

PEST CONTROL'S *MOST-TRUSTED* RESOURCE SINCE 1933

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2021 MERGER GUIDE

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Small business goes big with Arrow Exterminators

ARROW EXTERMINATORS EXPANDS WITH ADVANTAGE GREEN LAWN AND PEST SOLUTIONS

In 2000, William Iddings and Jimmy White had a vision to start a business.

Their vision for a family-owned company that valued employees and customer satisfaction became Advantage Green Lawn and Pest Solutions. The Summerfield, Fla., company is home to 12 employees and offers services that range from landscape care to integrated pest management (IPM).

Iddings and White split the roles of president and VP, but they were not strangers to going out in the field to follow up with customers to ensure customer satisfaction.

“We would go out and visit with customers on routes our technicians ran, and check the quality of their work to ensure our customers were happy,” said Iddings. “We wanted our customers to know we were here for them — that really went a long way.”

Although this small business appreciated customers’ happiness and its role offering landscape care and pest control, after two decades, both men said they felt it was time to try something bigger and better with their company.

In 2020, Iddings and White got in touch with mergers and acquisitions specialist Kemp Anderson, president of Kemp Anderson Consultants, to see what it would take to sell their company while ensuring their employees and customers would remain happy.

“He introduced us to six different companies, and Arrow Exterminators was one of them,” Iddings explained.

By November 2020, the acquisition process with



From left are Arrow Exterminators’ Tim Pollard, Advantage Green’s William Iddings, Arrow Exterminators’ Emily Thomas Kendrick, Advantage Green’s Jimmy White, and Arrow Exterminators’ Kevin Burns.

Arrow Exterminators got underway. Seven months later, the company officially acquired Advantage Green Lawn and Pest Solutions.

Iddings and White point out that what cemented their decision to partner with Arrow Exterminators was its big-business feeling, with endless opportunities for employee growth, combined with its small-business atmosphere. Arrow Exterminators currently has 145 service centers operating in 12 states.

“Arrow Exterminators offers tons of benefits and perks that our small business could not offer our employees,” said Iddings. “Our

employees are now set with good retirement plans, benefits and health insurance.”

With good benefits and opportunities for promotions on the way, the employees at Advantage Green Lawn and Pest Solutions had an upbeat response to the acquisition and were able to appreciate what was coming, he added.

In addition, Iddings and White collaborated with Arrow Exterminators on welcome letters to send their clients.

“We let our customers know in these letters that everything was going to stay the same,” Iddings said. “They were still going to get the outstanding service we’ve always provided, and the sale was a good thing to do.”

Being organized made the acquisition process smooth and easy. “We knew this was the right call, and we’re happy with it,” he added. “So are our employees and customers.”



ARROWEXTERMINATORS.COM

PMPs persevere throughout pandemic

Pest control has proven to be a welcome and lucrative service

BY KEVIN BURNS | CHIEF DEVELOPMENT OFFICER, ARROW EXTERMINATORS

The past year has been unlike any other for those in the pest control industry, and Arrow Exterminators is no exception. A global pandemic was an unprecedented experience for our 57-year-old company, but we survived and thrived like many others.

Starkey and Imogene Thomas founded the Atlanta, Ga.-based company in 1964. The parents of company Chairman Joe Thomas — a 2009 *Pest Management Professional* Hall of Famer — and grandparents to CEO Emily Thomas Kendrick, certainly never encountered a year as unpredictable as 2020.

Yet, the global pandemic that has gripped the world the past 18 months also has revealed pest control is a service homeowners and businesses cannot do without.

Last March, the U.S. Department of Homeland Security deemed pest control an essential industry, and pest management professionals (PMPs) quickly were given the authority to continue servicing residential and commercial customers during state-mandated closures and stay-at-home orders.

The importance of the work PMPs do cannot be overstated; they offer protection from pests and the viruses and diseases they transmit at medical facilities, grocery stores, food production and storage facilities, warehouses, hotels, business and homes.

