DATA ANALYSIS FOR

2016-2019

FM MARKET IN POLAND

KEY COMMERCIAL SERVICE PROVIDERS
IN THE FM INDUSTRY

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01. INTRODUCTION FM MARKET IN POLAND

INTRODUCTION

PRFM

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A hidden industry

The size of the FM market in Poland is a subject frequently deliberated upon in Polish professional circles engaged in this issue for several years now (the first attempts at estimating the industry's value were made nearly 20 years ago).

However, it was never quite possible to determine its size or estimate its value. It is a behemoth of a task given the expanse of the area of focus and the heterogeneity of the entities that make up the market.

I hope that this publication will be of interest to all those seeking knowledge on the aggregate scale of the facility management industry which accounts for a considerable part of the service sector within Poland's economy.

This review introduces the findings of the research and analytical work carried out by Zbigniew Mazurek, Vice President of the Polish Facility Management Council. The perseverance of his efforts to identify the size of the FM market in Poland resulted in the first Polish study taking a quantitative approach to the industry. The Council and its entire Management Board are keen to endorse his pursuits in this field by publishing this report and promoting it extensively.

We are certain that this publication will contribute to further integration of the FM industry and lead to a widespread debate as to its future, which is particularly important now in the time of great business uncertainty that has befallen all operators.
Krzysztof Kogut

FM – an area to be explored

The support services provided by the FM industry are essential for the efficient operation of core business areas in all organisations. The FM market is of crucial importance, yet so far it has not been explored properly.

Above all, it lacks transparency and there is no access to structured data. On the other hand, the understanding of what exactly do FM services involve usually stays with service providers and only the informed and most enlightened recipients of the services. Other participants in the overall market, including public bodies, e.g. Statistics Poland (Poland's office for national statistics, GUS), are only just beginning to investigate this extraordinarily complex field.

We have drawn up this report to give you a more complete view of what, in fact, the FM market looks like. Work on the publication was preceded by a process of selecting companies declaring their presence on the FM market, research aimed at obtaining data depicting key service providers, as well as finding other sources of reliable information.

The report, which we have the pleasure of delivering to you, is the first attempt undertaken in Poland at revealing the size of the FM market by analysing sales revenue and employment of 58 selected companies providing this type of services in Poland.

Moreover, we are taking on the challenge of evaluating the FM industry in its entirety. We take as a starting point existing foreign publications with the aim of estimating the value of FM services as accurately as possible, considering the pace of growth of Poland's commercial real estate market.

We were able to complete this report thanks to our cooperation with the Polish Facility Management Council whose endeavour it is to bolster the status of Facility Management.

I hope that the data presented in this report will prove to be of use to FM clients as a source of information on potential partners as well as FM providers who will see it as the first attempt at benchmarking the companies operating in the industry.

Zbigniew Mazurek

02. CONTEXT & METHODOLOGY FM MARKET IN POLAND

CONTEXT & METHODOLOGY

Objectives

- To reveal the size of the FM market through a comparison with data made available under other studies and based on an analysis of financial data submitted by companies declaring their involvement in the field of FM
- To introduce key FM providers and bring to light the scale of their operations based on an analysis covering 4 years of their operational activities in Poland
- To create room for further research and analyses concerning the vast FM market

Which service providers did we include?

For data analysis, we selected companies operating in Poland and meeting the following criteria:

- Their services included those most often comprising the broadly defined portfolio of FM services, offered individually, as service packages, or integrated, such as: technical maintenance, cleaning services, security, and catering services
- They presented their financial statements for the period 2016-2019
- They achieved a sales revenue of more than EUR 1.2 million in 2018 and 2019

Which service providers did we not include and why?

- We did not include consolidated financial statements for groups of companies as not all of them publish such reports. In addition, not all organizations within the groups offer FM services. Therefore, for better transparency, in some cases we analysed only individual companies, even if they were part of a group of companies.
- We did not analyse organisations that operate in-house FM services (forming a significant part of the market)
- We did not include companies that provide services to private individuals

DATA SOURCES

Our analyses are based on data and information contained in the financial statements provided by the selected companies. It should be added that as of March 2018, the financial statements of companies entered in the Register of Entrepreneurs maintained under the National Court Register and keeping accounts for the purpose of reporting their revenue and expenses are publicly available in the Repository of Financial Documents maintained under the National Court Register. Companies subject to this obligation submit their financial statements in an appropriate format and within appropriate time limits. Furthermore, we used data and information contained in extracts from the Register of Entrepreneurs maintained under the National Court Register.

HOW DO WE ESTIMATE THE SIZE OF THE FM MARKET IN POLAND?

