NEWELLOI

OWNER'S GUIDE / 02

When the Roll-Ups Come to Town

What competitors backed by private equity really have, what you can match, and how to stay independent by choice.

> **THE SHORT VERSION**
>
> Investors are buying local service businesses and combining them into larger platforms. Some of their advantage is real: better scheduling, purchasing, follow-up and reporting. Some of it is financial, and some of it is just a higher price tag on the same earnings.
>
> This guide helps you tell those apart, match the parts that matter to your customers, and build a business that stays independent because you choose to, not because no one made you an offer.

For owners of established, staffed independent businesses

By Newell Starks, Founder, NewellOI | November 2026

Examples are illustrative unless identified as documented cases. Nothing here is legal, tax or investment advice.

1. The new competitor down the street

The shop across town was family-owned for thirty years. Then it was sold. Six months later it has new trucks, a call center that answers around the clock, a membership plan on every invoice, and job ads offering your best technician a raise.

That shop probably joined a *platform*: a larger company that buys local businesses in the same trade and runs them together. Platforms are usually backed by **private equity (PE)**: investment firms, once commonly called leveraged-buyout (LBO) firms, that buy companies with investors' money plus borrowed money, aim to grow them, and sell at a profit, typically within several years. (In the trades, PE can also mean Professional Engineer. Here it always means private equity. There's more on how these firms work at the end of this guide.)

This is happening across home services and many other local trades. McKinsey puts U.S. spending on home services at roughly $700 billion and notes that the sector's share of consumer-industry deals rose from 2% in 2017 to 6% in 2022. [1]

Those numbers show investor interest, not guaranteed success. Some platforms run better businesses than the ones they bought; others struggle with debt, turnover and losing the personal touch. The right response is neither panic nor dismissal, but understanding what changed and deciding what to do.

2. Why buyers want businesses like yours

Investors look for trades where the work is needed (not optional), often repeats, and is spread across many small, well-regarded local companies. HVAC, plumbing, pest control, electrical, facility maintenance and some professional services fit that description. In plumbing repair, McKinsey estimates independent companies still hold about 70% of the market. [1] To an investor, that means plenty of businesses to buy.

The plan is usually to buy many local companies and share the expensive parts: advertising, hiring, training, purchasing, scheduling, customer service, reporting and financing. Each keeps serving its own area, with back-office support none could afford alone.

Here's the part that matters most: buyers often spot a business's operating gaps before the owner feels any pain. The change is usually gradual, and by the time lost market share shows up in your numbers, winning those customers back costs far more. Watch for these signs:

- A competitor starts answering calls live, nights and weekends.
- Their reviews pile up faster than yours, often mentioning speed and follow-up.
- They push maintenance plans or memberships hard.
- Their job ads offer more pay, and your technicians are getting calls.

- Your suppliers mention a competitor is buying in bigger volume.

3. Four kinds of advantage, and which ones you need to match

People often lump everything a platform has into one word: "scale." It's really four different things, and each calls for a different response:

Advantage	What it means	Your move
Better operations	Shared scheduling, purchasing, reporting, training and follow-up.	**Match what matters to your customers.** This is where you can compete head-on.
Money and staying power	Easier access to loans and investors; cash spread across many locations.	**Protect your cash and credit.** Low debt is its own advantage in a downturn.
A higher sale price	Bigger companies often sell for a higher multiple of their earnings.	**Build what buyers pay for**: steady repeat revenue, clean books, documented systems.
Pricing power	With enough local share, a company may raise prices without improving service.	**Win on quality, speed and trust**, and compete fairly.

Operations come first, because they're what customers feel and what drives your profit. Answering the phone reliably, running crews efficiently and knowing your numbers can matter more than the size of anyone's acquisition fund.

Money cuts both ways. Platforms can borrow more, but borrowed money comes with fixed payments. An independent with little debt may be able to ride out a slow season or a downturn more easily than a heavily financed competitor. Their financing doesn't mean they run better businesses.

