



HOULIHAN LOKEY

Facility Services

INDUSTRY UPDATE | Spring 2020



Houlihan Lokey Facility Services Update

Dear Clients and Friends,

Houlihan Lokey is pleased to present its Facility Services Industry Update for spring 2020.

As in prior editions, we have included important news stories, transaction announcements, a public markets overview, and industry insights to help you stay ahead in our dynamic and constantly evolving industry.

We have also included content related to COVID-19 and its impact on the industry. As governments across the globe take unprecedented steps to combat the spread of the coronavirus, companies within the facility services industry are uniquely positioned to play a key role in the management of this crisis. Nowhere is this dynamic more evident than in the janitorial services sector, where cleaning workers are on the front lines of this fight every day. To that end, this edition of our newsletter includes an update on key trends and deal activity in the janitorial services sector. In addition, to help business owners and management teams take appropriate action during these uncertain times, we have included some thoughts on (i) preserving and managing liquidity; (ii) addressing potential covenant compliance and debt maturity issues in the near term; and (iii) how Houlihan Lokey can help.

We look forward to staying in touch with you.



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Industry Sectors Covered

AVIATION SERVICES



FOODSERVICE



HVAC AND PLUMBING



JANITORIAL



LANDSCAPING



LAUNDRY



PEST CONTROL



RESIDENTIAL SERVICES

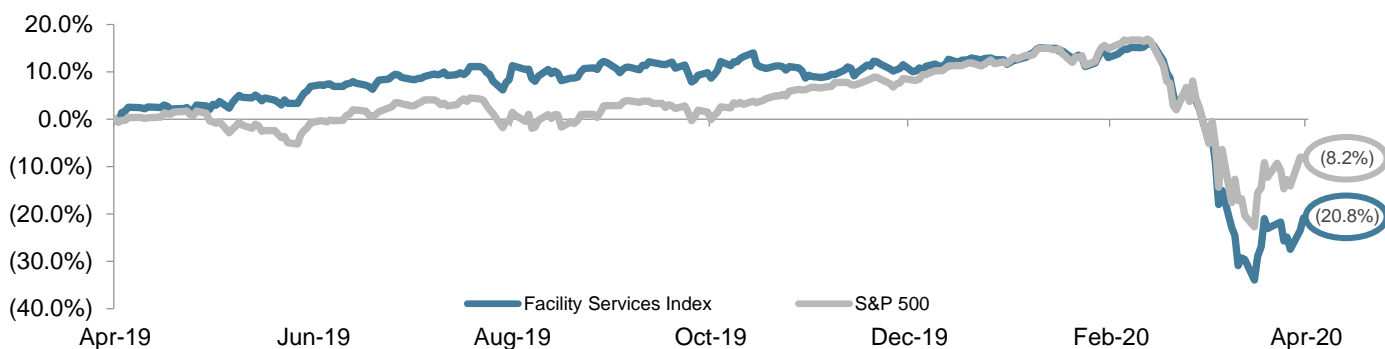


SECURITY

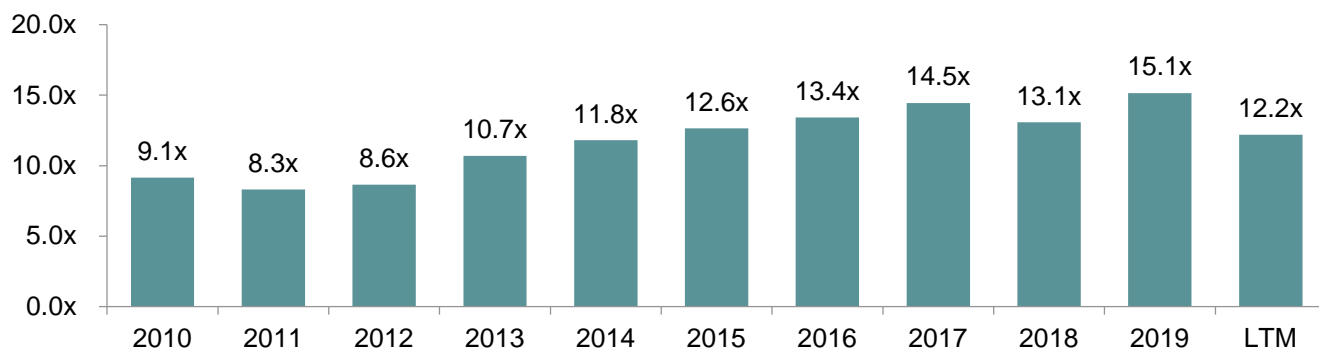


Public Markets Overview

Recent Stock Performance



Mean Facility Services EV/LTM EBITDA Multiples



Public Trading Comparables

(in USD millions)	Headquarters	Market Cap	Enterprise Value	LTM Revenue	LTM EBITDA	EBITDA Margin	2018–2019 Growth		EV/Revenue		EV/EBITDA		
							Revenue	EBITDA	LTM	CY 2020E	LTM	CY 2020E	
Facility Services													
Compass Group	United Kingdom	\$25,191	\$29,545	\$31,056	\$2,971	9.6%	5.1%	1.6%	1.0x	1.0x	9.9x	11.3x	
Cintas	United States	20,020	22,813	7,259	1,700	23.4%	4.0%	7.0%	3.1x	3.2x	13.4x	14.7x	
Rollins	United States	11,770	12,169	2,016	401	19.9%	10.6%	6.5%	6.0x	5.8x	30.3x	29.0x	
Sodexo	France	10,046	12,634	24,476	1,713	7.0%	2.5%	8.3%	0.5x	0.5x	7.4x	9.7x	
Rentokil	United Kingdom	9,017	10,320	3,352	648	19.3%	9.0%	11.2%	3.1x	3.1x	15.9x	14.9x	
Chemed	United States	7,160	7,369	1,939	350	18.1%	8.8%	14.0%	3.8x	3.4x	21.1x	18.1x	
Aramark	United States	5,880	13,250	16,216	1,498	9.2%	(0.7%)	(3.6%)	0.8x	0.9x	8.8x	10.3x	
Securitas	Sweden	4,127	5,934	11,170	849	7.6%	9.3%	20.4%	0.5x	0.5x	7.0x	7.7x	
ServiceMaster	United States	3,473	5,062	2,077	418	20.1%	9.3%	11.4%	2.4x	2.3x	12.1x	12.2x	
EMCOR	United States	3,395	3,607	9,175	555	6.0%	12.8%	13.7%	0.4x	0.4x	6.5x	7.1x	
FirstService	Canada	3,382	4,273	2,407	227	9.4%	24.6%	22.9%	1.8x	1.6x	18.8x	16.5x	
Frontdoor	United States	2,933	3,528	1,366	302	22.1%	8.6%	27.4%	2.6x	2.4x	11.7x	11.7x	
ISS	Denmark	2,732	4,888	11,520	694	6.0%	6.7%	6.3%	0.4x	0.4x	7.0x	7.3x	
ABM	United States	1,856	2,851	6,504	346	5.3%	0.1%	2.1%	0.4x	0.5x	8.2x	9.3x	
G4S	United Kingdom	1,855	4,571	9,684	759	7.8%	13.6%	5.2%	0.5x	0.5x	6.0x	5.7x	
