


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## ONESOURCE,

Atlanta, GA—\$790 million

Until Jan. 1999 known as ISS. Integrated services designed to fit property managers' needs, operating offices in 39 states. This company seems to tailor to the true property management buyer.

### Characteristics:

- OneSource (formerly ISS) is largest operating part of BHI Corp., headquartered in Belize City, Belize, which acquired ISS in 1998
- Janitorial, cleaning services, pest control, landscape services to 10,000-customer base
- Ron Schmoyer is president of Landscape Division of OneSource. Landscape Division generated revenues of about \$45 million in 1998
- Landscape branch offices in FLA, GA, VA, TN, and PA.

**Target goals:** Establish landscape presence in Midwest and West Coast

**Looks for:** Established firms that can be incorporated into OneSource philosophy of one-stop facility management services

### Questions:

- ▶ Finding additional management to manage growth
- ▶ Fitting acquisitions into concept of single management culture

## QUANTA SERVICES INC.

Houston, TX—\$209 million

Rollup consolidation focused on servicing the electrical and telecommunications industries that has bought landscape contracting and utility line-clearing/arbor care firms in California.

### Characteristics:

- Located mainly west of the Mississippi
- IPO on the New York Stock Exchange early in 1998

**Target goals:** Growth servicing its market sectors

**Looks for:** Acquisitions of firms servicing utilities and telecommunications customers, primarily for utility line-clearing operations.

### Questions:

- ▶ Will it advance more into the arbor/vegetation management portion of the landscape industry? If so, how will this affect existing firms?

## Walk the walk, talk the talk

You can understand the consolidators' strategies by understanding their language. Here are some of the key phrases to know.

### Rollup

A consolidation that rolls-up into one combined operating unit.

### 'Poof' IPO

When consolidating companies merge on the day they go public — Poof! — the individual companies magically form one large public firm.

### Beachhead, platform, geographic footprint

Consolidators love these military terms. They want a big presence in key markets.

### Bolt-ons, tuck-ins

No, it's not plastic surgery. These smaller firms roll into "beachhead" firms to bring "density" to a market. These usually run \$1 to \$5 million in revenues.

### BUYING:

#### Vulture capital

An unkind term describing private venture capitalists who invest for brief periods of time (2 to 5 years typically) to reap huge returns on their investments (upwards of 30%). Many are consolidators; others become one firm's strategic partners (see Brickman).

#### Due diligence

Buyers verify seller's information about the company, competition, customers and performance.

#### "Sniff test"

Due diligence + intuition.

#### "Missed the deal," "bad deal"

Due diligence turns up misunderstandings, fallout. You still own the company.

### SELLING:

#### Exit strategy

Before you sell, get one. Decide what you want to do, then you'll have a plan.

#### EBITDA

Get used to this one: "Earnings before interest, taxes, depreciation and amortization." It's how investors see real value.

#### Addbacks

For once, you can forget Uncle Sam and get real about your expenses and earnings.

**R**od Bailey calls these "exciting" times in the landscape industry. They offer previously unforeseen opportunities for the people in it. That's one of the reasons, he says, he sold his Evergreen Services Corp., Seattle, to TruGreen-ChemLawn late in 1998.

"I think we satisfied ourselves that the people in our organization would have much better opportunity in the future than if we continued to hold onto it ourselves," says Bailey. "We were a highly leveraged company and our ability to finance our growth

#### **We wanted to know**

"We were concerned about what really was taking place in the market," says Jeffrey T. Heine, President of TurfMasters, Inc., Dayton, OH. That's why he and General Manager Patrick O. Prine attended the recent Landscape & Lawn Care Mergers & Acquisitions Institute in San Francisco, which was sponsored by Fulcrum Information Services Inc.

"The consolidation hasn't hit our area of Ohio yet, but we want to be poised and ready for it when it does come," he adds. "We're either going to be ready when the national companies come to town or we're going to lose some things."

Along those lines, Heine is investigating adding services like interiorscaping and tree care to his 13-year-old company that has landscape revenues of about \$2 million. He feels that the national companies will approach large commercial/corporate customers with a one-stop facility management services package.

"You're either going to have to get in the pen and fight with the big dogs, or you're going to roll over and keep your little niche-type markets," says Heine.

John Gachina, President of Gachina Landscape Management, Menlo Park, CA, says he's not ready to sell his business yet either.

"Things are going well with my company, I'm having a good time and I have a young family, so the timing isn't right for us," he says. "I'm pretty certain that there's always going to be a place for quality companies that have a strong presence in a particular market.

"Sure, we're going to have competition. Sure, somebody's going to come in that can, maybe, beat us on price. But, we complete on more than just price."

Gachina says, if anything, the threat of com-

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# Hold 'em or fold 'em?

*This is not an easy decision to make. We talk to contractors who have sold, who may sell and who want to stay independent.*

was holding back our ability to grow.

"This [sale] created a very exciting atmosphere and environment for our people to become a part of what's happening on the national scene. It gave them a bigger sandbox to play in, so to speak — particularly our key people."

Bailey, 61, also points to his age as one reason why he and his partner, also in his early 60s, sold.

For Bailey anyway, the decision to sell to TG-CL made a lot of sense. "Our people are being taken care of, the price was right and it provided me with an exit strategy," he explains.

