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Majority share in PuroSystems extends Troy-based Signal

By Sherri Welch

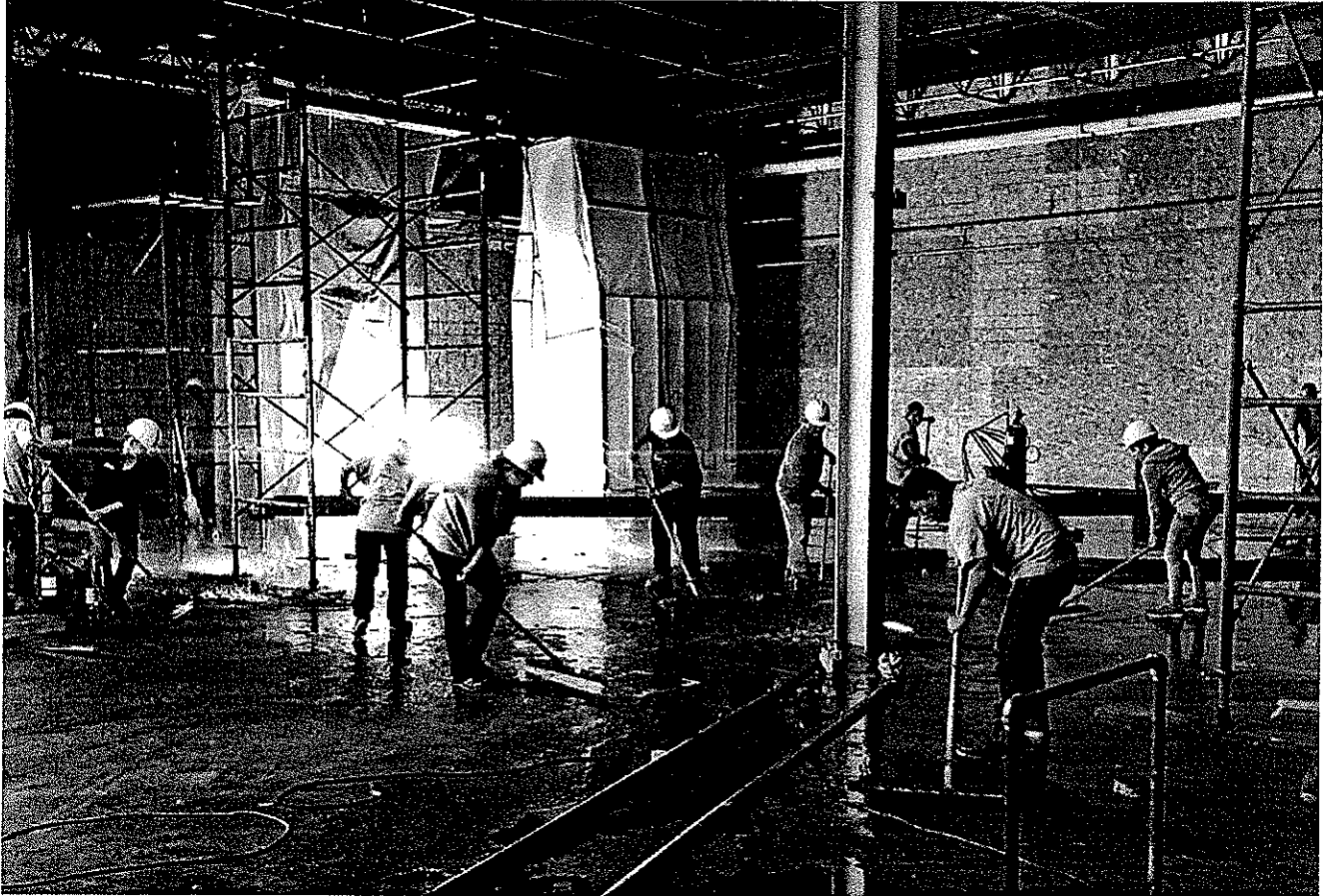
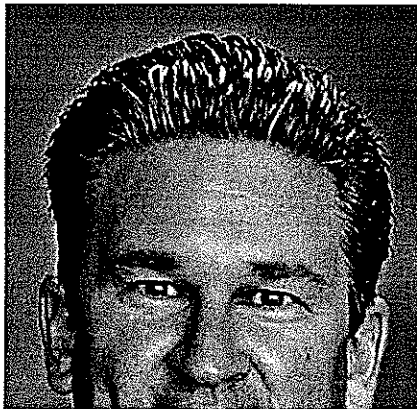


Photo by PHOTO COURTESY SIGNAL RESTORATION Workers from Signal Restoration remove water from a Chicago-area industrial facility following a fire. The \$12 million project involved the rebuilding of the fire-damaged part of the building while the rest of the facility stayed in operation.

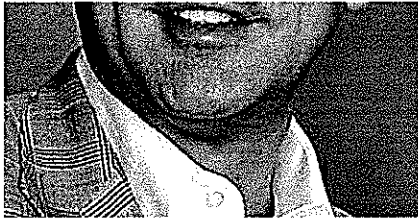


The owners of Troy-based **Signal Restoration Services** have acquired a majority share in Florida-based **PuroSystems Inc.** for an undisclosed amount.

PuroSystems — which operates 234 franchised locations in the U.S., including four in Southeast Michigan and 35 in Canada under the PuroClean brand — recorded \$94 million in revenue last year.