GDI	Canada	480	606	920	55	6.0%	16.5%	29.2%	0.7x	0.6x	10.9x	9.4x	
Mean							12.3%	8.8%	11.5%	1.8x	1.7x	12.2x	12.2x
Median							9.3%	8.9%	9.7%	0.9x	0.9x	10.4x	10.8x

Sources: Bloomberg, S&P Capital IQ, company filings and broker consensus estimates. *Financials are as of April 8, 2020. Trading multiples are based on share price and other market data listed as of April 8, 2020, and broker consensus future earnings estimates from Bloomberg as of April 8, 2020.

Significant News Stories



LAUNDRY

Healthcare Linen Services Seeks Buys to Grow Footprint (*Mergermarket*, April 3, 2020)

“In the midst of the coronavirus pandemic, the company is focused on employee safety while providing mission-critical services to hospitals. ‘We are growing along with these hospitals,’ the CEO said. Given the changing dynamics associated with the crisis, the company is providing services 24 hours a day, seven days a week. The company made a strategic decision when LaPorta joined to limit its exposure to China for supply chain needs, such as cleaning chemicals and surfactants as well as linens, ‘so we’re in a pretty good spot.’ In terms of M&A, the CEO said the market is still highly fragmented with lots of mom-and-pop shops. ‘We absolutely see that as an opportunity for growth. Unless you have size and scale, it’s hard to compete.’ The company wants to build its footprint outward from its core, where it currently has nine plants in the US. It will acquire in contiguous states, he said, with a focus on the Midwest. Healthcare Linen has more than USD 100m in revenue and last year revenue grew in the double digits. LaPorta expects it to grow again this year in the 20% range purely through organic means. Nevertheless, he said the company has ‘acquisitions we’re focused on and committed to getting done.’ LaPorta said he expects there to be a pause in M&A activity due to the coronavirus, but ‘there’s still a lot of money on the sidelines. Our business is recession resilient.’”



RESIDENTIAL SERVICES

The Coronavirus Pandemic Has Been Catastrophic for House Cleaners and Nannies (*CNN*, April 3, 2020)

“Before the coronavirus had reached the U.S., Betania Shephard would clean about six to eight apartments and homes in a normal week. These days, nearly all of her clients have canceled. Some weeks, she hasn’t been able to find work at all. As people limit contact with others and stay home as much as possible in the face of the coronavirus, domestic workers whose livelihoods depend on being in the homes of others or caring for their loved ones are being hit particularly hard. ‘The coronavirus situation makes me feel sad,’ Shephard said. ‘But the situation also makes me feel angry. Because of everything that’s happening with the virus, I feel that my employers don’t take care of me, and they don’t go through any measures to protect me or put any effort for me not to get sick.’ Shephard is one of the roughly 2.5 million domestic workers in the US—and she is not alone in her struggle to maintain work during the pandemic. Domestic workers provide services in the households of an individual or a family, including childcare, assistance for elderly dependents, house cleaning, and other household tasks.”



