



Mergers & Acquisitions

Capital Raising

Strategic Advisory

**Metronome Partners is pleased to present a market update and overview of the Disaster Restoration & Emergency Response sector. With several prominent transactions completed, relationships with key players, and mandates currently in process, our firm is uniquely positioned to leverage our deep sector insights and experience to help you navigate the industry’s evolving landscape.**

As a follow up to our industry piece published last year, we had predicted 2022 M&A activity in the Disaster Restoration & Emergency Response sector to reach new highs in both the volume of deals and total dollars. While we did see a healthy amount of activity, we also saw a number of deals trade well below initial valuation expectations as well as some processes that ultimately failed. In this spotlight, we will share our findings on 2022 deal activity while also highlighting some of the factors that led to unfortunate outcomes and what buyers and sellers need to be wary of in 2023.

**2022 M&A Activity**

The number of deals closed in 2022 was relatively on par with the levels witnessed the prior year. There was continued activity amongst some of the more active consolidators, while we also saw some new players enter the space. 2022 was also marked by a few prominent exits along with several deals that did not make it over the finish line. All in all, it was an interesting year that provided us with some cautionary tales for the future of M&A in the sector. The learnings from 2022 have not soured our sentiment completely, and we are still optimistic for 2023 and beyond.

Summary Findings:

- Some of the more active private equity-backed consolidators from 2021 continued pace in 2022, with TSG-backed ATI completing another four acquisitions, Trinity Hunt-backed FLEET Response completing three more transactions, and Partners / Kohlberg-backed BluSky completing an additional three deals
- New entrants include Great Range Capital with the acquisition of Repairs Unlimited, Montera Investment Group with the formation of National Mitigation Restoration, as well as a re-branded Trivest-backed platform, HighGround, which completed three new tuck-ins
- Several prominent platforms hit the market, with Bassett Creek Services trading to Watterson, a Highview Capital portfolio company
- A number of franchisees transacted, including VantEdge Partners’ acquisition of ServiceMaster Restore franchises in Texas and Ohio
- Multiple financial sponsors continue to develop their investment theses in the space with an active search in place for a scalable platform investment

**Why Deals Don’t Close**

Once an initial offer is agreed upon, the heavy lift begins where buyer devotes significant resources (people, time, and money) to the due diligence process. We’ve seen a handful of deals fall through between initial bids / IOI and closing. To avoid any surprises, there are some important aspects for the seller to consider in advance of this stage.

**Getting from Initial Offer to Closing <sup>(1)</sup>**

**Financial Reporting**

- *Have the financial statements been fully scrubbed?*
- *Is the business reporting on cash basis or accrual basis?*
- *Has a Quality of Earnings (QofE) been performed to look at GAAP and any potential personal and / or non-recurring adjustments?*

**Working Capital / Balance Sheet**

- *What are the working capital needs of the business?*
- *What are collection policies? Is there any significant bad debt?*
- *How much accounts receivable is outstanding? What percentage is older than 180 days?*

**Accounting Policies**

- *How is revenue being recognized? Is the business utilizing the percentage of completion method?*
- *Are there large customer deposits on the balance sheet?*

**Business Performance**

- *How is the business performing through the process?*
- *Is the company on track to hit budget?*

(1): Key considerations in this exhibit are more specifically tailored to private business owners and do not address concerns that plagued some of the larger deals that ultimately did not close (management team, platform integration, systems / processes, etc.)