Many landscape company owners want to continue running their own operations. They're getting their financial houses in order. They're strengthening, rearranging and/or adding to their service mixes to compete against the developing national companies.



**Gachina believes independents can compete.**

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- Five-gallon Fuel Tank
- Optional Bagger, Mulching Kit



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- Five-gallon Fuel Tank
- Optional Bagger, Mulching Kit



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petition from much bigger companies has reinforced his belief that providing the best possible customer service, including keeping in contact with each customer, will be vital to continued success in providing landscape services.

"We're definitely going to have to get better at marketing ourselves," he adds. "They're going to be able to come out with very good marketing pieces, they're going to hire professional marketing people and they're going to go at it hard."

**We must be more efficient**

Deborah "Andee" Bechtold, owner of Longhorn Maintenance, is content to build her own niche in the north Dallas marketplace. Longhorn provides design/build, irrigation repair, fertilization/weed control and pest control. She's avoided committing too much of her company's resources to maintenance, not out of fear of competing with the national companies, but because of the price cutting of part-timers.

To remain competitive, Bechtold has been trying to reduce labor costs and increase efficiency with more productive machinery. "The market keeps changing," she says, "but labor is still everything."

Brookwood Landscape Company has considered offers from several suitors, but Vice President Mark Wilhite says there's no rush to sell the 30-year-old San Diego-based firm. He and his brother, Glenn, operate the business along with their father and company founder, Keith Wilhite. Brookwood is a 365-

## Are you on the "A" list?

Most consolidation experts say they are seeking profitable landscape contracting firms offering the "right" mix of services, location and growth potential. Their numbers vary for companies between \$450,000 to more than \$20 million. Besides the obvious financial health aspects of your business, what else will turn a buyer's eye? Here are a few factors that will make your company more attractive to a buyer:

- ▶ **Strategic fit:** Entry into new markets or services, quick growth, more density within a market, specific customers or equipment or other assets
- ▶ **Financial:** Internal growth rate & potential, EBITDA of at least 10% and preferably higher, 80 to 85% customer retention rate
- ▶ **Off-balance sheet items:** Great management, employees, systems, "culture," customer relationships, expense synergies, etc.

day-a-year operation that maintains many of San Diego's most upscale malls and other commercial properties.

"If all things were the same we would probably like to just keep on working the way we are," says Mark. "But, since the industry is changing so dramatically we thought had better consider this and make a decision."

Mark says that he and his brother are too young to retire and that they would like to keep operating Brookwood. "It's fun. We like it. We have so much opportunity to grow this company. We absolutely want to stay on and run this company," he says — even if Brookwood Landscape is sold. **LM**



Mark Wilhite says he and his brother want to stay.

## What's hot, what's not for consolidators

### Hot

- Landscape maintenance
- \$1- \$15 million in revenues
- Sun Belt
- Team players
- "Better, faster, bigger"
- Financial acumen
- Customer relationships
- Your deal "team"
- Commercial services

### Not

- Landscape design/build
- Less than \$400,000 revenues
- Northern Plains
- Mavericks
- "When we're ready and no sooner"
- "My accountant handles that"
- Environmental liability
- Do the deal by yourself
- Residential services



# Selling?

## *Get help now*

*They say you have a fool for a client if you act as your own lawyer. Don't rush into a sale or do it alone. Consultants and advisors offer lots of choices and smart advice.*

**S**elling your landscape company? One of the biggest decisions you have to make is: Do it yourself? Many owners have. Others use the help of a consultant or business broker. If you are heavily involved in the day-to-day operations of your company, this might be a wiser course.

Trying to market and sell your landscape company while also running it could be a strain on even the sharpest operator. And keeping news of your activities from leaking to your organization and affecting it would be almost impossible.

#### **Find outside help**

Who can help you market and sell your company? There's no lack of candidates. If you've worked with business consultants in the past and they've helped you, start with them. But there are also plenty of newcomers to the green industry — sale advisors and brokers.

"Often, owners aren't trying to sell their companies, but a firm contacts them and says, 'We're interested in buying a company like yours,' so the owner decides to sell," says green industry consultant Ed Wandtke, Columbus, OH. "You can sell the company for whatever you think it's worth, but you should get an indication of your company's value with a valuation before you decide to sell. Otherwise, how do you know if you're getting a reasonable offer?"

Wandtke says landscape company owners, particularly those thinking about selling, are asking themselves two primary questions:

- ▶ what is my company worth?
- ▶ what do I do after I sell my company?

He says he can help them with the first question and, in fact, is getting lots of calls from owners investigating how marketable their companies are. It's up to the individual owner to decide if he or she wants to step down though, even though some buyers require a two to three-year commitment, he says.

The Corporate Finance Group of KPMG LLP, one of the nation's "Big Five" accounting, tax and consulting firms, represented three sizable landscape companies, including Ruppert Landscape Co., that were acquired by larger companies this past year.

"We're looking to advise more green industry companies," says Sean Sands, a KPMG director who worked on the transactions. "We think there are still a lot more landscape companies that would be a good match for us."

He emphasizes that his company acts as a financial advisor, not a broker. "We advise companies from the start, including assessing the company's worth and marketing. We're there all the way through the negotiations," he says. "With a focus on

*cont. on page 42*



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