The deal gives Signal a nationwide presence and international operations in Canada, positioning it to grow internationally, Signal's co-owner and co-CEO, Mark Davis, said last week.

Tamarac, Fla.-based PuroSystems, which employs 1,500 systemwide with 34 at its corporate office, provides cleanup and rebuilding services to residents following fire, flood and other disasters.



Mark Davis: Deal will help Signal grow globally.

Signal provides the same services for commercial and industrial clients. The Troy-based company said it is on track to exceed \$55 million in revenue this year.

That's important for global customers like **Johnson Controls Inc.** that have requested the company have a presence in Europe, he said.

"We signed a master service agreement with Johnson Controls, and the first question they asked after (Superstorm) Sandy was 'Can you serve us in U.K.?' 'In Canada?'"

The common ownership will enable Signal Restoration to serve its national client base more efficiently and in a more timely fashion "with a brand we own," Davis said.

Rather than subcontracting work out to local contractors and losing some of the related revenue, it will be able to keep the referral internal without having to buy a company in those markets, Davis said.

He projects referrals and other growth to boost Signal's revenue to \$150 million within five years and PuroClean's to \$200 million.

He and his partner at Signal Restoration, Frank Torre, purchased an 80 percent stake in PuroSystems.

Retaining a total share of 20 percent in the company, Davis said, are Rory O'Dwyer, co-founder of PuroClean; David McKinnon, founder and former co-chairman of Ann Arbor-based **Service Brands International** with Bob Ufer, another minority investor in PuroClean; and Lynn Drayton, former president and COO of **Compuware Corp.** and a co-investor in Service Brands' Molly Maid brand with McKinnon.

Davis said he and Torre acquired the majority share of PuroClean rather than doing the deal through Signal Restoration because the existing shareholders did not want to exit entirely.

"And secondly, we didn't want to be viewed as a competitor to any of the PuroClean franchise owners in overlapping markets," he said.

Davis, who is succeeding McKinnon as chairman and CEO at PuroSystems, said he won't rule out a merger into Signal, but there's no plan to do so at this time.

Signal has a strong brand and is well known in Michigan, New York and California for its expertise in the commercial and industrial markets, he said. And PuroClean is well-known in residential.

"There's definitely value in continuing to build both brands," Davis said.

The plan is to retain PuroSystems' headquarters and a fire and flood disaster training center in Florida. But Davis said he will remain based in Southeast Michigan.

Signal and PuroClean — the franchise name Davis said the whole company will adopt — have an overlapping footprint in only two U.S. markets: Michigan and Southern California.

The common ownership will position PuroClean franchises in those markets to move into commercial work if they want to, with training from Signal, Davis said. Or they can refer commercial business to Signal and get a referral fee in exchange.

During the fourth quarter, the new ownership plans to convert an existing facility in Macomb County (likely in Clinton Township) and in Orange County, Calif., into new, PuroClean-owned training centers.

The new centers will train new employees in water mitigation, fire restoration and abatement for both residential and commercial jobs. They will also provide continuing education for insurance agents and adjusters, something that will help keep PuroClean top of mind for insurers, Davis said.

Next year, PuroClean plans to expand in Europe, starting in the U.K. and Germany, through agreements with master franchisees to convert their independent brands to Signal or PuroClean, Davis said.

The new owners plan to double the number of U.S. PuroClean franchises in the next five years to about 400 and to increase the 35 it has in Canada to 50, Davis said.

"Now we compete with the largest companies in our industry," Davis said.

PuroClean is the fourth restoration services company Davis has owned and/or led. He bought **Rocky Mountain Catastrophe** in Colorado with a partner and later sold it to **Belfor International Holding Inc.** parent company **Franz Haniel & Cie GmbH**. He then helped to launch **Belfor USA Group Inc.** before selling his share in the company.

Six years later, he became a minority owner and CEO of **InStar Services Group LP** and moved the Texas company's headquarters to Southeast Michigan, just as he had done with Belfor's.

He left InStar, which was majority owned at the time by Bloomfield Hills-based private equity firm **BlackEagle Partners LLC**, in 2011, to acquire another restoration business that would allow him to have boardroom control, he said.

That brought him and co-CEO Torre to Signal in 2012.

Signal, which employs 150, has offices in Detroit, Kalamazoo, Clinton Township, California, Texas, Tennessee, Florida, New York and Kansas.

Its acquisition of PuroClean is at least the third local deal involving a restoration company this year.

Crain's reported Florida-based **Blue Team Restoration's** acquisition of Detroit-based **Young and Sons** last week and in February, Texas-based **Interstate Restoration LLC's** November purchase of Southfield-based **Statewide Disaster Restoration**, which gave it a Midwestern foothold and access to Michigan-based Fortune 500 customers.

The fragmented restoration services industry is ripe for consolidation, Davis said, given the low barriers to entry. Those who do well in the restoration business have capital to carry the business costs until insurance companies pay out.

"Private equity is very interested in this space, there's no question," he said.

Bill Jarvis, founder and president of Harrison Township-based **Jarvis Property Restoration**, which has eight Michigan locations and five more in Florida and Iowa and a projected \$25 million-\$30 million in revenue this year, said he gets calls weekly from private equity firms and others seeking to buy his company.

But he's held out for 36 years with repeat business and referrals, making him one of the last independents of his size left locally.

"I'm here to stay," Jarvis said.

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