

ALTUS FORUM — FINANCE TRACK

# MASTERING GROSS PROFIT MARGIN

A Practical Guide for Janitorial & Facilities  
Operators — How to Find, Fix, and Grow Your  
Bottom Line



FINANCE TRACK PRINCIPAL

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20+ years of senior leadership in finance, accounting, CFO & CEO roles

Led financial transformations and M&A integration across multiple sectors

Oversees finance, IT, HR, risk management, and M&A for the 4M platform

Previously VP of Finance for Team Services Group (PE-backed)



TODAY'S ROADMAP

# 60 minutes to transform how you think about margin

**12 min** **The Fundamentals**  
COGS, gross margin, cash reality, and why it matters

**8 min** **Revenue to EBITDA**  
How margin flows to your bottom line

**30 min** **The Four Levers**  
Labor hours, labor dollars, supplies, special services

**10 min** **What We Learned**  
Key takeaways and your action plan

WHY GROSS MARGIN MATTERS

**3-6x**

TYPICAL EBITDA MULTIPLE AT SALE

**\$1**

OF MARGIN = \$3-6 IN ENTERPRISE VALUE

**12-25%**

JANITORIAL GROSS MARGIN RANGE

Every dollar of gross profit improvement multiplies at exit. This is the single biggest lever in a PE-backed services business.

MEET OUR EXAMPLE CONTRACTS

We will follow these two contracts throughout today's session

RIVERSIDE MEDICAL CENTER

Monthly Revenue	<b>\$45,000</b>
Cleaning Nights/Week	5
Square Footage	85,000 SF
Cleaners per Shift	9
Monthly Labor Hours	1,480
<b>Current Gross Margin</b>	<b>18%</b>

SUMMIT CORPORATE PLAZA

Monthly Revenue	<b>\$72,000</b>
Cleaning Nights/Week	5
Square Footage	150,000 SF
Cleaners per Shift	13
Monthly Labor Hours	2,200
<b>Current Gross Margin</b>	<b>22%</b>

WHAT IS COGS?

COGS is every direct cost you incur to deliver the cleaning service on a specific contract. If you stopped servicing a building tomorrow, these costs would go away.

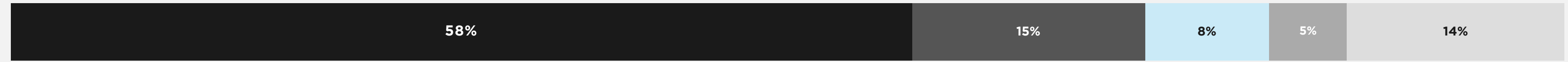
**IS COGS**

- Cleaner wages at the site
- Payroll taxes & workers comp on those wages
- Cleaning supplies used at that site
- Equipment depreciation for that contract
- Subcontractor costs for that building

**IS NOT COGS (THIS IS OPEX)**

- Your office rent
- Your salary as owner/operator
- Vehicle insurance for sales reps
- Accounting software subscription
- Marketing spend

JANITORIAL COGS BREAKDOWN



DIRECT LABOR

PAYROLL BURDEN

SUPPLIES

EQUIP

SUBCONTRACTORS

**58%**

**DIRECT LABOR WAGES**

Your biggest cost and your biggest opportunity. Hourly wages paid to cleaners at the job site.

**15%**

**PAYROLL BURDEN**

FICA, FUTA, SUTA, workers comp, health insurance. Often 22-30% on top of base wages.

**8%**

**CLEANING SUPPLIES**

Chemicals, paper products, liners, mops, pads. An often-overlooked margin lever.

CALCULATING GROSS MARGIN

**Gross Profit = Revenue – COGS**  
**Gross Margin % = ( Gross Profit / Revenue ) × 100**

RIVERSIDE MEDICAL CENTER EXAMPLE

	MONTHLY	ANNUAL
Revenue	\$45,000	\$540,000
COGS	(\$36,900)	(\$442,800)
<b>Gross Profit</b>	<b>\$8,100</b>	<b>\$97,200</b>
<b>Gross Margin %</b>	<b>18.0%</b>	<b>18.0%</b>

KEY INSIGHT

At 18%, Riverside keeps only \$0.18 of every dollar billed. The rest goes to direct costs.