AVIATION SERVICES

HNA’s Swissport to Hire Houlihan Lokey to Advise on Debt (*Bloomberg*, April 2, 2020)

“Swissport International AG, the airport ground services firm owned by beleaguered Chinese conglomerate HNA Group Co., hired advisers to review its debt as passenger air traffic grinds to a halt because of coronavirus restrictions. The company appointed boutique financial services firm Houlihan Lokey Inc. and lawyers White & Case LLP to help the firm ‘strengthen its financial position,’ it said on Friday. Bloomberg News reported Swissport hired Houlihan on Thursday as it considers a restructuring of its 1.6 billion euros (\$1.7 billion) of debt. ‘Swissport is engaging with governments and financial institutions to seek support in these unprecedented times,’ it said in an emailed statement. The company will lay off 40,000 employees by the end of the month, more than half its workforce, it said. Swissport is joining a growing list of companies in vulnerable industries such as travel, energy, and retail trying to lessen their debt load or requesting state aid.”



LANDSCAPING

Landscape Development Shares COVID-19 Management Strategies (*Landscape Management*, April 1, 2020)

“On Monday, March 23, LDI project managers emailed each of their clients with current jobs to ask two questions: ‘Is this job progressing and do you want us to continue—yes or no? Will you pay us per contract with no exceptions—yes or no?’ The email also included what LDI was doing to keep their crews safe. Horton says that 90 percent of those clients responded quickly in the affirmative on both questions. On the maintenance end of the business, some clients have cut back on services related to large group gatherings, such as churches and sports field maintenance. New enhancement sales have been cut back, because people don’t know where their cash is coming from or how they should spend it.”

Significant News Stories (cont.)

FOODSERVICE

Report: Healthcare Food Service Operators ‘Cautiously Optimistic’ During Coronavirus Pandemic, Share Solutions (*Food Management*, April 1, 2020)

“New data and inside info from the field: Healthcare food service ‘not scrambling in the way an outsider might expect,’ but ‘business has still been turned upside down.’...According to the report, ‘healthcare operators may be facing a new normal but their business is less likely to see longer-term impacts than other food service segments.’ This is due largely to the fact that ‘people will still need healthcare, employees will still work at those facilities, and people will still want to visit. Habit changes during this pandemic are much less likely to turn into long-term patterns, compared with the disruption other segments are seeing (such as restaurant delivery).”

HVAC AND PLUMBING

Service Logic to Pause Launch of Sale Process (*Mergermarket*, March 26, 2020)

“Service Logic, the Warburg Pincus-backed commercial HVAC services provider, had been gearing up to launch its sale process in mid-April, said four sources familiar with the situation. However, given the coronavirus pandemic, the auction is likely to be postponed, two of the sources said. One of the sources downplayed the logic of launching when HVAC services for commercial use are in particularly low demand as offices have shuttered nationwide in response to the virus...Service Logic had been attracting interest from private equity firms, two of the sources said, with one adding that strategics were also showing interest in the company.”

PEST CONTROL

Rentokil Initial plc Provides a COVID-19 (Coronavirus) Trading Update (*Rentokil*, March 25, 2020)

“The impact of the virus on our businesses to date has been varied, dependent on factors, including the rate at which the virus has spread, individual government response and required levels of customer service. Some customer sectors have been substantially closed due to government and voluntary actions taken to limit the impact of the virus. This includes the HORECA sector (Hotels, Restaurants, and Catering), the airline industry, schools, and some offices. Conversely, demand for our services in areas such as food production, food retailing, and healthcare have been strong with increased demand for specialist hygiene services, particularly hygiene disinfection services, across a number of our markets.”

SECURITY

Securitas Update on Operational and Financial Impacts Related to the COVID-19 (*Securitas*, March 23, 2020)

“In terms of sales, the company sees a reduction in certain parts of its business. Such relates foremost to the aviation segment and extra sales. As passenger traffic has decreased sharply, sales related to passenger and luggage screening have declined. Extra sales affected at this point in time relate to cancelled events and exhibitions. A current reduction in some of the portfolio business is also noted due to clients implementing Business Contingency Plan measures, as are currently reduced levels of installations of larger electronic security projects. There are also certain increases in service levels, mostly related to protection of closed stores and facilities, crowd control for grocery stores and healthcare institutions, but also an increasing focus on technology solutions where we have strong capabilities and offerings.”

JANITORIAL

‘I’m Very Scared’: Janitors on Front Lines of Coronavirus Outbreak (*Wall Street Journal*, March 21, 2020)

“Yancy Betterly, a 45-year-old owner of a small janitorial firm based near Orlando, Fla., cleans office buildings, outpatient-care clinics and other facilities. He says the outbreak makes his crews’ job more difficult. Many clients have called and asked him to step up cleaning beyond what is spelled out in his contracts, he says. Some want crews to wipe down hundreds of desks or phones nightly. Others ask if he’s disinfected the copy machine. The extra work can add hours to each job, although Mr. Betterly said he is often not getting paid more, because he works under existing cleaning contracts. He says he wants to give clients the service they expect and doesn’t feel that he has the leverage to push back on the extra hours or potential exposure. ‘We are the bottom rung,’ said Mr. Betterly, who says he can’t afford health insurance or paid sick time for himself or his workers. ‘We are an afterthought of an afterthought. Nobody really talks about the janitors.’”

