

# Acquisition Update

## Ring, Ring, Continued Expansion

**Pest Control remains an actively targeted industry, owners beware**

**A**s we navigate through 2024, the pest control industry continues to show dynamic shifts and evolving trends, making it an exciting time for all stakeholders.

The pest control industry remains a hotbed for investment, attracting a significant amount of attention from financial investors and private equity firms. These entities are increasingly targeting regional platforms across the United States, with recent expansions noted in both New York and Arizona markets. Their strategy includes aggressive marketing tactics designed not only to capture market share but also to identify potential acquisition targets.

For many within our industry, it has become common to receive unsolicited communications, such as cold calls and emails, promising lucrative offers for their businesses. These outreaches often stem from specialized firms hired to cast a wide net, fishing for opportunities on behalf of their clients. However, it is essential to approach these interactions



Grant Sinnot, Kemp Anderson and Theresa Childs

with a discerning eye. While the prospect of a significant financial proposition is enticing, our observations and discussions with several industry insiders reveal a common trend: many of these offers turn out to be fishing expeditions aimed more at garnering market intelligence or presenting offers that are below the industry average.

A notable concern is the involvement of private equity and buy-side firms who are frequently in the market to snap up businesses at reduced prices. These firms often represent individuals or groups interested in acquiring companies, and their compensation models are typically aligned with the interests of the acquirers rather than maximizing the seller's return. This alignment means that their primary incentive is to secure a business for as low a price as possible, rather

than ensuring that the business owner receives fair market value. This tactic can lead to wasted time and resources for those who might be better served focusing on their operational growth and client service enhancements.

As your trusted advisor in the pest control industry, Kemp Anderson Consulting remains committed to providing you with the latest insights and strategic guidance to navigate these complex waters. Our expertise and industry experience position us ideally to help you assess and respond to potential offers, ensuring that you are equipped to make decisions that align with your long-term business goals.

If you ever receive an offer or are solicited and need help reviewing the terms, Kemp Anderson Consulting is here to assist you with a free consultation. \*



BY THERESA CHILDS

# Focus on the Industry: Strategic Financial Management

**I**T'S NO secret to veterans of the pest control industry that killing bugs is the easy part — we know how to do that. But managing and growing a profitable organization requires a whole other set of business-related skills. Using and understanding the business metrics that impact profit is an area that often requires more focus.



## The Importance of the Profit and Loss Statement

The original tool for managing your business — your profit and loss (P&L) statement — stands as a crucial tool for strategic decision-making. Regular review of the P&L statement empowers business owners to make informed choices, accurately gauge financial health, and identify emerging trends that could impact future performance.

This statement, reflecting the finan-

cial outcomes of business activities, is essential for understanding both the current position and future potential of a business.



## Understanding Core Costs Over Time

Central to managing a pest control business effectively is the understanding of core costs, often called cost of goods sold (COGS), which includes labor, chemicals, fuel, and vehicle maintenance. Keeping a close watch on these costs over time is vital for identifying patterns, grasping seasonal variations, and detecting inefficiencies. This ongoing analysis is key to implementing effective cost control measures and enhancing operational improvements. For example, noticing a steady increase in fuel costs might prompt a business to consider more fuel-efficient vehicles or to optimize

routes to reduce travel distances.

Labor costs, often the largest expense in service industries, require careful management. This involves not just monitoring wages but also understanding the impact of training, turnover, and productivity on overall profitability. Investing in employee training can lead to more efficient service, reducing time per job and increasing customer satisfaction.



## Using the P&L Statement and COGS to Make Business Decisions

The P&L statement serves as more than a summary of revenues and expenses; it's a strategic tool for business decisions. By analyzing individual line items, businesses can identify the most profitable services and may decide to focus more on these areas. This could mean expanding

certain services, investing in specialized equipment, or marketing more aggressively in profitable niches.

Cost management is another critical area where the P&L statement is invaluable. Regular review helps in identifying rising costs early, allowing for timely adjustments in operations. This proactive approach is essential for maintaining profitability in the face of fluctuating market conditions. Tracking your COGS year over year will not only help you identify areas of opportunity, but it will often dictate when you need to take a price increase and how much that increase should be.

The P&L statement also guides investment decisions. For instance, it can help determine whether purchasing new equipment or expanding service offerings is financially feasible. This insight is based on understanding the current financial capacity and the potential returns on these investments.