A higher sale price isn't profit. It can reward a platform for size and professional management, but it doesn't pay anyone's wages. Section 4 shows why.

Pricing power isn't efficiency. When one company controls enough of a local market, it may be able to raise prices without improving service. Federal regulators have taken an interest in exactly this pattern (Section 5).

4. Earnings, cash and sale value are three different things

Much of the excitement around roll-ups comes from one piece of arithmetic. It's worth seeing plainly.

Suppose 10 similar businesses each generate $500,000 a year in operating earnings, or EBITDA (earnings before interest, taxes, depreciation and amortization). Valued separately at 5.0x EBITDA, their combined enterprise value is $25 million. Now suppose a buyer combines them into one platform with the *same* $5 million of EBITDA, and the market values that platform at 9.0x. On paper its enterprise value is $45 million, a $20 million jump without a single extra customer served.

That $20 million isn't cash anyone earned. It leaves out the premiums paid to sellers, debt and interest, taxes, deal fees, the cost of combining the businesses, and customers who leave along the way. And no one guarantees the higher multiple. It can shrink.

Real operating improvements are different. If better dispatching cuts idle time and completes more profitable jobs, profit rises. That works just as well for an independent as for a platform. It shows up in your dispatch records, job margins and bank deposits, and it doesn't require a holding company or a big loan.

What this means for your business

The same three ideas apply to you. Here's a hypothetical business with $500,000 a year of operating earnings (EBITDA):

Illustrative scenario	Operating earnings (EBITDA)	Multiple	Illustrative enterprise value
Today	$500,000	4.0x	$2,000,000
Better operations	$550,000	4.0x	$2,200,000
Better operations, plus what buyers pay for	$550,000	4.5x	$2,475,000

- **Operating earnings** improve every year. Better operations here add $50,000 of EBITDA a year. That isn't automatically $50,000 you can spend: taxes, interest, equipment purchases and money tied up in receivables and inventory come out first.
- **Cash** is when the money actually lands. Collecting faster or carrying less inventory frees up cash, but it doesn't raise profit.
- **Enterprise value** is an estimate of what the whole business is worth, and it only becomes money if you sell. Even then, it isn't what you take home: outstanding debt, transaction fees, taxes and other deal adjustments come out first. Steady repeat revenue, clean records and a business that doesn't depend on you for every decision can support a higher multiple. In this example that takes the illustrative enterprise value from $2,000,000 to $2,475,000.

> **A CAUTION ON MULTIPLES**
> The multiples and enterprise values above are for illustration only. Real multiples vary widely by trade, size, region, interest rates and buyer demand, and they change over time. For a figure that applies to your business, talk to a qualified valuation or M&A advisor.

So when you size up a platform competitor, ask about operations before finance. Are they faster? More reliable? Better at keeping customers? Are their costs really lower? Do customers think they get better value? Those are things you can see, and things you can answer.

5. When consolidation crosses the line

Most acquisitions are legal, and many improve service. But regulators have taken a closer look at one strategy in particular: buying many small competitors one after another, each deal too small to draw notice, until one company dominates a local market.

In 2023, the Federal Trade Commission sued U.S. Anesthesia Partners (USAP) and its private-equity backer, Welsh, Carson, Anderson & Stowe. The FTC alleged that a series of acquisitions of Texas anesthesia practices was used to reduce competition and raise prices. A court dismissed the claims against Welsh Carson, but the firm later agreed to an FTC order, finalized in May 2025, that limits its involvement with USAP; it did not admit wrongdoing. [3] In April 2026, the FTC announced a preliminary settlement with USAP. Its terms had not yet been made public, any final order still needed approval, the court case was paused while the settlement is finalized, and USAP denied wrongdoing. [4]

Separately, in May 2024 the Justice Department and the FTC asked the public for information on serial acquisitions and roll-up strategies across the economy, including construction, repair and professional services. [2]

None of this means a platform in your town is breaking the law. It means the same deal can bring real efficiencies and a risk of less competition at once. For you, the practical lesson is to judge competitors by what they actually do for customers and what they charge, not by who owns them.

