SPRING 2025

Evaluating Opportunities in Restoration & Renovation Services

RAYMOND JAMES | INVESTMENT BANKING

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Restoration and renovation services are poised for growth

OVERVIEW

- Favorable market conditions, highly competitive fragmentation and many service adjacencies offer appealing returns to industry investors and operators
- Commercial and residential buildings continue to age and become more susceptible to routine breakage (appliance malfunctions, leaky roofs and sinks, etc.) and weather damage (fire, smoke, wind, hail, rain, etc.). Complementing this is increasingly volatile weather, which creates more catastrophic events each year. These forces combine to drive demand – more frequent weather events affect an increasingly vulnerable building stock, creating more mitigation, restoration and renovation scenarios.

KEY THEMES & GROWTH DRIVERS

Strong market demand and recurring need

- Large total addressable market (TAM) spanning general and specialized restoration services
- Consistent demand driven by routine incidents such as burst pipes, leaking roofs and kitchen fires, alongside high-value catastrophic events linked to weather and climate change

Consolidation potential

- Highly fragmented market with a significant amount of local and regional operators
- Platform investments, and the subsequent execution of roll-up strategies, offer opportunities for inorganic growth and operational efficiencies

Expansion opportunity

- Companies can diversify service offerings into several high-value, specialized adjacencies (e.g., mold remediation)
- Geographic expansion—both organic and through acquisition—into underserved regions can unlock further growth potential

Recession resilient business model

- Mitigation and restoration services are urgent, essential and non-discretionary – customers must address property damage regardless of economic conditions
- A significant portion of restoration services is funded through insurance, insulating providers from customer spending fluctuations

Tech advancements

- AI-powered tools, digital platforms and automation streamline estimation and restoration processes to improve efficiency, pricing accuracy and service quality

Restoration and renovation overview

RESTORATION

Restoration commercial and residential properties after unplanned and reoccurring events (e.g., fire, flood, weather event), typically on short notice

RENOVATION

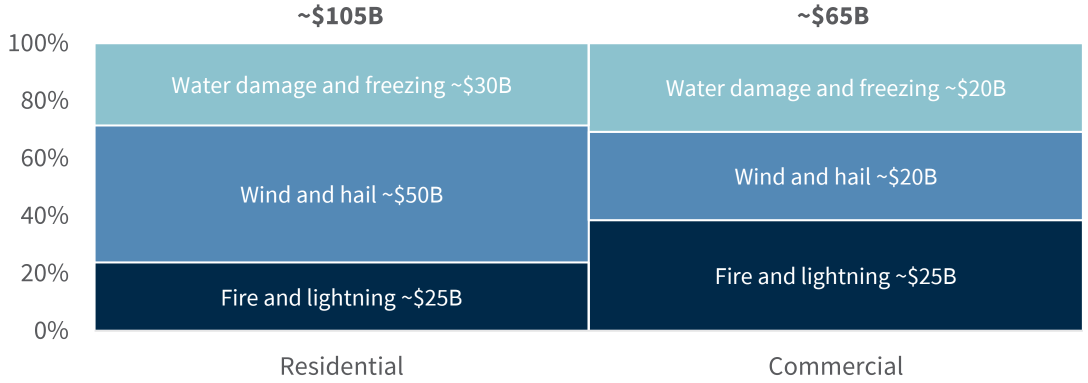
Predictable, planned and necessary asset preservation, preventative maintenance and capital improvement

	RESTORATION		RENOVATION
	MITIGATION	RECONSTRUCTION	
Description	• Assessing and stabilizing facility damage to avoid secondary damage • Typically, the first step of a restoration process	• Rebuilding, repairing and rehabilitating the property to its pre-event state or better • Typically, the second step of a restoration process	• Planned structural maintenance and capital improvement services primarily for commercial properties
Services	• Water extraction • Drying & dehumidification • Biohazard, sewage and debris removal • Fire and smoke remediation and deodorization • Lead / mold / asbestos testing and remediation	• Rebuild, repair and rehabilitation • Contents restoration and storage • Consulting • Design deficiencies • Material deficiencies • Construction deficiencies • Event-related structural / finishing reconstruction	• Capital improvement projects • Multifamily replacement / make-ready • Demolition and debris removal • Remodeling • Interior and exterior finish work • Electrical and plumbing upgrades / retrofits • Interior / exterior maintenance • Light handyman work • Planned roofing replacements
Planned / unplanned	Unplanned	Unplanned	Planned
Average duration	1-2 weeks	1-2 months	1-2 months
Price sensitivity	Low	Moderate	High
Average gross margin	~45-50%+	~40-45%	~25-30%
Bid process	Not typically required	Varies	Yes

Source: Raymond James Research & Analysis

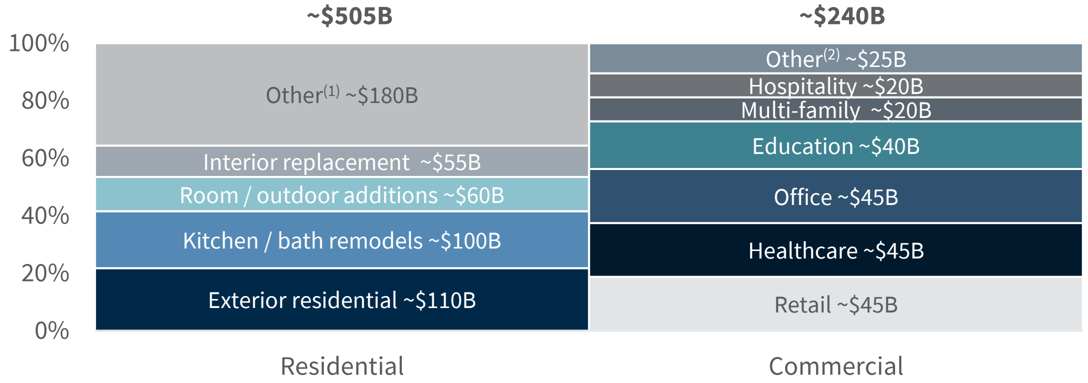
The restoration and renovation market covers many end markets and property damage types

