

# Executive Summary

## A Value Creation Plan for Commercial Cleaning & Janitorial Services

Commercial cleaning is a fragmented, recurring-revenue service category where private equity can create value through operational discipline rather than financial engineering alone. The industry is built on essential customer demand, repeat contracts, and localized service delivery yet most regional operators remain founder-led, manually managed, and underdeveloped across pricing, labor scheduling, procurement, sales, and reporting. That combination creates a compelling platform opportunity. A sponsor can acquire a regional operator, professionalize the operating model, expand margins, and accelerate growth through add-on acquisitions converting a local cleaning business into an institutional facilities services platform. This report details a practical value creation plan across six levers: labor optimization, pricing discipline, procurement savings, technology enablement, finance professionalization, and buy-and-build execution.

U.S MARKET SIZE

**\$112B**

2026 (IBISWorld)

INDUSTRY CAGR

**4.2%**

2021 - 2026

BUSINESS <10  
EMPLOYEES

**>90%**

of all operators

AVG EBITDA  
MARGIN

**8-10%**

well managed operators

### Investment Highlights

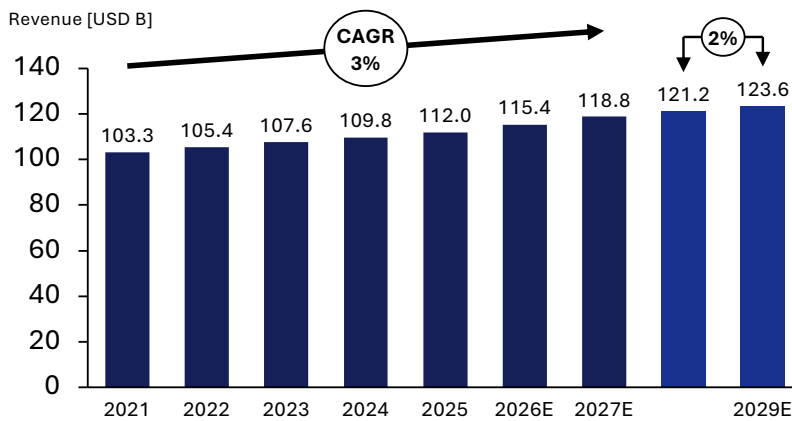
- **Fragmented and under institutionalized.** The US janitorial market exceeds \$112B with over 1 million businesses – the largest operator (ABM Industries) holds just 6.3% market share, leaving the vast majority of revenue in founder-led regional firms with no institutional backing.
- **Labor is the primary EBITDA lever.** Labor accounts for approximately 55% of total expenses. Industry turnover averages 150–200% annually, costing ~\$5,000 per replacement – scheduling discipline, overtime control, and retention programs directly drive margin expansion.
- **Pricing is chronically unsophisticated.** Most regional operators use cost-plus or flat per-square-foot pricing, leaving value uncaptured in specialty, medical, industrial, and compliance-heavy cleaning – higher-margin work that well-run operators price at a significant premium.
- **Procurement scale creates immediate savings.** Supplies and chemicals represent ~15% of operating costs. A consolidated platform can extract meaningful savings across cleaning supplies, uniforms, equipment, vehicles, insurance, and subcontracted services.
- **Buy-and-build M&A is active and proven.** Facilities services averaged 200+ transactions per quarter from 2021–2024 (Meridian Capital). Platforms like 4M Building Solutions (backed by O2 Investment Partners) have completed 24+ acquisitions. Valuation benchmarks favor businesses with >70% recurring revenue and multi-state geography.

## INDUSTRY OVERVIEW

# A Large, Stable Revenue Pool With a Fragmented Operator Base

Commercial cleaning is a large, recurring service market with steady low-single-digit growth. The investment opportunity is less about explosive end-market expansion and more about fragmentation, operational inefficiency, and the ability to build scale through professionalization and add-on M&A.

**Figure 1**  
**U.S. Janitorial Market**



Source: Grand View Research; forecast based on 2026–2029 CAGR.  
Note: 2021–2024 estimated using steady market growth

### Why It Matters

- Large enough revenue pool to support multiple scaled platforms and an active M&A market.
- Demand is recurring, needs-based, and tied to facility utilization across office, healthcare, education, industrial, and retail.
- Professional operators can win through service quality, compliance, reporting, technology adoption, and route density.