Recent M&A Transactions

Date	Acquirer	Target	Target Description	EV	EV /	
				(\$M)	Revenue	EBITDA
Pending	Bidvest	PHS Group	Provides commercial hygiene and other services in the U.K., Ireland, and Spain	\$649	1.9x	8.9x
Apr-20	Westbridge Capital	Scopes Facility Services	Provides floor care and landscaping services	NA	NA	NA
Mar-20	Gladstone Investment Corp	The Maids International	Provides residential cleaning services in North America	NA	NA	NA
Mar-20	BrightView	4 Seasons Landscape	Provides landscaping and maintenance services	NA	NA	NA
Mar-20	TurnPoint Services	Cool Air Mechanical	Provides HVAC installation and maintenance services	NA	NA	NA
Mar-20	Wrench Group	Donovan Heat and Air	Provides residential and commercial HVAC installation, repair, and maintenance services	NA	NA	NA
Mar-20	TurnPoint Services	Meetze Plumbing Co.	Provides residential and commercial plumbing services	NA	NA	NA
Mar-20	Smart Care Equipment	Advanced Mechanical Plus	Provides HVAC, refrigeration, plumbing, electrical, and kitchen equipment services	NA	NA	NA
Mar-20	PrimeFlight Aviation Services	ProFlo Industries	Supplies aircraft refueling equipment and provides related services	NA	NA	NA
Mar-20	Astar Heating & Air	Petcosky & Sons Plumbing, Heating & A/C	Provides HVAC, plumbing, and fire protection services to residential and commercial clients	NA	NA	NA
Mar-20	TurnPoint Services	Ellington A/C & Heat	Provides HVAC, electrical, and maintenance and repair services	NA	NA	NA
Mar-20	AI Fire	P&J Sprinkler	Provides fire sprinkler system installation, inspection, and testing services	NA	NA	NA
Mar-20	Wrench Group	Florida Cool	Provides HVAC and air conditioning repair, installation, maintenance, and other services	NA	NA	NA
Feb-20	Brink's	G4S (Cash Ops Business)	Provides cash management related services	\$860	1.1x	7.5x
Feb-20	Right Time Heating and Air Conditioning Canada	M&K Climate Care	Provides residential heating, ventilation, and air conditioning services in Ontario	NA	NA	NA
Feb-20	Neighborly	Dryer Vent Wizard	Provides dryer vent services, including cleanings, installations, inspections, and repairs	NA	NA	NA
Feb-20	Thompson Street Capital	Len the Plumber	Provides full-service residential plumbing contractor services	NA	NA	NA
Feb-20	Avia Solutions Group	Aviator	Provides aviation services in the Nordic region	NA	NA	NA
Feb-20	AI Fire	LRC Fire Safety	Provides fire protection services in New Hampshire, Massachusetts and Maine	NA	NA	NA
Feb-20	Waynes Pest Control	Priority Pest	Provides pest control treatment services	NA	NA	NA
Feb-20	Rollins	Clark Pest Control	Provides pest management services to residents and businesses	NA	NA	NA
Feb-20	PrimeFlight Aviation Services	International Aero	Provides aircraft cleaning and maintenance services	NA	NA	NA
Jan-20	Service Logic	Huckestein Mechanical Services	Provides HVAC maintenance, repair, and replacement support services	NA	NA	NA
Jan-20	Cortec Group	Groundworks	Provides foundation repair, waterproofing, crawl space repair, and concrete lifting services	NA	NA	NA
Jan-20	GDI Integrated Facility Services	ESC Automation	Provides installation and maintenance of building automation systems, security systems, and HVAC systems in North America	\$55	0.5x	NA
Jan-20	BrightView	Summit Landscape Group/ Signature Coast Holdings	Provide commercial landscaping services in the United States	NA	NA	NA
Jan-20	Freeman Spogli & Co.	Easy Ice	Provides commercial ice machine rental and related services	NA	NA	NA
Jan-20	Sun Capital Partners	Cotton Holdings	Provides property restoration and related services to public and private entities worldwide	NA	NA	NA
Jan-20	KBS	Hospitality Staffing Solutions	Provides outsourced housekeeping and related services to the hospitality sector in the U.S.	NA	NA	NA
Jan-20	ADT	Defenders	Provides residential security services	\$380	NA	NA
Jan-20	NOVO Health Services	Paris Healthcare Linen	Provides linen processing and management services to the healthcare industry	NA	NA	NA
Jan-20	Tenex Capital Management	G2 Secure Staff	Provides ground handling and aviation support services	NA	NA	NA
Dec-19	Seaport Capital	Linen King	Provides laundry services to the healthcare industry	NA	NA	NA
Dec-19	SavATree	Vine & Branch	Provides tree care and plant health care services to commercial and industrial clients	NA	NA	NA
Dec-19	Smart Care Equipment	Turbo Technicians	Provides cooking equipment repair services	NA	NA	NA
Dec-19	CoolSys	BRR Refrigeration	Provides refrigeration, cold storage, and HVAC services to commercial clients	NA	NA	NA
Dec-19	PrimeFlight Aviation	Appearance Group	Provides aircraft cleaning and detailing services	NA	NA	NA
Dec-19	Busy Bee Cleaning Services	Reyes Cleaning Services	Provides commercial cleaning services	NA	NA	NA
Dec-19	CoolSys	Tech Mechanical	Provides commercial and industrial HVAC services	NA	NA	NA
Dec-19	TurnPoint Services	Sunny Service	Provides residential and light commercial HVAC services	NA	NA	NA
Dec-19	SavATree	Greenhaven Tree Care	Provides tree care, lawn care, and irrigation services	NA	NA	NA