> **ONE RULE FOR INDEPENDENTS, TOO**
> Competing with a larger rival never justifies agreeing with other local owners on prices, wages, territories or which customers each of you will serve. Even informal agreements like these can be illegal on their own. Compete on your own merits, and check with a lawyer before any joint arrangement with competitors.

6. Your edge, and what it needs to work

A platform can buy a respected local business, keep its name and its people, and hold on to much of its goodwill. What's harder for a larger organization to match is an owner who is personally present: someone who knows customers by name, stands behind the work, and can make a decision on the spot. A strong independent can often keep and deepen local relationships more personally and responsively than a platform can.

That's an advantage worth using, not one that comes automatically with independence. It only holds when it comes with dependable service. Personal relationships can't be an excuse for missed calls and late invoices.

Cheap AI tools won't set you apart; your competitors can buy the same ones. What's hard to copy is the combination: reliable execution, local trust, a real understanding of each customer, and a business that learns quickly.

Picture an HVAC company whose owner knows that long-time maintenance customers care more about getting help fast in an emergency than about discounts. A generic system would blast them with coupons. A system built around the owner's knowledge would sort customers by what they value, honor their service agreements, and offer benefits that protect margins. And when a family has had three breakdowns in a month, it would flag them for a personal call from the owner, because that call is worth more than any automated apology.

The right approach depends on the trade. A pest-control company lives on renewals, efficient routes and recognizing loyal customers. A roofer may not see the same household again for twenty years, so fast response to leads, referrals, warranty follow-up and help with insurance questions matter more. Your trade decides which levers matter; your region shapes costs, weather and seasons; your local market sets how hard the competition is; and each customer relationship decides the right way to treat them.

7. Six moves to defend your margins

1. Know your competition

List the main competitors in your area: who owns them (when that's public), where they work, how customers reach them, what they offer, what their reviews say, and how hard they're hiring. Use public information and what customers freely tell you, never anything obtained improperly.

2. Know your numbers by service line

For each type of work, know what a completed job actually earns after parts and labor, where your capacity runs out, how often you get callbacks, how long you wait to get paid, what it costs to win a customer and how often customers come back. Revenue that grows while profit per job shrinks isn't success.

3. Never miss a customer

Answer every inquiry quickly and reliably, with approved answers to common questions, and follow up on every estimate. Make it easy to hand a conversation to a person whenever it involves pricing, a commitment outside the rules you've set, or a customer who needs a human.

4. Keep your best customers

Track satisfaction, open complaints, how often customers come back, major service dates and referrals. Recognize long-time customers in ways that fit your trade. Measure the next job or referral, not the number of automated messages sent.

5. See what matters, quickly

Your weekly view of the business should show the exceptions, the evidence and your options, not an endless feed of data. Track how much routine work was completed correctly without you, which issues were rightly escalated, how much work is still left for your team, and the net financial result.

6. Keep your options open

Keep clean financial records, documented procedures and systems you can audit and recover. These make you a stronger independent today, and a more valuable business if you ever choose to sell, take on a partner or pass the business on.

> **MEASURE IT HONESTLY**
>
> Keep three kinds of numbers apart. **Observed**: what you counted in your own records or saw in public (a competitor's new hours, ads or reviews). **Estimated**: an opportunity based on assumptions you state up front. **Verified**: a result measured after a change, against a comparison that tests and reduces plausible alternative explanations.
>
> Comparing with the same season last year is a start, but weather, prices, staffing and customer mix may have changed too. Stronger tests switch the change on and off in alternating weeks, compare similar crews or areas with and without it, or adjust for what else changed. And a competitor's promotion tells you what they're offering, not whether it's working.

