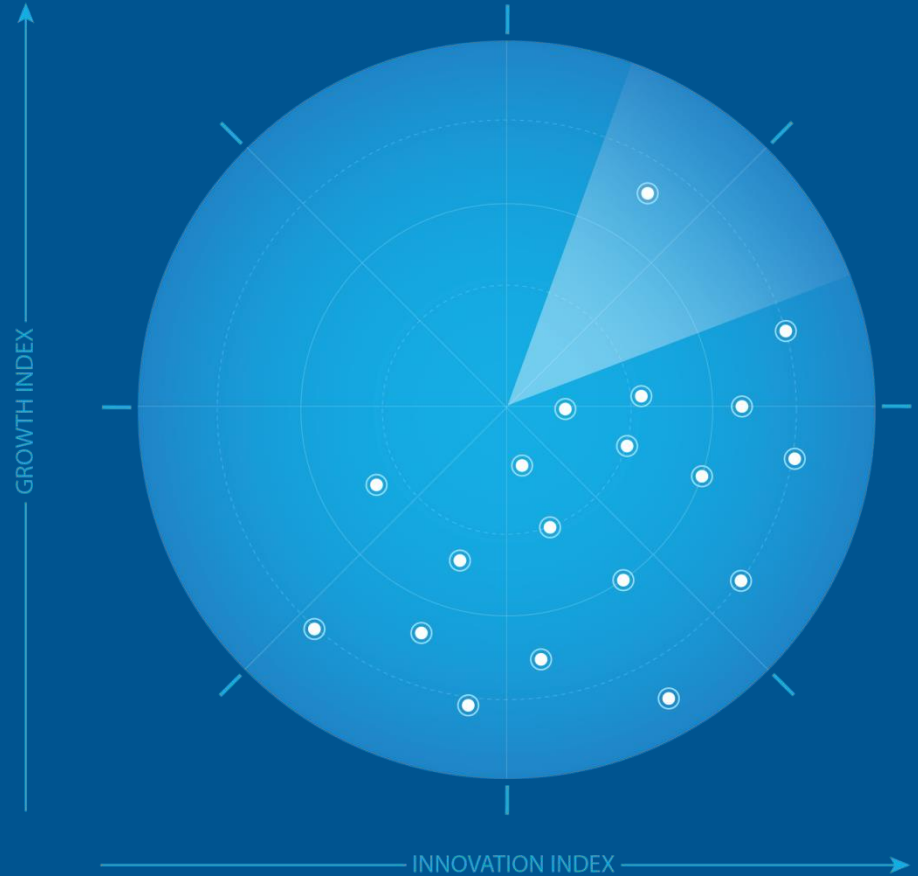


Frost Radar™: European Facility Management, 2022

A Benchmarking System
to Spark Companies to
Action - Innovation that
Fuels New Deal Flow and
Growth Pipelines

Global Energy &
Environment Research
Team at Frost & Sullivan



MF9C-19
July 2022

Strategic Imperative and Growth Environment



Strategic Imperative

- Even before the COVID-19 pandemic, the facility management (FM) market in Europe was going through an unprecedented period of disruption and transformation. As always happens with big changes, this led to new challenges for suppliers as well as new opportunities for exciting and innovative value propositions.
- For several years, the transformation has been driven by a host of Mega Trends including new business models, technological innovation, sustainability, health and wellness, and a new vision for the future workplace. COVID-19 accelerated changes, primarily in and around the working environment.
- In 2020 and 2021, the pandemic created new or heightened use cases for solutions or innovations that were already brewing, such as remote monitoring services for HVAC and refrigeration units. One of the fastest-growing areas in Europe during this time was cloud-based analytics and remote monitoring and management of refrigeration systems in food distribution and retailing, especially for supermarkets.
- Sustainability continues to become more important. Helping customers meet their sustainability goals will be a major opportunity area and service differentiator for FM suppliers in the years ahead.
- COVID-19's impact has not been evenly felt among customer groups, delivery models, and service types. Suppliers with a stronger focus on technical (hard) services or solutions for critical infrastructure are seeing the strongest growth, whereas those more exposed to occupancy-based services (especially catering and food services) have been hit extremely hard.