RESTORATION



- Stabilization and reconstruction of affected property areas in addition to removal of damaged property and residual water / mold / etc.
- Within restoration, mitigation work has the highest margin as it is the most time-sensitive, given stabilization of the property prevents further damage to property
- Depending on the level of specialization, size and location of job, providers may choose to utilize subcontractors to supplement its self-perform personnel

RENOVATION



- Renovation work is the planned structural maintenance and capital improvement services, primarily for commercial properties
- Multi-family turnaround work occurs when a service provider is brought in to update flooring, kitchen, paint, etc. after a tenant moves out
- Preventative maintenance work involves regular inspections, servicing and minor repairs to prevent major failures

While specific property damage is required for mitigation / restoration work, the renovation market encompasses a broad spectrum of industry expenditures, including capital improvements, structural maintenance, demolition, mechanical and electrical system upgrades and full-scale remodeling. Nearly all commercial and residential properties contribute to this market over time.

Source: STEER Partners Research & Analysis , Insurance Information Institute, JLL, NAHB, Costar, CBRE, EIA, US Census, Reonomy
Note: (1) Includes outside property upgrades and systems / equipment replacements
(2) Includes food service, senior living, data centers and life sciences
Renovation data does not include warehouses / storage, religious worship, public assembly, public order and service building categories as defined by the EIA

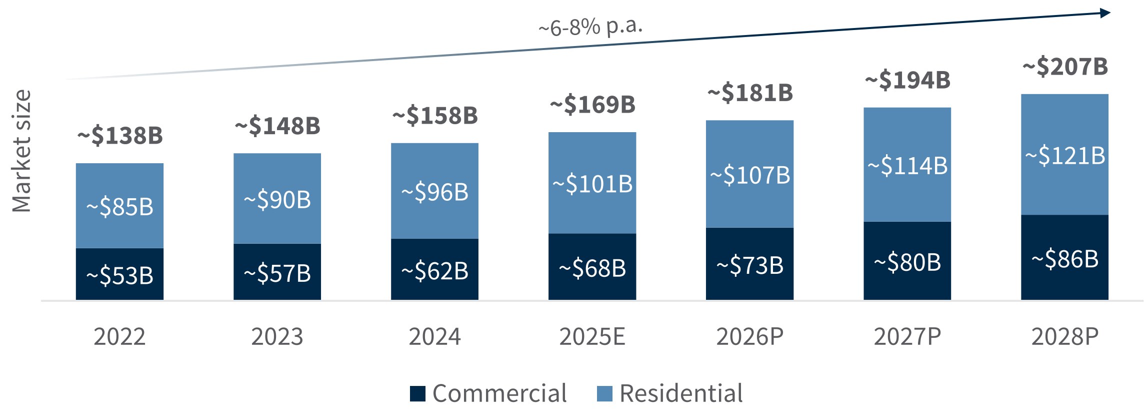
Large TAM and attractive growth profile

The **total market** for restoration and renovation services has **grown steadily at ~3% p.a.** over the past eight years across both commercial and residential sectors

Restoration services have outpaced renovation, with growth of 6-8% p.a., due to the to the increasing frequency of homeowner property damage and severe weather events. However, commercial housing supply (five or more units) is growing slightly faster than single and multi-family properties.

MARKET GROWTH: RESTORATION

(2022-2028P)



Restoration CAGRs (2022-2028P)

Residential

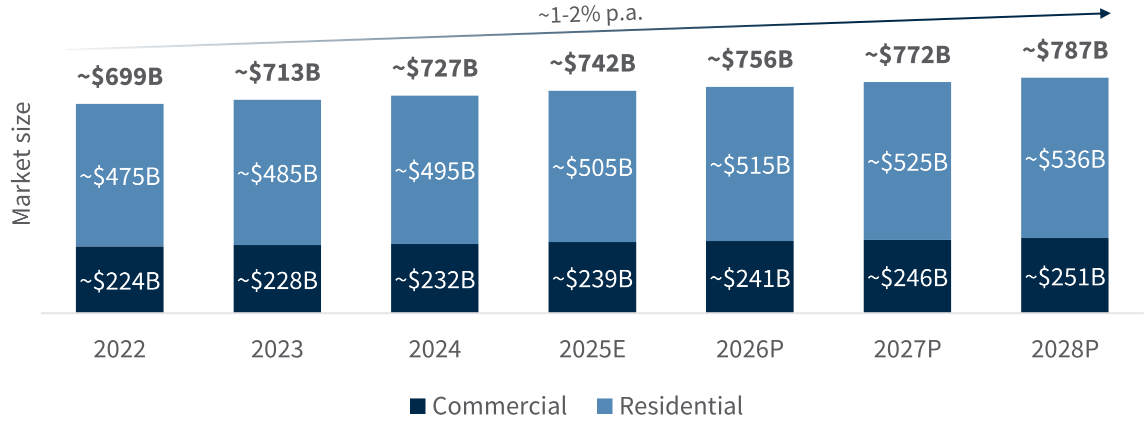
6.0% p.a.