Each research team, when attempting to correctly estimate the size of the FM market in Poland, is bound to encounter several challenges and adversities. The accurate determination of the size of the industry is an extremely arduous task as there is no uniform data available in aggregate form, and no one has so far carried out a comprehensive study of the FM sector in Poland. No organisation operating within the industry, or in fact any other entity, has attempted, to date, to draw up a cross-sectional analysis which, in an accessible and useful form, would depict the scale of the phenomenon that is FM.

The exception is the recent study on employment in the sector carried out by the Polish Council of Facility Management, the HR consultancy Hays, and the recruitment platform Pracuj.pl. The study published under a report by the Polish Council of Facility Management titled *"**Working in the FM industry**"* in November 2020 addresses the crucial issue of the scale of employment in the FM industry in Poland.

The key figures published in the report include an estimation with regard thereto, arrived at using data and methodology provided by recruitment companies and setting the figure at approximately 630,000 employees. However, determining the industry's size in terms of employment is only half of the story. The second half is to estimate the value of the market.

How then do we measure the value of the market having only incomplete and fragmented sources at our disposal? How do we assess the total revenue of companies operating within the industry when we realize that, and this per conservative estimates, the industry today is made up of several thousand entities? Therefore, we should focus on an in-depth analysis of a relevant research sample set against the background of earlier studies and analyses carried out by renowned foreign entities, as presented here.

2008 - the first European study concerning the FM industry across 41 countries

The first large study on the subject on a European scale was carried out by the International Real Estate Business School of the University of Regensburg (IREBS), where the findings depicting the scale of the market referred to 2008. The study and its findings are often associated with Sven A. Teichmann who was one of the members of the research team.

The following assumptions were made for the study:

- The FM market holds an estimated average of 4.92% in the GDP of European countries.
- This is an average value for the total GDP value of all the countries analysed in the study, resulting from a comparison of the average GDP value of European countries with the value of the FM market on the old continent.
- The estimated rate of growth in terms of outsourced FM services and the estimated split of the market into outsourced services vs. in-house services were identified in line with the different market evolution stages.

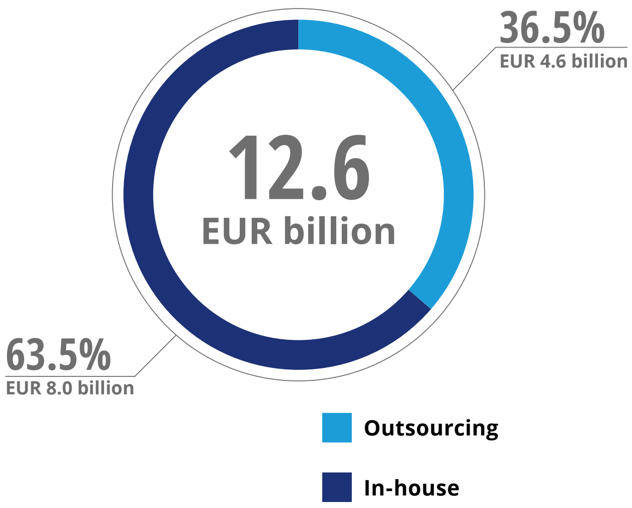
Tab. 1 Share of the FM market in the GDP of markets at different evolution stages, source: S.A. Teichmann.

Evolution stage FM market	**Outsourced** Services	**In-house** Services	**Rate of growth** of outsourced FM services
Leading markets	56.3 – 62.2%	43.7 – 38.8%	2.5 – 6%
Developed markets	43.6 – 47%	56.4 – 53%	3.6 – 8%
Developing markets	32.5 – 36.5%	67.5 – 63.5%	7.5 – 12.3%
Emerging markets	17.5 – 22.1%	82.5 – 77.9%	10 – 21.5%

