5.8x	11.3%	11.2%
Aegion Corporation	17.30	64.6%	559	805	1,313	106	8.1%	0.61x	7.6x	0.60x	6.9x	10.5%	(0.4%)
MYR Group Inc.	27.88	68.3%	462	555	1,483	84	5.7%	0.37x	6.6x	0.34x	5.6x	8.0%	11.9%
Mean		65.2%					8.4%	0.68x	7.9x	0.63x	6.8x	10.9%	8.2%
Median		70.5%					8.1%	0.60x	7.5x	0.54x	6.1x	10.5%	9.8%

Why the Name Change to Bowstring Advisors?



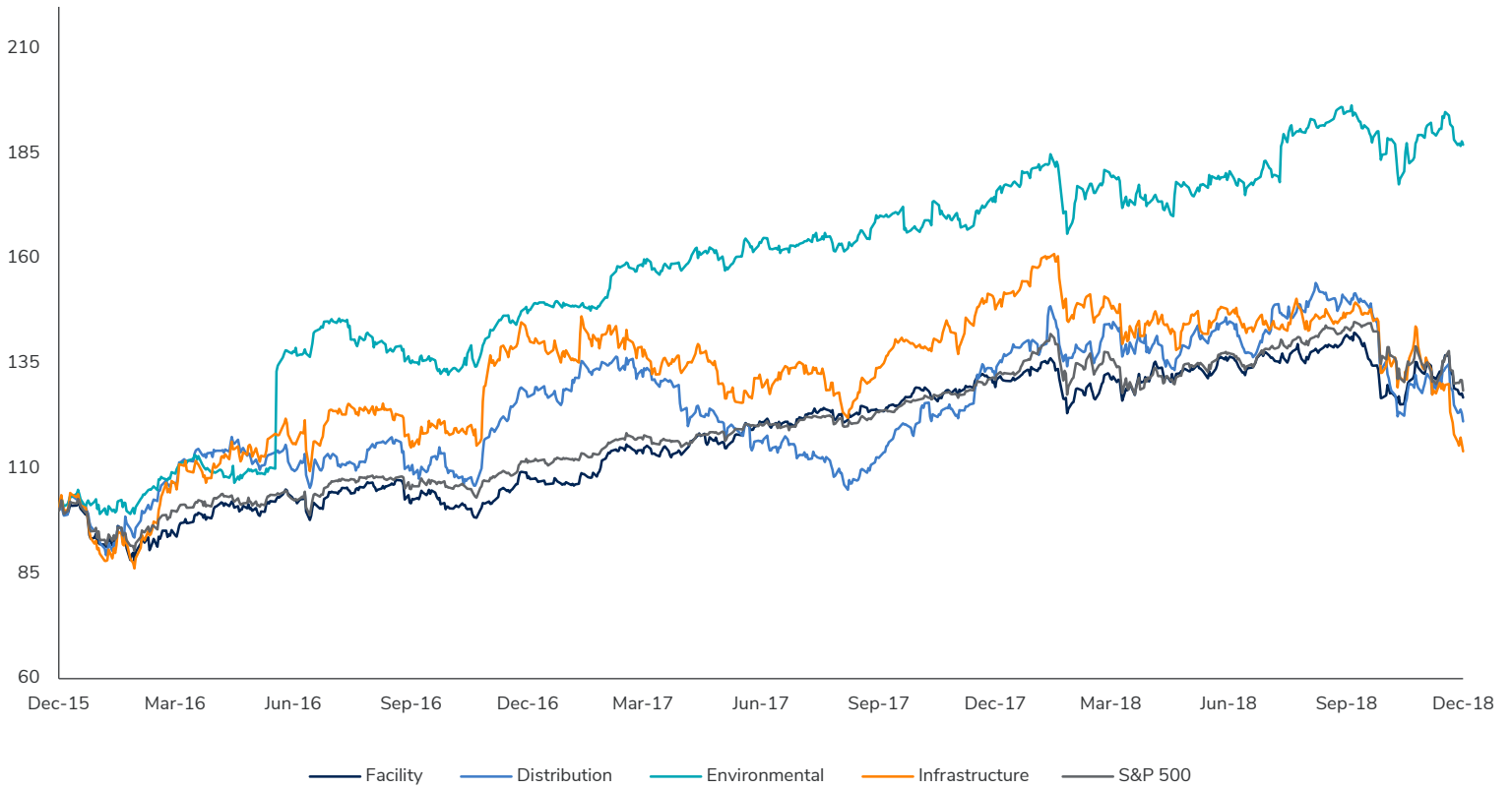
After 10 years as CHILDS Advisory Partners, we officially announced our new name in May.