The investment case is less about rapid end-market growth and more about institutionalization. U.S. janitorial services is a \$112.0B market with low concentration, and a labor base of 2.45M janitors and building cleaners. Demand is also broader than office cleaning: commercial end use represents 89.29% of the U.S. janitorial market, and scaled operators such as ABM generate revenue across business & industry, manufacturing & distribution, education, and aviation. The office narrative has shifted from collapse to stabilization, with Kastle showing 55% weekly average occupancy, 65.2% peak-day occupancy, and 78.6% weekly average occupancy in Class A+ buildings.

Healthcare is the clearest premium lane, supported by outpatient growth, infection-prevention requirements, and a healthcare/medical contract-cleaning segment growing at a 7.1% CAGR through 2030. At the same time, outsourcing and FM consolidation are pushing customers toward fewer, stronger vendors, while AI scheduling, digital inspections, IoT monitoring, robotic cleaning, and KPI dashboards are making labor productivity and service quality more measurable. The result is a large, recurring, fragmented category where a sponsor can create value through density, pricing discipline, operational standardization, technology adoption, and add-on M&A.

OPERATING COMPLEXITY

# A Labor Heavy Model

Commercial cleaning is fundamentally a field-execution business. The sector employed 2.45M janitors and building cleaners in 2024, with 351,300 annual openings projected from 2024–2034, primarily from replacement needs. That makes labor availability, retention, scheduling accuracy, and site-level productivity the core operating variables. For a sponsor-backed platform, the value creation opportunity is not to make the service more complicated; it is to make a fragmented labor model measurable through site-level P&Ls, labor budgets, overtime controls, digital inspections, supervisor KPIs, and route-density planning.

**Figure 2**  
**Workforce Replacement Pressure**



Source: U.S. Bureau of Labor Statistics, openings  
Note: 351,300 projected annual divided by 2.45M employed janitors and building cleaners.

**Figure 3**  
**Where Margin Leakage Happens**

Operating Area	Margin Leakage	PE Operating Margin	Value Created
<b>Scheduling</b>	Labor hours exceed contract budget	Labor budgets, overtime controls, scheduling tools	<b>Higher gross margin</b>
<b>Scope Creep</b>	Extra work performed without billing	Work-order tracking and change-order discipline	<b>Revenue capture</b>
<b>Quality Control</b>	Issues found after customer complaints	Digital inspections and exception reporting	<b>Better retention</b>
<b>Supervision</b>	Inconsistent field oversight	Supervisor KPIs and route accountability	<b>Consistent execution</b>
<b>Account Profitability</b>	Customers managed by revenue, not margin	Site-level P&Ls tied to labor burden	<b>Pricing discipline</b>

COMPETITIVE LANDSCAPE

# A Market With Scale at the Top and a Long Tail Beneath

The commercial cleaning market is barbell-shaped. A handful of national and global facilities platforms serve the largest accounts with breadth, scale, and multi-site coverage, while thousands of founder-led local operators serve smaller customers through relationships, responsiveness, and price. The undercapitalized middle is where private equity can build value: regional platforms with professional systems, route density, add-on M&A, vertical specialization, and stronger margin discipline.

### National Platforms



### PE Platform Opportunity

- Build regional scale with dense route networks
- Install professional systems and repeatable processes
- Execute an add-on M&A engine to expand markets
- Specialize in attractive verticals and end markets
- Drive discipline with data, KPIs, and accountability

### Local / Regional Long Tail

- Founder-led operations
- Local customer relationships
- Manual scheduling and routing
- Limited sales process, low institutionalization

#### Challenges

- Hard to scale efficiently
- Limited data visibility
- Customer concentration

**>1.25M**

U.S janitorial businesses

The missing middle can become category leaders with **scale, systems and discipline**

**15+**

KBS acquisitions in past 4 years

### Case Studies

**KBS / GI Partners / Cereberus**  
Scaled a national platform through M&A

**The Facilities Group / Greenbriar**  
Built a differentiated regional platform with add-ons

**4M Building Solutions / O2**  
Executed a successful carveout and growth via a buy-build strategy

TARGET COMPANY PROFILE

# The Ideal Platform Is Regional and Operationally Underbuilt

The ideal acquisition target is a profitable, founder-led regional operator with recurring commercial contracts, dense local routes, and diversified end-market exposure. It should be large enough to support professionalization, but still underbuilt across reporting, scheduling, pricing, procurement, sales process, and account-level margin visibility.