THE CASH REALITY OF \$8,100

That gross profit number is thinner than it looks

Monthly Gross Profit	\$8,100
Office Rent & Admin	(\$1,800)
Vehicle & Insurance	(\$900)
Owner Salary Allocation	(\$1,500)
Software & Overhead	(\$300)
<b>Remaining EBITDA</b>	<b>\$3,600</b>
<b>EBITDA Margin</b>	<b>8.0%</b>

THE TIMING PROBLEM

You pay payroll every 2 weeks. Your customer pays in 45-60 days.

That means you're financing \$36,900/month of COGS for 1-2 months before you collect.

If a customer pays late at 90 days, you've floated \$110,700 in labor and supplies with only \$8,100/month of GP to absorb any risk.

**Thin margins + slow payments = cash crisis.**

WHERE DO YOU STAND?

## Janitorial Gross Margin Benchmarks



ABM Industries (NYSE: ABM), the largest U.S. janitorial company at ~\$8.7B revenue, reported a **12.3% gross margin** in their FY2025 10-K filing. Scale does not guarantee margin. Focused operators can significantly outperform.

**THE MARGIN GAP IS REAL MONEY**

**If Riverside improved from 18% to 25%:**

$$\$45,000 \times 7\% = \$3,150/\text{month} = \$37,800/\text{year}$$

**\$189,000 in enterprise value**

from a single contract.

# 02

## FROM REVENUE TO EBITDA

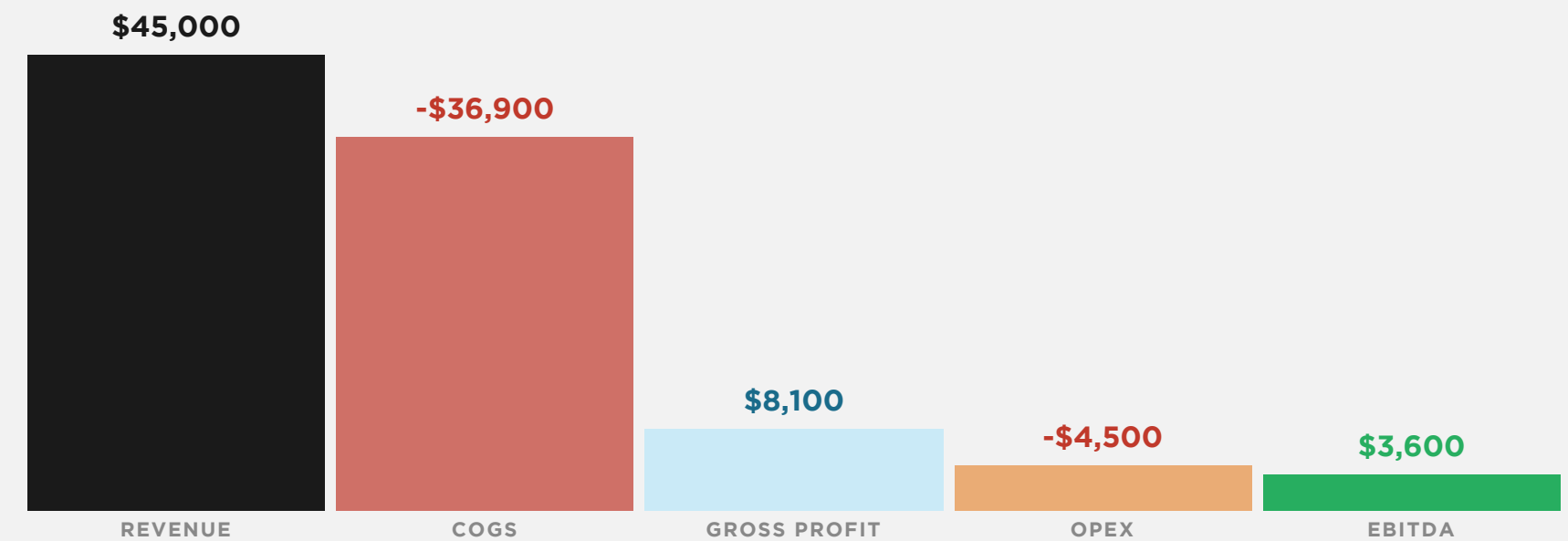
How gross margin flows through your P&L to the bottom line