ONCE PEST CONTROL WAS DEEMED AN ESSENTIAL SERVICE, PMPs:

- Immediately made themselves available to residential customers who, while sequestered in their homes, suddenly noticed pests they didn't know they had. Customers confined to their homes have been a boon to pest control businesses across the country.
- Helped keep restaurants in business when in-person dining was not an option. Many foodservice establishments stayed afloat by offering takeout service, which required them to follow strict sanitation

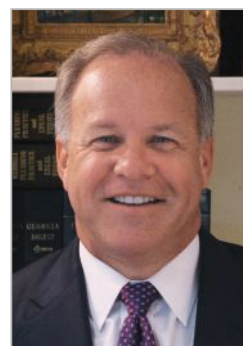
regulations and meet health code requirements.

- Used their personal protective equipment (PPE) to keep their workers and customers safe. Because pest control requires the use of such safety gear, many PMPs shared their supplies with those in need — including first responders — when the demand for PPE could not keep pace with supplies.
- Developed a new service line of sanitizing and disinfecting to help make up for lost commercial revenue when hotels and offices temporarily closed. The service proved to be popular with businesses that reopened and needed employees to stay safe at work. Through it all, PMPs have remained dedicated to protecting public health. That they prevailed during uncertain times is a testament to their ingenuity and desire to serve others.

At a time when some industries struggled — hospitality and travel immediately come to mind — pest control stayed strong. Many PMPs reported outstanding growth in 2020, or did not have to lay off or furlough employees. Some pest control companies even created entirely new divisions and added workers.

We are proud to support the important work PMPs provide. We also are proud to sponsor the 2021 Merger Guide supplement. The information and data it features are designed to help PMPs determine when it's time to consider a sale.

Keeping the public safe is critical, no matter what is happening in the world. It may have taken a global pandemic to show why PMPs are essential, but it's something we have known all along.



KEVIN BURNS

Whether retiring or resetting, it may be time to make your move

PMP's exclusive survey reveals mergers and acquisitions lead to overwhelmingly favorable changes for all

By Diane Sofranec | PMP Senior Editor

Pest control company owners who do not have family members or trusted employees to take over their businesses must one day make a decision: *To whom will I sell my company?*

Owners work hard to build their companies, which may have been in their families for generations. The deal they make with a buyer must reflect the success they achieved over the years. But money isn't all that matters to most owners. Even if they no longer will be involved in the business, it's important that their employees are taken care of, too.

A merger or acquisition can be beneficial to employees, according to readers who took *Pest Management Professional's* (PMP's) 2021 Merger Guide survey.

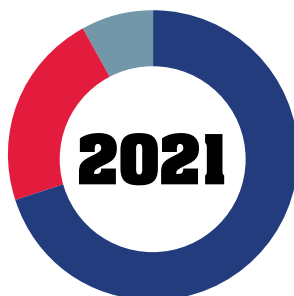
When asked "Can merging with a larger pest management provider help an acquired business improve career opportunities and employee retention?" the majority of respondents said yes. This is an intriguing question, as the coronavirus pandemic has made hiring and retaining employees a challenge for many pest control company owners. Of course, pest control isn't the only industry with workers finding better opportunities with other companies or taking the leap to make a career change, but a change in ownership may be just what some employees need to stay. In addition, in many cases, the owners actually stay on in a consulting or managerial role — so they can focus on the industry they love, just without the headaches that can come with business ownership.

Even if you believe you'll never sell your business, it doesn't hurt to explore your options. You may be surprised at the possibilities that emerge from a merger or acquisition. After all, more than two-thirds of survey respondents agree with the statement "Every business is for sale; the only real question is, for how much?" PMP

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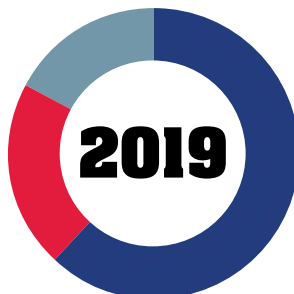
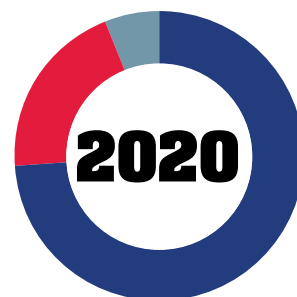
Name Your Price

Every business is for sale; the only real question is, for how much?