ILLUSTRATIVE PLATFORM TARGET	
Revenue	\$25M – \$40M
EBITDA	\$1.5M – \$5M
EBITDA Margin	8% – 12%
Recurring Revenue Mix	70%+
Customer Concentration	No customer >20–25%
Customer Base	150 – 300 accounts
Geography	Dense regional footprint
Ownership	Founder-led / family-owned
Systems	Basic but usable

UNDERWRITING CRITERIA		
DIMENSION	POSITIVE SIGNAL	RED FLAG
Geography	Dense local route network with operational efficiency	Scattered accounts with long travel distances
Revenue Quality	High mix of recurring commercial contracts	One-off project or construction cleaning
Customer Mix	Diversified markets and building types	One customer >25% of revenue
Operations	Basic but usable reporting and operational data	No reliable financials or reporting
Sales	Transferable relationships and documented pipeline	Founder is the entire sales engine
M&A Fit	Add-on opportunities nearby with logical integration	No density or integration advantages

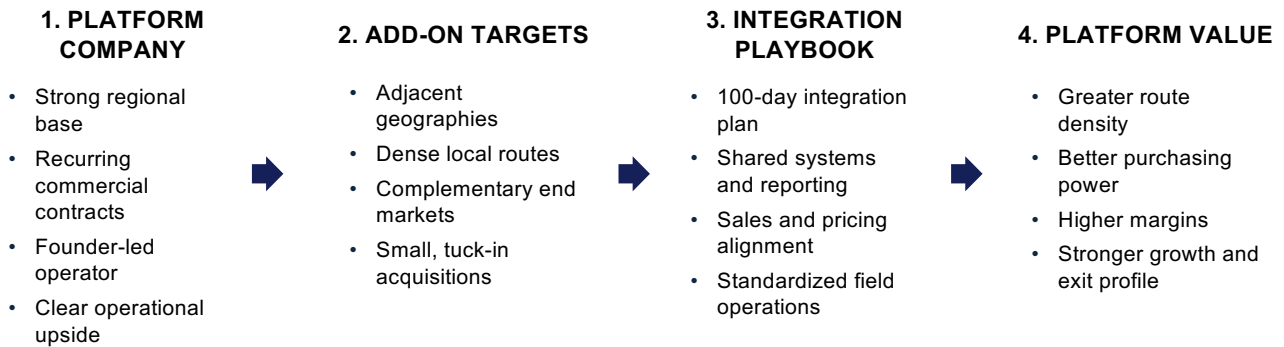
The best target is large enough to support professionalization, but small enough that basic operating improvements can still create visible EBITDA expansion.

### VALUATION FRAMING

Recurring-revenue facilities services businesses with scale, customer diversity, and multi-site density typically command higher buyer interest.

# Using Add-Ons to Create Scale and a More Institutional Platform

Add-on acquisitions are a powerful lever to accelerate platform value creation. By systematically identifying and integrating highly complementary targets, the platform can increase route density, deepen capabilities, expand into adjacent geographies, and build a more resilient and valuable business.



Illustrative Acquisition Funnel

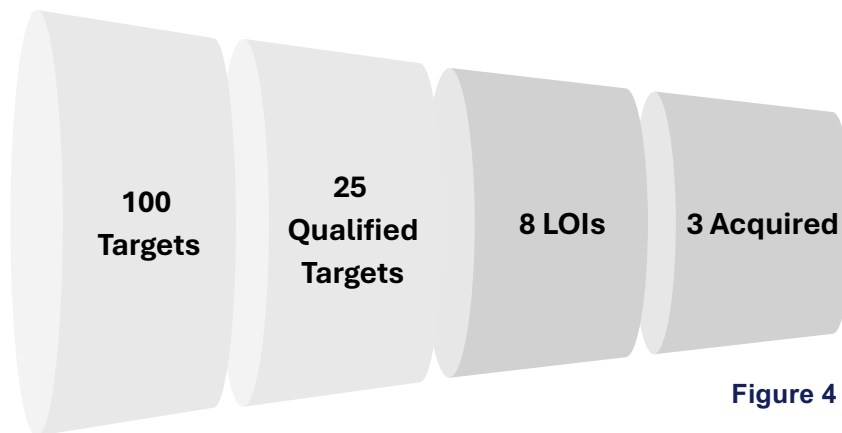


Figure 4

## VALUE CREATED

Add-on acquisitions create value through four reinforcing benefits. Greater route density places more customer locations within key markets, improving technician utilization, reducing drive time, and strengthening service consistency. Increased scale also improves purchasing power across supplies, chemicals, equipment, and uniforms. At the same time, a broader customer and end-market mix reduces concentration risk and creates more stable recurring revenue. Together, stronger density, purchasing leverage, diversification, and professional reporting can support higher margins, better earnings quality, and multiple expansion at exit.