Commercial

8.5% p.a.

MARKET GROWTH: RENOVATION

(2022-2028P)



Renovation CAGRs (2022-2028P)

Residential

2.0% p.a.

Commercial

2.0% p.a.

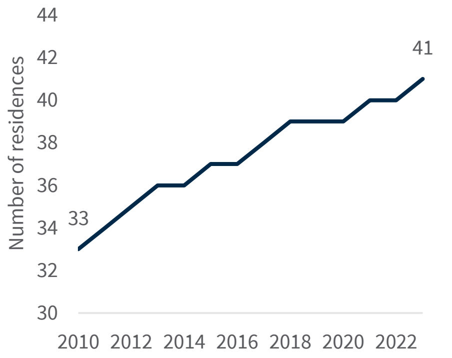
Source: STEER Partners Research & Analysis, Insurance Information Institute, JLL, NAHB, Costar, CBRE, EIA, U.S. Census, Reonomy

Powerful market drivers will continue growing demand

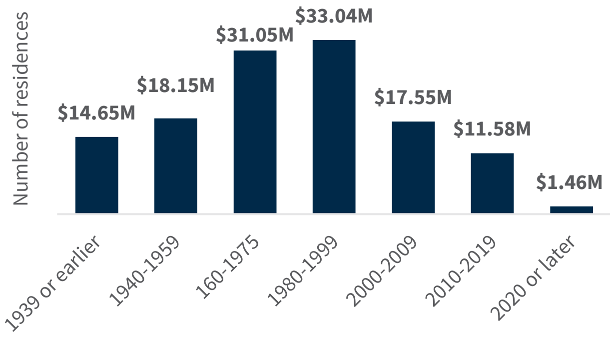
AGING BUILDING STOCK

Older homes and buildings have aging plumbing, roofs and appliances, making them more vulnerable to weather events, leaks and fires. The median age of U.S. homes has increased by eight years since 2021, outpacing new construction, which has led to more frequently occurring events like burst pipes and leaks.

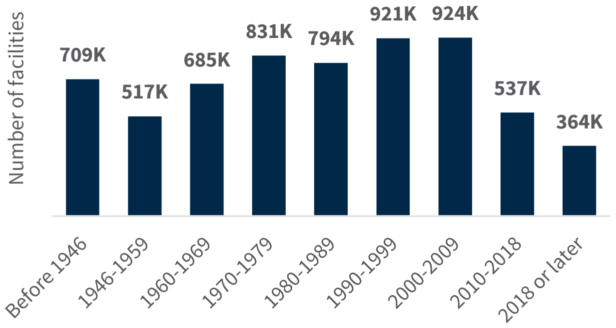
Median age of owner-occupied housing
(2010-2023)



Occupied housing units by year built: U.S
(2023)



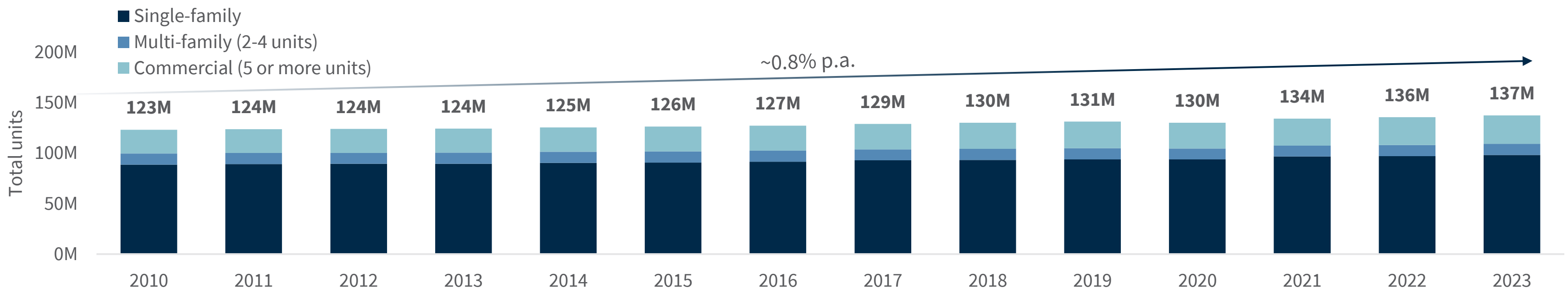
Commercial facilities units by year built: U.S
(2024E)



NEW CONSTRUCTION

The U.S. housing supply has consistently grown at ~0.8% p.a., incrementally expanding the supply of single-family, multi-family and commercial residences. The commercial segment has grown the fastest, at ~1.4% p.a. since 2010.

Total housing units: U.S.
(2010-2023)



Source: U.S. Census, EIA

Powerful market drivers will continue growing demand (cont.)

MARKET & INVESTMENT IMPLICATIONS

Revenue potential: Large-loss catastrophe (“CAT”) events generate large contracts often backed by insurance and government aid

Profitability: Due to the time sensitivity, heightened demand and limited supply of service providers, margin on CAT events is typically higher than standard restoration services

Resource allocation: CAT response requires rapid deployment, which can strain regular operations. Firms with scalable teams and equipment can balance both.

