

Market Update

Facilities Services Q4 2018

Market Insights

2018 was a busy year for facilities services M&A and enthusiasm for the space remains robust headed into 2019. Despite recent macro variability, private equity funds, family investment offices and strategic acquirers alike continue to pursue attractive facilities services companies, especially those that will perform well through a potential market pullback. Specifically, Lincoln continues to see companies with high levels of recurring revenue and proven buy-and-build platforms trading for premium multiples.

As the current market expansion cycle prolongs, facilities services providers will have opportunities to take advantage of a potential market pullback and build and achieve significant shareholder value. Those that take an offensive, proactive approach focused on add-on acquisitions at value-oriented multiples, pursuing less cyclical end markets (e.g., healthcare, education, government) and seeking opportunities to expand skilled talent in a tight labor market, will end up benefiting in the long run.



About the LI Facilities Services Index

The LI Facilities Services Index is a market cap-weighted composite stock index similar to the S&P 500 Index. The index is prepared by first selecting a base period, in this case, Q1 2017, and totaling the market caps of the companies in this period. This period and the total market cap is set to a base index at 100%. Next, the current period's total market cap is calculated, divided by the base period's total market cap and then multiplied by the base index (100%).

Quarter-over-quarter stock indices decreased, with the LI Facilities Services index decreasing (13.9%). LTM Q4 2018 revenue and EBITDA generally increased across the FS Index, with average growth of 4.4% and 2.3%, respectively.

Facilities Services Financial Performance

Quarter over Quarter Performance

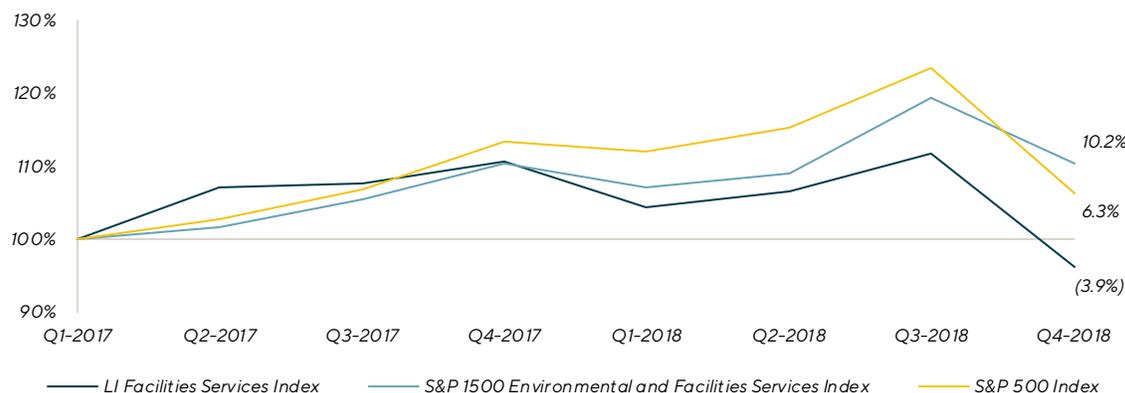
Outperformers	Change	Underperformers	Change
Rentokil Initial plc	5.9%	Aramark	(32.7%)
ABM Industries Incorporated	(0.4%)	Team, Inc.	(34.9%)
Sodexo S.A.	(2.0%)	ServiceMaster Global Holdings	(40.8%)

Based on quarter-over-quarter share price performance

Quarter over Quarter Stock Index Change



Two Year Relative Stock Index Performance



Enterprise Value⁽¹⁾ / LTM EBITDA Multiples



Source: Capital IQ as of 12/31/2018

(1) Enterprise Value is calculated as market capitalization plus total net debt, preferred equity and minority interest

Recent Lincoln Facilities Services Transactions



Heard on the Street

10/01/2018: Cintas, the Ohio-based provider of corporate identity uniform services, expects to be more aggressive pursuing M&A, specifically focused around Cintas' Rental, First Aid and Safety and Fire businesses.

11/12/2018: Aramark Corp., the Philadelphia-based facilities services provider, is planning to sell its healthcare technology segment ("Aramark Healthcare Technologies") to optimize its portfolio and focus on core food, facilities and uniforms businesses.

11/13/2018: Elior Group, the France-based provider of catering and support services, announced that it is carrying out a review of strategic options relating to its concession catering activities, which are grouped within its Areas subsidiary. The review, which could lead to the separation of Areas from the rest of the Group, is intended to accelerate the development of each of its activities and create value for Elior Group shareholders.