### Valuation Expectations

It is critical to establish reasonable valuations at the outset of any sell-side process. One key theme that was prevalent in 2022 was a disconnect between seller expectations and what buyers were willing to pay for a particular asset. The range of multiples can be quite large depending on a number of factors, several of which are highlighted in the exhibit below:

#### Company Characteristics that Influence Valuation



*What is the underwriteable EBITDA of the business and how has it trended historically?*



*How volatile is the financial profile, particularly as it relates to exposure to big pops from weather events / CAT projects?*



*What end markets are being served? Is there a healthy mix of both commercial and residential clients?*



*How broad is the coverage area? Is the geographic reach limited to one local area or are there multiple locations serving a wider regional / national landscape?*



*What services are being provided? Is it a fully integrated approach with both initial emergency services / mitigation work followed by restoration / reconstruction on the back end?*



*How are you getting business? Is there a network of direct referral sources or national accounts / MSAs in place? How reliant is the business on the TPA channel / program work?*



*How robust is the existing team and infrastructure? Are the systems, processes, and procedures in place for growth? Are there new markets and services to add to the current offering to capture additional revenue?*

### Macro M&A Environment

There is a lot of uncertainty in the current overall M&A market, irrespective of the Disaster Restoration & Emergency Response sector. These global headwinds could potentially have an impact on deal activity, particularly as it relates to private equity investors and lenders. There are certainly fears of a potential looming recession, and the recent actions of the Federal Reserve raising interest rates to curb inflation is having a direct impact on deals. Private equity money is currently on the sidelines in a holding pattern, and the debt markets have seized up. However, we do feel the Disaster Restoration & Emergency Response space is somewhat insulated given the non-discretionary nature of the work and recession resistant characteristics.

#### Summary:

- We are still quite optimistic on the sector as there is no shortage of investor interest in the space
- The financial sponsor community continues to seek a scalable company for an initial platform opportunity
- The strategic and quasi-strategic (private equity-backed) players have remained active and continue to execute on their buy-and-build consolidation strategies



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### Recent M&A Activity - Select 2022 Transactions

Dec-22	Rocky Mountain Restoration	HighGround Restoration Group (Trivest Partners)
Dec-22	ServiceMaster by Century & ServiceMaster by Disaster Recon	VantEdge Partners
Dec-22	PureDry Restoration	HighGround Restoration Group (Trivest Partners)
Nov-22	Emergency Restoration	Firstservice Corporation (TSX: FSV)
Nov-22	Bryant Hartke	CRUSA - Construction & Restoration Solutions
Nov-22	Drymedic Restoration	Authority Brands (Apax Partners)
Oct-22	Accent Property Restoration of Milwaukee	BMS Enterprises (AEA Investors)
Oct-22	Same Day Restoration	HighGround Restoration Group (Trivest Partners)
Oct-22	Paul Davis Franchise & Two Regional Offices	Firstservice Corporation (TSX: FSV)
Oct-22	J&D Home Improvement d/b/a The Basement Doctor	Tecum Capital
Oct-22	Watermark Restoration	Firstservice Corporation (TSX: FSV)
Sep-22	Solutions Management	TrueSource (OnPoint Group)
Sep-22	Armstrong's Restoration	Watterson (Highview Capital)
Sep-22	Sanitec Solutions	Advanced DRI (Brookstone Partners)
Sep-22	MacKenzie Restoration	ATI Restoration (TSG Consumer)
Aug-22	Highland Construction	BMS Enterprises (AEA Investors)
Aug-22	Just Right Cleaning and Construction	FLEET Response (Trinity Hunt Partners)
Aug-22	Service1st Restoration	Advanced DRI (Brookstone Partners)
Aug-22	1-800-BOARDUP	BELFOR (American Securities)
Aug-22	Pro-Care Disaster Restoration Services	BluSky Restoration (Partners Group - Kohlberg & Co)
Aug-22	SERVPRO of Western Lancaster County, PA	Private Investor
Aug-22	Artisan Rebuilders	Elite Construction Solutions
Aug-22	Advanced Restoration & ProFire	Montera Investment Group
Jul-22	TCS Restoration	Zolman Restoration (Sachse Construction Company)
Jul-22	All County Remediation	ATI Restoration (TSG Consumer)
Jul-22	Branch Restoration	Advanced DRI (Brookstone Partners)
Jun-22	Bassett Creek Services	Watterson (Highview Capital)
Jun-22	Repairs Unlimited	Great Range Capital
Jun-22	Craft Restoration Services	On Side Restoration (OTCMKTS: IFCZF)
Jun-22	Lone Star State; Metrolina Restoration; Talley Construction	Continuum Restoration (Robertson Capital)
May-22	First General Services of Hartford, CT	Advanced DRI (Brookstone Partners)
May-22	Florida Catastrophe Corp.	BluSky Restoration (Partners Group - Kohlberg & Co)
Apr-22	American Integrity Restoration	BluSky Restoration (Partners Group - Kohlberg & Co)
Mar-22	RestorePro Reconstruction	FLEET Response (Trinity Hunt Partners)
Jan-22	Cousino Restoration	FLEET Response (Trinity Hunt Partners)
Jan-22	Five Star Restoration & Construction	Kustom US (Cyprus Partners)
Jan-22	Paul Davis & Four Regional Offices	Firstservice Corporation (TSX: FSV)
Jan-22	J&M Keystone	ATI Restoration (TSG Consumer)
Jan-22	Emergency Fire & Water Restoration	Firstservice Corporation (TSX: FSV)
Jan-22	Advance Catastrophe Technologies	Cotton Holdings (Sun Capital Partners)
Jan-22	Target Solutions	Cotton Holdings (Sun Capital Partners)
Jan-22	STAT Services	Firstservice Corporation (TSX: FSV)
Jan-22	Southeast Construction & Restoration	Commercial Restoration Company
Jan-22	Alliance Environmental Group	Incline Equity Partners