Source: Frost & Sullivan

Strategic Imperative (continued)

- The European FM market returned to growth in 2021, but things did not immediately become easy. Spending will not reach 2019 levels until late 2022. After that, Frost & Sullivan expects that further steady recovery and expansion will deliver a compound annual growth rate of 2.9% to 2026.
- With growth hard to find, suppliers will be sharpening their efficiency and competitiveness. More than ever before, companies will need to be innovative, customer-centric, efficient, and nimble. A lot more merger and acquisition (M&A) activity in the next few years is almost certain.
- Among all these trends is the growing role of digital, smart, and cognitive technology that is changing the way resources are managed and controlled and transforming the relationship between buildings, equipment, systems, and users. Software is moving to new levels to deliver optimised utilisation of resources and enabling new technology solutions and operating models.
- With the backdrop of COVID, digitalisation strategies are accelerating. Augmented operations will become more commonplace as an opportunity area to use augmented and virtual reality (AR and VR) to enhance technician performance, improve safety, and optimise costs. Wider use of sensors, the Internet of Things (IoT), and automation will enable the delivery of contactless products and services, and healthy buildings (in every sense of the words) will become the critical area of focus.
- Artificial intelligence (AI), indoor navigation systems, robots, and drones are making an impact on the built environment. Cloud-hosted analytics will drive remote management for technical services and preventative maintenance. FM companies must adopt these new technologies and service models to keep up with customer demands and advanced capabilities to drive efficiency.