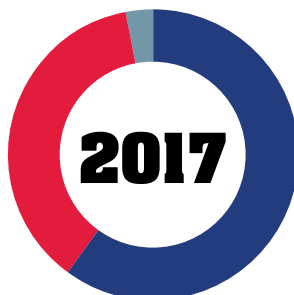
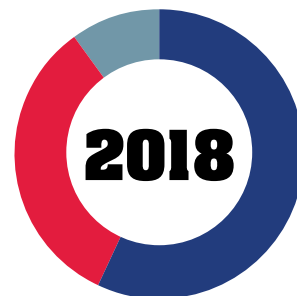
True: **70%**
False: **22%**
Not sure: **8%**

True: **74%**
False: **20%**
Not sure: **6%**



True: **62%**
False: **21%**
Not sure: **17%**

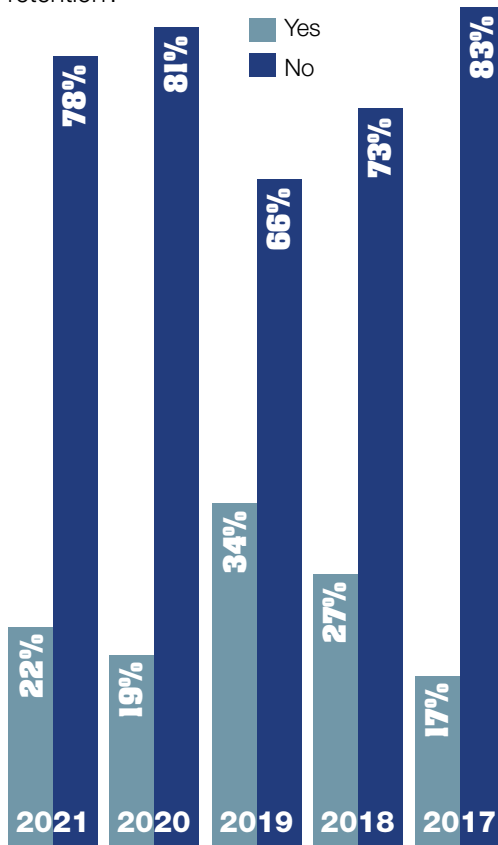
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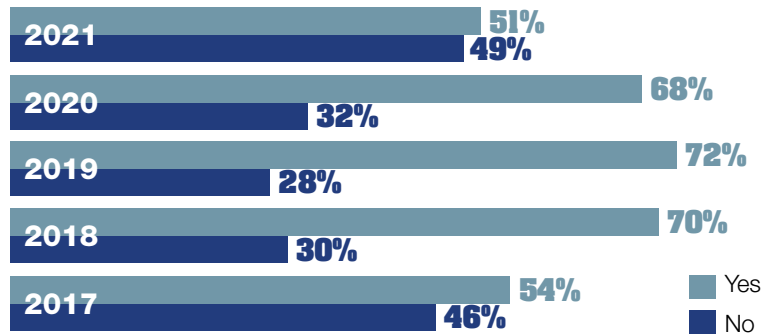
Better Service

Can merging with a larger pest management provider help an acquired business improve service and customer retention?



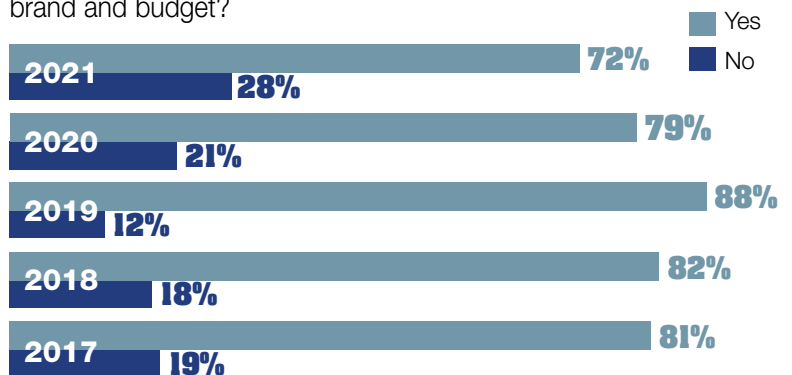
Processes and Policies

Can merging with a larger pest management provider help an acquired business access, and implement, more proven processes and policies?