# Six Operating Levers to Expand EBITDA

A disciplined value creation plan targets the levers most likely to expand margins and drive durable EBITDA growth. The bridge below illustrates a representative path, moving from \$2.5 million of current EBITDA to \$3.6 million of pro forma EBITDA through focused operational improvements rooted in factual benchmarks.

## ILLUSTRATIVE EBITDA BRIDGE (\$ MILLIONS)

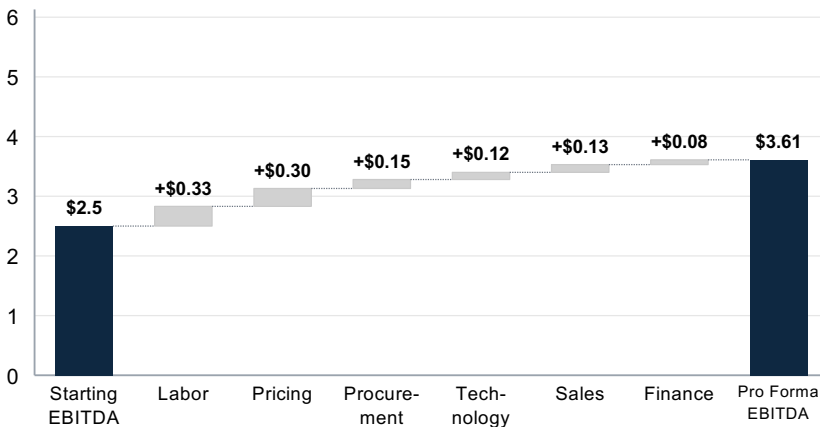


Figure 5

## OPERATING LEVERS

- 1 LABOR**  
Improve productivity, routing, and crew scheduling
- 2 PRICING & SCOPE**  
Price increases, escalators, and scope / change-order recovery
- 3 PROCUREMENT**  
Consolidate vendors and renegotiate input pricing
- 4 TECHNOLOGY**  
Deploy field and back-office systems for efficiency
- 5 SALES & CROSS-SELL**  
Build a repeatable motion and expand within existing accounts
- 6 OVERHEAD & FINANCE**  
Strengthen reporting, working capital, and overhead controls

## VALUE CREATION SUMMARY - ASSUMPTIONS

LEVER	CORE MOVE	EBITDA IMPACT (\$M)
Labor	Improve crew productivity, routing, and scheduling	+\$0.33
Pricing & Scope	Apply price increases, escalators, and scope / change-order recovery	+\$0.30
Procurement	Consolidate vendors and renegotiate input pricing	+\$0.15
Technology	Deploy field and back-office systems for efficiency	+\$0.12
Sales & Cross-Sell	Build a repeatable sales motion and expand within existing accounts	+\$0.13
Overhead & Finance	Strengthen reporting, working capital, and overhead controls	+\$0.08
<b>Total EBITDA Improvement</b>	Starting EBITDA of \$2.5M to pro forma EBITDA of \$3.6M	<b>+\$1.11</b>

Note: Figures are illustrative and shown for discussion purposes only. They do not represent projections, guarantees, or actual results. Actual EBITDA improvement will vary based on company-specific factors and execution.

CASE STUDY

# 4M Building Solutions Demonstrates the Platform Playbook

4M Building Solutions provides a relevant public precedent for the commercial cleaning thesis. At the time of O2 Investment Partners' investment in January 2023, 4M was already a scaled, founder-led janitorial platform with \$125 million of annualized revenue, nearly 4,000 frontline employees, operations across 15 states, 135 million square feet cleaned daily, and 26 completed acquisitions.

AT O2 INVESTMENT | JANUARY 2023

**\$125M**

2022 annualized revenue

**~4,000**

frontline employees

**135M**

square feet cleaned daily

**15**

states served

**26**

acquisitions completed to date

**1978**

year founded by Mitch Murch Sr.

SPONSOR-BACKED STRATEGY

O2's investment was intended to support continued organic growth, acquisition activity, geographic expansion, and investment in the leadership and operating infrastructure required to scale.