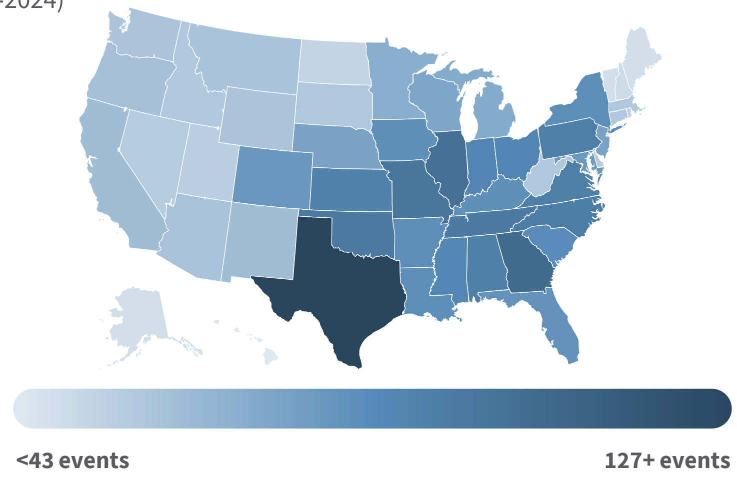
Strategic growth: Specialized CAT expertise can help companies win business and differentiate themselves

Long-term demand: With severe weather events increasing, CAT work will continue to be a growth vertical for industry demand

WEATHER TRENDS AND CAT EVENTS

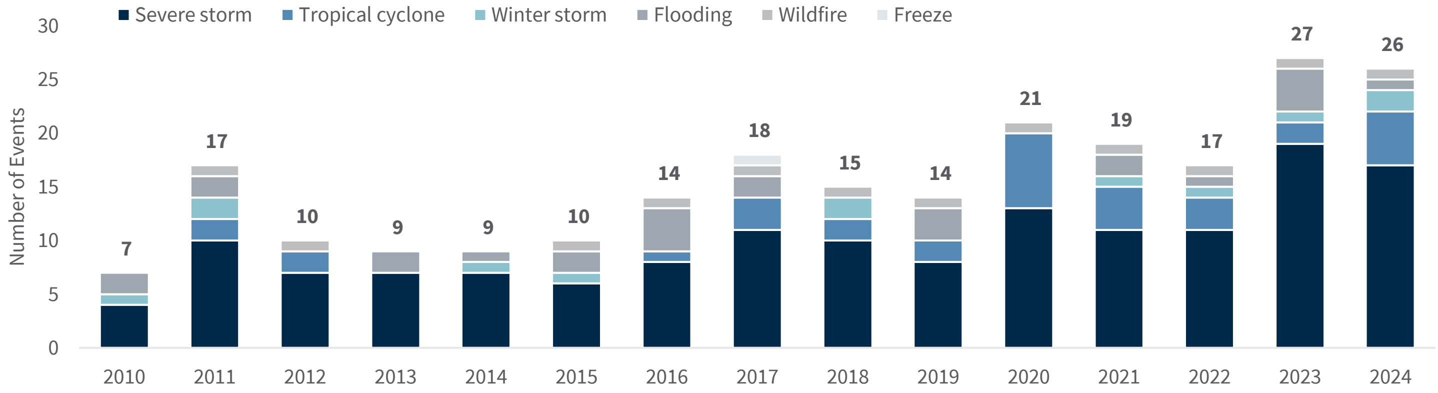
- The severity and number of storms that create mitigation / restoration events are increasing
- 2023 and 2024 experienced record-high numbers of CAT events, creating billions of dollars in damage
- Forecasts expect the number of severe storms per year to continue increasing as climates change, especially in high-risk areas like the Southeast and West Coast

CAT event frequency by state
(2000-2024)



WEATHER AND CLIMATE DISASTER EVENTS (>$1B IN DAMAGES)

(CPI-adjusted; 2010-2024)



Source: NOAA
Note: Weather events exclude droughts

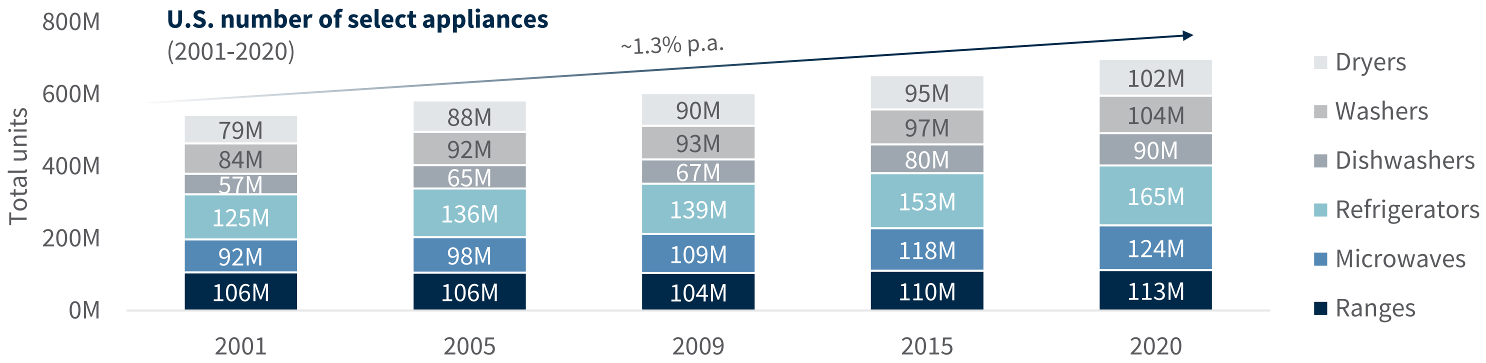
Increasing regular appliance malfunctions