Budgeting and forecasting are other critical areas where the P&L statement plays a key role. Historical data from the P&L can be used for accurate budgeting and forecasting, which are essential for longterm strategic planning. This process involves projecting future revenues and expenses based on past trends, helping businesses set realistic financial goals and make informed decisions about resource allocation. Performance evaluation, an ongoing necessity in business management, relies heavily on the P&L statement. Regular comparison of actual performance against budgeted figures helps in evaluating the effectiveness of business strategies. This comparison can highlight areas of the business that are underperforming, prompting necessary adjustments.



### Trends in Route-Based Service Businesses

For route-based businesses, there are several areas where our industry is focused:

**Technological Advancements:** The implementation of route optimization software and GPS tracking technologies can lead to significant cost savings and operational efficiencies. These technologies enable businesses to optimize routes in real-time, reducing travel time and fuel consumption.

**Customer Retention Rates:** High customer retention rates are a strong indicator of customer satisfaction and service quality. These rates provide valuable insights into the effectiveness of both route planning and customer service strategies. By monitoring customer feedback and retention rates, businesses can identify areas for improvement in their service offerings.

**Employee Retention Rates:** Your business needs reliable, competent employees in order to be profitable. How are you attracting and retaining talent? Not all employees, even tenured ones, are equal. Are you evaluating and responding to employee needs individually? It's certainly more work to analyze performance individually, but it's a great way to identify opportunities and best practices in your organization.



### Analyzing Route Efficiency Using the P&L Statement

Managing the efficiency of routes is critical in the pest control business, and the P&L statement can be instrumental in this regard. By analyzing costs per stop, businesses can identify which routes or services are more profitable and which may need optimization. This analysis can lead to adjustments in routes, possibly by grouping customers geographically or by service type, to maximize efficiency and profitability.

For instance, if the P&L analysis shows that certain geographical areas are more profitable than others, a business might decide to allocate more

resources to those areas. Similarly, if certain types of services (e.g., commercial vs. residential pest control) are more profitable, the business might choose to specialize or expand in those areas. If your business is small but growing, it's time to consider investing in one of the industry specific software services, called Customer Relationship Management (CRM) software, to level up in your customer account management and route optimization.



### Responding to Market Changes

The pest control industry, like any other, is subject to market fluctuations and changes. The P&L statement can help businesses respond effectively to these changes. For instance, in a downturn, the P&L can help identify areas where costs can be cut without compromising service quality. During growth periods, it can guide investment in areas that will drive further growth.

One example is marketing. When times are lean, businesses often buckle down and focus on customer retention and route density. In periods of growth, businesses are more easily able to focus on marketing and route expansion.

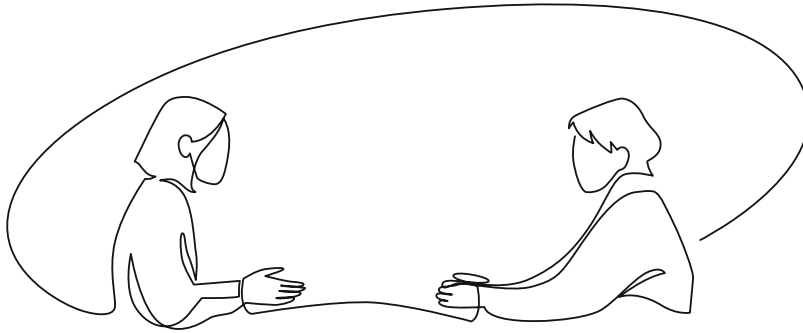
### Conclusion

In conclusion, the effective use of the P&L statement is vital for pest control businesses. It is not only a tool for understanding core costs but also a guide for making strategic business decisions, adapting to market trends, optimizing routes, diversifying services, and expanding operations. By leveraging the insights provided by the P&L statement, pest control businesses can achieve sustained success and growth in a competitive market. ✨

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**THERESA CHILDS** is Vice President of Marketing and Client Relations for Kemp Anderson Consulting.

BY THERESA CHILDS



## MY Selling Story

**Kemp Anderson Consulting:** We recently spent some time in Mississippi with Barry Pitts, owner of Synergy in Jackson, Mississippi, who completed their sale to Orkin on August 1, 2023.