Source: Frost & Sullivan

Growth Environment

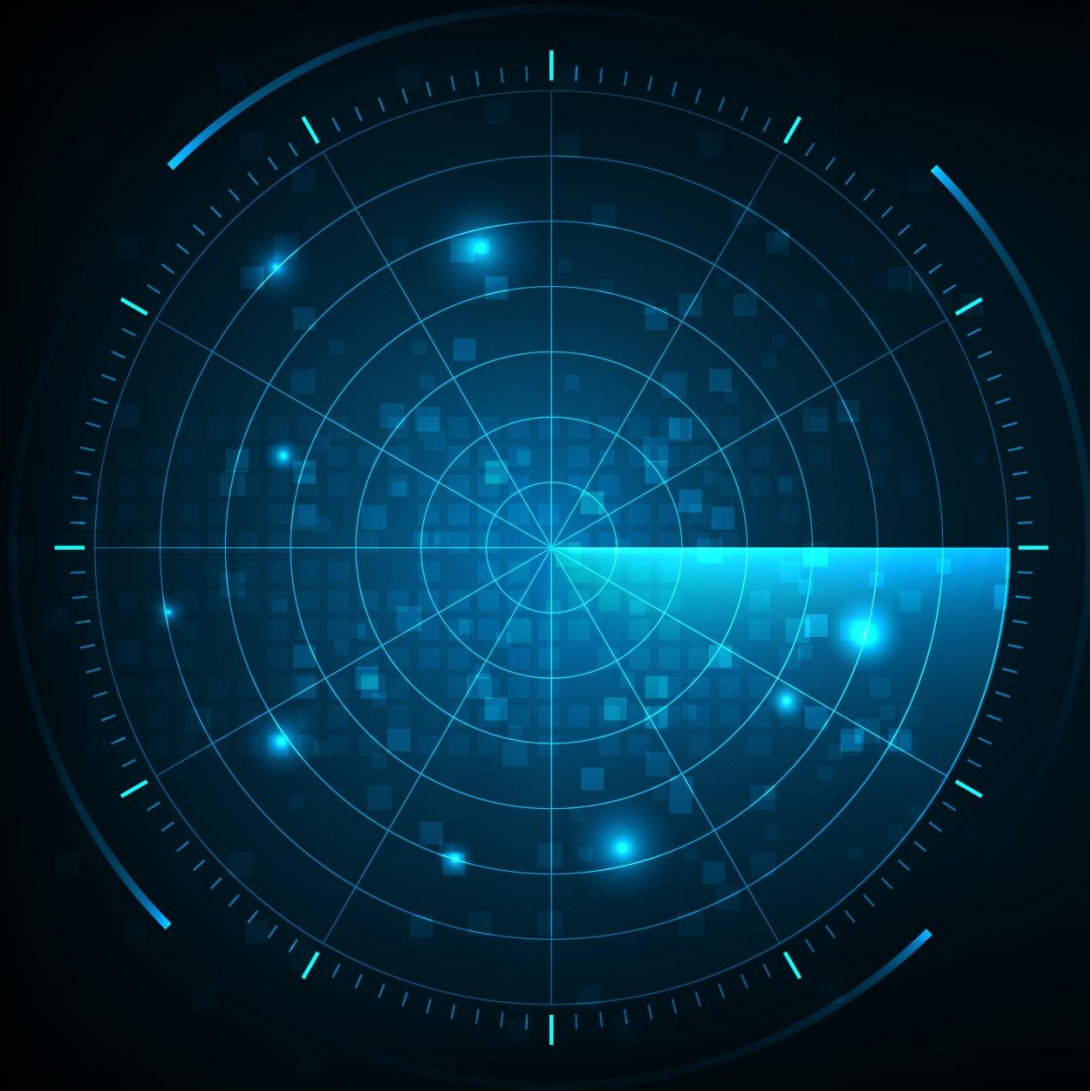
- The European FM market represents a very large opportunity, with revenue exceeding \$237 billion. However, services have been commoditising across Europe and organic growth is hard to find. The industry will move toward service integration and sophisticated advisory services focused on productivity, user experience, and sustainability.
- The private sector will account for the majority of demand (and approximately two thirds of revenue) through 2026, although the public sector will show faster growth. As markets mature, suppliers need a sharp focus on detailed segmentations and industry trends to identify growth opportunities. Growth in integrated facility management (IFM) will outstrip all other delivery models.
- The pandemic has further challenged market growth, especially for services based largely on building occupancy. While hard services, security, and cleaning have remained strong or even seen some growth, many other areas such as catering and reception services have been severely disrupted and suppliers have been forced to rapidly reevaluate their service offerings.
- In 2020, European FM market revenue contracted by 6.7% as a result of the pandemic. There was a bounce back and return to growth in 2021 with expansion at 6.2%, but revenue will not return to 2019 levels until late 2022. Competition has intensified during this period and customer needs have changed – in some sectors rapidly and significantly. Future growth opportunities will be dictated by companies' ability to become more customer centric and address these evolving needs with innovative solutions.