While severe weather and CAT events grab headlines and raise incremental revenue for mitigation and restoration providers, baseline industry growth is driven by property damage caused by non-weather-related events, such as electrical fires, pipe bursts and appliance malfunctions

More appliances

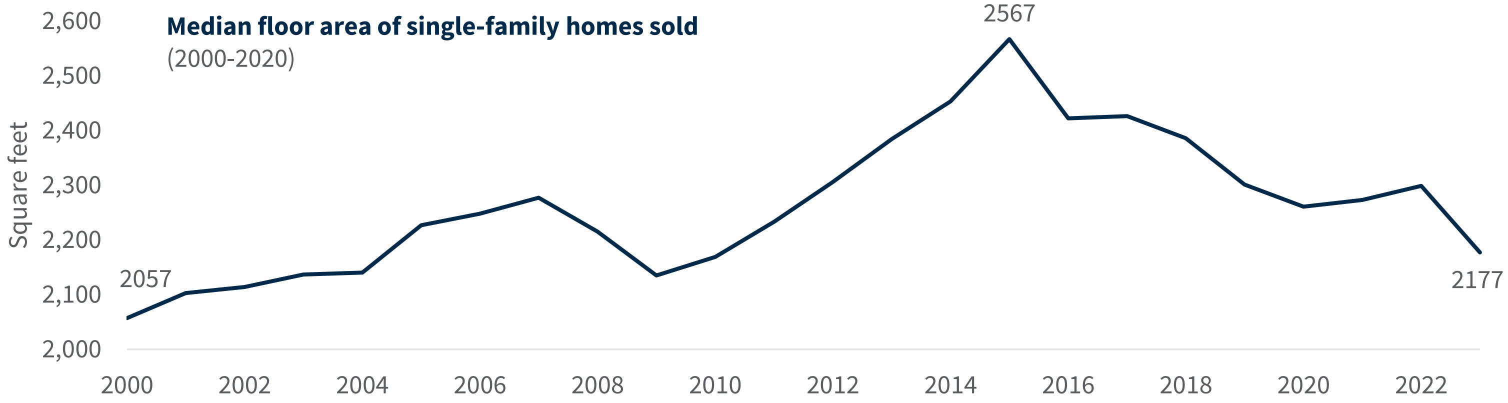
The total number of household appliances and the number per home, has steadily increased, outpacing housing unit growth and raising the risk of mechanical failures, leaks and electrical fires

With more appliances packed into smaller spaces, the risk of water and fire damage per square foot increases. Also, the rise of multi-family housing adds shared infrastructure risks that add to demand growth.



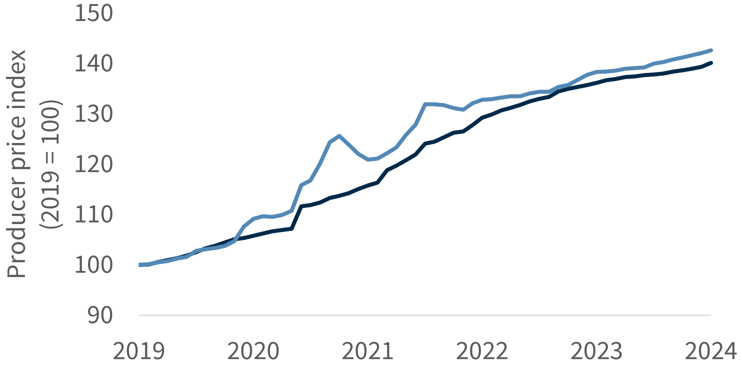
Home sizes

Over the past decade, new homes built have decreased in overall size due to rising construction costs, affordability concerns and a shift toward more efficient living – yet they still contain a high number of appliances and plumbing fixtures



Pricing and labor trends

Price indices: restoration and mitigation
(2019-2024)

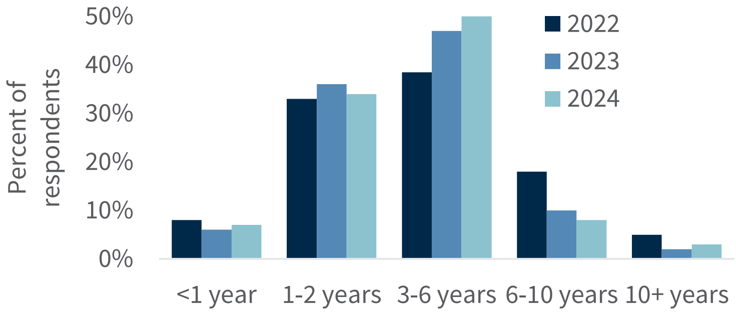


CAGRs

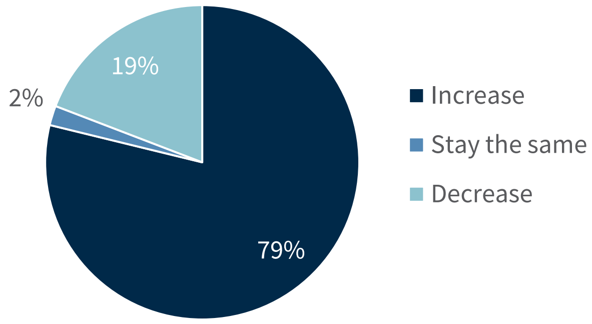
Service type	2020-2022	2022-2024	2020-2024
Restoration	~10.6% p.a.	~3.6% p.a.	~8.0% p.a.
Mitigation + Reconstruction	~6.1% p.a.	~4.1% p.a.	~8.4% p.a.

