CORPORATE FINANCE

Density Matters: Best Practices for PE-Backed Multi-Site Businesses

The strongest multi-site businesses compete on market density, not just location count

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Private equity loves the multi-site model. There is a massive addressable market—over 800,000 franchise establishments and at least two million multi-site businesses in the US—and the sector tends to be predictable, scalable, and resilient to recession. Several billion-dollar and larger PE deals involving such organizations have taken place in the past eighteen months alone.

PE firms that invest in multi-site businesses can consolidate resources and purchasing power, conduct strategic roll-ups in fragmented markets, and ultimately command higher multiples on exit. But too often, investors equate value creation with simply adding more dots on the map.

The reality is harsher: **growth without density destroys value.**

Why Density Matters

Whether it's HVAC (heating, ventilation, and air conditioning) services, specialty retail, or industrial maintenance, multi-site scale creates profit only when locations reinforce one another. Overhead, marketing, and transportation costs balloon when a footprint is too spread out. But when locations cluster within a market, the flywheel spins:

- ***Route efficiency:*** Trucks, technicians, and deliveries cover more jobs in fewer miles.
- ***Labor pooling:*** Recruiting and scheduling improve when sites share workers.
- ***Marketing ROI:*** Local spend reaches more of the right customers.
- ***Shared management:*** District leaders can oversee numerous locations more efficiently instead of spending too much time on the road.

Most important, this density flywheel compounds. Each new location in a cluster adds more than its own EBITDA; it amplifies the entire market's economics.

The National Expansion Trap

The biggest mistake we see with PE-backed multi-site businesses involves chasing national coverage too soon. If management expands into twenty states before consolidating leadership in any one region, what happens? Diluted margins, integration headaches, and no market dominance.

Follow a better sequence:

1. ***Win locally.*** Build density in one or two markets until you achieve a clear no. 1 or 2 share.
2. ***Replicate regionally.*** Export the playbook to new markets using the same discipline. Document, standardize, replicate. A dedicated integration lead helps ensure consistency.
3. ***Expand nationally***—but only once your operating platform can handle the complexity. Demonstrate success in two to three distinct regions before replicating on a broader scale. Ensure core systems and shared services operate on a single platform and can scale without workarounds.

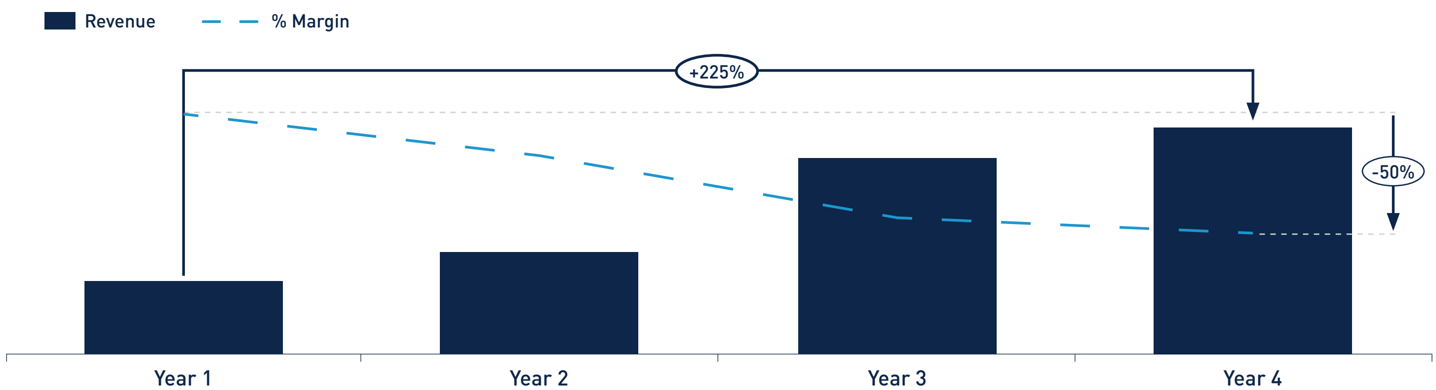
What to Ask in Due Diligence

To ensure that new investments and expansions create real value, PE firms should first evaluate the fundamentals of scale, market position, and operational readiness. Before investing in multi-site businesses and/or new locations, they should consider:

- Are we adding density? Or just dots?
- Can this platform command market leadership in its core regions?
- Is SG&A structured for dense markets or a sprawling footprint?
- What is the real payback period of the next ten sites?

BRG Case Study

Revenue and Gross Margin | Year 1-4 Prior to BRG Engagement ($M and % of Rev)



We completed a diagnostic with an industrial services company. In the years leading up to our engagement, the company had more than doubled in revenue but experienced steadily declining margins. This rapid growth was driven by aggressive asset acquisitions and entry into new geographic markets, leading to operational complexity.

Our rapid assessment identified more than $15 million (84% increase) in EBITDA opportunities through a refocused regional strategy, aligned acquisition strategy, and focus on operational efficiency.

This work reinforced a central theme of the density flywheel: sustainable value creation comes from concentrating scale where density amplifies profitability, not from adding markets and locations.

The Bottom Line

Multi-site value creation isn't about scale for scale's sake. It is about spinning the **density flywheel** until it becomes a self-reinforcing advantage. The best PE playbooks resist the temptation of national flags on a map and double down where density builds durable EBITDA.