- **Strengthen Executive Leadership**  
Add senior finance, M&A, and functional leadership to support a larger organization.
- **Accelerate Add-On M&A**  
Continue acquiring founder-led janitorial businesses in adjacent and complementary markets.
- **Expand Geographic Coverage**  
Build density in existing regions while entering attractive new markets.
- **Institutionalize Systems**  
Improve financial reporting, recruiting, field management, technology, and integration processes.
- **Preserve Local Service Culture**  
Retain customer relationships, local leadership, and service standards while scaling the platform.

VERIFIED PROGRESS | 2024–2026

*May 2024 Milestones*

- **26 States**  
Up from 15 states at investment
- **5,700+ Employees**  
Up from nearly 4,000 frontline employees
- **186M Square Feet**  
Up from 135 million square feet cleaned daily
- **32 Total Acquisitions**  
Up from 26 acquisitions at investment
- **5 Acquisitions Since O2 Investment**  
Including Capital Services, LCS Facility Group, Buttweiler Environmental, Horizon Services, and SG360

*Current 2026 Trajectory*

- **7,000+ Employees**
- **228M Square Feet Serviced**
- **>\$300M**  
Expected 2026 annual revenue above \$300 million

PLATFORM DEVELOPMENT TIMELINE

<p><b>2015–2020</b> <b>Moonshot Growth</b> 4M more than doubled annual revenue and surpassed \$100 million by 2020.</p>	<p><b>2019–2022</b> <b>Acquisition Pace Accelerated</b> Completed 10 acquisitions over four years, including three acquisitions in 2022.</p>	<p><b>JANUARY 2023</b> <b>O2 Investment</b> \$125 million annualized revenue, nearly 4,000 employees, 15 states, 135 million square feet, and 26 completed acquisitions.</p>	<p><b>APRIL – MAY 2024</b> <b>Leadership and Scale</b> Added dedicated finance and M&amp;A leadership, completed five acquisitions following O2's investment, and expanded to 26 states.</p>	<p><b>2025 – 2026</b> <b>National Platform Development</b> Company materials report more than 228 million square feet serviced, and expected 2026 annual revenue above \$300 million.</p>
---	--	--	--	---

INVESTMENT TAKEAWAY

4M demonstrates that a regional janitorial operator can become a national platform when disciplined acquisition execution is paired with leadership investment, standardized infrastructure, and preservation of local service quality. From January 2023 to May 2024, the platform expanded from 15 to 26 states, from nearly 4,000 to more than 5,700 employees, from 135 million to 186 million square feet cleaned daily, and from 26 to 32 total acquisitions. Its current scale and expected 2026 revenue above \$300 million provide further support for the buy-and-build thesis.

Sources: 4M Building Solutions, January 2023 O2 investment announcement; O2 Investment Partners, April 2024 leadership announcement; 4M Building Solutions, May 2024 SG360 acquisition announcement; 4M Building Solutions company history, accessed June 2026.