12/12/2018: Prosegur Compania de Seguridad, the Spanish security services entity, is actively seeking new acquisitions in the Americas.

Lincoln Facilities Services Index Stock Data

Company Name	Current Price	52-Wk High	Market Cap	Enterprise Value	Diluted EPS	LTM Rev	EV/LTM Rev	EV/LTM EBITDA	EV/LTM EBIT	LTM Growth Rev	LTM Growth EBITDA	EBITDA Margin	Net Debt / EBITDA
ABM Industries Incorporated	\$32.11	\$40.00	\$2,120	\$3,020	\$1.45	\$6,442	0.5x	10.0x	15.8x	18.1%	nmf	4.7%	3.0x
Aramark	28.97	46.09	7,167	14,204	2.24	15,790	0.9x	10.0x	16.7x	8.1%	9.5%	9.0%	5.0x
BrightView Holdings, Inc.	10.21	23.42	1,048	2,180	(0.18)	2,354	0.9x	9.4x	nmf	5.7%	(4.9%)	9.9%	4.9x
Cintas Corporation	167.99	217.34	17,660	20,281	8.40	6,675	3.0x	14.5x	18.7x	11.2%	17.4%	21.0%	1.9x
Comfort Systems USA, Inc.	43.68	59.83	1,614	1,692	2.53	2,056	0.8x	9.6x	12.5x	19.6%	29.9%	8.6%	0.4x
Compass Group plc	21.03	21.95	33,350	37,800	0.71	29,958	1.3x	13.4x	17.6x	(1.0%)	(0.7%)	9.4%	1.6x
EMCOR Group, Inc.	59.69	85.08	3,436	3,382	4.42	7,914	0.4x	7.0x	8.5x	3.8%	8.0%	6.1%	(0.1x)
FirstService Corporation	68.66	84.40	2,470	2,845	1.92	1,848	1.5x	15.9x	nmf	10.9%	21.8%	9.7%	1.4x
G4S plc	2.51	3.74	3,887	5,947	0.12	9,935	0.6x	8.9x	11.9x	(4.7%)	(21.8%)	6.7%	3.2x
Johnson Controls International plc	29.65	41.53	27,398	39,487	2.32	31,400	1.3x	8.4x	10.9x	4.1%	3.7%	15.0%	2.3x
Matrix Service Company	17.94	25.75	486	412	(0.49)	1,140	0.4x	19.0x	nmf	1.3%	2.1%	1.9%	(3.4x)
MITIE Group plc	1.41	2.69	509	764	(0.07)	2,927	0.3x	6.2x	7.2x	(0.9%)	nmf	4.2%	2.1x
Prosegur Compañia de Seguridad, S.A.	5.06	7.95	3,031	3,721	0.25	4,572	0.8x	6.8x	9.4x	(8.8%)	(8.9%)	11.9%	1.1x
Rentokil Initial plc	4.30	4.54	7,893	9,277	0.10	3,107	3.0x	15.5x	nmf	(0.9%)	(13.3%)	19.2%	2.4x
Rollins, Inc.	36.10	42.94	11,816	11,698	0.65	1,792	6.5x	nmf	nmf	8.9%	11.7%	20.8%	(0.3x)
Securitas AB	16.01	18.46	5,843	7,689	7.97	11,099	0.7x	10.6x	14.3x	(15%)	(0.3%)	6.5%	2.5x
ServiceMaster Global Holdings, Inc.	36.74	62.70	4,985	7,211	3.79	3,088	2.3x	11.0x	13.1x	7.3%	(2.5%)	21.3%	3.4x
Sodexo S.A.	102.47	129.44	14,919	17,625	4.34	23,688	0.7x	11.2x	14.3x	(3.6%)	(16.8%)	6.7%	1.7x
Team, Inc.	14.65	25.55	441	802	(2.44)	1,253	0.6x	nmf	nmf	4.1%	nmf	2.5%	11.7x
UniFirst Corporation	143.07	193.05	2,739	2,468	8.55	1,719	1.4x	8.8x	13.6x	6.1%	4.8%	16.3%	(1.0x)
Mean							1.4x	10.9x	13.2x	4.4%	2.3%	10.6%	2.2x
Median							0.9x	10.0x	13.4x	4.1%	2.1%	9.2%	2.0x

Source: Capital IQ

Note: All values based on publicly available data as of 12/31/2018

Company Spotlight – Aramark

Over the past several years, Aramark has embarked on a transformation focused on growing the company and becoming more agile. This transformation has touched everything from its selling strategy, to brand product portfolio and service offerings to M&A, all of which are centered around elevating the customer experience.

