

# Facilities Management Sector Insight

The Facilities Management industry encompasses a range of services. These services are generally categorised into two groups, 'hard' services (such as technical services and building services) and 'soft' services (such as security and cleaning). Increasing numbers of companies are using combined facilities support services to reduce their operational costs and focus on their core business functions.

## Industry Overview

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|--|--|
| <b>£106.3 billion</b><br>Value of the UK Facilities Management sector                    | <b>200+</b><br>Active Facilities Management businesses in the North West     |
| <b>£117.2 billion</b><br>Forecast value of total UK Facilities Management sector by 2017 | <b>40+</b><br>M&A transactions in the North West in the previous three years |
| Source: MCI UK Facilities Management Market Research Report 2013                         | Source: Fame/Zephyr  |

## Sector Outlook

Facilities Management businesses who offer bundled services and integrated solutions are showing the strongest growth potential as the trend towards outsourcing services continues. Strong growth is anticipated in the private sector as it is expected that business confidence will be significantly higher over the coming years leading to companies having more resources to spend on larger service contracts. The strong performance of mid-market businesses, amid the spending cuts, has provided a confident outlook that indicates a continuance of the historical growth in spite of the likely varied market conditions. A key driver behind the growth in the sector will be the continued strength of the UK economic recovery, especially in comparison to other key European economies.

### Top 10 Facilities Management businesses

| Company           | Turnover (£bn) |
|-------------------|----------------|
| Compass Group PLC | 17.1           |
| G4S PLC           | 7.4            |
| Interserve PLC    | 4.5            |
| Serco Group PLC   | 4.3            |
| Carillion PLC     | 3.3            |
| Kier Group PLC    | 3.0            |
| MITIE Group PLC   | 2.2            |
| Amey UK PLC       | 1.8            |
| Sodexo Ltd        | 1.1            |
| Berendsen plc     | 1.0            |

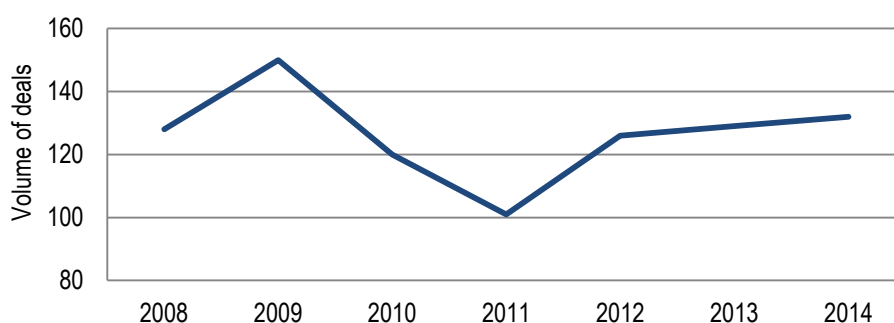
- The table opposite lists the ten largest businesses providing Facilities Management services in the UK.
- The top ten businesses account for approximately 43% of the total UK market – showing the concentrated nature at the top end.
- Of the top ten businesses, a large proportion combine their main service offering alongside a Facilities Management arm. For example, the Kier Group PLC operate mainly in the construction industry whilst also offering a Facilities Management service.
- Outside of the small number of large players, the market becomes much more fragmented, characterised by a large number of smaller companies.

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## M&A Activity In The Sector

- The number of M&A transactions is expected to grow over the next 12 months, with international investors looking to enter into the strengthening UK market.
- The level of interest from Private Equity investors is expected to remain consistent, alongside a high level of interest from businesses already in the sector seeking to expand through acquisition.

Volume of UK M&A activity by year



Source: Zephyr

### Recent Deals

| Target name                   | Acquirer Name                   | Deal Type   | Date           |
|-------------------------------|---------------------------------|---|----------------|
| Bdi Group                     | Select Security (Northwest) Ltd | Acquisition   | September 2014 |
| Servest Group                 | N/A                             | Raised £90m of working capital and acquisition facilities | May 2014       |
| Rentokil (Initial Facilities) | Interserve                      | Acquisition   | March 2014     |
| Europa Support Services       | Bilfinger                       | Acquisition   | December 2013  |
| Johnson Service Group PLC     | Lyceum Capital                  | Acquisition   | August 2013    |
| ACS Cleaning Services         | Innovate Corporation LTD        | Acquisition   | June 2013      |

Of the deals noted above, the largest came in the form of Interserve's £250m acquisition of Rentokil (Initial Facilities). This makes Interserve the third largest Facilities Management business based on turnover.

## Growth By Acquisition

An organisation's growth strategy may be accelerated by making an acquisition. Selective acquisitions can be an excellent method of achieving this growth as it can create an increased market share by means of a larger regional reach and potentially a more diverse service offering. With more than 200 Facilities Management businesses in the North West region alone, the opportunities for selling your business or acquiring a business are significant.

## Private Equity Investment

With 22% of Facilities Management deals between 2007 and 2014 backed by a form of Private Equity investment, the appetite for such investment into the sector has helped provide a positive future outlook.

DTE have a range of Private Equity contacts within the sector and Private Equity investments offer an excellent means of growing your business over a 3-5 year period, whilst also significantly increasing shareholder value.

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## How can DTE help?

DTE have one of the North West's leading Corporate Finance firms and our team has significant Facilities Management sector experience. The team has advised on a number of transactions in the sector in recent years, including the disposal of a leading North West based business in the last few months. DTE were heavily involved at each stage of the process from sourcing and identifying the potential acquirers, through to managing the deal through to completion. DTE are also currently involved in the disposal process for another North West based Facilities Management business, further enhancing our breadth of knowledge and range of contacts in the sector.

Our sector knowledge means that we are well placed to understand the dynamics of the business that will have an impact on value.

### Advice on growing your business

DTE Corporate Finance can help you to grow your business via acquisition and, where required, to identify sources of debt and equity funding. Our role includes:

- Undertaking detailed research to identify a list of potential acquisition targets;
- Approaching target companies and managing negotiations;
- Assist in the preparation of a business plan to help raise funding to finance acquisitions; and
- Identifying Private Equity Houses who are looking to invest in the sector.

### Advice on selling your business

We advise shareholders on Company disposals. We recognise that every disposal is unique and each one of our clients will have their own agenda. Our role includes:

- Grooming the business for sale;
- Identifying potential purchasers;
- Maximising selling price; and
- Providing tax advice to the vendors.

### Working with DTE

If you are currently considering growing or selling your business then we would be very interested in speaking with you and would be delighted to arrange a meeting to discuss your options. Please contact:

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