THE P&L WATERFALL

Riverside Medical Center — Monthly

	AMOUNT	% REV
<b>Revenue</b>	<b>\$45,000</b>	<b>100%</b>
Direct Labor	(\$22,680)	50.4%
Payroll Burden	(\$6,750)	15.0%
Supplies	(\$3,600)	8.0%
Equipment	(\$1,800)	4.0%
Subcontractors	(\$2,070)	4.6%
<b>Total COGS</b>	<b>(\$36,900)</b>	<b>82.0%</b>
<b>GROSS PROFIT</b>	<b>\$8,100</b>	<b>18.0%</b>



SAME REVENUE, DIFFERENT MARGIN

What happens when gross margin changes on \$45,000/month revenue

GM%	MONTHLY GP	ANNUAL GP	EV GAIN @ 5X
18%	\$8,100	\$97,200	Baseline
20%	\$9,000	\$108,000	+\$54,000
23%	\$10,350	\$124,200	+\$135,000
<b>25%</b>	<b>\$11,250</b>	<b>\$135,000</b>	<b>+\$189,000</b>

Moving from 18% to 25% on this one contract creates **\$189,000 in enterprise value** at a 5x multiple.

THE MULTIPLIER EFFECT

**\$1 of Gross Profit Improvement = \$3-6 in Enterprise Value**

SCALE IT ACROSS YOUR PORTFOLIO

	PER CONTRACT	x 50 CONTRACTS	x 200 CONTRACTS
Monthly GP Gain (+5pts)	\$2,250	\$112,500	\$450,000
Annual GP Gain	\$27,000	\$1,350,000	\$5,400,000
<b>EV Impact @ 5x</b>	<b>\$135,000</b>	<b>\$6,750,000</b>	<b>\$27,000,000</b>

# 03

## THE FOUR LEVERS

Practical ways to improve gross margin on every contract



FOUR WAYS TO MOVE THE NEEDLE

# 01

## LABOR USAGE (HOURS)

Reduce the number of hours worked without cutting quality

# 02

## LABOR COST (DOLLARS)

Lower the fully-burdened cost per hour of labor

# 03

## SUPPLY RESALE & MARKUP

Earn margin on supplies you provide to clients

# 04

## SPECIAL SERVICES

Add higher-margin project work to recurring contracts

# 01

## LEVER 1 – LABOR SAVINGS: USAGE (HOURS)

Are we using more labor hours than the contract requires? Every unnecessary hour is pure margin erosion.

### WHAT DRIVES EXCESS HOURS?

#### **Poor Scope Definition**

Cleaners don't know what's expected, so they over-clean some areas and miss others

#### **No Time Standards**

Without production rates, there's no benchmark for how long tasks should take

#### **Inefficient Routing**

Walking back and forth across the building instead of cleaning in zones

#### **Overstaffing on Shifts**

Too many people on site with not enough work to fill the time

LEVER 1 IN ACTION: RIVERSIDE MEDICAL

	BEFORE	AFTER	CHANGE
Monthly Hours Budgeted	1,400	1,400	—
Monthly Hours Worked	1,480	1,390	<b>-90 hrs</b>
Overage / (Savings)	<b>+80 hrs</b>	<b>-10 hrs</b>	<b>90 hrs saved</b>
Avg Burdened Rate	\$15.33/hr	\$15.33/hr	—
Monthly Labor Cost	\$22,688	\$21,308	<b>-\$1,380</b>
Monthly Gross Profit	\$8,100	\$9,480	<b>+\$1,380</b>
<b>Gross Margin %</b>	<b>18.0%</b>	<b>21.1%</b>	<b>+3.1 pts</b>