- Pricing has steadily increased over the last 5 years for both restoration and mitigation work, largely driven by **a shortage of qualified restoration technicians and increasing materials pricing**
- Moving forward, **labor-driven pricing increases are expected to slow as labor shortages improve**, though overall pricing may remain volatile due to elevated equipment import prices

Average technician tenure



12-month expected change in employee count



Reasons for labor shortage

SPECIALIZED SKILLSETS
Unlike general labor, restoration demands expertise in water/fire damage, mold remediation and structural drying

HIGH PHYSICAL DEMANDS
Long hours, emergency calls and hazardous environments make retention challenging

CERTIFICATION BARRIERS
Industry certifications and ongoing training create additional hurdles for entry

WAGE PRESSURE
Other trades with comparatively higher wages attract workers away from restoration and renovation

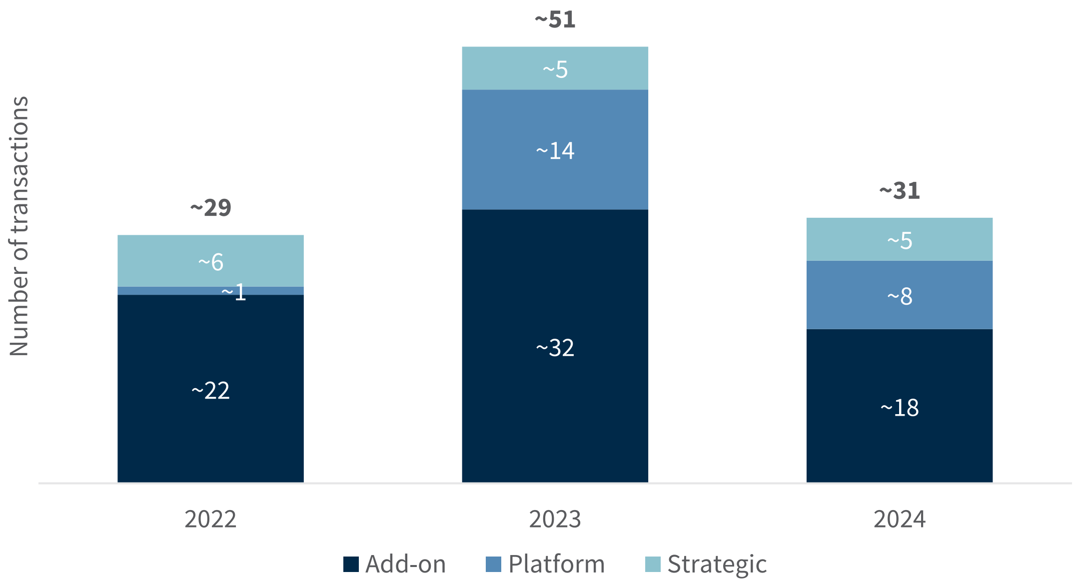
Labor shortages remain a challenge but are likely stabilizing. Hiring improved in 2023 and 2024, and more technicians are gaining mid-level experience, suggesting long-term workforce recovery efforts are taking hold.

Source: Xactimate, C&R State of the Industry Survey; 2024

The M&A market has continued to be active, with several platforms emerging

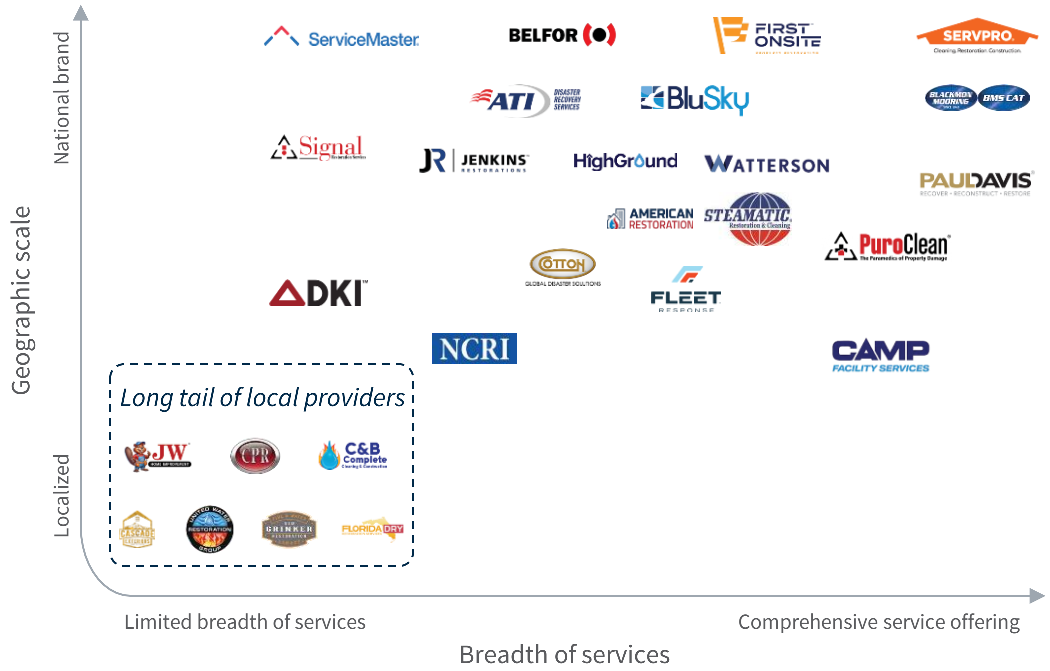
The last two years have seen an elevated number of PE-backed platform deals; sponsors to continue identifying new platform and add-on acquisition opportunities moving forward

Number of transactions in restoration industry
(2022-2025 YTD)



HIGH FRAGMENTATION CREATES ACQUISITION OPPORTUNITIES

Providers of various size, customer focus and business model make up the mitigation and restoration industry. The market is highly fragmented, with ~8-10K providers nationally.



