Like our proven brands, Syngenta’s 2011 GreenTrust™ 365 Program for professional turf managers provides outstanding value throughout the year. You can lock in your yearlong rebate percentage with only $5,000 in purchases of Qualifying Products during the Early Order Period. The more you purchase during this time, the better your rebate percentage—as high as 14% on Barricade® herbicide.

Syngenta also offers product assurance opportunities and deferred payment until June 6, 2011 for most purchases made during the Early Order Period. Visit greentrust365.com today to plan your purchase and lock in your yearlong savings. Full Program terms and conditions are also available on the site.

Hurry! February 28 is the last day to qualify for yearlong savings.
FATHER NATURE.

GENUS: POWER PLANT. IT ALL STARTS WITH THE LEGENDARY 5.7-LITER HEMI V8 THAT PRODUCES 363 HORSEPOWER AND COMES WITH A BEST-IN-CLASS1 STANDARD SINGLE 52-GALLON FUEL TANK FOR EXCELLENT DRIVING RANGE. NOT TO MENTION THE LARGEST BRAKE ROTORS AND PADS IN THE CLASS.2 AND AVAILABLE INTEGRATED TRAILER BRAKE CONTROLLER. A TRAILER TOW RATING OF UP TO 18,750 POUNDS MEANS ALMOST NO JOB IS TOO BIG TO HANDLE. AND WHEN EQUIPPED WITH THE PROVEN 6.7L CUMMINS® TURBO DIESEL ENGINE, IT MEANS ONE LESS THING TO WORRY ABOUT. MOTHER NATURE DOESN’T COMPROMISE, AND NEITHER DO WE.

RAM MEANS BUSINESS

RAM 3500/4500/5500 CHASSIS CABS
INCREASED FRONT GAWR UP TO 5500 LB AND GVWR UP TO 13,000 LB (ON 3500)
AVAILABLE 6.7L CUMMINS TURBO DIESEL WITH STANDARD DIESEL EXHAUST BRAKE
BEST-IN-CLASS STANDARD GVWR FOR 5500 TRUCKS10 (18,750-19,500 LB)
ALL-NEW CREW CAB DESIGN
BEST-IN-CLASS 5-YEAR/100,000-MILE POWERTRAIN LIMITED WARRANTY11

RAMTRUCKS.COM/COMMERCIAL

(1) CLASS 3-5 PICKUP BASED CONVENTIONAL CAB CHASSIS. (10) BASED ON FULL-LINE CLASS 3-5 CONVENTIONAL CAB CHASSIS. RAM AND HEMI ARE REGISTERED TRADEMARKS OF CHRYSLER GROUP LLC.
A better option: more cowbell

Ten years ago Will Ferrell and Christopher Walken hooked up in one of the funniest Saturday Night Live skits ever. Recall Walken urging Ferrell for “more cowbell” as he and other SNL musicians clanged away on the Blue Öyster Cult’s “(Don’t Fear) The Reaper.”

From time to time, when I feel my energy lagging from the goal at hand, I call up the skit to remind me to, you guessed it — add “more cowbell” to my efforts.

Stick with me here now, OK?

Jim Campanella, speaking to about 200 other owners and managers at the recent Lawn Care Summit, described a punishing business experience he suffered several years ago.

Campanella is president of the Lawn Dawg, a lawn care company that he and a partner founded in 1997 and grew into a respected regional company in New England. Charismatic and energetic, under Campanella’s direction Lawn Dawg literally took off, and many of us considered him a master marketer. And so he seemed when telemarketing was king; his company used to open a new branch annually during its first seven years. But when the do-not-call law banned telemarketing in 2004, he realized (and now frankly admits) he wasn’t a marketing whiz at all.

But, that didn’t turn out to be the biggest problem he faced; the biggest one was self-inflicted.

In 2005 he and his partner decided to diversify and launch mowing and maintenance services to complement their successful lawn care operation. Playing off of the popularity of their established brand they called these new services Little Dawgs. Let’s just say it didn’t turn out the way they had planned.

Campanella said within a year the Little Dawgs had resulted in almost $500,000 in losses. Equally discouraging, and which it took a while to recognize, the effort to diversify into production-focused landscape maintenance was diminishing the company’s reputation for customer service. Sensing that Lawn Dawg was in a tailspin, he retreated from mowing and maintenance.