**Barry Pitts:** Thank you for having me here today. Selling my business was a big decision, and I'm grateful we chose to work together.

**Kemp Anderson Consulting:** It's our pleasure, Barry. We really enjoyed working with you and are

so happy that we could assist you in this process. Can you tell us about some of the challenges you faced when considering the sale of your business?

**Barry Pitts:** Like everyone, I wanted to ensure that I got the best offer for my business. I've built my pest control company over the years, and I wanted to make sure that all that hard work was reflected in the sale price. I'd heard some horror stories about some potential issues that could arise during the sale, and I wanted to avoid those as best I could.

Barry Pitts, owner of Synergy, and his family



**Kemp Anderson Consulting:** We completely understand those concerns. I have to say, you were one of our easiest clients to work with. You were so prepared! Every time we asked you a question, even on the phone, you instantly knew your business inside and out. You knew your customer retention rate, how many customers were on auto bill vs. sending in paper checks, your non-adjusted margin — it was really impressive.

**Barry Pitts:** Thank you, I really appreciate you saying that. I love this business and my customers. It's been my life's work for more than a decade. And your team's familiarity with the intricacies of the industry allowed you to dive deep into my business operations, financials, and customer base. I think this knowledge gave us a competitive advantage in positioning my company for sale.

**Kemp Anderson Consulting:** Can you walk us through your process of preparing to sell? Did you do any research or hear about us some other way?

**Barry Pitts:** To be honest, I tried to sell the business myself about a year before I called you. I reached out to all the big players in our industry and went through a process with them where they looked at my financials and customer details — I even got a few offers but they were low. So I just went back to running the business for a while and then decided to try again; this time I interviewed you and we really connected over the phone. I had no idea everything would move so quickly but it was a pleasant surprise.

**Kemp Anderson Consulting:** Well, part of the reason it moved so quickly is because you were super efficient and your business was very automated.

And you decided to use one of the attorneys that we recommended. Using a trusted M&A attorney with a strong track record in the industry can help make things smooth as well.

**Barry Pitts:** Yes, yes. Your team also recommended normalizing some of my accounting practices and we cleaned up my accounting records. And we removed a non-profitable route and streamlined some other operational things. It was easy to see how those made a difference to buyers; they could see the true value of my business without having to imagine what it would be after making those changes. The return on that effort was instant and

gotiations forward smoothly. Look, no one wants to uncover a last-minute deal breaker. At the end of the day, it was clear you had helped clients navigate all of those scenarios before, and that you would help me avoid them even before we went into the marketplace. Your preparedness gave me confidence throughout the process.

**Kemp Anderson Consulting:** We're glad we could provide that level of support. It was a collaborative effort, and your willingness to work closely with us made a significant difference. We believe that the combination of your dedication and our expertise in the industry ultimately contributed to achieving a premium multiple for the sale of your pest control business.



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really highlighted how attractive and efficient Synergy is.

**Kemp Anderson Consulting:** Always love hearing that our recommendations had a positive impact. Our goal was to help you showcase your business in the best possible light to potential buyers. You mentioned a few minutes ago that you were wary of potential deal issues during the negotiation process.

**Barry Pitts:** Right. I heard about these roadblocks had stalled or blown up a good offer in past sales. When I was interviewing you, I wanted to be sure you had solutions ready and a solid strategy in place, and could move ne-

**Barry Pitts:** Absolutely. I'm grateful for the team's guidance and professionalism. Selling a business was complex, but your team's experience and insights made the process much smoother and more successful than I could have imagined. Thank you for helping me and my family maximize the value of our company. We're excited about the next chapter.

**Kemp Anderson Consulting:** Thank you, Barry. It was a pleasure working with you, and we're delighted to have played a role in your success. If there's anything else we can assist you with in the future, please don't hesitate to reach out. 🌟

# Legislative Day 2024

What a great day on the Hill! Proud to represent our industry at NPMA Legislative Day. Thank you Congressman Greg Steube for showing us around and taking the time to talk about the issues important to PMPs.