As part of its transformation and focus on the customer, Aramark is rolling out several new technology solutions to bring more convenience and speed of service, enhance the overall consumer experience and improve food and labor cost savings through a standardized decision process. These systems are expected to drive dramatic improvements in consumer satisfaction and across the critical dimensions of quality, health, convenience and personalization as technology plays an ever increasingly important role in facility management. The 'Internet of Things' supports the facility manager in making the right decisions and using data to better meet customers' expectations regarding hygiene, safety, efficiency and sustainability is becoming an increasingly important aspect of facilities services.

Source: MergerMarket, Company Earnings Call, Company Filings

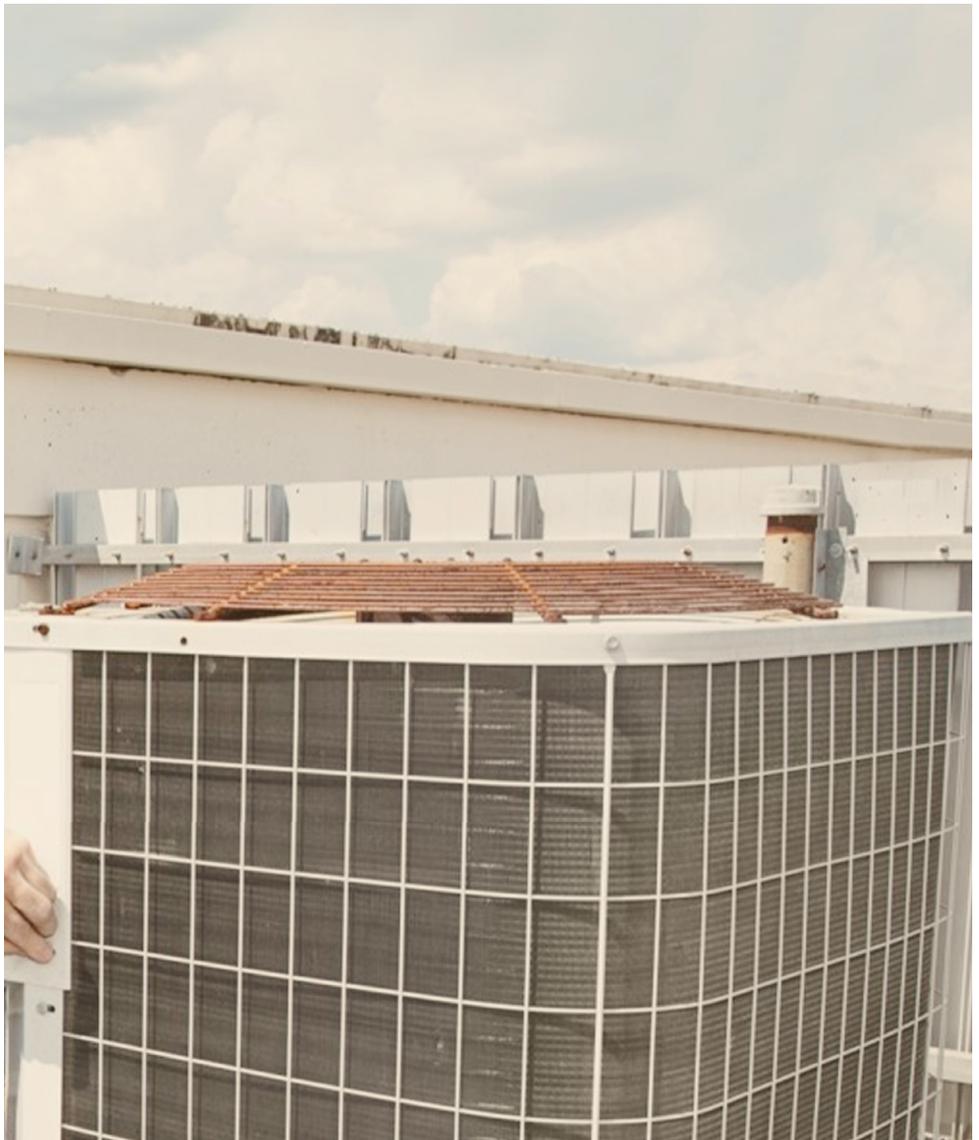
Aramark's portfolio focus has also included executing a consistent M&A strategy with the objective of adding scale and capabilities, extending product offerings and entering new geographies such as Avendra and AmeriPride. The Avendra and AmeriPride acquisitions bolster Aramark's portfolio. Combining Avendra's procurement capabilities with Aramark's specialty management expertise brings increased buying scale and improved service levels to the Company's customers while strengthening its industry reach.