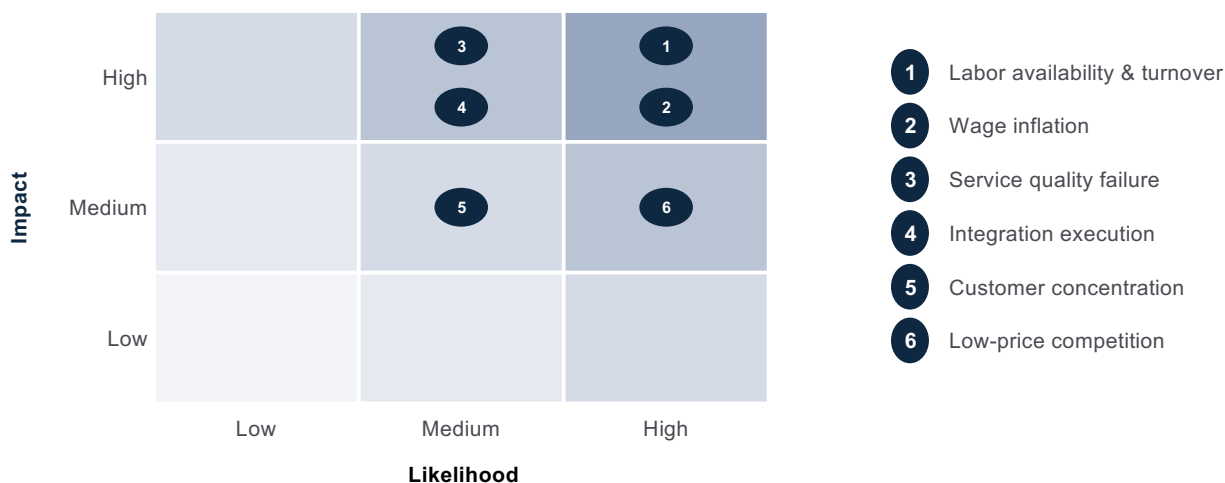
RISK FRAMEWORK

# Execution Risks Are Identifiable

Commercial cleaning businesses face operational execution risks—not structural demand risk. These risks are driven by people, process, and performance, and can be mitigated by scaled platforms through route density, pricing discipline, digital controls, diversified end markets, and standardized post-close execution.

Figure 6

## Risk Heat Map



## Key Risks and Mitigants

Risk	Why It Matters	Key Mitigant
<b>Labor availability &amp; turnover</b>	Staffing shortages hurt route coverage and service consistency	Route density, retention programs, scheduling discipline
<b>Wage inflation</b>	Rising labor costs compress margins if not priced through	Annual repricing, productivity tools, tighter scope control
<b>Service quality failure</b>	Missed standards can lead to churn, credits, and rework cost	Digital inspections, supervisor KPIs, exception reporting
<b>Integration execution</b>	Weak integration delays synergies and distracts management	100-day playbook, standard systems, integration leader
<b>Customer concentration</b>	Loss of one large account can pressure revenue and EBITDA	Diversify customers, verticals, and sites through add-ons
<b>Low-price competition</b>	Commodity office cleaning pressures pricing and retention	Focus on healthcare, industrial, specialty, and compliance-led work

## Investment Takeaway

The key underwriting question is not whether risks exist, but whether the platform has the systems and operating discipline to manage them better than smaller local competitors.

## Appendix

### Industry, labor, and operating benchmarks

**U.S. Bureau of Labor Statistics.** "Janitors and Building Cleaners." *Occupational Outlook Handbook*. Updated August 28, 2025. Accessed June 15, 2026. <https://www.bls.gov/oooh/building-and-grounds-cleaning/janitors-and-building-cleaners.htm>  
Used for workforce size, median wages, annual openings, employment outlook, and end-market employment data.

**Meridian Capital.** *Facility Maintenance and Janitorial Services M&A Market Update, Winter 2025*. 2025. [https://meridianjb.com/wp-content/uploads/Facility-Maintenance-and-Janitorial-Services-M&A-Market-Update\\_Winter\\_2025\\_vF.pdf](https://meridianjb.com/wp-content/uploads/Facility-Maintenance-and-Janitorial-Services-M&A-Market-Update_Winter_2025_vF.pdf)  
Used for market forecasts, recurring-revenue characteristics, valuation drivers, M&A volume, strategic buyer activity, target-company benchmarks, and transaction precedents.

**TM Capital.** *Facility Services Report 2024*. August 2024. <https://www.tmcapital.com/wp-content/uploads/2024/08/TM-Capital-Facility-Services-Report-2024-1.pdf>  
Used for broader facility-services market trends, M&A activity, outsourcing, consolidation, and investor interest.

**Building Service Contractors Association International.** "Commercial Cleaning Production Rates: A Key to Successful Bidding and Estimating." <https://www.bscai.org/Inside-Cleaning/Full-Article/commercial-cleaning-production-rates-a-key-to-successful-bidding-and-estimating>  
Used for productivity, estimating, labor-hour discipline, and contract-level operating considerations.

**ISSA, The Worldwide Cleaning Industry Association.** "How to Calculate Commercial Cleaning Rates: A Complete Guide." <https://www.issa.com/articles/cleaning-how-to-calculate-commercial-cleaning-rates/>  
Used for pricing methods, labor-cost calculations, square-foot pricing, overhead, and margin considerations.

### 4M Building Solutions case study

**4M Building Solutions.** "4M Building Solutions Secures Significant Investment from Private Investment Firm O2." January 5, 2023. <https://www.4-m.com/around-the-4m-world/4m-building-solutions-secures-significant-investment-from-private-investment-firm-o2/>  
Used for the O2 investment, \$125 million annualized revenue, nearly 4,000 employees, 135 million square feet cleaned daily, 15-state footprint, 26 acquisitions, company founding, and prior acquisition pace.