2014 - a new view of the FM market in Poland with its worth of EUR 19.2 billion

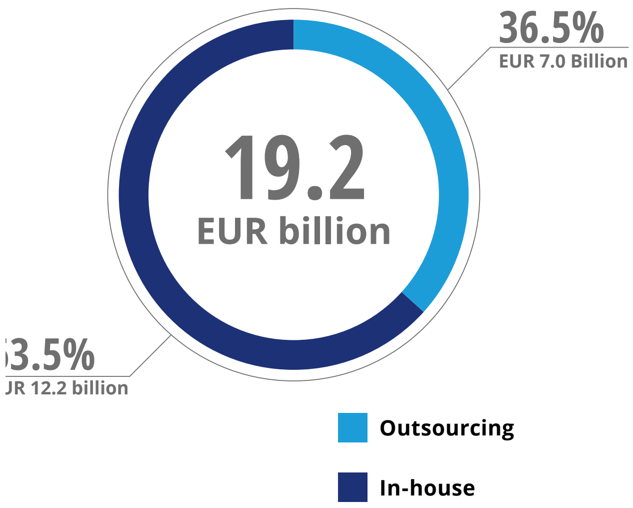
A similar study carried out in 2014 by Reality Consult GmbH was also based on estimates and assumed coefficients. The study set the share of the FM market in GDP at approx. 5%. For the growth rate, a more conservative figure of 7.25% was assumed and the split between outsourced services vs. in-house services was set at 36.5% to 63.5%.

Fig. 1 Value of the FM market in Poland in 2008
based on data provided by S.A. Teichmann.



The assumptions made enabled us to estimate the value of the FM market in Poland in 2008 at **EUR 12.59 billion**. 63.5% of the services delivered in Poland (as a developing market) were provided on an in-house basis. The FM market in Poland in 2008 was classified as a developing one with a split of 36.5% to 63.5%.

Fig. 2 Value of the FM market in Poland in 2014
based on data provided by Reality Consult GmbH



According to this study, the value of the FM market in Poland in 2014 came to **EUR 19.2 billion**.

2019 - an analysis of the industry's value prior to the COVID-19 pandemic

Let us now try to carry out a similar estimate of the value of the FM market in Poland in 2019 (due to the ongoing pandemic, 2020 will have to be analysed in a distinct way, possibly only after the release of more complete data).

By making similar assumptions (FM's share in GDP – approx. 5%, growth rate – approx. 7.5% per year), we will arrive at the following figures:

Following on from the 2008 and 2014 studies, we can present the findings for 2019 in a similar way, with one small change. As predicted by the 2008 study, the share of outsourced services is increasing in line with the evolution of the FM industry. The FM market in Poland is already leaving the developing market stage and maturing into a developed market. This is due to the fact that the FM industry has been present in Poland for more than 20 years now, which sets us to enter the next level of evolution. Therefore, from 2014 onwards, we have been gradually increasing the share of outsourced services.

Fig. 3 Evolution of the value of the FM market in Poland in 2008-2019
own compilation

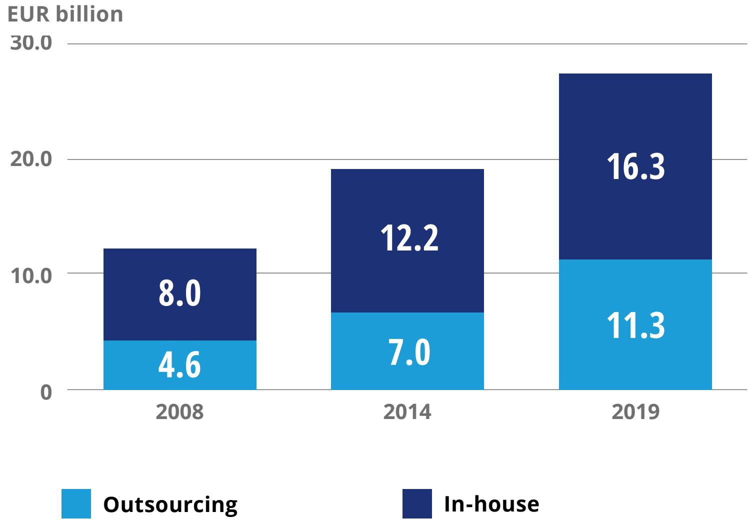
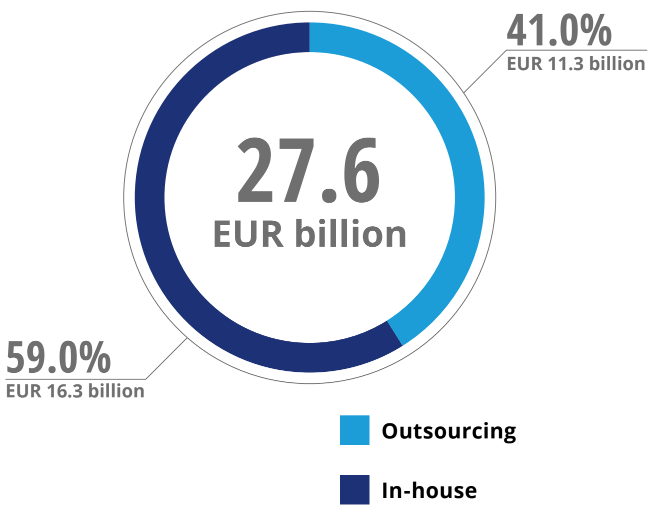


Fig. 4 In-house vs. outsourced breakdown of the value of the FM market in Poland
own compilation



The split between outsourced vs. in-house services was 41% to 59%. The total value of the FM market in Poland in 2019 can be estimated at **EUR 27.6 billion**, while the value of outsourced services is **EUR 11.3 billion**.