8. Local knowledge beats a national playbook

Industry best practices are a good place to start, but competition happens locally. Labor rates, drive times, the age of the housing stock, weather, how many customers live in your area and what alternatives they have all change the economics of your trade. A national playbook that ignores them is a template, not a strategy.

We weigh three kinds of evidence. **Proven elsewhere**: practices with outside evidence behind them, which tell us where to look. **Seen in your market**: dated, sourced observations of what's happening locally, which make the work relevant. **Verified in your business**: results measured in your own operation against a fair comparison, which are the only ones that earn real confidence.

Your information deserves the same protection. Any learning shared across businesses must be authorized in writing, kept technically separate, and never expose another company's numbers. The best benchmark isn't the one with the most data. It's the one that compares like with like and was obtained the right way.

9. Independence should be a choice

For some owners, selling to a platform is the right financial, personal or family decision. A well-funded buyer can provide a payout, professional management, or a future for the business when the next generation doesn't want to run it. Nothing in this guide argues otherwise.

The real failure is being pushed into a sale because the business fell behind on practical, affordable improvements, or because you didn't have reliable numbers on how it was performing. Stronger profits, documented processes, loyal customers and company knowledge that doesn't live only in your head all improve your choices, whichever way you go.

Where NewellOI fits

We usually start with one measurable problem, such as missed calls or slow estimate follow-up, as described in Owner's Guide 01. But defending your margins is ongoing work. Each improvement adds to an owner-controlled picture of your customers, your competitors and your operation. Over time, that becomes the capability platforms build whole departments for: knowing which customers are at risk, seeing changes in your local market early, keeping routines measured instead of remembered, and bringing you in when a decision needs your judgment.

The question isn't whether private equity is good or bad. It's whether your business can gain the management and operating strengths that are worth paying for, without giving up the choice of who owns it. That's worth testing one improvement at a time.

> **HOW EXPOSED IS YOUR BUSINESS?**
>
> Tell us what's changed in your market: who's been bought, who's growing, and where you're feeling it. We'll help you sort what's real, what's financial, and what's worth matching, and tell you honestly where to start.
>
> **newelloi.com**

A closer look at private equity

- **The largest firms**, once known mainly for leveraged buyouts, now manage hundreds of billions of dollars and run many strategies side by side: buyouts financed partly with borrowed money, growth investments, lending and real estate.
- **More specialized firms** tend to concentrate on a few strategies, but even these are rarely small: many manage hundreds of millions to billions of dollars.
- **The buyer approaching a local business** is often one of these specialized funds, or a platform it already owns, focused on one trade or region. Either way, expect an experienced, well-funded negotiator, and get your own advisors.
- **Roll-up platforms generally follow the buyout approach**: buy with a mix of investors' money and debt, improve and grow the combined business, and sell it, typically within several years. That timeline shapes how a platform behaves, and it's one reason debt matters (Section 3).

Sources

Sources accessed November 2026. Figures and findings keep the scope and limits set by their publishers. Descriptions of legal cases summarize allegations and announced outcomes, not findings of liability. **About these examples:** the businesses and multiples in Section 4 are hypothetical; replace them with your own figures and professional advice. Third-party research is not a NewellOI customer result, and nothing here is a forecast or guarantee of performance.

[1] McKinsey & Company (Feb. 25, 2026). Value Plays in US Home Services: Where Opportunity Meets Reliability. Consulting research and estimates. McKinsey article (mckinsey.com)

[2] U.S. Federal Trade Commission and Department of Justice (May 23, 2024). FTC and DOJ Seek Info on Serial Acquisitions, Roll-Up Strategies Across U.S. Economy. DOJ/FTC announcement (justice.gov)

[3] U.S. Federal Trade Commission (May 2025). FTC Approves Final Order with Welsh Carson. FTC press release (ftc.gov)

[4] U.S. Federal Trade Commission (Apr. 23, 2026). FTC Charts Path to Restore Competition in Texas Anesthesia Markets in USAP Litigation. FTC press release (ftc.gov)