

How to make your company sellable

Planning ahead will make your company more attractive to prospective buyers so you can sell when you're ready.

By Diane Sofranec | *PMP* Managing Editor

Sometimes, you just know when it's time to sell your pest control company. Maybe you're burned out from spending too much time on the job. Perhaps you have health issues that need your undivided attention. Or you want to give your successors — your children or a trusted employee — the chance to finally take charge.

For Henry Moore, BCE, who in January sold his 15-year-old Georgetown, S.C.-based company, Moore's Premium Termite & Pest Control, it was about spending less time inspecting for termites and more time hunting and fishing.

"I was 69, and finally realized I didn't need to make any more money," he says. "I really didn't need to work anymore. I was tired of it and ready to do something else."

PREPARE FOR A SALE

Moore, who says he's been "stomping bugs since 1971," had been through the merger-and-acquisition (M&A) process before. In 1998, he sold the first pest control company he owned, and then helped the buyer make two other acquisitions.

So, what advice does he have for pest management professionals (PMPs) who are finally ready to put down their flashlights for good?

Set up your company so a buyer can easily take over, he advises. Buyers look for pest management businesses that have a lot of recurring revenue from residential customers with quarterly pest control and annual renewals.

Moore's Premium Termite & Pest Control offered residential customers general pest control and termite and moisture work; it accounted for 80 percent of its business. The remainder consisted of mosquito jobs and industrial and commercial pest control.

In addition, a company's employees are considered an asset during a sale, he says. Moore had one part-time and nine full-time employees, and they all stayed with the company.

"That was one of the considerations when I sold the business," he says. "I was real close to my employees and my customers. I was just as concerned with the employees and the customers as I was for what I got for the business."

This time around, Moore worked closely with the buyers for about three months after he sold his company. In his experience, however, buyers prefer owners stay on and continue to run the company.

HIRE HELP IN ADVANCE

If you plan to sell your company so you can leave the



pest management industry behind, hire a manager who can step up once the deal is done.

A self-described “hands-on kind of person,” Moore admits he conducted most of the Formosan termite inspections at the company, for which there were many given its southern location. “I wouldn’t let anybody else handle it,” he says.

“That’s the only thing I would do differently,” Moore continues. “Get a good manager trainee about two or three years before selling so your company is easy to pick up. All a company would have to do is buy it; the manager can continue running the operation.”

It’s also a good idea to start streamlining your business processes and getting your finances in order a couple of years before you intend to sell your company.

“If you’ve got everything on the computer in software programs, all your data is sitting there,” he says. “It makes it easier for buyers to look at, and it makes your company more valuable.”

What PMPs really need to do is set up their company so it’s sellable, Moore says emphatically. Give yourself about three years to prepare your company for prospective buyers.

“When I hit \$1 million in volume, that’s when I became very sellable,” he explains. “I knew all along how to keep setting up my business so it could be sold.”

At age 70, Moore has no medical issues, goes to the gym every day, and is taking it easy.

“I’m lucky I’m in real good health,” he says. “Everything worked out pretty good for me. I’m blessed.” PMP

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

4 SIGNS IT'S TIME TO SELL

By Stuart and Donna Aust |
PMP Contributors

When we started our pest control company, Bug Doctor, 27 years ago, it didn’t take long before we learned we were building a valuable asset. We were only in business a few years when prospective pest control companies began sending attractive letters of interest to purchase our company.

But it wasn’t until a close friend and colleague sold his company that we began to entertain the idea for our business. The saying “It’s all about timing” would be an understatement. If you’re wondering whether the time is right to sell your company, consider these key factors:

1 REVENUE GROWTH. Some think the best time to sell is when your business is on the decline. It’s actually the opposite. You want to sell when your business is *growing* and the future trajectory of this growth can be established. In our case, we were coming off three years of solid growth with an upward trajectory of total revenue. Our recurring revenue was also at an all-time high. Remember how Derek Jeter from the New York Yankees retired when he was on top of his game? That’s the way to do it.

2 HIGH PROFITABILITY. Investors and industry buyers want to see high levels of operating cash flow. Ensuring efficient route density in small geographic areas and appropriate pricing can translate into greater profitability.

3 COMPETITION AND DIFFERENTIATION. What sets your company apart? What is your competitive advantage with regards to technology, marketing, branding, and service offerings? When these are solidly in place, purchasers will be drawn to the unique edge that sets your company apart. In our case, we individually branded each division to appeal to various demographics. Also, by adding a bird division 10 years after the inception of Bug Doctor, the entire trajectory of our company changed significantly — and increased value, demographics and business opportunities. Buyers also look for a good cultural fit and strong management and field staff.

4 MARKET CONDITIONS. What are the multiples, or current value, of your company? It’s ideal to sell when the market conditions drive the multiples up. You may pass on an opportunity to sell, hoping the multiples rise — only to work another 10 years and end up selling for the same price, or even less. Of course, there’s no way to predict market trends. In addition to the market conditions affecting the multiples, your company’s growing revenues, profitability, and differentiation also will drive up the multiples, providing a perfect time for you to sell. PMP



STUART AND DONNA AUST

MORE ONLINE

Check out 3 more factors to consider before selling your company at PMPestTalk.net.

STUART AUST is president and DONNA AUST is chief editor and consultant of The Aust Group, a mergers and acquisitions consulting firm based in Upper Saddle River, NJ. Stuart is also a PMP columnist and former owner of Bug Doctor and its affiliates. He can be reached at stuart@theaustgroup.com.