Difficulty carrying out a comprehensive study

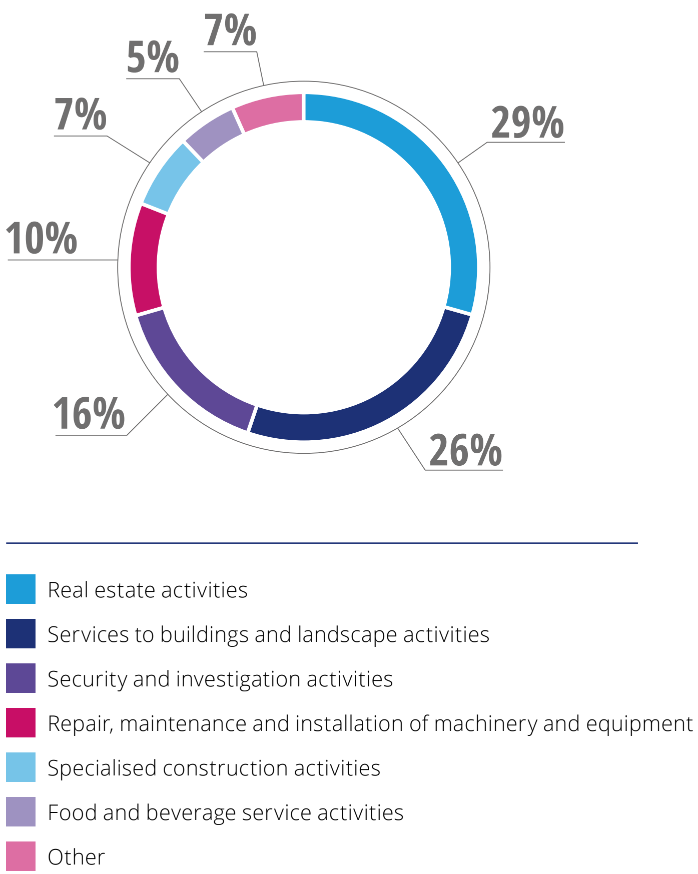
Due to the exceptionally wide variety of FM services provided overall, it is difficult to place the activities of companies operating in this field within the relevant section or division within the classification of economic activities. As a result of the fact that only one option can be selected (there is no uniform PKD code for FM providers), the companies analysed defined their activities in accordance with the Polish Classification of Economic Activities by listing those codes in the *"Principal activity of the unit"* field of the Register of Entrepreneurs maintained under the National Court Register that from their point of view best illustrated their activities.

Our study was focused on the PKD code representing the principal activity. The findings obtained following the analysis carried out with respect to the 58 selected companies, as presented in fig. 5, show that the most common PKD codes that describe FM activities include those related to real estate, cleaning, security, technical maintenance, and catering services.

Given the degree to which the activities are dispersed, it is not possible to analyse the findings based on structured data as such data does not exist. There are no studies that group information from different PKD divisions while considering services provided to organizations. Let us remember that according to the definition of the ISO 41011 standard, FM does not provide services to private individuals. Therefore, studies will have to be carried out with respect to the selected companies and key information will have to be analysed to estimate the value of the entire FM market based on the sample received.

The following pages contain the findings on sales revenue and employment in 2019 for the 58 selected companies.

Fig. 5 Breakdown of principal activities for the 58 selected companies
(as per the classification of economic activities), own compilation



03. FINDINGS SUMMARY

FM MARKET IN POLAND

Fig. 6 SALES REVENUE

Realized by the 58 selected companies in 2019
own compilation

The total sales revenue realized by the 58 selected companies in 2019 amounted to EUR 1.8 billion.

The reporting obligation in respect of the value of sales revenue is very clearly defined in the requirements of the Ministry of Finance regarding the content of financial statements.

In the profit and loss account, which is a mandatory part of a financial statement, companies are required to enter net sales revenue. It was this value that we examined in our study.

A closer examination of the sales revenue broken down by types of activities as stated in the notes to the financial statements of some of the companies reveals that revenue from the sales of FM services does not represent 100% of the total revenue received by those entities.