Our firm continues to grow rapidly in terms of professionals and practice areas thus we felt a “non-personal” name was more reflective of our broader reach. Our goal is to be a top 10 player in the U.S. and we feel our new name, Bowstring Advisors, supports that vision.

A bowstring joins two ends of a bow and launches an arrow toward its target. It is designed for a singular purpose – to propel. Like the bowstring, we exist to give guidance and counsel to clients that propels them and their companies toward their goals.

Stock Market Fundamentals

Subsector Index vs. S&P 500



Valuation Trend Data (EV / EBITDA)





We are the next generation middle-market investment bank.

We combine sector intelligence with a client-focused approach to realize your company's true value.

Quick Facts

- 40 professionals across three offices in U.S. with headquarters in Atlanta
- 89 transactions closed since 2014
- Named U.S. Boutique Investment Bank of the Year by *The M&A Advisor*
- Nationwide coverage provides access to strategic buyers, financial sponsors and family offices

Service Offerings

Mergers & Acquisitions

Capital Raises

Financial & Strategic Advisory

Bowstring Core Coverage

Healthcare Services	Human Capital Management	Industrial Services	IT & Professional Services	Software
<ul style="list-style-type: none"> ▪ Provider Services ▪ Practice Management ▪ Pharma Services ▪ Alternate Site Care 	<ul style="list-style-type: none"> ▪ Staffing / Recruiting ▪ Education & Training ▪ HR Services ▪ BPO / Professional Services 	<ul style="list-style-type: none"> ▪ Facility ▪ Distribution / Supply Chain ▪ Environmental ▪ Infrastructure 	<ul style="list-style-type: none"> ▪ Consulting ▪ Solution Providers ▪ Managed Services ▪ Tech-Enabled Services 	<ul style="list-style-type: none"> ▪ Human Resources ▪ Marketing ▪ Product / Supply Chain Management ▪ Vertical SaaS ▪ Data & Analytics

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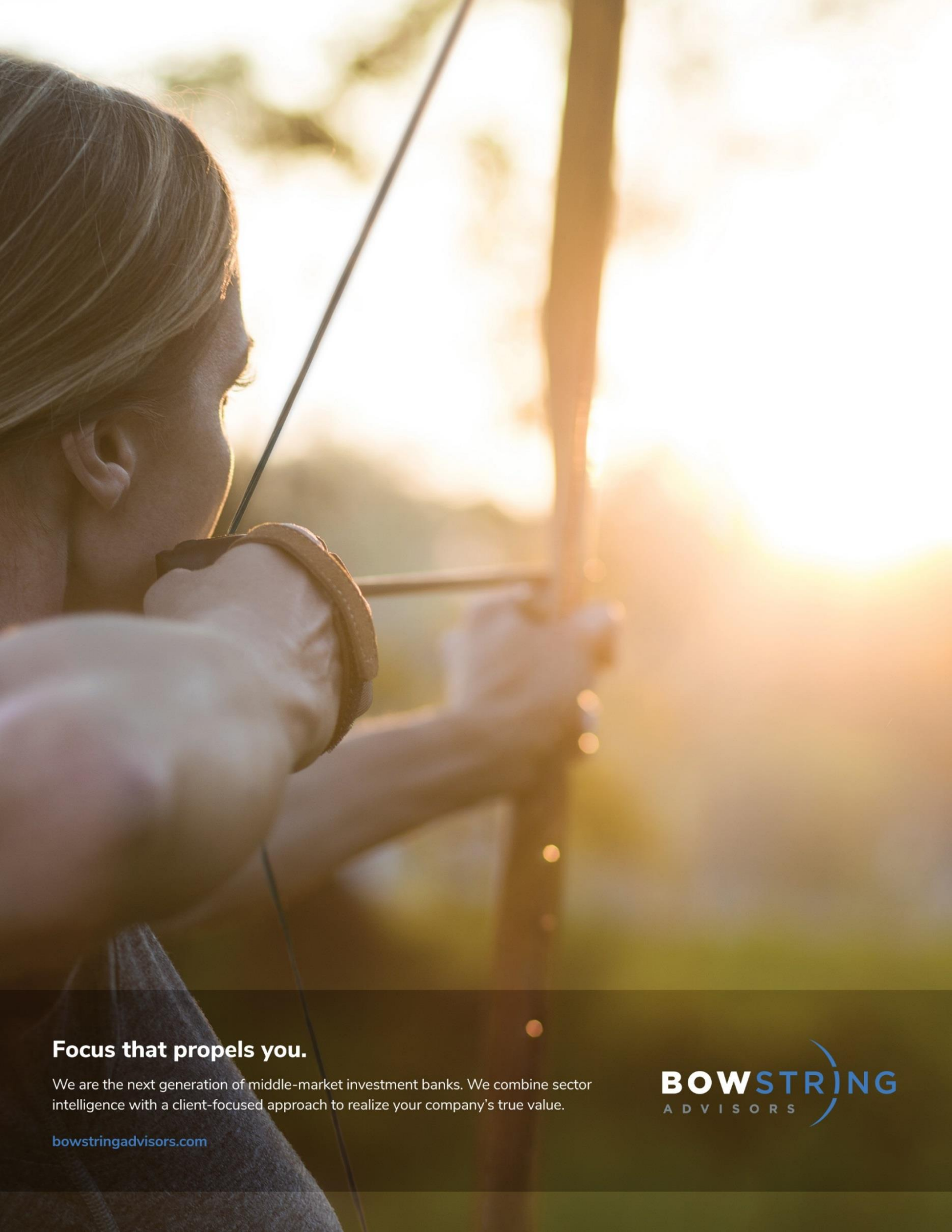
📍 ATLANTA