Dec-19	TurnPoint Services	Corley Plumbing Air Electric	Provides plumbing, HVAC, and electrical maintenance, repair, and replacement services	NA	NA	NA
Dec-19	Allied Universal	APG Security	Provides security services and investigative solutions	NA	NA	NA
Nov-19	HomeServe	eLocal	Provides an advertising solution with a heavy emphasis within home services	NA	NA	NA
Nov-19	Leonard Green & Partners	Pye-Barker Fire & Safety	Provides fire detection and suppression services	NA	NA	NA
Nov-19	Allied Universal	SOS Security	Provides manned guarding and other security services	NA	NA	NA
Nov-19	ImageFIRST	PureTex Solutions Holdings (healthcare clients)	Provides healthcare textile rental and laundry services	NA	NA	NA
Nov-19	SavATree	Pauley Tree & Lawn Care	Provides landscaping, lawn care, shrub care, and tree care services	NA	NA	NA
Nov-19	New Mountain Capital	Horizon Services	Provides heating, air conditioning, plumbing, and electrical services to residential customers	NA	NA	NA
Nov-19	ADT	Critical Systems	Provides enterprise-class fire alarm, fire suppression, life-safety, and security solutions	NA	NA	NA
Nov-19	TELUS Communications	ADT Canada	Provides security and automation solutions to residential and commercial customers	\$516	2.2x	NA
Nov-19	Rentokil Initial	Florida Pest Control	Provides pest control services for residential and commercial markets	NA	NA	NA
Nov-19	Harvest Partners	Yellowstone Landscape	Provides commercial landscaping maintenance and installation services	NA	NA	NA
Oct-19	Highland Avenue Capital Partners	Apex Linen	Provides linen, uniform, and guest laundry and dry cleaning services	NA	NA	NA
Oct-19	BC Partners	Garda World Security	Provides security services in the U.S., Canada, and the Middle East	\$3,960	1.7x	14.4x
Oct-19	Cerberus Capital	KBS	Provides facilities management services to commercial customers	NA	NA	NA
Oct-19	ADT	I-View Now	Provides alarm verification and video guard tour services	NA	NA	NA
Oct-19	Lincolnshire Management	Powerhouse	Provides refresh, remodel, and facilities maintenance services to commercial clients	NA	NA	NA
Oct-19	Reedy Industries	First Point Mechanical Services	Provides HVAC and mechanical equipment maintenance, installation, repair, and replacement services	NA	NA	NA
Oct-19	CoolSys	Building Air Services	Provides HVAC and automated building control services	NA	NA	NA
Oct-19	Astar Heating & Air	Auchinachie Plumbing	Provides HVAC, plumbing, and water treatment services	NA	NA	NA
Oct-19	AVALT	Ned Stevens	Provides gutter cleaning, maintenance, installation, and repair services for homeowners	NA	NA	NA
Sep-19	PrimeFlight Aviation	Global Aviation Services	Provides ground support equipment and facilities maintenance services for airports	NA	NA	NA
Sep-19	Apex Service Partners	Southern Air Heating & Cooling	Provides heating, ventilation, and air conditioning services to residential customers	NA	NA	NA
Sep-19	Align Capital Partners	Southwest Elevator	Provides elevator design, maintenance, testing, and repair services	NA	NA	NA
Sep-19	AEA Investors	BMS Enterprises	Provides property restoration and reconstruction services to commercial and residential end markets	NA	NA	NA
Sep-19	Pacific Avenue Capital	Unitec Elevator Company	Provides elevator maintenance, modernization, testing, and repair services	NA	NA	NA
Sep-19	Emerald Textiles	Staheli Laundry Services	Provides healthcare linen and laundry services	NA	NA	NA
Sep-19	MC Group	ICON Identity Solutions	Provides custom sign and brand implementation solutions, including signage manufacturing, sign lighting maintenance, commercial construction, and specialty services	NA	NA	NA
Sep-19	Convergent Technologies	Life Safety Solutions Integrators	Provides fire alarm, life safety, and security solutions and services	NA	NA	NA
Sep-19	Soundcore Capital Partners	Winter Services	Provides snow and ice management services to commercial customers	NA	NA	NA
Aug-19	Sterling Investment Partners	HeartLand	Provides commercial landscape and facilities services	NA	NA	NA
Aug-19	Conserve	WaterWatch Corporation	Provides utility sub-meter billing, payment, and installation services to multifamily housing	NA	NA	NA
Jul-19	Management Group	LandCare	Provides commercial landscaping and maintenance services	NA	NA	NA
Jul-19	Apex Service Partners	Frank Gay	Provides plumbing, heating, ventilation, air conditioning, and electrical services	NA	NA	NA
Jul-19	Degree One	PRO-TEK and PRO-PLUS	Provides kitchen repair and maintenance services	NA	NA	NA
Jul-19	Continental Services	Northern Vending Company	Provides vending, coffee, and break room refreshment services	NA	NA	NA
Jul-19	Valet Living	WasteRetriever	Provides doorstep trash and recycling services for multifamily residences	NA	NA	NA
Jul-19	SavATree	Clear Cut Tree and Lawn Areas	Provides tree, shrub, and lawn care services to residential and commercial customers	NA	NA	NA
Jul-19	PAI Partners	Areas	Provides food, beverage, and travel retail services	\$1,713	0.8x	NA