The accounting act does not specify how the structure of sales revenue should be presented. Therefore, it is extremely difficult to analyse the information, which is why, when examining the findings, we treated all sales revenue as sales of FM services.

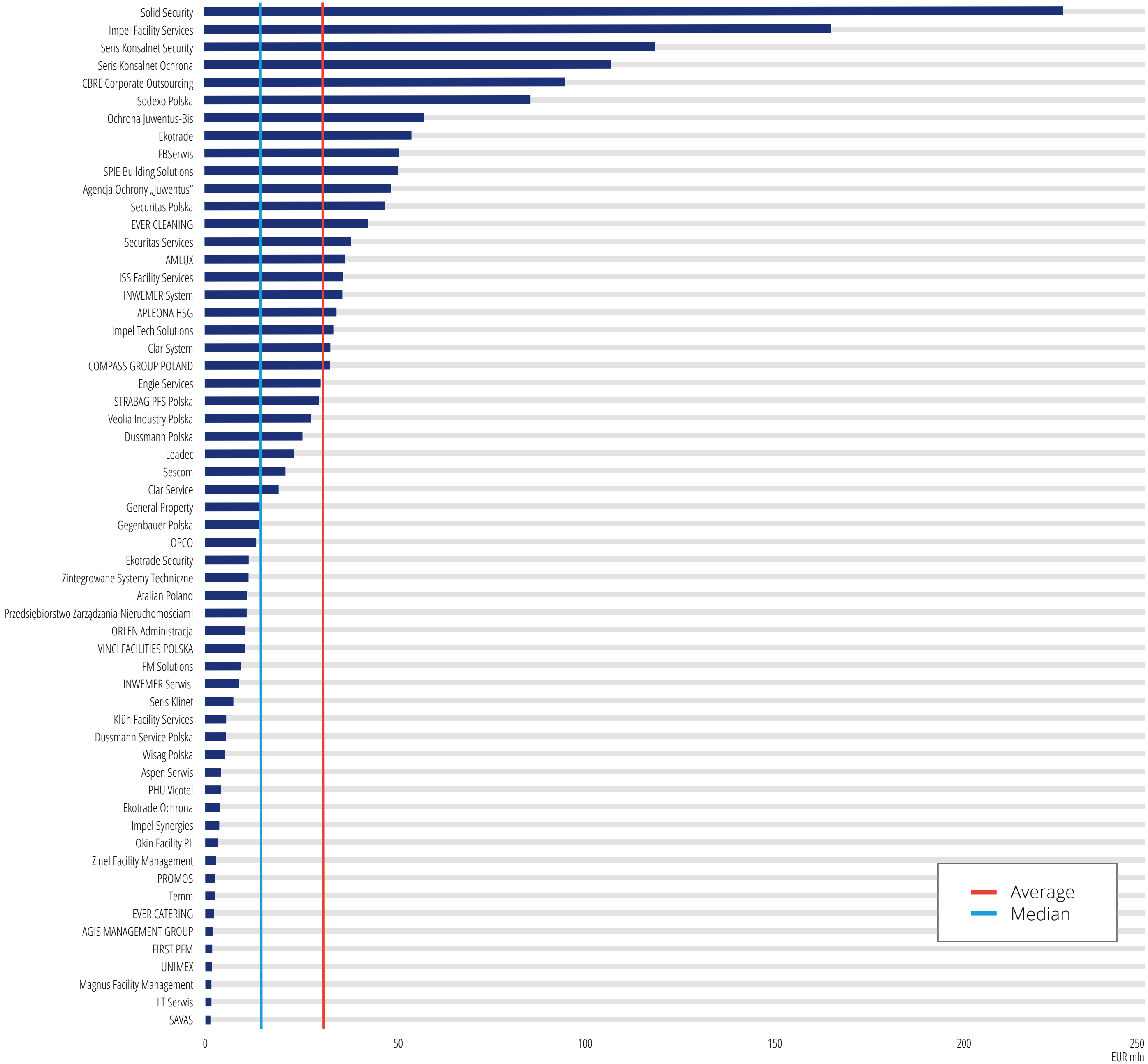
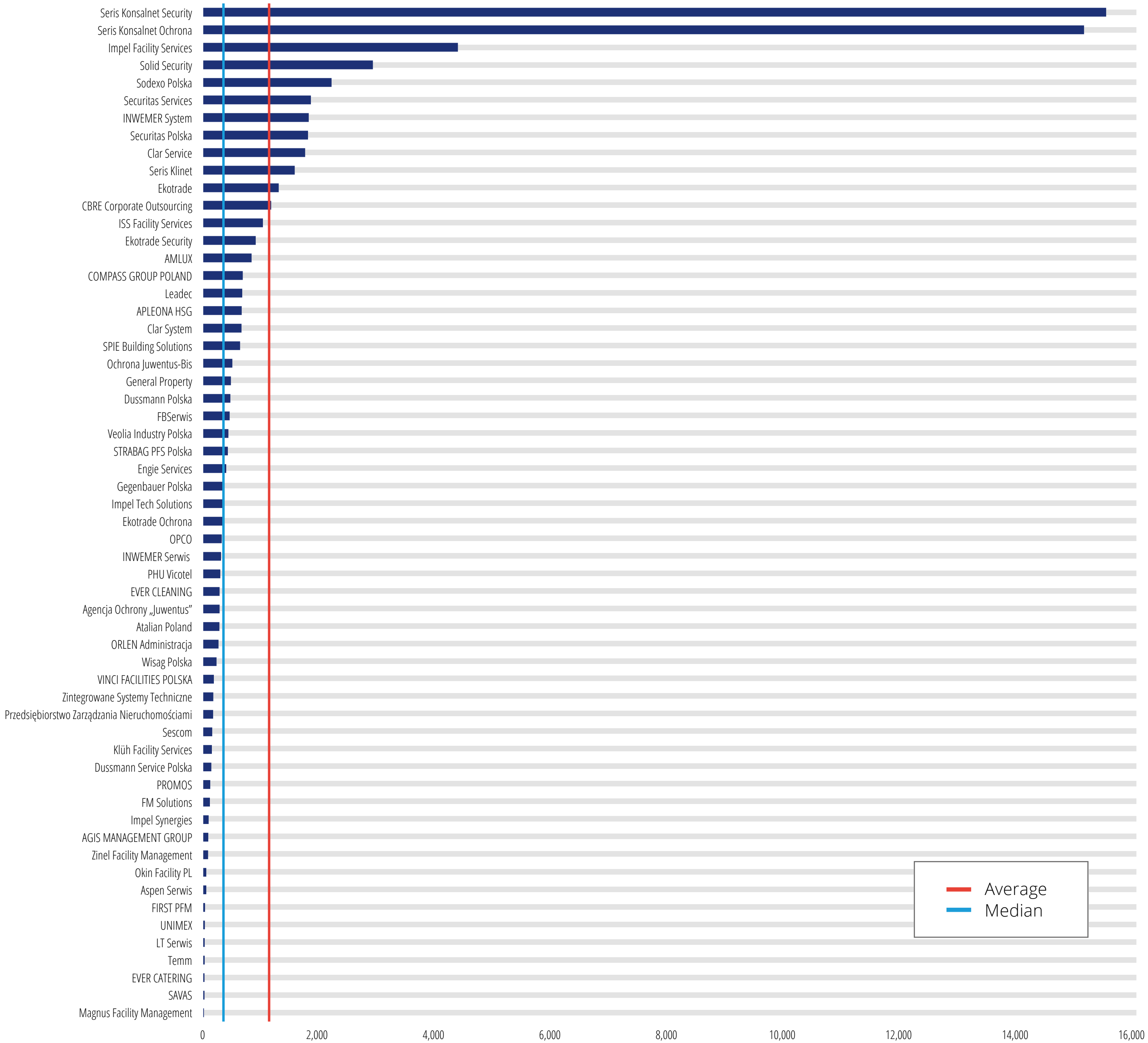