“We went back to our core business,” said Campanella. “We got back to the things we knew.”

Before he could heal the company’s financial wounds he had one very important thing to do: recover the loyalty and faith of his employees.

“I met with all the employees and told them we messed up,” he said. “I asked them to stay with us.” They did. Now, refocused on customer service, Lawn Dawg rebuilt its customer retention rate to the pre-Little Dawg era. And in 2009, aided by an infusion of capital by Atlanta-based Brighton Partners LLC, the company opened two new branches, bought another company and announced its intention of growing its regional and, eventually, national footprint.

In Lawn Dawg’s case, the lure of diversifying, adding services and evolving into a “one-stop” service provider — too often touted as the surest way to landcare success — didn’t work.

Campanella discovered, as do many others, that, rather than getting involved with businesses you’re unfamiliar with, you’re better off strengthening the one you know — in other words, giving it “more cowbell.”
We’ve Been Hustled!
(And We Like It)

When Hustler wanted to “supercharge” their new FasTrak Super Duty 60” rider, they chose Honda to get the job done day after day, no matter how many hours and demands commercial crews put on it. Because the new, exceptionally quiet, lightweight and low-vibration Honda GXV630 V-Twin engine delivers the power, durability and fuel efficiency that commercial crews need to work quickly and cost effectively. Plus, now it comes with a three-year warranty.* Sure, we’ve been hustled, but this is one Hustler that will put more money in your pocket! Find out more at honda.com or hustlerturf.com/honda.

*Warranty applies to all Honda GX Series Engines, 100cc or larger purchased at retail or put into rental service since January 1, 2009. Warranty excludes the Honda GXV160 model. See full warranty details at honda.com. For optimum performance and safety, please read the owner’s manual before operating your Honda Power Equipment. ©2010 American Honda Motor Co., Inc.
What do Michael Dell, private equity firms and this Stanford MBA have in common? They’ve all bet on the Green Industry.

A MAN, WITH A TRUCK AND A MOWER, EMBARKS ON A DREAM.

He’s in the field everyday and invoices every evening. He works hard. His service and product are high quality. He grows quickly, makes mistakes, learns from them and becomes successful.

It’s a great story. But you’ve heard it before. Try this tale.

A man goes to Omaha’s Creighton University with the goal of becoming a doctor. He gets a minor in biology but instead of going to med school, follows a passion for business and graduates with a degree in accounting. He works as an accountant for three years to build up the required experience necessary to attend Stanford’s MBA program. While at Stanford, he interns for the CFO of Disney, researching and evaluating its product lines. After receiving his MBA, he works as a consultant at McKinsey & Co., studying various business operations. He conducts a public study of Warner Bros. and a private study of a multi-million dollar East Coast newspaper, helping them create more efficient systems.

At 35, he gets back into small business (he worked in his family’s farmer’s market in Nebraska when he was a boy). He gets involved with The Professional Landcare Network. He conducts research on the industry for a year and a half, visiting landscape companies, networking, building relationships and attending industry trade shows.

(At this point, by the way, he still doesn’t own a landscape business.)

Relocating to Denver in 2004, he calls five of the top local companies and has them create plans for his landscape, simultaneously gathering corporate intelligence. He finds a business he feels has best-in-class products and services, and tells the owner he

continued on page16

BY NICOLE WISNIEWSKI, EDITOR-IN-CHIEF
Michael Hupé, CEO, Lifescape Associates
smart money

continued from page 14

wants to bring the company best-in-class processes and profit to complete the business picture. Instead of start-
ing from scratch, he invests in an existing business.

Though he came into the industry at the height of the housing bubble in 2006 (admittedly not the best time), he
holds his own through the recession because though quality services aren’t garnering the same price, his focus on pro-
cesses has elevated productivity and retained some profit. And obtaining investments from private partners in the Green Industry in 2010 to help his company through this economy and eliminate some risk wasn’t a bad strategy, either.

Meet Michael Hupf, CEO of Lifescape Associates. He has studied and continues to study business. He has researched and continues to research the Green Industry. He’s your new typical landscape business owner and networking peer. He’s also your new competition. And his investment dol-

THE INDUSTRY

Considering today’s tough economy, “it’s ironic there’s a lot of money out there right now” for investing, says industry consul-
tant Judy Guido, Guido & Associates. As the economy suffered,
people took their money out of anything high risk and put it into more guaranteed investments — cash or money market positions. “If they did it in time and didn’t get hammered, they still have money to invest today,” Guido explains.