Sector Snapshot

Janitorial Services

Janitorial companies provide “essential” cleaning services that are critical to protecting public health. A sometimes overlooked and underappreciated function, many of the companies that provide these services are reporting increased demand today that is likely to be sustained due to a heightened focus on safety, infection control, and cleaning protocols on the other side of the COVID-19 crisis.

Sector Overview ⁽¹⁾

Buildings of all types—commercial, industrial, and residential—need to be cleaned in order to create safe and/or positive environments for their end users. Janitorial services tend to be recurring in nature, such as daily/nightly or weekly cleaning, vacuuming, dusting, and trash removal, but can also include more periodic cleaning, such as stripping and waxing of floors. These services tend to be outsourced to third-party providers since they can typically deliver a higher quality of service at a better cost compared to being performed in-house.

The U.S. janitorial services market is estimated to have generated industry revenues of more than \$61 billion in 2019. Standard commercial cleaning accounts for the majority (67%) of industry revenues, with residential cleaning and industrial cleaning accounting for 11% and 7%, respectively. Over the past five years, the industry is estimated to have grown at a 2.0% CAGR as demand for cleaning services has remained steady. The market is highly fragmented, with more than 860,000 businesses operating in the U.S., including national and larger regional players that provide cleaning as part of a broader facilities management offering, as well as thousands of smaller regional and local providers that typically specialize in just cleaning (and ancillary) services.

COVID-19 Potential Impact in the Near Term

Cleaning businesses have been deemed an “essential service” and therefore are continuing to support their customers’ critical operations, while also playing an important role in helping stop the spread of COVID-19. Depending on the customers/end markets they focus on and their level of revenue diversification, companies serving certain segments of the market where demand has remained resilient or actually increased (e.g., hospitals, pharmacies, grocery stores, distribution centers, manufacturing plants, etc.) will likely be better positioned to manage through this period of uncertainty than other segments where demand has weakened (e.g., hotels, airports, stadiums, convention centers, mall-based stores, etc.). Interestingly, just because a building may have closed does not necessarily mean there will be an immediate loss of demand. In education, for example, some schools are pushing forward to today the cleaning that would have traditionally taken place over the summer months. Given these evolving dynamics, it is still too early to tell the impact that COVID-19 will have on near-term financial performance.



Claude Bigras
President and CEO
April 13, 2020

“We have been experiencing increased demand for disinfection and heightened janitorial services from certain clients, as well as increased demand at our janitorial products manufacturing and distribution business. We have also seen a number of clients in certain regions and market segments either temporarily closing facilities or operating at lower occupancy rates as social distancing policies are put in place. At present, we are expecting COVID-19 to have a pronounced impact on the real estate sector in the second quarter of 2020 and believe that we will gradually return to more normal activity levels during Q3 and Q4 of the year.”



Scott Salmirs
President and CEO
March 26, 2020

“We have a significantly diversified client base and they are experiencing varying degrees of impact.”
“Given the extraordinary and rapidly evolving nature of the COVID-19 pandemic, the company is withdrawing its previously issued fiscal 2020 guidance outlook.”



Jeff Gravenhorst
Group CEO
March 20, 2020

“We are exposed to some aviation business. It's less than around 4% of our business. Most of that is airports, some of it is airlines. But again, it's prudent, good customer segments. And around 2% of our business is within hotel and leisure areas.”
“Clearly, the most important impact for us is within the food services business, that is about 15% of our revenue. A good part of that is within hospitals, so that's not affected.”
“So as we speak, it is impossible to tell you exactly where we're going to end up or even through estimate where we're going to end up on the revenue side, and then, of course, also on the bottom line from 2020. And with this, as the situation is very uncertain, we are withdrawing the estimate as it sits today.”

(1) Note: Industry data sourced from “Janitorial Services in the US”, IBISWorld, December 2019

Sector Snapshot

Janitorial Services (cont.)

COVID-19 Potential Impact in the Longer Term – New Standard of Clean?


Similar to the broader facility services industry, the janitorial sector has historically been viewed as recession-resilient. However, the sector's ability to weather a global pandemic such as COVID-19 is playing out in real time, with cleaning workers on the front lines of this fight every day. There is no denying that a number of small businesses in the sector won't survive. However, those companies that do survive should emerge as stronger businesses, and with deeper customer relationships, than ever before.

We may also start to see a shift towards a new standard of clean on the other side of the COVID-19 crisis. As social distancing requirements are eventually relaxed, there will likely be many consumers and employees who may not feel comfortable going back to their everyday activities without knowing that the spaces they are entering have been properly and regularly cleaned and disinfected. In addition to this potential evolution in the end user's perception of clean, we may also see a shift in the customer's standard of clean and resulting procurement behavior. Increased levels and frequency of cleaning could become the norm. In such an environment, we may begin to see customers placing greater emphasis on service quality vs. price, focusing more on variables such as a service provider's scale, reputation, supply chain/sourcing capabilities (i.e., access to approved chemicals), and delivery model.


