

Commercial & Industrial Services

Identifying Opportunity and Unlocking Value

Industrial and commercial services span a broad range of businesses that support the infrastructure, facilities, and day-to-day operations of organizations. These businesses provide essential services including facilities maintenance, HVAC, electrical and plumbing, environmental and waste management services, logistics and equipment support, and specialty contracting, among others. Business models vary widely: some companies are asset-heavy, deploying their own workforce and equipment, while others are asset-light, delivering services through a "vendor managed" approach or third-party partners.

The sector is resilient and includes a range of mission critical services across most end markets including manufacturing, education, real estate, healthcare, and the government with occasional residential overlap.

Service businesses are attractive investments and have been a bright spot in a lumpy deal market:

- **Recurring and mission critical demand** offers stable and recession-resistant revenue streams
- **Fragmented competitive landscapes** including local and regional players, creating opportunities for buy-and-build strategies as well as location based de-novo approaches
- **Broad applicability across end markets** with multiple avenues for growth, mitigating reliance on any single industry
- **Opportunity to scale multi-service platforms** which can differentiate firms and build highly entrenched customer relationships seeking to provide more comprehensive business solutions

Investors typically focus on a set of common diligence themes. IGS provides a comprehensive look which shines a light on market opportunity attractiveness and associated revenue quality; business model decisions and resultant customer relationship dynamics; operational and financial performance; and target positioning within the broader competitive landscape.

Services Category	Representative Examples
Facilities Services	HVAC, plumbing, electrical, janitorial, landscaping, pest control and safety inspections
Building Operations Support	Security and access control, automation, life safety, and lift services
Environmental & Waste Services	Waste management, hazardous waste disposal, recycling, environmental testing and remediation
Energy & Utility Services	Electrical grid services, pipeline services, and emergency response
Logistics & Industrial Support	Fleet management, equipment rental, material handling, and warehousing
Specialty Services	Niche trades including scaffolding, insulation, signage, etc.

A Framework for Evaluating Potential Investments

The following criteria are typically evaluated in commercial due diligence engagements to assess the viability, resiliency, and scalability of commercial and industrial services businesses:

Revenue Quality			
Project Type	One-Offs	↔	Recurring <i>Recurring models have more stable revenue and stronger customer stickiness while project-driven models require strong pipeline management</i>
Economic Resiliency	Deferrable	↔	Non-Deferrable <i>Businesses that support deferrable demand can be cyclical though rebound with economic growth while critical services are recession-resistant</i>
Customer Strategy & Relationship Dynamics			
Target Customers	Independent	↔	Chains <i>Businesses seek balance between pursuing margin capture with local customers against the volume and revenue stability that national chain customers offer</i>
Formality of Relationship	As-Needed	↔	Multi-Year Agreements <i>Formal relationships with multi-year contract agreements or MSAs are more predictable revenue streams with lower sales costs.</i>
DBE Designation	Non-DBE	↔	DBE Certified <i>DBE status can provide a marginal advantage in bids for government sponsored project work</i>
Operational & Financial Factors			
Asset Model	Asset-Light	↔	Asset-Heavy <i>Asset-heavy models have more structured quality control while asset-light models offer superior economics and are better poised to support growth</i>
OEM Alignment	OEM Agnostic	↔	Established Partnerships <i>OEM relationships offer stability though can limit geographic growth opportunities based on contract terms. Independent businesses have more flexibility but sacrifice volume</i>
Workforce Dynamics	Less Skilled	↔	More Skilled <i>Services that require less skilled labor are easier to scale but harder to differentiate while skilled labor presents challenges with attracting and retaining talent. Union dynamics must be considered depending on customer base</i>
Scalability			
Service Breadth	Niche Specialist	↔	Multi-Service Platform <i>Point solution providers have deep expertise and strong brands but a more limited addressable market while multi-service platforms can target broader customer wallet share</i>

Evaluating Growth Levers

Identifying and validating growth levers is a critical component of IGS engagements.

The diligence process includes assessing the feasibility and timeline of expansion initiatives, evaluating factors such as the operational capacity of the target company to support expansion, the strength of customer relationships that enable service line expansion, and the competitive dynamics and barriers to enter new markets.

Key issues include:

Growth Levers	Market Considerations
 Geographic Expansion Expanding distribution or service coverage	<i>Are there OEM territory restrictions or competitive dynamics that limit geographic expansion?</i>
 Vertical & End Market Expansion Apply existing service capabilities and operational expertise to new industry sectors	<i>Does the company possess the knowledge and capabilities to serve new industry verticals effectively? Is there a "right to win"?</i>
 Product / Service Line Expansion Introducing related products and services to provide a more comprehensive solution offering	<i>Is the cross-sell real? Would new service lines require significant upfront capital investment or dilute focus from core competencies?</i>
 Share of Wallet / Customer Penetration Up-selling premium and higher margin solutions and cross-selling adjacent services to become more entrenched with customers	<i>Is "land and expand" viable? Does the organization have the technical capabilities, and credibility to deliver new service offerings?</i>
 Channel & Partnership Expansion Leveraging partnerships with OEMs and expanding into new sales channels to increase customer access	<i>Are there established incumbents occupying remaining share of wallet?</i>
 Technology & Digital Enablement Utilize technology platforms to increase operational efficiency and establish competitive differentiation (e.g. deploying predictive maintenance models)	<i>Are there legacy system integration challenges or data quality issues that would make implementing new technology solutions prohibitively complex or expensive?</i>
 Inorganic Growth / M&A Availability of tuck-in acquisition targets to verticalize, expand geographic footprint, or add product / service coverage	<i>Do the "right" targets exist in terms of size, geography, reputation and customer footprint?</i>

Relevant Experience

IGS is the trusted partner of leading private equity investors, advisors, and operators, with 25 years of experience and thousands of engagements completed across broad industries and niche segments.

Our seasoned consulting professionals provide our client partners with the critical proprietary insights and intelligence needed to make the best investments and strategic decisions, all with a focus on integrity, transparency, trust, and respect.

IGS assistant clients on the following industrial and commercial services transactions, among others:

IGS evaluated  INDUSTRIAL AUTOMATION on behalf of a private equity sponsor	IGS evaluated  RWIC / FIELD SERVICES on behalf of a private equity sponsor	IGS evaluated  UNDERGROUND INFRASTRUCTURE SERVICES on behalf of a private equity sponsor
IGS evaluated  LAKE AND POND MANAGEMENT on behalf of a private equity sponsor	IGS evaluated  ASPHALT & CONCRETE PAVING SERVICES on behalf of a private equity sponsor	IGS supported  PROFESSIONAL TRAFFIC CONTROL SERVICES as part of its sales process

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