Over the past couple of years, Aramark has more than doubled its purchasing volume through the acquisition of Avendra, as well as other smaller group purchasing organizations. AmeriPride has expanded Aramark's scope, scale and geography of its uniform business. This combination created a leading uniform services provider and bolstered Aramark's competitive position in the U.S., and immediately established a strong position in Canada. Aramark's holistic approach to portfolio optimization has resulted in a more profitable, dynamic company that is well-positioned to compete going forward.

M&A Transaction Highlights

Closed	Target	Target Description	Acquirer	Enterprise Value	EV/LTM Rev	EV/LTM EBTIDA
Announced	Quality Solutions, Inc.	Offers facility maintenance service and same day emergency services	Cushman & Wakefield	-	-	-
Announced	Assured Environments	Provides bed bug and pest control solutions	ServiceMaster Global Holdings	-	-	-
Dec-18	Mediclean	Provides healthcare linen and medical laundry services	Emerald Textiles	-	-	-
Dec-18	Geisel Heating & Air Conditioning	Provides heating, air conditioning and plumbing services	HomeServe USA	-	-	-
Dec-18	Alliance in Partnership	Offers food and professional catering solutions	Sodexo Limited	-	-	-
Dec-18	Prime Shine	Offers car washing and cleaning services	Mister Car Wash	-	-	-
Dec-18	Mosquito Squad Franchising Corporation	Provides pest control services and franchising opportunities	Authority Brands	-	-	-
Dec-18	Red Hawk Fire & Security	Designs, installs, repairs and services fire suppression and life safety systems	ADT	\$318	-	-
Nov-18	Svensk Markservice	Offers land management and gardening services	Green Landscaping Holding	\$398	0.5x	7.5x
Nov-18	Caldwell and Gregory	Provides on-premise commercial laundry and repair services	Incline Equity Partners	-	-	-
Nov-18	Tecta America	Offers commercial roofing services	Altas Partners	-	-	-
Nov-18	A-PRO Pest Control	Provides residential pest control services	The Terminix International Company	-	-	-
Nov-18	United Vending and Market Services	Offers vending, office coffee, micro markets and delivery services	Continental Services	-	-	-
Nov-18	NewTex Landscape	Provides landscape management services	Enhanced Landscape Management	-	-	-
Oct-18	ImageFIRST Healthcare Laundry Specialists	Provides linen rental and laundry services	Calera Capital	-	-	-
Oct-18	U.S. Security Associates	Provides uniformed security services and specialized security solutions	Allied Universal	\$1,000	-	10.5x
Oct-18	Mike's Tree Surgeons	Provides tree, shrub, landscape and lawn care services	Nature's Trees	-	-	-
Oct-18	FMAV	Offers audiovisual and event technology solutions	Audio Visual Services Group	-	-	-
Oct-18	Multiple Companies	Acquired five Michigan-based fire and life safety businesses	Summit Fire Protection	-	-	-
Oct-18	America's Swimming Pool Company	Provides swimming pool maintenance, repair and renovation services	Authority Brands	-	-	-
Oct-18	Fire Protection Concepts	Installs and services fire detection systems	West Street Infrastructure Partners	-	-	-
Oct-18	Restaurant Technologies	Provides edible oil management and distribution solutions	Goldman Sachs Group	-	-	-
Oct-18	J&D Refrigeration Service	Provides refrigeration services to grocery retailers	Climate Pros	-	-	-
Oct-18	R&R Frontline Services	Offers static and mobile security solutions	Securitas Services Holding UK	-	-	-
Oct-18	Vecta Environmental Services	Provides routine maintenance and environmental services	Cotton Creek Capital	-	-	-
Oct-18	Mitie Pest Control	Provides integrated pest management services	Rentokil Initial	\$40	-	-

Source: Capital IQ, Mergermarket, Company Filings



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