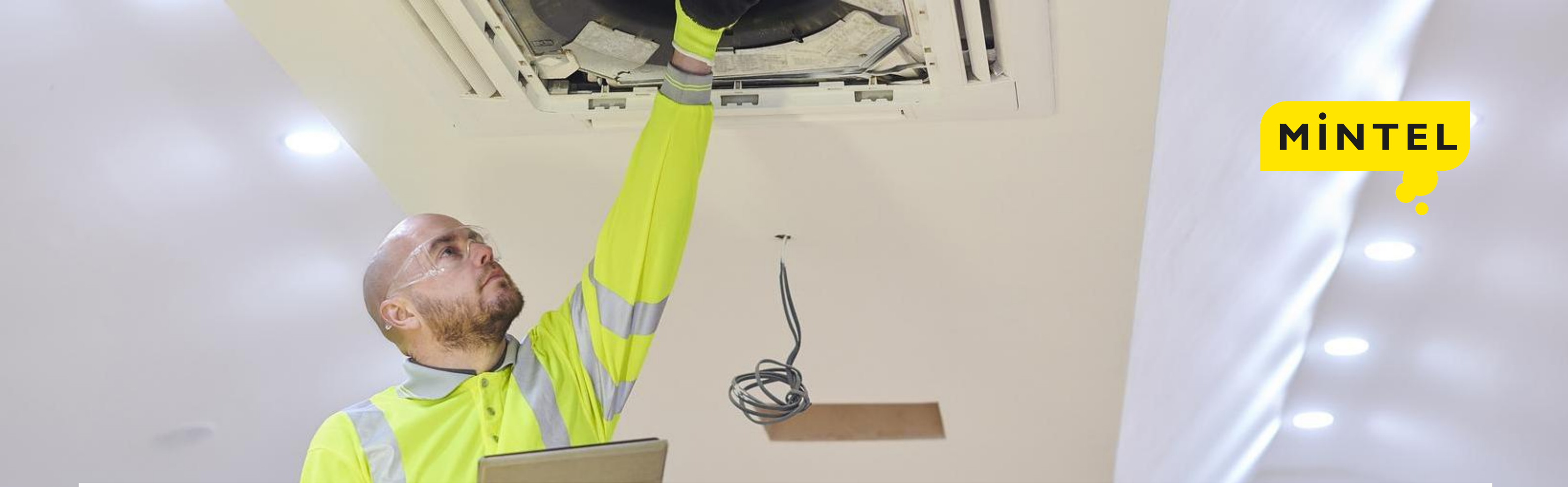

Facilities Management - UK - 2022

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This report looks at the following areas:

- **The potential resilience of the sector with its diversity of services and end uses during a difficult wider economic period.**
- **The evolution of facilities management companies to assist companies in their ESG objectives, as well as address the efficiency and cost reductions that have long been primary purchase considerations.**
- **The M&A activity that is both a strategic tactic of companies and has recently changed the structure of the industry, which has major attractions to external finance.**
- **The use of technology to deliver superior performance, offset disproportionate labour cost growth, provide a compelling reason to outsource, offer a competitive advantage to the provider and play an important role in client retention.**

There are fundamentally different approaches to the facilities management sector among some of the largest operators in the UK. The market leader, Mitie, acquired Interserve's facilities management business with part of the motivation being to balance the public and private client portfolio. In contrast, Serco purely concentrates on public sector contracts, gaining its diversity through international exposure.

Shortages of labour have arisen in soft sectors, with near full employment in the UK and reflecting Brexit-related restrictions. Now the challenge for all industries centres around the economic impact of the cost of living crisis, yet facilities management has resilience through its diverse areas of involvement both in terms of services and end-use markets. That diversity encourages dynamic M&A activity, with FM companies and their features attractive to third-party finance.

Inevitably, an economic downturn will impact the market but the relationship of the facilities management market to the economy is not as simple as automatically reflecting the circumstances. With extreme pressure now on

"The facilities management sector offers a wide range of services, including energy efficiency, to a very broad audience, offering some resilience in the face of potential wider economic disruption. Under such circumstances, its long established raison d'etre of offering cost benefits becomes even more important."

- Terry Leggett, Senior Analyst, November 2022

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public-sector spending, this is a market where new contracting-out opportunities are expected to emerge as part of the drive for greater efficiency.

Technology is increasingly being used by the sector to deliver superior performance, offset disproportionate labour cost growth and to provide a compelling reason to outsource, and offers a competitive advantage to the provider and assists in client retention. It also has a fundamental role to play in assisting clients in ESG objectives and energy efficiency,

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