

## Staying independent? Check your options

Consolidation brings both threats and opportunities:

### Potential problems or threats

1. Cost-efficient competitors may offer low prices.
2. Sophisticated, expensive marketing efforts to win customers.
3. Ability to offer "one-stop shop."
4. Added services and geographical coverage means entry into new service niches.
5. High-visibility name recognition, professional image.
6. Ability to leverage debt for further growth while tweaking economies of scale.
7. Continuing success will encourage more independents to consolidate.
8. Tougher competition for labor — they can offer year-round employment, top-notch training, new career paths and outstanding benefits. Can you?

### Potential opportunities or advantages

1. Provide subcontracted services to consolidators, or subcontract to other independent firms.
2. Continue growth and expansion in your markets.
3. Niche services and high-end/high-quality services can continue good growth.
4. "Coat-tail" effect of highly visible national consolidations will heighten awareness of professional landscape services.
5. Consolidators will not win every contract on price.
6. Smaller, flexible firms are quick to respond, innovative and able to develop close customer relationships.
7. Independents need not answer to stockholders, investors, outside directors or financial analysts' expectations.
8. Opportunity to grab downsized senior and middle administrative people.

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shareholder value, we bring both industry professionals and functional experience in critical areas such as tax and financial deal structuring, valuations and due diligence."

### Plenty of shoppers

Mike O'Mara, Acquisitions Management Group, Houston, TX, represents potential sellers in several contracting markets — mechanical, electrical, landscape and janitorial — all of which are in a state of furious consolidation.

A onetime landscaper himself, O'Mara says landscape business owners don't have time to be aware of all potential buyers. In addition to the large national consolidators, there are others, including a surprising number of regional buyers.

"We come across a lot of private buyers who are looking at either buying in a couple of cities or, maybe, in a region," says O'Mara. "Some want to expand their market, some are toying with the idea of a mini-rollup or maybe they want to build a base to sell to a larger consolidator."

Jim Hermann, Mergers & Acquisitions Advisor at The Geneva Companies, Irvine, CA, says his company maintains a proprietary database of about 130 active buyers interested in purchasing companies in the landscape contracting and planning, lawn and garden services and ornamental shrub and tree services industries. Of those buyers, 26% are investment groups, 33% are corporations and 41% are venture capitalists, individual investors, merchant banks and other investors.

If you decide to use a consultant to help you sell your company, do your homework. Find out as much as you can about them, their track record and their fees before you enter into any binding agreements.

### Find your strategy

Contractors sell their businesses for a number of reasons, most of them good: it's the right exit strategy; the price is

right; more opportunities for employees; greater growth potential for the business; different new challenges in a corporate structure; and others.

According to James Marcus, Director of Corporate Development, Four Seasons Landscape & Maintenance (LandCare USA), Foster City, CA, it's finding the right strategy for you that matters. As someone who recently sold his company to LandCare

## Why should you sell?

- ▶ Lack of operating capital
- ▶ Need for growth capital
- ▶ Elimination of personal guarantees
- ▶ Age
- ▶ Health
- ▶ Boredom/burnout
- ▶ Liquidity/cash Out
- ▶ Unreasonable risks

The two worst reasons to sell are age and health, because they usually rush the process, according to James Hermann, M&A Advisor, The Geneva Companies, Irvine, CA.

USA and currently works with contractors thinking about selling, he sees four major options:

— *Stay independent.* There are huge opportunities for growth through internal measures or through acquisitions of your own.

— *Consolidate regionally.* All consolidations don't have to be national. In fact, some buyers like to buy on a more localized basis.

— *Partner regionally.* Loosely based partnerships with other firms can give you regional marketing and buying clout without having to deal with a cumbersome consolidation.

— *Merge upstream.* Large consolidations bring financing, management systems, national scope, economies of scale and a number of other advantages that can help your business grow in the long term. **LM**