**Y**ou might recall hearing the phrase “pesticide preemption” and wondering what it all means. The Agriculture Improvement Act is set to expire in September 2024 and this bill gives our industry an opportunity to advocate for a policy change. A Federal policy change would prevent local authorities from regulating pesticides, giving each state’s lead agency and the EPA joint oversight. The NPMA is taking steps to help ensure this policy would be enacted nationwide through the Farm Bill legislation. This year, and for



the past couple of years, Legislative Day has focused on this issue and attendees meet with their respective state representatives on Capitol Hill to advocate for our industry’s interests. If the Farm Bill is passed with pesticide preemption,

nothing will change for the 45 states that currently have it. The five states that do not have it will be required to regulate pesticides at the state level. If you want to learn more about, visit [npmapest-world.org](https://npmapest-world.org). 🌟

# Clark Pest Control Acquires Oxley Pest Control

**I**n 1991, armed with a business degree, David Oxley set out to start his own business. He started interviewing in the pest control industry where he was upfront about his intentions of looking for free training in exchange for free labor. In 1992 he quit his sales job, asked his (now) current wife Terry to marry him, and went to work. State law required that he receive \$4/hr. He and the owner were both happy with the arrangement. In 1994 David and Terry moved to Bakersfield California and started Oxley Pest Control. Terry worked for a State Farm agent to make sure they could eat, and David hit the pavement. All the profits went back into the company. Right around the third year, the company had grown enough to employ Terry full time and they've never looked back.

David and Terry had a targeted goal: to grow the business to a level where they worked *on* it, but not *in* it, allowing them to have many precious years watching their kids grow up. They volunteered at the school, traveled with their kids' teams and David was a scout master for about eight years (the biggest commitment). Being an Eagle Scout himself, this was an important commitment for their family.

As with so many operators in our industry, David and Terry brought their children into the business at a young age. They helped by selling door to door, servicing customers, working in the office as a service coordinators and creating marketing programs on social media. Both of their children graduated

from Abilene Christian University debt free.

Like all of us, Team Oxley has experienced some major hurdles over the years, but they've kept their head down and found a way to power through and even come out ahead in many instances. Like so many family-run businesses in our industry, they feel an acute responsibility to each and every family that they employ and to the pest control community as a whole. David has served as the district chairman for the Pest Control Operators of California and is currently a director for the Southern Valley District.

Rollins acquired Oxley Pest Control in early January 2024. The acquisition itself took just over six months after Rollins put the initial bid on the company. The transition was seamless "thanks to both his preparation and that of the Rollins team," said David. "Kemp really vetted and prepped us, so we were prepared for everything that was to come." Once Rollins put in a bid and it was accepted, its team began holding weekly meetings with Oxley. "We built a good rapport, and the meetings were great," he says. "They helped us prepare and really guided us step-by-step until the final day." As difficult as it was to break the news to his employees, Oxley said it went better than he expected. "I had my whole staff together to announce to them that we sold the business." While the David Oxley does not have any regrets about the acquisi-



Grant Sinnot with Terry and David Oxley on closing day.

tion, he does have two words of advice for pest management company owners looking to sell in the future: plan and prepare. "I spent my time making sure that my employees had what they needed, were fully trained and up to date on their education so that their transition was as smooth as possible," he states. "But there are a lot of aspects that you don't necessarily think about, like shutting down credit cards, car insurance that is in your name, and all these other details that get lost in the process. Even starting a new email address so people can still get in contact with you is important."

Oxley says he has seen many benefits from this acquisition: "The employees found a good home. My wife, Terry, and I can retire comfortably, and my overall stress has reduced immensely. Join us in Congratulating the Oxley's on their incredible business and lasting legacy in the pest control industry. 🌟

## Establish a schedule for raising prices.

When you provide value to your customers, they understand the need for annual price adjustments. Everyone knows about inflation, and that utilities, insurance and other business-related expenses increase with regularity. A price increase policy is important to keeping your business profitable. If this idea causes concern that you might lose customers by raising prices, look at it this way: If you raise prices 3 to 4 percent a year and lose 1 percent of your customers, you will still experience a net gain. Don't be the cheapest provider; be the best provider. **When you lead in value, you earn the right to price leadership as well.**

**Kemp Anderson, President**  
*Kemp Anderson Consulting*



*Call for a free consultation today!*



 (407) 466-5859

 [KempAnderson.com](http://KempAnderson.com)

 [Kemp@KempAnderson.com](mailto:Kemp@KempAnderson.com)