And since many people “got burned with traditional investments in the recession, now they are looking for something different that has stability, recurring rev-

MANY INDUSTRY

OBSERVERS, mergers & acqui-
sitions advisers and consultants agree there is a growing amount of investment dollars already in
the Green Industry, and this activity will continue to attract other investors.

But the biggest impending announcement this year may be the sale of a por-
tion of the biggest property of all — TruGreen, No. 1 on the LM150 list, reporting $1.3 billion in 2009 revenue.

In November 2010, in its filing with the Securities and Exchange Commission, TruGreen’s parent company ServiceMaster publicly announced its intent to exit the landscape maintenance and design/build segments of the industry with the potential sale of its TruGreen LandCare division.

This came after a nearly 8% decrease in revenue in its landscape segment and a 2010 third quarter that amounted to a $5.2 million decrease in operating income, a 9% drop in contract maintenance and an 8.3% decline in enhancement sales compared to one year prior.

“That’s a $225 million piece of business that’s up for grabs right now,” says Mark Long, a partner with BlueSky Group in Powell, OH. “It’ll be interesting to see what happens here.”

TruGreen LandCare was born in the mad acquisition dash in 1998-1999 of prominent regional landscape companies by ServiceMaster and rollup upstart Landcare USA, which sold to competitor ServiceMaster in March 1999, shortly after the landscape arms race began.

Today, TruGreen LandCare has operations in more than 100 locations in 40 states and generates about 14% of ServiceMaster’s annual revenue. By contrast, the TruGreen LawnCare segment delivers 32% of the company’s revenue.

ServiceMaster has engaged Morgan Stanley and Goldman Sachs as its advisers and Sidley Austin as its legal adviser in the process. Pat Spainhour, ServiceMaster CEO, says the options could include business sale, sale of certain business assets or a restructuring of the business.

“I would think this would happen right away,” predicts Long, who spent nearly 20 years with Barefoot Grass and almost a decade running Scotts LawnService.

“Strategic buyers looking at acquiring the whole thing may think, ‘ServiceMaster wants out badly so I can get this on the cheap.’ But if a buyer doesn’t come to the table with an offer that makes sense, it may not happen that way.”

continued on page 17
continued from page 16

This is particularly the case with commercial properties—“retailers who want to attract customers and office parks that want to retain tenants and keep properties safe for employees to come and go,” Guido points out. “People may not be building new apartment complexes and office buildings, but they know if they don’t take care of the external appearance of the buildings they do have, they will not rent them,” adds Ron Edmonds, president, The Principium Group, Cordova, TN.

The recession also brought additional maintenance opportunities with tending foreclosed homes and stabilizing suspended construction sites, Guido adds.

Then there’s the growing sustainability movement, though “the correlations between the Green Industry and sustainability are not that clear yet to a lot of people,” Edmonds says. “I think it may be part of the sizzle but not necessarily the steak,” industry consultant Jeffrey Scott adds. “But it’s a trend where investment dollars are likely to show up,” Edmonds confirms. “Efforts toward sustainable landscapes will attract more interest.”

“THE BEST AND BRIGHTEST MINDS IN THE WORLD, LIKE MSD CAPITAL AND LEONARD GREEN, HAVE SCOURED ALL THE INVESTMENTS OUT THERE AND CHOSE THE GREEN INDUSTRY AS A PLACE TO PUT THEIR MONEY.”

– JUDY GUIDO

The reason? Landscaping is gaining a reputation as something “we can’t stop doing or it could have a negative effect on the earth,” Guido says. “You can’t cut down all trees or replace all turf that helps limit erosion or use up water without care—life would cease to exist. It’s a life science we need.”

What investors look for are guarantees. And sustainability does bring this where regulation and compliance issues related to depleting natural resources and environmental quality are concerned, Guido says. “Landscape companies can become the answers to problems like runoff and stormwater management or water conservation,” she explains. “There is also a new generation of products, such as smart irrigation controllers, that will need to be installed to update properties and bring them up to compliance to avoid fines or penalties.”