Bigger Brand and Budget

Can merging with a larger pest management provider help an acquired business improve marketing with the power of a bigger brand and budget?



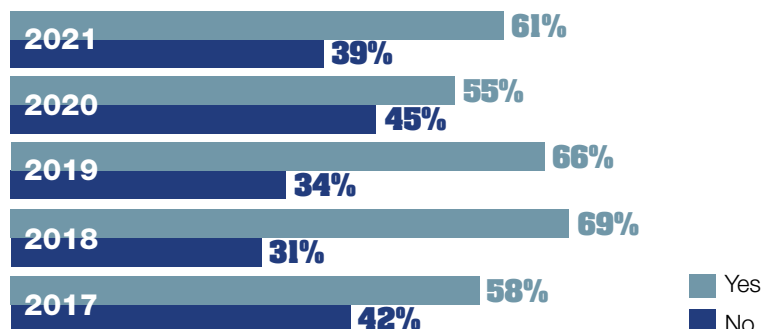
Tax Laws

Do current tax laws, or proposed changes to tax laws, make your company more or less likely to merge with a larger pest management company?

Year	More likely	Less likely
2021	23%	77%
2020	20%	80%
2019	37%	63%
2018	24%	76%
2017	19%	81%

Career Opportunities and Retention

Can merging with a larger pest management provider help an acquired business improve career opportunities and employee retention?



7 steps from the sales process

By Dan Gordon, CPA | PMP Contributor

So, you may want to sell your business. Why not? Valuations are at an all-time high. It appears there will be a near-term tax increase that will reduce the ultimate proceeds you will pocket after the sale if you wait too long. Plus, many pest management professionals (PMPs) currently are challenged with labor and regulatory issues.

If you are young and in a good position to fight the good fight, there is no better industry than the pest control industry to build a business. However, if you are nearing retirement age, don't have any family members who show an interest in the business, and have your sights set on retirement, it may be a good time to sell.

GET READY NOW

What do you do before the sale? Preparation is key.

First, determine what your financial position will be post-sale, and how much money you will need annually to retire in the style in which you are accustomed. What is the amount of money you will need each year in retirement? Take stock. How much do you pay for food, shelter, entertainment, vacations, etc., annually? Let's assume that amount is \$200,000.

Second, determine what the valuation would need to look like in order to invest the proceeds and get the after-tax proceeds needed to

achieve that \$200,000 annually. If we assume a wealth advisor could make a guaranteed 5 percent per year — a very conservative number — we will need to place \$4 million with that advisor (a 5 percent return each year on \$4 million would yield \$200,000, while leaving the \$4 million principal intact).

If we need \$4 million after tax, what do we need pretax? Assuming the proceeds will be considered capital gains under current law, the highest marginal capital gain rate is 20 percent (there is no 3.8 percent net investment tax if you actively ran the business). Depending on which state you live in, state taxes may exceed 10 percent — and potentially have you giving one-third of the proceeds away to taxes and fees. If you are lucky enough to live in a state with little or no personal income tax, you will end up paying less tax. But if we assume you will give away one-third to taxes and fees, then the sale price will need to be \$6 million to net \$4 million.

Third, speak to someone knowledgeable about the current market and the multiples being paid, and see if your firm is realistically worth the \$6 million used in our example. In maximizing value, consider that the three most important factors in valuing a pest control business are growth, percentage of cash to ownership, and ratio of recurring to non-recurring revenues. You must know these numbers cold! Other

intangibles include geography, reputation, assembled workforce and types of services performed.