Fig. 7 EMPLOYMENT
in the 58 selected companies in 2019
opracowanie własne

The number of employees in the 58 selected companies as at the end of 2019 amounted to 65,500.



Information on employment is slightly more difficult to obtain and interpret. It is usually provided in the notes to a financial statement. However, the applicable article of the accounting act does not specify what data and in what format should be given as essential information as to the basis on which employees are employed.

Companies are not obliged to provide information on the number of full-time jobs. The number of persons working with the company on a permanent basis is usually reported, however the number of full-time jobs (FTE) is not stated.

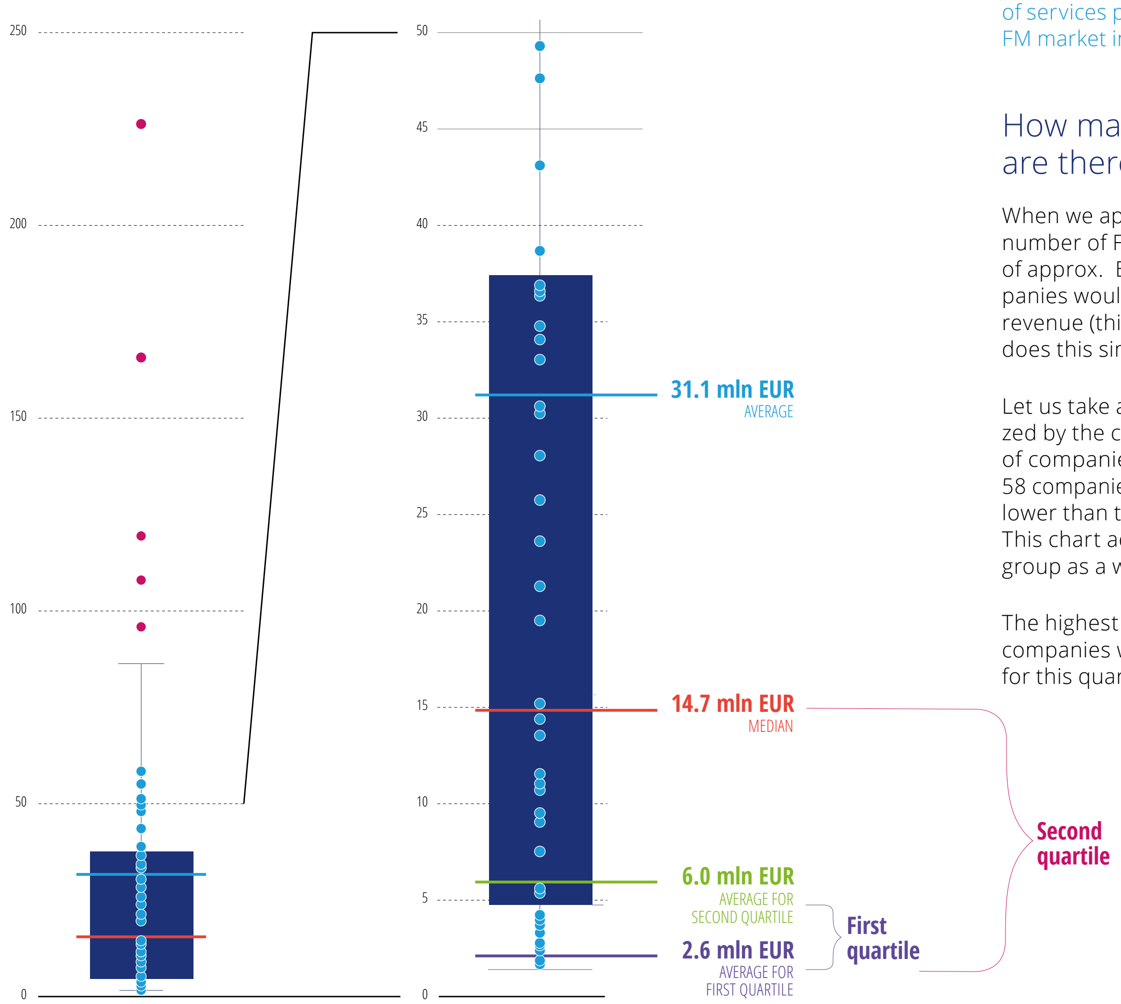
Another obstacle when it comes to analysing the area of employment is the provision of information on the number of persons performing work for the company based on civil contracts. According to the provisions of the labour code, those persons are not employees, while the accounting act, which regulates the reporting requirements to the National Court Register, does not provide a precise definition of an employee.

Some companies provide these details by including information as to the total number of persons performing work for the company (employees and other affiliates); there are also organizations that provide only very general information as to the number of employees.

Even though the findings of our study with respect to employment should be approached with some caution, they can be considered as information showing the employment status of the companies surveyed.

CONCLUSION

Fig. 8 Boxplot showing breakdown of sales revenue for the 58 selected companies
own compilation



Let us try to verify the estimated revenue and employment figures based on the findings for the companies covered by our study to obtain a comprehensive view of the size of the FM market. Firstly, we will consider the services provided by external providers, commonly referred to as outsourced. As far as the entities examined are concerned, this is the only type of services provided by them. The estimated value of this part of the FM market in 2019 amounted to **EUR 11.3 billion**.

How many FM companies are there in Poland then?

When we apply a conventional proportion, we arrive at an exceedingly small number of FM companies. As a reminder: 58 companies realize a revenue of approx. EUR 1.8 billion, therefore to realize EUR 11.3 billion, 363 companies would be needed, each realizing approx. EUR 31 million in sales revenue (this is the average value arrived at following our study). However, does this simplification stand?