HOW TO REDUCE HOURS

- Set production rates (e.g., 5,000 SF/hr for office cleaning)
- Implement zone-based cleaning plans
- Use time-tracking to compare budgeted vs. actual
- Right-size crew counts per shift

**\$1,380** per month · \$16,560/year · \$82,800 EV @ 5x

THE POWER OF MINUTES: RIVERSIDE

What if each cleaner saved just a few minutes per shift?

Riverside: 9 cleaners per shift · 22 shifts per month · Burdened rate: \$15.33/hr

MINUTES SAVED PER CLEANER/SHIFT	TOTAL HOURS SAVED/MONTH	MONTHLY SAVINGS	ANNUAL SAVINGS	EV @ 5X
2 minutes	6.6 hrs	\$101	\$1,214	\$6,072
5 minutes	16.5 hrs	\$253	\$3,036	\$15,180
10 minutes	33.0 hrs	\$506	\$6,072	\$30,360

A better supply cart layout, pre-staged chemicals, or a tighter zone-cleaning route can easily save 5-10 minutes per cleaner per shift. That's **16-33 hours per month** on this one contract.

LEVER 1: SUMMIT CORPORATE PLAZA

	BEFORE	AFTER	CHANGE
Monthly Hours Budgeted	2,100	2,100	—
Monthly Hours Worked	2,200	2,080	<b>-120 hrs</b>
Avg Burdened Rate	\$16.00/hr	\$16.00/hr	—
Monthly Labor Cost	\$35,200	\$33,280	<b>-\$1,920</b>
Monthly Gross Profit	\$15,840	\$17,760	<b>+\$1,920</b>
<b>Gross Margin %</b>	<b>22.0%</b>	<b>24.7%</b>	<b>+2.7 pts</b>

**\$1,920/mo** \$23,040/yr · \$115,200 EV @ 5x

Combined Lever 1 across both contracts: **\$3,300/month, \$39,600/year, \$198,000 in EV @ 5x.** And we haven't touched rates, supplies, or special services yet.

THE POWER OF MINUTES: SUMMIT

Same concept, bigger building, bigger impact

Summit: 13 cleaners per shift · 22 shifts per month · Burdened rate: \$16.00/hr

MINUTES SAVED PER CLEANER/SHIFT	TOTAL HOURS SAVED/MONTH	MONTHLY SAVINGS	ANNUAL SAVINGS	EV @ 5X
2 minutes	9.5 hrs	\$153	\$1,832	\$9,160
5 minutes	23.8 hrs	\$381	\$4,576	\$22,880
10 minutes	47.7 hrs	\$763	\$9,152	\$45,760

COMBINED MINUTE SAVINGS: BOTH CONTRACTS AT 5 MIN

**\$634/month combined savings · \$7,612/year · \$38,060 in EV**

At 10 minutes: \$1,269/month, \$15,224/year, \$76,120 in EV. From better carts and tighter routes.

# 02

LEVER 2 – LABOR SAVINGS: DOLLARS (RATE)

What is our fully-burdened cost per labor hour, and can we bring it down without losing quality or people?

