

# Janitorial Services

## ***Janitorial Services Industry***

The U.S. commercial janitorial services industry is a large, highly fragmented industry. There are approximately 40,000 commercial janitorial services providers in the U.S., with combined annual revenue of \$30 billion.

The janitorial services industry includes companies that provide a range of services such as general cleaning, trash pickup, and floor polishing, as well as specialty services such as cleaning carpet, window washing, and duct cleaning.

Companies in the janitorial services industry range in size from small, single-person enterprises to franchises and large national companies with thousands of employees.

Small, regional companies dominate the industry. In fact, the industry's top 50 companies make up less than 30% of total industry revenue. These small companies maintain a competitive advantage due to their ability to adequately service small business clients. Most regional players are small. A "large" local operation may earn as much as \$3 million in annual revenues; however, most regional players are smaller.

Within the commercial janitorial services market, there are only about 150 companies earning annual revenues of \$10 million or more.

The commercial janitorial services industry also includes divisions of larger service companies such as ServiceMaster, ABM Industries, and UNICCO. These companies have a competitive advantage in winning and servicing large, multi-service contracts, especially among national companies.

Service industries, in general, are an increasingly important part of the American economy and the commercial janitorial services

market, in particular, is one of the fastest growing domestic services industries.

The state of the U.S. economy is an important factor for janitorial service providers – both residential and commercial – due to the impact on occupancy rates and disposable income, respectively. In recent years, the industry has benefited from a strong economy.

Janitorial services companies continue to improve operating efficiencies by streamlining operations and utilizing new cleaning equipment technologies. Companies are also seeking the benefits attainable through strategic acquisition opportunities.

## ***M&A in the Janitorial Services Industry***

A review of recent M&A transactions in the commercial cleaning services industry shows that buyers are pursuing strategic acquisitions in order to expand their market share within specific geographical market as well as transactions that can enhance their presence in key customer segments. Buyers are also interested in acquiring companies with sought-after contracts in order to gain access to otherwise unavailable clients.

Ongoing consolidation is expected in the janitorial services industry due the fragmented nature of the market and the competitive advantages that can be attained through strategic acquisitions.