WHAT TO EXPECT

So, you are actually going to sell. Let's see how the process works:

- STEP 1: Confidentiality agreement/information request.** There will be sensitive information a seller will need to provide to a buyer to conduct an assessment of value that leads to an offer. However, because both parties are providing sensitive information to the other, both parties need protection. That protection comes in the form of an executed confidentiality agreement between the seller and any potential buyers. The confidentiality agreement protects both the buyer and seller in the following ways:
- From a buyer's perspective, it helps to avoid risk of competitors trying to steal the deal or driving up the price if it became known that the seller was selling the business.
 - It allows the seller to open the books while ensuring the buyer won't breach trust or use the information against the seller should a deal not be consummated.
 - It ensures trade secrets and customer lists are protected and not stolen by the buyer.

STEP 2: Letter of intent. Essentially, this is an offer to the seller from the buyer based on the facts given to the buyer. The offer isn't just the purchase price, but also the terms of the deal, such as down payment,



subsequent payments, legal representations and other important items. It allows the buyer and seller time to perform due diligence and work out the finer points of the deal. Usually, the seller will give the buyer a period of exclusivity where

he won't negotiate with anyone else while the finer points of the deal are worked out. The letter of intent:

- Allows the buyer and seller to agree on major points of the deal, such as price and structure of the proposed deal (stock or asset purchase transaction).
- Lays out certain representations and warranties the buyer and seller would require.
- Describes how certain items would be handled in terms of purchase price adjustments including customer attrition, customer prepaid deposits, un-serviced liabilities, working capital for private equity groups/funds (PEGs), etc.
- Defines the period of exclusivity for getting the deal done.
- Defines the period of due diligence.

STEP 3: Due diligence. The period of due diligence starts with an information request from the buyer. This will include financial, operational, legal and insurance requests to determine the actual condition of the seller's business. The buyer will want to examine information related to:

- Finances – Bank statements, tax returns, payroll, accounts receivable, etc.
- Operations – Routing software reports, customer contracts, production and sales information.
- Legal – Articles of incorporation or formation, licenses, employee non-compete agreements (make sure you have one with each of your employees), etc.

- Insurance – Copies of auto, general liability, workers' compensation, and employment practices liability insurance policies, as well as loss runs for at least the prior three years.

Due diligence can be grueling without the right team of advisors. Use a team whose members are familiar with one another, or who has all the talent under one roof to avoid confusion.

STEP 4: Purchase and sale contract. The buyer usually drafts the first copy of this legal document, which usually includes:

- Either an asset purchase agreement or a stock purchase agreement.
- Non-compete agreements for ownership.
- Consulting agreement for any owners staying on board.
- Bill of sale.
- Assignment and assumption agreement.
- Office lease or assignment of lease.

It is important for the buyer to have a skilled mergers and acquisitions (M&A) attorney on their side, preferably one who understands pest control. The contract phase usually is the most contentious, as attorneys hash out unresolved issues and ultimately get to a conclusion. Many times, this is the most stressful aspect of the deal for the buyer, as the issues between the lawyers may be very high-level and sometimes more theoretical than practical. Nevertheless, it's important to address the issues and resolve them head-on.

STEP 5: Closing the deal. Once all issues have been worked out and everyone agrees, a deal is made. The signing of papers and the flow of funds is not very dramatic at all. In fact, all of it will be done remotely without anyone sitting around a table, as in a real estate deal. The lawyers circulate signature pages for the buyer

and seller to sign. Once signed, both buyer and seller receive a pack by email with fully executed documents, and then the bank wires the money.

STEP 6: Transition day. This is the day the employees are made aware there is a new owner. Usually there will be an all-hands-on meeting first thing in the morning. The seller may address the team and explain why he chose this buyer and how there is a great opportunity for those who continue with the buyer. The buyer then usually has a few team members to introduce the new company to the employees. Usually there is an onboarding process for each employee where pay plans, benefits and core values of the purchasing firm are explained.

