

5 Management Companies to Watch: Trusthouse Services Group

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[John Lawn](#) [Mike Buzalka](#)

John Lawn and Michael Buzalka

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When former Compass CEO Mike Bailey returned to the U.S. to found Trusthouse Services Group in 2008, he did so with the acquisition of three regional foodservice management companies whose revenues totaled just over \$100 million. At the time, he said he hoped to grow the company to \$500 million within five or six years.

With the acquisition of Roseville, MN-based A'viands last month, Trusthouse moved significantly closer to that goal, adding 200 new clients and taking the firm up to about \$210 million in revenue. "Achieving our [\$500 million] objective is taking longer than I would have liked," Bailey acknowledged when FM interviewed him for this article, something he attributes to the recent economic climate.

The A'viands deal takes Trusthouse into a new segment—corrections—mostly in county jails and detention centers "and we see growth in that area." Still, Bailey says the company's larger focus remains "healthcare and education, which make up about 85 percent of our business. The areas we want to be in are not recession proof, but they are recession-resistant."

He notes the "institutional" sectors "are all less than 40 percent contracted. It has taken B&I 50 years to get to the stage it is at now [in terms of outsourcing percentage] and I think it will take 50 years for that to happen in these sectors. But they will follow suit over time." He likens the Trusthouse business model to a federation of acquired companies that will continue to retain their regional brands and management.

"If you look at the A'viands team, they have all come on board and taken an equity stake in what we have created. We are all in the same business boat together and I feel this is good for clients, employees and shareholders." While retaining local management, Trusthouse is looking to achieve some economies of scale with IT integration and by centralizing some aspects of sales and accounting in its Charlotte headquarters.

The company had logged "seven to eight percent organic growth"

last year before the acquisition, he adds, “and we expect to continue to see that rate of growth as long as we ‘stick to our knitting.’” Both continuing organic growth and additional acquisitions are “absolutely” in the cards, Bailey says.

“Most people I know would love to have a business that has grown organically over the last three or four years. And contrary to what many people think, owners are less likely to sell their businesses in difficult economic times. They would rather sell after they have come through those times. For the last few years, people have been willing to talk but not willing to take the next step. I see that changing now.”

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