Ultimately, this trend may still take some time to play out since “no one has been able to identify actual savings in sustainability just yet,” explains Edward Schatz Jr., president, Yellowstone Landscape Group’s Southeast Region.

Though some of these Green Industry attributes have been known for a long time—like the recurring revenue and resilience of maintenance as a service offering—today “these

The investment circle

WHEN MICHAEL HUPF invested in Denver’s Lifescape Associates, he approached company founder Charles Randolph with some outside perspective ideas for his business.

He didn’t really know he was saying all the things that, at the time, Randolph really wanted to hear, including the words “succession plan.”

They worked out a deal where Hupf buys some of the company up front coming in as a minority owner and then buys more of the company over time, giving the employees time to adapt and Randolph a chance to slowly exit the business.

At the time, the company was 95% design/build and 5% maintenance.

Of course, Hupf admits at the time he didn’t see the recession coming as harshly as it did. He knew he’d need to make Lifescape a more balanced company.

Today, the 35-year-old, nearly $5 million business is 85% design/build and 15% maintenance. Since these transitions don’t happen overnight, Hupf sought out what he provided Randolph with in 2004: investors. He approached industry friends and laid out his strategic vision, asking them if they wanted to be a partner in that growth. A few private industry investors “helped us stabilize and move forward—that’s where the investment dollars go so we can focus on growing,” Hupf says.

Hupf believes business owners in today’s economy have to be able to quickly adapt. And if that means not doing everything yourself, that’s OK. “Don’t be too proud to seek out consultants and advice from others or bring in partners and even investors,” he says, adding that by developing a streamlined sales and marketing strategy with the help of an industry consultant he was able to grow Lifescape’s close ratios from 30% to 70% in five years. “It’ll help you improve your processes and become more efficient. It’s all about working smarter—that’s how we’ll get through this recession.”
elements of the industry are showing up on people’s radar screens as more attractive on a long-term basis,” Edmonds says, “and others are just beginning to be understood.”

THE MONEY
Hupf isn’t the only one of his kind in the Green Industry today. In fact, the top three companies on the LM150 list are all backed by investment dollars: Clayton, Dubilier & Rice holds a majority stake in ServiceMaster, TruGreen’s parent company; Leonard Green backs Brickman; and Michael S. Dell’s MSD Capital backs ValleyCrest.

“The best and brightest minds in the world have scoured all the investments out there and chose the Green Industry as a place to put their money — that says something,” Guido points out. As a result, “we see a lot more people from the outside looking in.”

“There’s definitely more of an interest in the industry today,” Edmonds concurs. “We know the major players are investing. We know there’s a lot of discipline in the investment process and that they’ve done extensive homework before choosing where to put their money.”

Edmonds has received more than a couple of calls from investment bankers who lost their jobs in the recession and want to invest in the industry. Scott mentions clients from the IT industry who have invested in the landscape market recently — one a 20-year veteran of IBM. “There’s no doubt the influx of people in the industry at the local level has been people voluntarily or involuntarily leaving the corporate world looking for something in which they can control their own destinies; it’s more significant than it’s been in the past,” Edmonds explains.

And while the majority of deals happening this year will be coming from the larger, established strategic buyers, such as ValleyCrest, Brickman and Yellowstone, predicts Mark Long, a partner with BlueSky Group in Powell, OH, ((ValleyCrest’s purchase of Raymow Enterprises and Nanak’s Landscaping and BIO Landscape’s (Yellowstone) purchase of Agrilawn are a few examples from December 2010)), the private investment category may prove more exciting to watch over the next couple of years, Edmonds says.

“Michael Dell is the zenith of the family wealth category of investors, sure, but there are so many others,” Edmonds says. “There is more money in the family wealth category than in all the private equity firms put together. What’s neat about them is they invest in similar ways to private equity firms but their attitude toward exit strategies isn’t confined to what they committed to when raising the money for the fund. A private equity firm may have committed to a five- to 10-year term but a private investor may be focused on
“WE KNOW THE MAJOR PLAYERS ARE INVESTING. WE KNOW THERE IS A LOT OF DISCIPLINE IN THE INVESTMENT PROCESS AND THEY’VE DONE EXTENSIVE HOMEWORK BEFORE CHOOSING WHERE TO PUT THEIR MONEY.”

– RON EDMONDS

an opportunistic goal in the future that doesn’t limit them to a time period.”

