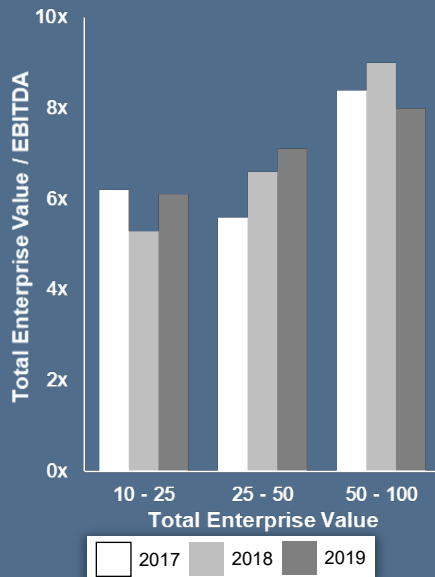




BUSINESS SERVICES

Source – GF Data



Indicative value of a company is often measured as a multiple of EBITDA. This multiple is higher for larger companies.

Over the past three years, the multiple for Business Service companies has varied in different ways. For smaller companies, the 2019 multiple is slightly higher than in 2018. For larger companies, the multiple is slightly lower. Our view is that the pandemic will only marginally affect valuations in the first half of 2020 for “essential” business service companies.

Has the pandemic affected the sale price of your business service company?

Many business service company owners have been through the stress of several economic cycles including the Great Recession. Now with the stress of the pandemic, some are more interested than ever in selling the company. So, is it better to delay the sale until the health crisis has slowed or is it possible to sell the business in the current environment? Answer: it is definitely possible, and “essential” businesses are in demand. “Non-essential” businesses will need to make some concessions in either valuation or deal structure.

Now that buyers have had time to understand the economic effects of the pandemic and can appreciate the merits of an “essential” industry, their interest in profitable business service companies has returned. In some situations, buyers’ interest is higher than before.

“Non-essential” businesses are not so lucky. If your business has seen its financial worst and you have a definable plan for recovery, you’ll find interested buyers. However, you may have to accept a lower valuation, or may have to agree to a deal structure that requires you to receive part of your sale proceeds in the future. If your business has not yet experienced financial improvement, you may be better off waiting to sell (if you’re able). A good adviser can evaluate your specific situation.

What is the value of your company in the pandemic? If your EBITDA (earnings before interest, taxes, depreciation, and amortization) is higher, then the value is higher. Many essential businesses are enjoying this phenomenon. If your EBITDA is lower as a result of the pandemic, and you see a path to recovery, a buyer may still give you credit for the ongoing strength of your business especially if your company has a strong reputation, skilled labor, or desirable location.

In our view, potential buyers for business service companies still exist in the market. We have seen larger business service companies set a strategy to acquire related businesses as a path to growth. We have also identified financial buyers – private equity or family investment funds – with a new or reenergized interest in companies like yours. Remember it can take six months to sell a company. It is never too early to begin planning in partnership with an advisor.

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NOTABLE Q1 DEAL ACTIVITY – FACILITIES MANAGEMENT & MAINTENANCE SERVICES

DATE	COMPANY	BUYER	CLASSIFICATION
Mar 4	The Maids International	Gladstone Investment Corporation	Residential Cleaning
Mar 3	Kelly’s Exterminating Services	Arrow Exterminators	Pest Control
Mar 2	Advanced Security Systems	USA Security Services	Security Services
Feb 7	Stericycle’s Environmental Solutions Business	Harasco Corporation	Hazardous Waste Transportation
Feb 4	American Waste	GFL Environmental	Waste/Recycling
Jan 28	Huckestein Mechanical Services	Service Logic, LLC/Warburg Pincus	HVAC Services
Jan 27	Aegis Fire Systems Technology	Rapid Fire Protection/Boyne Capital Partners	Fire Protection
Jan 22	Apex Environmental	Interstate Waste Services	Waste Disposal
Jan 7	Cotton Holdings	Sun Capital Partners	Infrastructure Support