ANATOMY OF A BURDENED LABOR HOUR

COMPONENT	CALCULATION	\$/HOUR	% OF TOTAL
Base Wage	—	\$14.00	72.4%
FICA (Employer 7.65%)	\$14.00 × 7.65%	\$1.07	5.5%
Workers Comp (6.0%)	\$14.00 × 6.0%	\$0.84	4.3%
FUTA / SUTA (2.0%)	\$14.00 × 2.0%	\$0.28	1.4%
Health & Benefits	Flat per employee	\$1.50	7.8%
PTO / Sick / OT Premium	Blended estimate	\$1.64	8.5%
<b>FULLY BURDENED RATE</b>		<b>\$19.33</b>	<b>100.0%</b>

LEVER 2 IN ACTION: RIVERSIDE MEDICAL

After already applying Lever 1 (hours reduction)

	BEFORE	AFTER	CHANGE
Monthly Hours	1,390	1,390	—
Avg Burdened Rate	\$15.33/hr	\$14.58/hr	-\$0.75/hr
Monthly Labor Cost	\$21,308	\$20,266	-\$1,042
Monthly Gross Profit	\$9,480	\$10,522	+\$1,042
<b>Gross Margin %</b>	<b>21.1%</b>	<b>23.4%</b>	<b>+2.3 pts</b>

TACTICS TO LOWER BURDENED RATE

- Shop workers comp carriers annually (biggest quick win)
- Minimize overtime through better scheduling
- Review health benefit plan design for cost sharing
- Reduce turnover to lower recruiting/training costs

**\$1,042/mo** \$12,504/yr · \$62,520 EV @ 5x

LEVER 2: SUMMIT CORPORATE PLAZA

After Lever 1 (hours reduced to 2,080)

	BEFORE (POST L1)	AFTER L2	CHANGE
Monthly Hours	2,080	2,080	—
Avg Burdened Rate	\$16.00/hr	\$15.20/hr	-\$0.80/hr
Monthly Labor Cost	\$33,280	\$31,616	-\$1,664
Monthly Gross Profit	\$17,760	\$19,424	+\$1,664
<b>Gross Margin %</b>	<b>24.7%</b>	<b>27.0%</b>	<b>+2.3 pts</b>

**RUNNING TOTAL: LEVERS 1 + 2 COMBINED**

Riverside: 18.0% → 23.4% (+\$2,422/mo) · Summit: 22.0% → 27.0% (+\$3,584/mo)

**Combined Annual: \$72,072 · EV @ 5x: \$360,360**

# 03

LEVER 3 – SUPPLY RESALE & MARKUP

Are we charging enough for cleaning supplies, paper products, and consumables? Are we even tracking our supply costs vs. what we bill?

COMMON SUPPLY CATEGORIES & TYPICAL MARKUPS

CATEGORY	YOUR COST	INDUSTRY MARKUP	CLIENT CHARGE	MARGIN
Paper Products (towels, tissue)	\$0.80/case unit	25-40%	\$1.00-1.12	20-29%
Chemicals & Cleaners	\$0.50/diluted gal	30-50%	\$0.65-0.75	23-33%
Liners & Bags	\$0.15/liner	25-35%	\$0.19-0.20	20-26%
Floor Care Products	\$12.00/gal	35-50%	\$16.20-18.00	26-33%

LEVER 3 IN ACTION: RIVERSIDE MEDICAL

Building on Levers 1 + 2 (GM now at 23.4%)

	BEFORE	AFTER	CHANGE
Monthly Supply Cost	\$3,600	\$3,200	-\$400
Supply Charge to Client	\$3,600	\$4,200	+\$600
Supply Markup %	0%	31%	+31 pts
Net Supply Margin	\$0	\$1,000	+\$1,000
Monthly Gross Profit	\$10,522	\$11,522	+\$1,000
<b>Gross Margin %</b>	<b>23.4%</b>	<b>25.6%</b>	<b>+2.2 pts</b>

**\$1,000/mo** \$12,000/yr · \$60,000 EV @ 5x

SUPPLY MARGIN TACTICS

- Negotiate volume pricing with distributors (consolidate vendors)
- Implement par-level inventory to reduce waste and over-ordering
- Ensure supply markup is explicitly built into every contract
- Switch to concentrated chemicals with dilution systems to lower per-use cost

# 04

## LEVER 4 – SPECIAL SERVICES WORK

Are we leaving money on the table by not offering project work? Special services typically carry 35-50% gross margins vs. 15-25% on recurring cleaning.