STEP 7: Mission accomplished. From the seller's perspective, it's time to enjoy the next phase of life!

The decision to sell a business that they have spent a career building is one of the biggest decisions most owners will make. It needs to be well thought out and planned; the worst time to decide to sell your business is when you are having a bad day. Consider exactly what you want, and whether you can get a deal that will allow you to enter your next phase in life in a manner that is right for you.

Currently, the market is at an all-time high, and most advisors can get higher-than-normal valuations as a rising tide lifts all ships. However, you should still follow the steps above for maximum value, minimum taxes and ultimately, the successful sale of your company. PMP

GORDON owns PCO Bookkeepers and PCO M&A Specialists, which provide accounting, consulting and exit planning services catering to PMPs throughout the United States. He can be reached at dan@pcobookkeepers.com.



Moving Forward

The sale of a 57-year-old company offers employees new opportunities

By Diane Sofranec | PMP Senior Editor

Finding a suitable workplace for her employees was one of several reasons Ann Majcher sold her company to Arrow Exterminators.

The owner of DC Scientific Pest Control, which is located in Tuscaloosa, Ala., with branches in Birmingham and Winfield, said she “looked for a company that would provide employees with many growth opportunities.”

The acquisition expands Arrow Exterminators’ footprint in central Alabama. The new additions will operate as Stark Exterminators, an Arrow Exterminators brand, in keeping with the company’s existing service centers in central Alabama.

FAMILY BUSINESS

Majcher’s parents, Bill and Barbara Moore, founded DC Scientific Pest Control in 1964. She got involved in 2012 when her father fell ill. By 2013, she was fully immersed in the business.

“I sat at his desk every day, which was kind of hard to do [after he passed away],” she says. “But at the same time, I would think, ‘Well, here I am at Dad’s desk again today. What would Dad do?’ I just tried to keep his spirit with me.”



Majcher was developing plans for the company when she was offered an opportunity to sell instead. She had hired a consultant for expert advice on how to grow her business, and was not in an “I need to sell my company” mindset.

But she got on board when she realized a sale would benefit her employees. She believed new owners would give them an opportunity to advance in the pest control industry. “For some of my employees, I could not have helped them move forward in their careers,” Majcher says. “They had done all they could do with me.”

EMPLOYEES BENEFIT

When she gathered her employees for a meeting to inform them of the sale to Arrow Exterminators, she reminded them of her open-door policy if they wanted to talk.

“I talked to a lot of the employees one-on-one since the sale, and I feel blessed I was able to work with them,” she says. “They realized it needed to happen — really more for them than for me. After talking with them and explaining they may make more money and grow their careers, they were OK with the sale.”

COVID-19 also was a factor in Majcher’s decision to sell the company. Like companies in many industries, not just pest control, trying to hire employees in the midst of a pandemic has been a challenge. In addition, four technicians were out for 14 days, and for a company

From left are Kevin Burns, Ann Majcher, Emily Thomas Kendrick, and Tim Pollard.

with just 34 employees, their absence was felt. “That’s hard on a company of this size,” she says.

SMOOTH TRANSITION

Majcher says she thought the transition would be more difficult for a 57-year-old company to undertake, but it has been “shockingly” smooth. She says she has her outstanding operations manager, Randy Dawson, as well as her exemplary support team, technicians, bookkeeper and branch office staff to thank.

“I got very lucky with the people I had working with me,” she adds. “We hired people who were very organized, and that helped a lot during the sales process.”

The company’s stellar reputation helped, too. For nearly six decades, DC Scientific has been known for its outstanding customer service. She adds that she knows she could have emphasized the fact that DC Scientific Pest Control was female-owned, but that wasn’t important to her. What was important was the customer service her team provided customers.

Majcher’s experience as an owner swayed her decision when she sold her company. Working with a female-run company (Arrow Exterminators’ CEO is Emily Thomas Kendrick) seemed right.

“We are proud to join the Arrow family, and continue the legacy my dad started over 55 years ago,” she says. PMP

You can reach SOFRANEC at dsofranec@northcoastmedia.net or 216-706-3793.