Select Recent M&A Activity

Date	Acquirer	Target	Target Description
Mar-20	Gladstone Investment Corporation	The Maids International	Franchisor of home cleaning services in more than 40 U.S. states and three Canadian provinces
Jan-20	Kellermeyer Bergensons Services (KBS)	Hospitality Staffing Solutions (HSS)	Provides outsourced housekeeping and related services to the hospitality sector in the U.S.
Dec-19	PrimeFlight Aviation Services	Appearance Group	Provides aircraft cleaning and maintenance services at more than 20 airports across the U.S.
Dec-19	Busy Bee Cleaning Services	Reyes Cleaning Services (RCS)	Provides commercial janitorial services to mid-sized clients throughout the state of New York
Nov-19	Cerberus Capital Management	Kellermeyer Bergensons Services (KBS)	Provides janitorial and FM services to the industrial, commercial, logistics, retail, and grocery sectors
Oct-18	ACON Investments	Fleetwash	Provides professional cleaning services to truck fleets and facilities such as gas stations and grocery stores
Oct-18	A&M Capital Partners	Pritchard Industries	Provides facilities services, including janitorial and specialty services, in 19 states
Sep-18	Apax Partners	Authority Brands	Franchisor of home services, including residential cleaning services and senior care
Jul-18	Gridiron Capital	The Service Companies	Provides managed services, F&B staffing, and specialty cleaning services for the hospitality and gaming industries
May-18	Blackstone	Packers Sanitation Services (PSSI)	Provides food safety, cleaning, and sanitation services to the North American food processing industry

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Key Considerations Amid COVID-19

Preserving and Managing Liquidity

To help business owners and management teams take appropriate action during uncertain times, Houlihan Lokey has developed a Liquidity Preservation Checklist designed to aid internal conversations around maintaining and enhancing liquidity.

Liquidity Preservation Checklist

I Liability Management

- ✓ Navigating current covenants and working with existing lenders to secure amendments to existing credit agreements
- ✓ Opportunistically managing securities in your current capital structure: repurchases, tenders, debt-for-debt exchanges, debt-for-equity exchanges
- ✓ Navigating liquidity opportunities for current shareholders: incurrence covenants, restricted payments covenants, etc.

II Accessing Incremental Capital

- ✓ Short-term, bridge, or gap financing
- ✓ Minority or structured equity
- ✓ Holdco financing structures
- ✓ Rights offerings
- ✓ Non-core asset/subsidiary sales

III Liquidity Management and Maximization

- ✓ Liquidity evaluation and cash flow forecasting: Evaluation of current position, plus identifying steps to be taken to establish additional sources of liquidity and generate cash (13-week cash flow)
- ✓ Working capital review: Discuss alternatives, and conduct performance assessment and recommendations
- ✓ Insurance policy review: Claim preparation and filing strategy
- ✓ Hedging strategies: Review of existing derivative hedge instruments and potential restructuring to alleviate pressures on cash

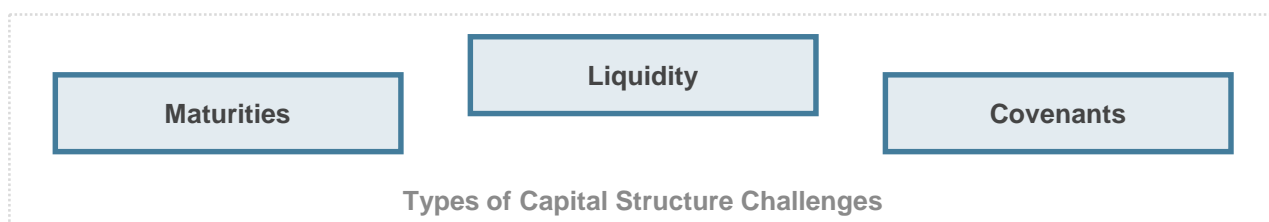
Key Considerations Amid COVID-19

Considerations for Lender Discussions

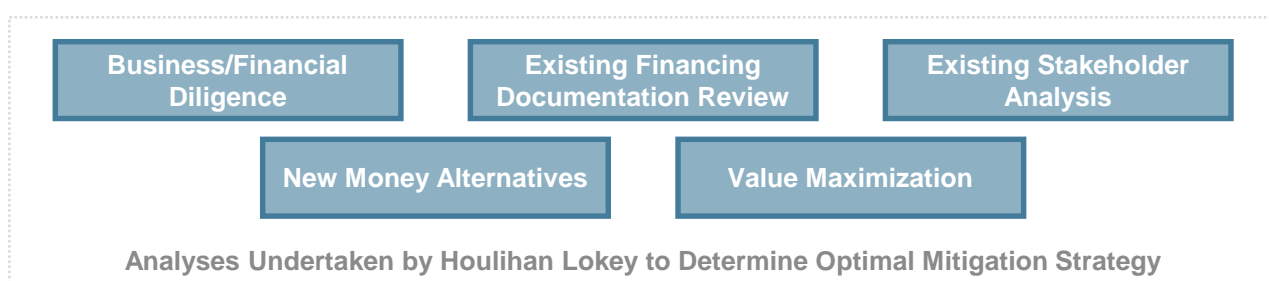
We anticipate capital structure challenges concerning liquidity and the maintenance of covenant compliance will become more prevalent in the coming months.