Source: STEER Partners Research & Analysis, Raymond James Research & Analysis, Company Websites

Attractiveness to buyers depends on several factors

Initial valuations are based on EBITDA, with further variation based on a business's operational attributes. Commercial work volume, high margins, a widespread referral network and integrated brands will all contribute to a higher valuation.

Baseline EBITDA

<$4M	$4-10M	$10-15M	>$15M
~3-6x	~6-9x	~9-12x	~12-15x+

Baseline multiple

KEY VALUATION DRIVERS

End market concentration

Restoration providers performig commercial work can command higher multiples – commercial jobs tend to be **larger and require more scale and brand strength** to win

Restoration vs. renovation mix

Restoration work is viewed more favorably thanks to its **higher margin**. Renovation providers face more competition and often have more volatile revenue.

Referral mix

Businesses commanding high multiples maintain relationships with carriers, property managers and other sources (digital, word-of-mouth, etc.). **TPA reliance will reduce multiples** as they oftentimes reduce margins.

Brand integration

Providers with integrated **brands, operations and systems** command higher multiples. Franchises and unincorporated rollups will be valued slightly lower.

Source: Raymond James Research & Analysis, STEER Partners Research & Analysis

Attractiveness to buyers depends on several factors (cont.)

INSURANCE PROVIDER RELATIONSHIPS

- Approximately 80% of restoration work flows through insurance carriers, as few homeowners can afford to cover the costs of a restoration job out of pocket. Although, some homeowners may also neglect to file insurance claims to avoid rate increases. Additionally, some carriers maintain lists of preferred vendors that they prioritize when responding to claims, though homeowners can choose their own providers.
- Providers and carriers are often at odds for restoration jobs. Independent adjustors can help resolve disputes, but this leads to project timeline extensions and potential cash flow issues for smaller providers.
- Major commercial or residential renovations are not typically covered by insurance. For multifamily properties, insurance generally does not cover tenant exit-driven remodels, though unintentional tenant damage may be covered.

Service providers

Restoration providers address damage and provide cost estimates

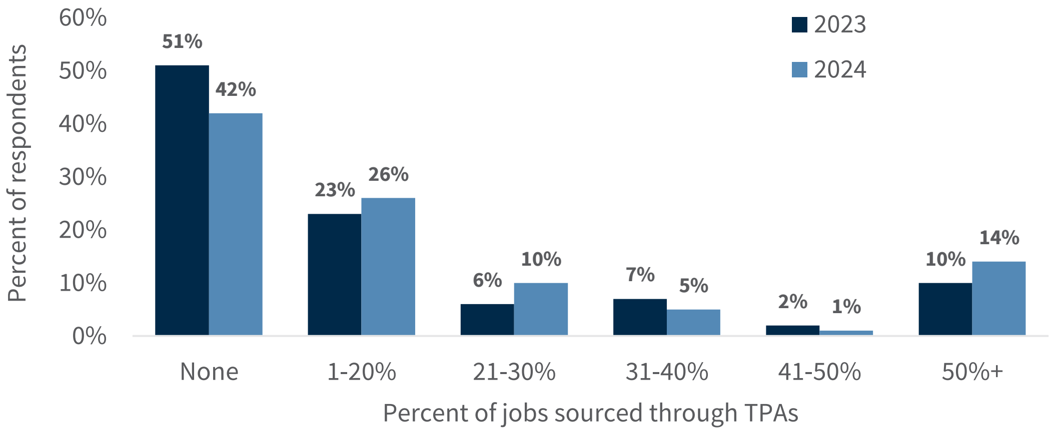
Adjustors / insurance carriers

Adjustors (may or may not be employed by the insurance carrier) assess the damage and **confirm or counter the service provider's estimates**

THIRD-PARTY ADMINISTRATORS (TPA) UTILIZATION

- TPAs serve as intermediaries between insurance carriers and service providers, offering a reliable source of leads through their vetted network. They charge fees to both insurance carriers and service providers.
- Historically, overreliance has been seen as a negative, as most providers want to preserve margins as much as possible. However, in recent years, some restoration providers are accepting a higher percentage of TPA work due to the stability they provide.

Percentage of mitigation / restoration jobs sourced through TPAs



TPAs take ~15-20% of a job's cost from restoration providers, significantly impacting margins

Source: C&R State of the Industry

Restoration and renovation providers face unique challenges

Renovation providers face higher barriers to entry, due to having higher startup equipment costs and more stringent certification requirements. Both restoration and renovation businesses must develop their initial network of referral partners. Restoration companies develop relationships with TPAs, insurance carriers and specialty tradesmen, while renovation providers work with A&D firms, GCs, etc.

	2020-2022	2022-2024
Referral partnership network	Significant barrier	Moderate barrier
Technical / operational expertise	Moderate barrier	Significant barrier
TPA network access	Significant barrier	Not applicable
Equipment costs	Minor barrier	Significant barrier

OTHER INDUSTRY TRENDS MAY CREATE SLIGHT VOLATILITIES

1 Labor shortages

There is a small pool of qualified technicians available for hiring, making it challenging to scale smaller businesses. **Lower barriers to entry** encourage technicians to start their own businesses, leading to **higher turnover**.