Source: Frost & Sullivan

Growth Environment (continued)

- The United Kingdom and the Nordic region are the best established and most sophisticated markets in Europe, but growth here is limited and the markets are mature and fiercely competitive. The fastest growth will be seen in Spain, Germany, and Central and Eastern Europe (CEE).
- In coming years, the most critical service innovation areas in the European FM market will include.
 - Sustainability, including services to optimise energy and environmental performance and a growing range of social factors such as fair wages, diversity, and inclusion;
 - Technology, especially the deployment of digital solutions to enable connectivity of assets, efficiency of service delivery, and enhanced user experience;
 - Workplace transformation, especially the changing role of the working environment; and
 - Health and wellness, including physical and mental health and wellbeing.
- Frost & Sullivan studies related to this independent analysis:
 - [European Facility Management Growth Opportunities](#)
 - [European Facility Management Growth Opportunities](#)

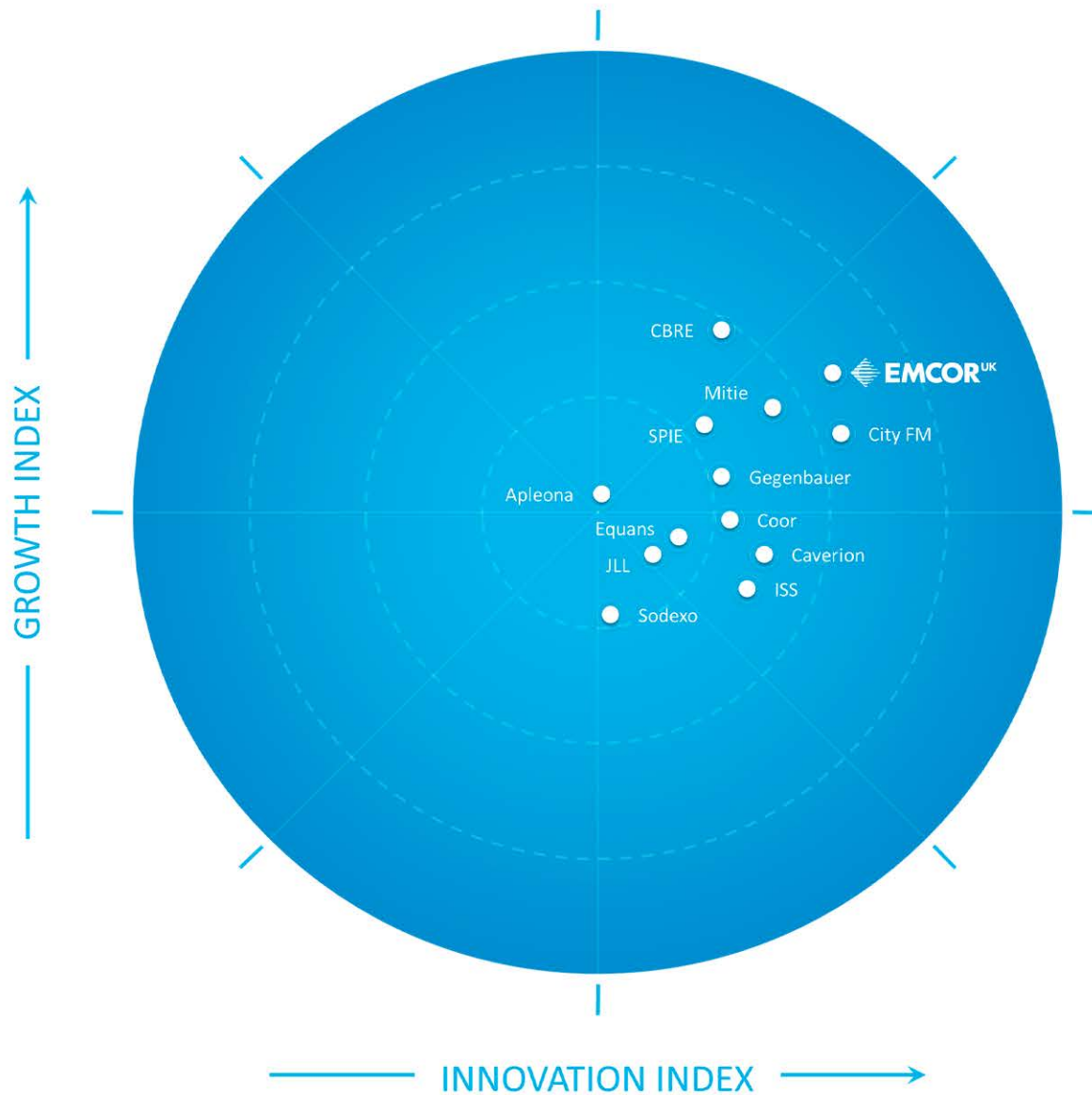
Source: Frost & Sullivan



Frost Radar™

**European Facility
Management**

Frost Radar™: European Facility Management



Source: Frost & Sullivan

EMCOR UK

INNOVATION

- EMCOR UK has a leading position on the Frost Radar™ Innovation Index because of its exceptional performance at using technology to address unmet needs.
- It was among the first companies to focus on deep machine learning and has rapidly built expertise in smart facilities and delivering value to users by deploying automation beyond traditional monitoring and measuring.
- EMCOR UK deploys sensor technology in applications ranging from building management systems to radiators to lighting. It also is applying machine learning through Microsoft Azure and using multiple data sets to predict asset performance.
- In the workplace, its innovative AXIS app is a powerful solution to enhance end-customer experience.
- EMCOR UK is working closely with industrial clients to address the various elements of Industry 4.0, e.g., additive manufacturing, wearables, autonomy, smart devices, RFID, and VR and AR.

GROWTH

- EMCOR UK is placed in a highly competitive position on the Frost Radar™ Growth Index.
- It operates solely in the UK market. Its revenue has grown about 15% per annum or more since 2014 despite the overall UK market hovering around 2% annual growth. This performance, which Frost & Sullivan attributes to its excellence in service delivery, contract management, and leadership, has significantly expanded its market share.
- The company has a long track record of using Mega Trends to drive its growth strategy. For example, it was targeting the future of work and health and wellness long before the COVID-19 pandemic and subsequent acceleration of new working models. This enabled it to quickly mobilise a sophisticated set of workplace experience solutions under its strapline of “Creating a Better Future at Work”.