This means the possibilities for investments to continue in the industry are endless, Edmonds adds. First of all, exit activity in general was up 25% in 2010, according to figures released in January by Dow Jones VentureSource. Second, according to Wayne Simpson, CPA with Utah Business Consultants, Baby Boomer entrepreneurs will bequeath $10 trillion worth of assets, much of which is tied up in privately owned businesses, over the next two decades. “It is estimated that more than 70% of these businesses will change hands during the next 10 to 15 years,” he says. And many won’t just go to the next generation, particularly if there isn’t a next generation lined up to take over.

An example of this is December 2010’s sale of Nanak’s Landscaping to ValleyCrest Cos. Nanak’s founders Sampuran Khalsa and Mahan Kalpa Khalsa don’t have children in the business. And their $35 million business was too big to try and sell to the employees, says Corbett, who represented Nanak’s in its sale to ValleyCrest. “They needed a plan for the future and this made the most sense for them,” he explains.

THE BOTTLENECK

Nanak’s Landscaping is also a good example of what all of the members of this increasing pool of outside industry investors are after: commercial maintenance. The problem? Large, 100% commercial maintenance companies like Nanak’s available for sale are, as Schatz describes, “pretty picked over,” especially in certain markets like the Sunshine state.

“Investors are hesitant to look at firms with sizable pieces of design/build in their revenue mixes” since the construction industry, and design/build companies in the landscape market as a result, suffered so much through the recession, Long says. In fact, “at the end of the day, not a dollar of value is being placed on installation work — where $1 of EBITA in maintenance will get you a multiple, $1 of installation will get you less than one,” Schatz says. “We will take some exposure to design/build as long as the company is primarily

ACCURATE MEASUREMENTS. ONLINE. ANYTIME.

✔ Turf ✔ Mulch Beds ✔ Trees ✔ Irrigation

FREE TRIAL www.goilawn.com/promo (ENTER CODE: LMJ)

www.goilawn.com
maintenance driven and shows profitable growth. Even if they have a niche or solid backlog of work, there is still not much value being placed on it, and I don’t see this changing for at least the next 24 to 36 months.”

And since the residential housing market suffered first, commercial was the target for design/build companies looking to expand into safer territory, stabilize and, ultimately, grow.

But don’t leave out the opportunity in residential maintenance, some industry observers insist — Edmonds has noticed some deals moving on the residential side. In commercial maintenance, “competition is fiercer then it’s ever been,” he says. Efficient businesses have the edge because they can offer more competitive pricing. So “the margins are better in residential right now because you don’t have as many sophisticated companies going after the same contracts,” explains Robert Taylor, president of Yellowstone’s Southwest Region.

Another option is to focus on niche maintenance services that aren’t as affected by price as a result of heated competition, such as tree care or lawn care. “Tree care has been pretty stable,” Taylor says, adding for this reason BIO purchased Texas Services in December 2009. “I think almost everyone places a high value on every tree they have so people are less likely to cut in that particular area.

“Lawn and fertilization programs are also still making margins, but sales are a lot harder,” Taylor adds.

In general, all investors today are driving a harder bargain.

In a recent New York Times’ article, Business Valuation Resources’ Adam Manson says “acquisitions are recovering more favorably for companies with revenues over $5 million.” Sales prices for small businesses have been on a downward trend, with companies selling for an average of .52 times net sales in 2008 and .48 times net sales in 2009. But companies with revenue less than $1 million sold for an average of .29 times net sales in 2009, according to data from Toby Tatum, a certified business appraiser using the BizComps database.

In the landscape industry, multiples of roughly 3 to 5 have been the norm, Edmonds says, adding “a 5 transaction is getting pretty rare. Opening rounds of negotiations have been starting lower.”

In addition to offering maintenance, companies that have strong brands and customer relationships, quality niche services and good margins will get the best valuations, Guido says.

THE NEW FACES AT THE TABLE

As investments continue in the Green Industry, one of the most intriguing benefits is the outside experience bringing a fresh perspective to the business of landscape contracting. continued on page 23

8 out of the top 10 Landscaping companies use us.

The other 2 are working too hard.

2010 Z-Plug

2010 Z-Max

L.T. Rich Products

Call us at: (877) 482-2040
or visit us at: www.zspray.com