**O2 Investment Partners.** "4M Announces Strategic Hires to Strengthen Executive Leadership Team." April 2024. <https://o2investment.com/news/4m-announces-strategic-hires-to-strengthen-executive-leadership/>  
Used for CFO and M&A leadership appointments, four post-investment acquisitions, 20-state footprint, 5,200 employees, and 156 million square feet serviced.

**4M Building Solutions.** "4M Building Solutions' Latest Acquisition Broadens Presence Across More Than Half of U.S. States." May 1, 2024. <https://www.4-m.com/around-the-4m-world/4m-building-solutions-latest-acquisition-broadens-presence-across-more-than-half-of-u-s-states/>  
Used for the SG360 acquisition, 26-state footprint, 5,700 employees, 186 million square feet, five acquisitions after O2's investment, and 32 total acquisitions.

**4M Building Solutions.** "History of 4M Building Solutions." Accessed June 15, 2026. <https://www.4-m.com/about-4m/history/>  
Used for the 1978 founding, Moonshot growth initiative, 7,000-plus employees, 228 million square feet serviced, expected 2026 revenue above \$300 million, and the December 2025 CEO transition.

### KBS case study and risk benchmarks

**Kellermeyer Bergensons Services.** "GI Partners to Acquire Kellermeyer Bergensons Services." 2014. <https://www.kbs-services.com/insights/gi-partners-to-acquire-kellermeyer-bergensons-services/>  
Used for the KBS platform thesis, national customer footprint, direct workforce, field-management infrastructure, data orientation, and acquisition strategy.

**Kellermeyer Bergensons Services.** "KBS Acquires Kimco Facility Services." 2022. <https://www.kbs-services.com/insights/kbs-acquires-kimco-facility-services/>  
Used as an example of geographic and customer expansion through add-on M&A.

**Kellermeyer Bergensons Services.** "KBS Reports Strong 2024 Growth, Driven by Scalable Facility Solutions and Trusted Client Partnerships." 2025. <https://www.kbs-services.com/insights/kbs-reports-strong-2024-growth/>  
Used for the 94% renewal rate, 24,000 new client sites, and 30% service-footprint growth.

### ABM transaction precedents

**ABM Industries Incorporated.** "ABM Industries to Acquire GCA Services Group." July 12, 2017. U.S. Securities and Exchange Commission, Exhibit 99.1. [https://www.sec.gov/Archives/edgar/data/771497/000114420417036483/v470656\\_ex99-1.htm](https://www.sec.gov/Archives/edgar/data/771497/000114420417036483/v470656_ex99-1.htm)  
Used for the \$1.25 billion purchase price, approximately \$1.1 billion of revenue, approximately \$100 million of adjusted EBITDA, \$20 million to \$30 million of expected cost synergies, and synergy sources including procurement, overhead, IT, and shared services.

**ABM Industries Incorporated.** "ABM Industries Announces Definitive Agreement to Acquire Able Services." August 25, 2021. <https://www.globenewswire.com/news-release/2021/08/25/2286662/799/en/abm-industries-announces-definitive-agreement-to-acquire-able-services.html>  
Used for the \$830 million purchase price, \$1.1 billion of Able revenue, \$65 million of adjusted EBITDA, approximately \$400 million of janitorial revenue, and \$30 million to \$40 million of expected synergies.

### Healthcare and specialty cleaning precedent

**Angeles Equity Partners.** "Angeles Equity Partners Acquires Xanitos." June 29, 2021. <https://www.angelesequity.com/news/angelesequitypartnersacquiresxanitos>  
Used for the healthcare environmental-services investment thesis, critical-service positioning, and hospital-focused cleaning platform strategy.

**Angeles Equity Partners.** "Xanitos." Portfolio page. <https://www.angelesequity.com/portfolio/xanitos>  
Used for operating value-creation initiatives, management investment, labor productivity, contract mix, and SG&A improvement.

### Market-size sources referenced through industry reports

**Grand View Research.** *U.S. Contract Cleaning Services Market Size, Share and Trends Analysis Report*. The report's forecasts were cited through Meridian Capital's Winter 2025 market update.

**Mordor Intelligence.** *United States Facility Management Market Size and Share Analysis*. The facility-services forecasts were cited through Meridian Capital's Winter 2025 market update.

**IBISWorld.** *Janitorial Services in the U.S. Industry Report*. Used in early drafts for the broad U.S. market-size and industry-growth framing.