FROST PERSPECTIVE

- The dynamic FM provider’s strengths are in mechanical and electrical services, asset management and maintenance, workplace optimisation, IT and data solutions, energy management, reactive building maintenance, special projects, and comprehensive support services. EMCOR UK is at the forefront of technology innovation and has a great opportunity to build on its background in hard FM services to drive IFM delivery and complete FM solutions.
- It is a pioneer in sustainability and has committed to be net zero by 2030 for internal operations and service delivery. EMCOR UK has brought partnership and collaboration to the core of its vision, using collaborative business principles to shift client engagement toward consultative relationships focused on workplace productivity outcomes. It was the first FM company in the world to attain the ISO 44001.

Source: Frost & Sullivan

Frost Radar™ Analytics



Frost Radar™: Benchmarking Future Growth Potential

2 Major Indices, 10 Analytical Ingredients, 1 Platform

VERTICAL AXIS

Growth Index (GI) is a measure of a company's growth performance and track record, along with its ability to develop and execute a fully aligned growth strategy and vision; a robust growth pipeline™ system; and effective market, competitor, and end-user focused sales and marketing strategies.

GROWTH INDEX ELEMENTS

- **GI1: MARKET SHARE (PREVIOUS 3 YEARS)**
This is a comparison of a company's market share relative to its competitors in a given market space for the previous 3 years.
- **GI2: REVENUE GROWTH (PREVIOUS 3 YEARS)**
This is a look at a company's revenue growth rate for the previous 3 years in the market/industry/category that forms the context for the given Frost Radar™.
- **GI3: GROWTH PIPELINE™**
This is an evaluation of the strength and leverage of a company's growth pipeline™ system to continuously capture, analyze, and prioritize its universe of growth opportunities.
- **GI4: VISION AND STRATEGY**
This is an assessment of how well a company's growth strategy is aligned with its vision. Are the investments that a company is making in new products and markets consistent with the stated vision?
- **GI5: SALES AND MARKETING**
This is a measure of the effectiveness of a company's sales and marketing efforts in helping it drive demand and achieve its growth objectives.

Frost Radar™: Benchmarking Future Growth Potential

2 Major Indices, 10 Analytical Ingredients, 1 Platform

HORIZONTAL AXIS

Innovation Index (II) is a measure of a company's ability to develop products/services/solutions (with a clear understanding of disruptive Mega Trends) that are globally applicable, are able to evolve and expand to serve multiple markets, and are aligned to customers' changing needs.

INNOVATION INDEX ELEMENTS

- **II1: INNOVATION SCALABILITY**

This determines whether an organization's innovations are globally scalable and applicable in both developing and mature markets, and also in adjacent and non-adjacent industry verticals.

- **II2: RESEARCH AND DEVELOPMENT**

This is a measure of the efficacy of a company's R&D strategy, as determined by the size of its R&D investment and how it feeds the innovation pipeline.

- **II3: PRODUCT PORTFOLIO**

This is a measure of a company's product portfolio, focusing on the relative contribution of new products to its annual revenue.

- **II4: MEGA TRENDS LEVERAGE**

This is an assessment of a company's proactive leverage of evolving, long-term opportunities and new business models, as the foundation of its innovation pipeline. An explanation of Mega Trends can be found [here](#).

- **II5: CUSTOMER ALIGNMENT**

This evaluates the applicability of a company's products/services/solutions to current and potential customers, as well as how its innovation strategy is influenced by evolving customer needs.

Legal Disclaimer

Frost & Sullivan is not responsible for any incorrect information supplied by companies or users. Quantitative market information is based primarily on interviews and therefore is subject to fluctuation. Frost & Sullivan research services are limited publications containing valuable market information provided to a select group of customers. Customers acknowledge, when ordering or downloading, that Frost & Sullivan research services are for internal use and not for general publication or disclosure to third parties. No part of this research service may be given, lent, resold, or disclosed to noncustomers without written permission. Furthermore, no part may be reproduced, stored in a retrieval system, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the permission of the publisher.

For information regarding permission, write to: permission@frost.com

© 2022 Frost & Sullivan. All rights reserved. This document contains highly confidential information and is the sole property of Frost & Sullivan. No part of it may be circulated, quoted, copied, or otherwise reproduced without the written approval of Frost & Sullivan.