Let us take a closer look at the split of the value of the sales revenue realized by the companies examined. Fig. 8. shows a noticeably clear density of companies in the low value zone. Suffice to say, the median for the 58 companies is EUR 14.7 million. Half of the companies achieve a revenue lower than this value, while the average for this group is EUR 6.0 million. This chart additionally shows outliers, i.e. the six highest values in the group as a whole.

The highest value in the first quartile of the entire sample, i.e. 25% of the companies with the lowest revenue, is EUR 4.5 million, while the average for this quartile is EUR 2.6 million.

Tab. 2 No. of companies in Poland in selected divisions within the classification of economic activities as at the end of 2019

based on data provided by Statistics Poland (GUS)

Division within the classification of economic activities (PKD)		No. of companies
68	Real estate activities	3,573
81	Services to buildings and landscape activities	1,386
80	Security and investigation activities	1,106
33	Repair, maintenance and installation of machinery and equipment	1,445
43	Specialised construction activities	5,840
56	Food and beverage service activities	3,608
	Total	**16,958**

Let us very carefully use the latter value to try to estimate the actual number of companies. To achieve a total revenue value of EUR 11.3 billion, we should have **4,342 companies**. Is it likely that there are that many organizations providing FM services?

Let us compare this estimated number of FM companies with the number of entities that operated in Poland under the selected PKD codes at the end of 2019.

The data in table 2 comes from documents published by Statistics Poland (GUS). We selected companies with more than 10 employees and operating under the PKD codes most used by the selected companies.

Naturally, not all companies in the table provide FM services to organizations. Some of them probably provide services to private individuals, e.g. food and beverage service activities and services to buildings. There are also companies that provide their services within the construction industry, e.g. construction activities and installation of machinery and equipment. Arriving at a number of 4,342 companies (i.e. the estimated number for FM services provided by external providers) out of the 16,958 entities operating under the relevant PKD codes seems highly accurate as it represents approx. 25%.

We can therefore assume that, as far as services provided by external providers (outsourced) are concerned, there are approx. 4,500 companies operating on the FM market in Poland, achieving a total revenue of approx. **EUR 11.3 billion** (figures for 2019).

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Sample company business card

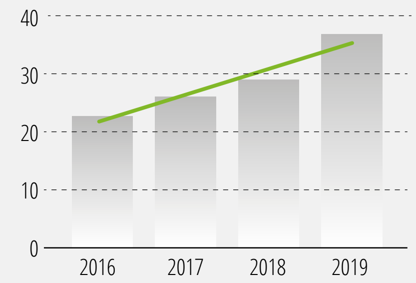
This is how 58 business cards for the raport looks like:

COMPANY LOGO

Company name
Address/Contact details
WWW address

Sales revenue
2016 - 2019

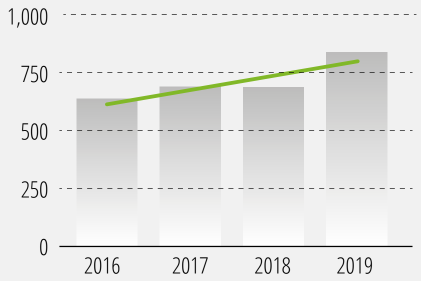
Sales revenue
2016 - 2019



Sales revenue in 2019
EUR 38 mln

CAGR 2016 - 2019
+15.0%

Employment
2016 - 2019



Employment in 2019
800 employees

CAGR 2016 - 2019
+9.0%

SUMMARY

The calculations and analysis above will form the basis for creating more advanced reports and conducting research, perhaps covering all services and business segments comprising the FM services portfolio. The methodology used additionally provides a groundwork for further discussions on the condition of the sector, its integration, and the joint conduct of educational and development activities.

The report shows just how vast and critical the issue under consideration is. FM services provided as support to organizations are relevant to virtually every entity within the Polish economy, and it is too important a subject not to carry out in-depth research in this field.

In future editions, we will expand the database of companies included in the study, improve data presentations and visualizations, and expand the list of indicators analysed. Furthermore, this will also be the space for FM providers to present their companies and the services offered by them in greater detail.

We hope that the report will be able to serve as a foundation for further analyses of other values derived from balance sheets, profit and loss accounts, cash flow accounts, and the resulting indicators.

We look forward to receiving your comments and suggestions.

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https://ekrs.ms.gov.pl/rdf/pd/search_df

Register of Entrepreneurs maintained under the National Court Register (Rejestr Przedsiębiorców Krajowego Rejestru Sądowego)
https://ekrs.ms.gov.pl/web/wyszukiwarka-krs/strona-glowna/index.html

[1] Reality Consult GmbH was acquired by Drees & Sommer in January 2016.

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