The process below highlights for owners and executives the critical steps to identify, assess, and mitigate potential lender, bank, and leverage issues.

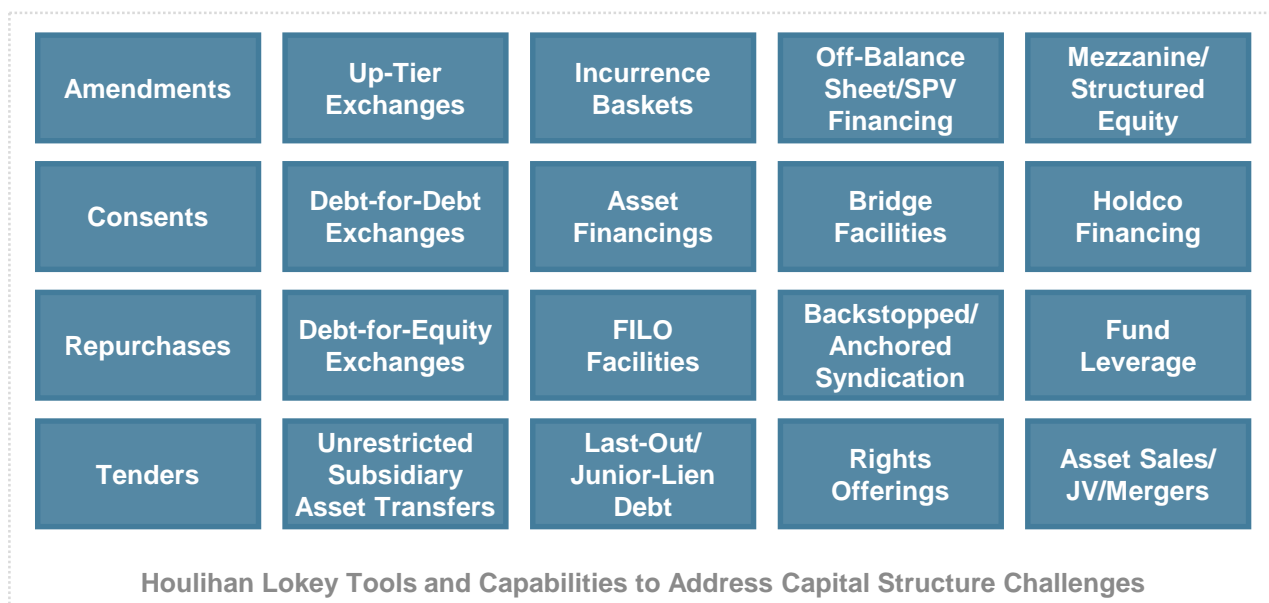
Phase 1: Evaluate Capital Structure and Identify Potential Challenges



Phase 2: Conduct a Market Assessment and Strategic Review of Business Activity



Phase 3: Deploy a Tailored Strategy to Address and Manage Each Unique Situation



Key Considerations Amid COVID-19

How Houlihan Lokey Can Help

Our firm is extremely well equipped to help our clients navigate uncertain times. We respond quickly to challenging situations and are constantly helping clients to analyze, structure, negotiate, and execute the best possible solutions from both a strategic and financial perspective.

What We Offer

- 1 Corporate Finance**
- Mergers and Acquisitions
- Capital Markets
- Private Funds Advisory
- Board Advisory Services
- 2 Financial Restructuring**
- Company Advisory
- Distressed M&A
- Liability Management
- Creditor Advisory
- 3 Financial and Valuation Advisory**
- Portfolio Valuation and Fund Advisory
- Transaction Opinions
- Corporate Valuation Advisory Services
- Transaction Advisory Services
- Real Estate Valuation and Advisory
- Dispute Resolution Consulting

Corporate Finance
 We are widely recognized as a leading M&A advisor to the middle market and have long-standing relationships with capital providers, including commercial banks and other senior credit providers, insurance funds, asset managers, and mezzanine fund investors. Few other investment banks maintain the breadth of relationships and capital markets intelligence that we do.

Financial Restructuring
 We have the largest restructuring practice of any global investment bank. Since 1988, we have advised on more than 1,000 restructuring transactions (with aggregate debt claims in excess of \$2.5 trillion). We served as an advisor in 12 of the largest 15 bankruptcies from 2000–2019.

Financial and Valuation Advisory
 For nearly four decades, we have established ourselves as one of the largest financial and valuation advisory firms. Our transaction expertise and leadership in the field of valuation helps inspire confidence in financial executives, boards of directors, special committees, investors, and business owners we serve.

Why We're Different

- ✓ Most Active Advisor
- ✓ Significant Experience With Financing Markets
- ✓ Dominant in Special Situations and Restructuring
- ✓ Deep, Industry-Specific Expertise
- ✓ Superior Work Product/Technical Abilities
- ✓ Creativity, Imagination, Tenacity, and Positivity

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