📍 BOSTON

📍 LOS ANGELES

Bowstring Recent Transactions

 <p>RECAPITALIZED BY</p> 	 <p>RECAPITALIZED BY</p> 	 <p>RECEIVED A GROWTH EQUITY INVESTMENT FROM</p> 	 <p>ACQUIRED BY</p>  <p>A PORTFOLIO COMPANY OF</p> 	 <p>ACQUIRED BY</p> <p>EPIC HEALTHCARE STAFFING</p> <p>A PORTFOLIO COMPANY OF</p> 	 <p>ACQUIRED BY</p> 
 <p>ACQUIRED BY</p>  <p>A PORTFOLIO COMPANY OF</p> 	 <p>RECEIVED AN INVESTMENT FROM</p> 	 <p>ACQUIRED BY</p> 	 <p>ACQUIRED BY</p>  <p>A PORTFOLIO COMPANY OF</p> 	 <p>STRATEGICALLY COMBINED WITH</p> 	 <p>A PORTFOLIO COMPANY OF</p>  <p>RECAPITALIZED BY</p> 
 <p>ACQUIRED BY</p> 	 <p>ACQUIRED BY</p>  <p>A PORTFOLIO COMPANY OF</p> 	 <p>RECAPITALIZED BY</p> 	 <p>A PORTFOLIO COMPANY OF</p>  <p>RECAPITALIZED BY</p> 	 <p>RECAPITALIZED BY</p> 	 <p>ACQUIRED BY</p> 
 <p>ACQUIRED BY</p>  <p>A PORTFOLIO COMPANY OF</p> 	 <p>ACQUIRED</p>  <p>Powering IT. Empowering Business.</p>	 <p>ACQUIRED BY</p>  <p>A PORTFOLIO COMPANY OF</p> 	 <p>RECEIVED GROWTH EQUITY INVESTMENT FROM</p> 	 <p>ACQUIRED BY</p> 	 <p>GWINNETT EMERGENCY SPECIALISTS, P.C. — A PARTNER OF EMERGENCY PROTOCOL —</p> <p>ACQUIRED BY</p> 
 <p>RECAPITALIZED BY</p> 	 <p>ACQUIRED BY</p> <p>Addison Group</p> <p>A PORTFOLIO COMPANY OF</p> 	 <p>ACQUIRED BY</p> 	 <p>ACQUIRED</p> 	 <p>RECAPITALIZED BY</p> 	 <p>ACQUIRED</p> 



Focus that propels you.

We are the next generation of middle-market investment banks. We combine sector intelligence with a client-focused approach to realize your company's true value.

bowstringadvisors.com

BOWSTRING
ADVISORS