### HIGH-MARGIN SPECIAL SERVICES

<b>Floor Stripping &amp; Waxing</b>	<b>40-50%</b> Quarterly	<b>Carpet Extraction/Cleaning</b>	<b>35-45%</b> Semi-Annual
<b>Window Cleaning (Interior)</b>	<b>35-45%</b> Monthly/Quarterly	<b>Construction Cleanup</b>	<b>30-40%</b> Project-Based
<b>Pressure Washing</b>	<b>40-50%</b> Semi-Annual	<b>Electrostatic Disinfection</b>	<b>45-55%</b> As Needed

LEVER 4 IN ACTION: RIVERSIDE MEDICAL

Adding special services (Post Levers 1-3, GM at 25.6%)

	BEFORE	AFTER	CHANGE
Recurring Revenue	\$45,000	\$45,000	—
Special Services Revenue	\$0	\$4,500	+\$4,500
Total Monthly Revenue	\$45,000	\$49,500	+\$4,500
Special Services COGS (55%)	\$0	(\$2,475)	+\$2,475
Special Services GP (45%)	\$0	\$2,025	+\$2,025
Total Monthly Gross Profit	\$11,522	\$13,547	+\$2,025
<b>Blended Gross Margin %</b>	<b>25.6%</b>	<b>27.4%</b>	<b>+1.8 pts</b>

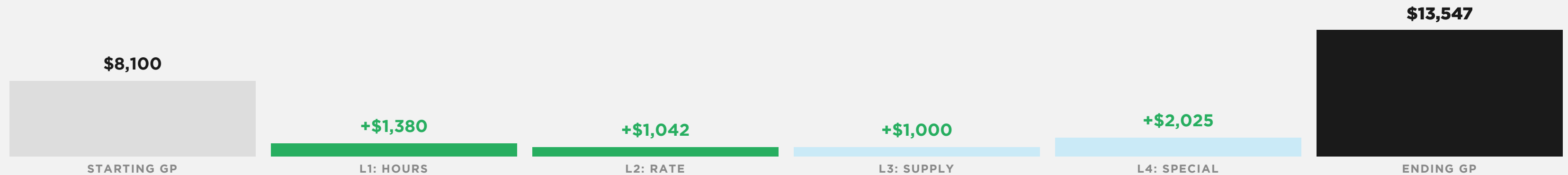
HOW TO INTRODUCE SPECIAL SERVICES

- Build a quarterly floor care schedule into every proposal
- Train site supervisors to identify and upsell project needs
- Create a special services menu with transparent pricing
- Bundle 2-3 services into a monthly "enhanced care" package

**\$2,025/mo** \$24,300/yr · \$121,500 EV @ 5x

ALL FOUR LEVERS: RIVERSIDE

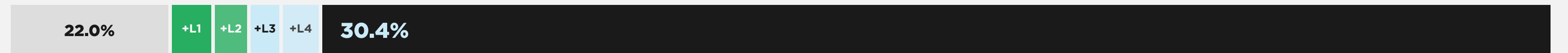
LEVER	MONTHLY IMPACT	ANNUAL IMPACT	EV @ 5X
1. Labor Hours	+\$1,380	+\$16,560	\$82,800
2. Labor Rate	+\$1,042	+\$12,504	\$62,520
3. Supply Markup	+\$1,000	+\$12,000	\$60,000
4. Special Services	+\$2,025	+\$24,300	\$121,500
<b>TOTAL</b>	<b>+\$5,447</b>	<b>+\$65,364</b>	<b>\$326,820</b>