2 Weather trends

Years with temperate weather or fewer storm events can lead to flattened growth for restoration service providers. However, long-term trends forecast **increased temperatures** and a **larger number and severity of storm events**.

3 A.I. and new technologies

A.I. is most prevalent in scoping and estimating processes, where they **can help improve accuracy and shorten timelines**. New smart technologies like pipe sensors and automatic water shutoff valves are not expected to gain significant traction with homeowners.

4 Plumber insourcing

Plumbers rarely have in-house mitigation capabilities, as they prefer to keep their teams focused on plumbing jobs. A few large plumbing brands like Roto-Rooter do offer mitigation, though plumbers are **not expected** to take meaningful share of the restoration markets moving forward.

Active acquirers offer investors a reliable exit path

STEER Partners and Raymond James expect the restoration and renovation space to remain active in the coming years. Favorable market conditions and a large pool of acquisition targets create an encouraging environment for buy-and-build platforms. Investors can choose to grow a single brand and incorporate new service lines, end markets and geographies by acquiring well-positioned local and regional service providers.

FINANCIAL BUYERS

PE interest in restoration and renovation businesses is high, due to favorable market conditions, high fragmentation and the inelastic nature of the work

Founders / investors can look to sell their businesses as platforms or add-ons to large investors

STRATEGIC BUYERS

Leading public or independent restoration providers will make strategic acquisitions to gain share in new geographies, service lines, or end markets

Investors can capitalize on powerful tailwinds

Private equity has been active in recent years, though the market remains highly fragmented. The pace of acquisitions has been robust, and we expect it to continue moving forward.

Established platforms can drive further growth through bundling of new service lines, expanding into new geographies and investing in DTC marketing and digital channels

PE firm	Platform company	Acquisitions (2023-YTD 2025)
TSG Consumer	ATI Restoration	~7
Partners Group	BluSky	~4
Knox Lane	HighGround	~3
AEA	Blackmon Mooring / BMS CAT	~3
CID Capital	Midwest Restoration Services	~2
Trinity Hunt Partners	Fleet Response	~1
Morgan Stanley Capital Partners	American Restoration	~1
American Securities	Belfor	~1

RAYMOND JAMES

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Facilities & Industrial Services sub-sector coverage


Mitigation & Restoration


Renovation & Remodeling


Commercial Roofing


Electrical


Elevator


Fire & Life Safety


Flooring


Food Service Equipment


HVAC, Refrigeration & Plumbing


Industrial Cleaning


Janitorial & Specialty Cleaning Services


Landscaping & Snow Removal


Paving


Pest Control

Facilities & Industrial Services credentials

- AE has been acquired by DURASERV a portfolio company of LGP Leonard Green & Partners
- CROM a portfolio company of sciens Water has been acquired by Frontenac
- Triumvirate Environmental has been acquired by Berkshire Partners
- 3MG Roofing & Solar has received an investment from Bayview Asset Management
- Bessemer Investors has acquired W Services Group
- CIVC Partners has acquired Renu
- Shenandoah a portfolio company of KLH Capital has been acquired by GenNx360
- LandTek has been acquired by TenCate a portfolio company of LGP Leonard Green & Partners
- Valor Environmental a portfolio company of Clearwell Group has been acquired by Markel Group
- Nationwide Energy Partners has received a preferred equity investment from Ares
- AFIMAC a portfolio company of New State has acquired Agility a portfolio company of LLR Partners
- Audax Group has acquired Ruff Roofers
- SES a portfolio company of Rosewood Private Investments has been acquired by Palladium
- Berkshire Partners has acquired Thompson
- ABL Technic a portfolio company of Vision Capital has been acquired by Star Capital
- Bassett Creek a portfolio company of Gladstone Investment has been acquired by Watterson a portfolio company of Highview
- StormTrap a portfolio company of Warren Equity Partners has been acquired by PSP Capital
- Aftermath a portfolio company of abry partners has acquired ServiceMaster a portfolio company of Roark Capital Group
- The Facilities Group a portfolio company of Ironwood Capital has been acquired by Greenbriar Equity Group, L.P.
- BluSky a portfolio company of Dominus Capital has been acquired by Kohlberg & Company / Partners Group
- RFPG a portfolio company of Boyne Capital has acquired PB Pye-Barker a portfolio company of Altas / LGP Leonard Green & Partners

STEER PARTNERS

STEER Partners is a boutique consulting firm advising middle-market private equity sponsors, portfolio companies and corporate clients

Through our targeted primary research-based approach, we provide market insights and actionable results to support growth and investment strategies

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Service expertise

BUY SIDE DILIGENCE

SELL-SIDE SUPPORT

PORTFOLIO STRATEGY

Facilities Services Sector coverage

Mitigation & Restoration

Renovation & Remodeling

HVAC, Refrigeration & Plumbing

Industrial Cleaning

Janitorial & Specialty Cleaning Services

Commercial Roofing

Fire & Life Safety

Landscaping & Snow Removal

Select Facilities Services credentials

Berkshire Partners has acquired THOMPSON

Thorpe has been acquired by KLH CAPITAL

Trilantic North America has acquired AdvantaClean

Audax Group has acquired ENVIROVAC

K2 Industrial Services has been acquired by ASRC Industrial

DECCO has been acquired by Comfort Systems USA

Notes and Disclosures

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EBIT: Earnings Before Interest and Taxes
EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization
LTM: Last Twelve Months
NTM: Next Twelve Months
NA: Not Applicable
NM: Not Meaningful
TEV: Total Enterprise Value

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