### Most Active Acquirers



20+ acquisitions  
dating back to 2019



12 acquisitions  
dating back to 2017



10 acquisitions  
dating back to 2019



9 acquisitions  
dating back to 2020



8 acquisitions  
dating back to 2020



6 acquisitions  
dating back to 2019



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### Our Experience

Metronome Partners has extensive experience representing sellers in the Disaster Restoration & Emergency Response sector across the U.S. Our team actively tracks a variety of key market segments, participants, trends, and deals to provide industry-leading M&A advisory services. With extensive connectivity with each of the major strategic and financial players, Metronome specializes in working with shareholders to identify the best option for their business to preserve culture and maximize value for all stakeholders. Recent engagements include the following mandates:

#### Project Acadia

Financial Advisory Services

In Process

Acadia: Mitigation / Restoration and Equipment Rental Services

#### Project Bronco

Corporate Sale

In Process

Bronco: Mitigation / Restoration Services

#### Project Redwood

Financial Advisory Services

In Process

Redwood: Mitigation / Restoration Services

#### Project Lightning

Corporate Sale

On Hold

Lightning: Mitigation / Restoration Services

#### Project Restore

Buy-side Advisory

In Process

Restore: Mitigation / Restoration Services



has acquired



January 2022

CRC: Mitigation / Restoration Services



has been acquired by



July 2021

NDT: Mitigation / Restoration Equipment Rental



has been acquired by



September 2019

BMS CAT: Mitigation / Restoration Services



a subsidiary of



has been acquired by



August 2008

InStar: Mitigation / Restoration Services



a portfolio company of



has been acquired by



April 2002

InStar: Mitigation / Restoration Services

We pride ourselves on the long-term, consistent advice we provide our clients and are proud of the relationships our team has established, built, and sustained. Our reputation is our livelihood and a testament to the rigorous processes we run and the excellent results we achieve.

If you would like to discuss how the transactions and trends described in this report will affect the outlook for M&A opportunities for Disaster Restoration & Emergency Response industry participants or would like specific commentary on company valuations and industry transaction multiples in today's Disaster Restoration & Emergency Response market, please contact David Edelson.

Additionally, if you or anyone from your team will be attending the Restoration Industry Association (RIA) industry conference in Orlando, FL on April 24-26, 2023, and would like to meet with David in person, please feel free to reach out to set something up.

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