Questions your employees may ask, after the sale

By Dr. Austin Frishman, BCE-Emeritus | *PMP* Contributor

When a mid-sized company is acquired, there are bound to be many questions and concerns from employees. If you're thinking of selling your pest control company, consider the following queries you'll have to field immediately after your announcement to your team — all of which I've heard over the years:

- Will our company name change? If so, are you going to give us literature to hand out to our customers so we can explain the changes?
- Will I have the same route? The same number of stops?
- Will I bring home the same paycheck I currently do?
- Will my healthcare and retirement benefits be comparable to what I currently have?
- What is the vacation policy?
- Will I use the same pest management techniques and protocols as before? If not, what is going to change?
- Can we carry the same products in our vehicle that we currently have?
- I was promised a new vehicle (laptop, respirator, what-have-you) in six months; will that still be granted?
- Right now, we have to wash our uniforms at home (get them cleaned at the office). What will the new policy be?

- We are issued flashlights, extra batteries and an ample amount of safety equipment as needed. Will this policy continue?
- Will I have an opportunity to grow with this new company? If so, what are some of the possibilities?
- Will my managers and supervisors remain the same, or change?
- What types of new training will I receive?
- If I have further questions or concerns, to whom can I turn for answers?

Every one of these questions came from concerned technicians, many of whom have spouses, children and other family members they support. Your team may be trying to digest your big news while in their personal lives, they've been mulling over a big financial decision like purchasing a new home or vehicle, sending a child to college, or financing a healthcare procedure.

Sometimes, sellers become so wrapped up in the balance sheet that they forget the wants, concerns and needs of the people who do the work. A little empathy goes a long way.

Two points to keep in mind as you open a new chapter of your career, whether you are buying or selling:



It's possible the company you purchased or sold to was one your company viewed as a competitor. Bridges are not easy to build, but it's not impossible. Have patience and transparency.

2Sometimes, the answers to these questions aren't easy — or what employees think they want to hear. That is why the transition period requires communicating with employees and presenting an overall positive picture of what will happen.

Company mergers and acquisitions require traveling down a new road. Help ensure your team enjoys a smooth ride. **PMP**

Contact **DR. FRISHMAN**, a *PMP* Hall of Famer, at PMPeditor@northcoastmedia.net.





Join the Arrow Family

Family-owned and operated since 1964, Atlanta-based Arrow Exterminators has grown to become the 6th largest pest control company in the United States. Arrow attributes their success to passionate, highly trained team members who are committed to protecting not only our Family Culture, but everyone's quality of life...and doing it all with a Clear Conscience.

With you, we can.

DC Scientific • Alabama



"When I started considering this merger, I knew I wanted to find a company that would provide a great home for every one of my people and also needed one which provides exemplary customer service. I found that in Arrow Exterminators and we are proud to join the Arrow family and continue the legacy that my dad started over 55 years ago. I also looked for a company that would provide our employees with many growth opportunities and I know we have found that in Arrow."

Ann Majcher
DC Scientific

Exterminating Unlimited • Virginia



"When looking for a home for our business, we were looking for a company that provides exemplary customer service and was passionate about how customers and team members are treated. We found that in Arrow and are very proud to now be part of the Arrow Family. We wanted to give our team members an opportunity to be with a company where we knew there would be growth opportunities as well as be able to offer an expanded range of services to offer our customers. All of my team members will continue their careers with Arrow Exterminators."

Craig Duncan
Exterminating Unlimited

5 Star Termite • Arizona



"I have been impressed with the entire Arrow team since we first started talking with other companies in the industry. I can tell Arrow has a special family culture which was very important to me as I analyzed my options. You could feel the family culture and the passion and excitement that the Arrow team showed. I'm truly excited that my employees will have many growth opportunities and Arrow will be able to offer an expanded range of services to our customers."

Shelby Hawkins
5 Star Termite

Call today for your confidential conversation.

Kevin Burns | 800-281-8978

kburns@arrowexterminators.com

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