ALL FOUR LEVERS: SUMMIT PLAZA

LEVER	MONTHLY IMPACT	ANNUAL IMPACT	EV @ 5X
1. Labor Hours (-120 hrs)	+\$1,920	+\$23,040	\$115,200
2. Labor Rate (-\$0.80/hr)	+\$1,664	+\$19,968	\$99,840
3. Supply Markup (+28%)	+\$1,400	+\$16,800	\$84,000
4. Special Services (+\$7,200)	+\$3,240	+\$38,880	\$194,400
<b>TOTAL</b>	<b>+\$8,224</b>	<b>+\$98,688</b>	<b>\$493,440</b>

SUMMIT'S MARGIN JOURNEY



TOTAL PORTFOLIO IMPACT

Just these two contracts

**\$13,671**  
COMBINED MONTHLY GP IMPROVEMENT

**\$164,052**  
ANNUAL GROSS PROFIT ADDED

**\$820K**  
ENTERPRISE VALUE CREATED @ 5X

Now imagine applying these same four levers across 50, 100, or 200 contracts. A 5-point margin improvement across a \$20M revenue base creates **\$1M in annual GP** and **\$5M+ in enterprise value** at a 5x multiple.

# 04

## WHAT WE LEARNED

Key takeaways and your action plan for Monday morning



KEY TAKEAWAYS

**1 COGS is everything that touches the job site**

If the cost goes away when you lose the contract, it belongs in COGS. Getting this classification right is the foundation of accurate margin analysis.

**2 Every dollar of GP multiplies at exit**

At 3-6x EBITDA multiples, even small margin improvements create outsized enterprise value. Thin margins also mean thin cash buffers.

**3 Four levers, each one independent**

You don't have to do all four at once. Even pulling one lever across your portfolio creates meaningful improvement.

**4 Labor is the biggest opportunity**

At 70%+ of COGS, labor hours and rates are where the largest dollar impact hides. Minutes matter.

**5 Special services are margin accelerators**

At 35-50% margins vs. 15-25% on recurring, every dollar of special services revenue lifts your blended margin.

YOUR MONDAY MORNING ACTION PLAN

**THIS WEEK**

- Pull your top 10 contracts by revenue
- Calculate actual gross margin on each one
- Identify your 3 worst-performing contracts

**WEEK 2-3**

- Audit labor hours: budgeted vs. actual on bottom 3
- Get your fully-burdened labor rate per contract
- Review supply costs vs. what you're billing

**MONTH 2**

- Implement production rate standards
- Shop workers comp and benefit plans
- Build a special services menu with pricing

**MONTH 3+**

- Roll changes across full portfolio
- Set up monthly margin review cadence
- Track margin improvement by lever

MARGIN IMPROVEMENT CHECKLIST

Use this for every contract review

CATEGORY	QUESTION TO ASK	TARGET
Labor Hours	Are actual hours within 5% of budget?	< 5% overage
Labor Hours	Do we have written production rates?	Yes, per task
Labor Hours	Is the crew right-sized for the scope?	No idle time
Labor Rate	When did we last shop workers comp?	Annually
Labor Rate	What is our OT % of total hours?	< 5%
Labor Rate	What is our annualized turnover rate?	< 100%
Supplies	Are supplies billed separately with markup?	25-40% markup
Supplies	Are we tracking supply cost per SF?	Yes, monthly
Special Svcs	Do we offer a special services menu?	Yes, priced
Special Svcs	What % of revenue comes from specials?	> 8-10%

THE MATH THAT MATTERS

**Revenue – COGS = Gross Profit**

**Gross Profit – OpEx = EBITDA**

**EBITDA × Multiple (3-6x) = Enterprise Value**

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Every improvement you make to gross margin flows directly to EBITDA and multiplies at exit. This is how you create wealth in a services business.



# QUESTIONS & DISCUSSION

Let's talk about your specific contracts and where you see the biggest opportunities.

*Remember: the goal is not perfection on day one. It's consistent, measurable improvement across your portfolio.*

