The right time to sell

According to Ron Edmonds, president of The Principium Group, there are four factors to consider when deciding if it's the right time to sell a business:

1 You have to be mentally ready to sell your business and understand where your head is.

2 You've got to be financially ready, meaning you know what's going to happen next (if that's retirement, you have an understanding of what your requirements are moving forward).

3 Your business needs to be ready to sell (running on all cylinders). The last thing you want to do is sell a business that's on a down stroke.

4 The market has to be right.

"We encourage people to focus on the first three so that when the market is right, they can make a move," Edmonds says. "We encourage people not to think in terms of 'waiting 'til next year.' We encourage people to think in terms of getting their business in order and themselves in order, now so that when there's an opportunity to maximize that they can make a move."

— *DJ*

PHOTOS COURTESY: LAWN DAWG (TOP); THE BRICKMAN GROUP

ment team, potential for upsell, services offered, taxes, liens on the business, receivables, how long they've been in business and how long their customers have been with them.

"When you're coming out of a recession you have a built-up supply of deals," Edmonds said. "There are people that really need to do deals out there. One of the things that has always surprised me was how slow people were to show their business. A lot of people have a natural instinct to hold on until things get better."

That hesitancy, along with caution on the part of the buyer, meant fewer deals than in years past.

"What that tells me is that there was considerable concern about the economic climate during the year," Edmonds says. "People weren't convinced we were really out of the recession. At the same time, there was tremendous focus on financial discipline with buyers."

Another trend has excited many folks in the industry.

"The other positive thing coming out of 2011 is a lot of interest from the private equity community," Edmonds says. "We've talked about that for a long time, and there have been bits and pieces of it, but there was a fair amount of real evidence of it in 2011."

Culture

Financing is integral to completing the deal. Just as important is making sure the two companies will mesh.

"The biggest mistake people make is not putting enough focus on integration after the deal is done," Edmonds says. "And related to that is looking only at numbers and not understanding the culture of the companies."

The results can be catastrophic.

"The quickest way to destroy the value you're trying to create with an acquisition is to have a large defection of people from either side," Edmonds says.

To avoid that, buyers need to meet with as many people as they can from the company they hope to acquire.

"There has to be an analysis of culture and what the meshing of that culture is going to be," Cupp says. "I've made some mistakes in mergers and acquisitions in my career as a contractor where I didn't adequately analyze differences between the teams and the clientele and ended up paying for that. If the culture is a mismatch, the deal needs to be taken off the table immediately, even if the financing is in place."

Campanella says he walked away from a deal because he was concerned about how he and the acquired executive would mesh.

"When I meet the owners, I talk to them," Campanella says. "We get to know each other a little bit. It's got to be somebody I want to work with and that I think can work well within our structure. So far we've been lucky with all the deals that we've done."

Such was the case with Campanella's first acquisition, Weed and Feed Professional Services. Campanella sent an email to his friend Bob Mann, the owner.

"It didn't bother me at all," says Mann of losing his position as top executive. "I'm happier now than I was at the time I made the decision. As time has gone on, I'm more satisfied with the decision that I made. I'm not hung up on titles. For me it's never been about what's written below your name on your business card."

Mann is now director of training for Lawn Dawg and a branch manager.

Dworsky has no regrets, either. "I never had one second of seller's remorse," he says. "Nor do my partners."

Buyer

For business owners, an acquisition can be like a dog at dinnertime. It's very easy to get so excited, they don't stop to think about what they're taking in — or they're willing to overlook red flags in their haste to get the deal done.

"It's easy to become very, very focused on wanting to get a deal done as a buyer and to lose sight of the discipline you need to have," Edmonds says. "Do you have financing sources looking over your shoulder? Yes, that helps keep it all in check."

But there are factors to consider before you even get to that stage in the process.

"The first thing that I always ask is, 'why do you want to make the acquisition?' Cupp says. "Once I hear that reason, I determine whether or not the value of the acquisition is truly there.

"What are you getting for your

"The financing market is better than a lot of people think. The SBA enhancements pushed through by the administration (allowed) more loans to get made.

— RON EDMONDS

purchase price? Are you getting equipment? Are you getting culture? Are you getting some marketability.... You have to understand the reason for the acquisition. It has to make great sense in a lot of different areas."

The first step is to have a strategic vision, Edmonds says.

Doing proper due diligence is key to the success of any deal.

There are a couple of numbers that a seller has to be aware of, Cupp says. The first is obviously the selling price. But owners often forget about the second number, which is what they'll walk away from the deal with.

"We went through all the due diligence and came up with a price," Cupp says of one deal he worked on. "(The owner) was very pleased with the price. When he took it to his accountant, he was very discouraged by the amount of taxes he was going to have to pay and what the options were to try to reduce taxes from a capital gains standpoint. He chose not to pursue selling for that reason alone. He would have to give a lot of the proceeds back to Uncle Sam."

The process typically takes anywhere from three to six months to complete.

"The Lawn Dawg team in the course of their due diligence was very diligent, very, very diligent," Mann says. "They were able to rummage around and take the numbers that I gave them and look under the hood of my business and see how I was doing. When everything was all said and done, since they had done their due diligence and I had done mine, there weren't any surprises left for either one of us."

Seller

The seller, just like the buyer, must be prepared for when the right opportunity comes along.

People ask Edmonds when the right time is to sell their businesses.

"There's not a magic answer," Edmonds says.

Mello suggests having your business appraised at least every two years.

"Keep abreast of what's happening with the industry," he says. "You learn something from it. Every time you go through that due diligence process, you learn something about the business."

It's something every business owner can benefit from, even if they don't plan to sell their operations anytime soon.

"You want to figure out the value of the business and where you can make adjustments to make your business more valuable," Mello says. "If you get an appraisal like that and you know what your business is worth, if something ever happened to you, at least your heirs would know what the value of it was and where to go to sell it if they had to. It's good estate planning."

It helps keep business owners from being surprised.

"Everybody thinks their company is worth more than it is," Campanella says. "I'm guilty of that as well. I understand that because I've been on both sides of the table. You work so hard — you put your blood, sweat and tears into your company. You want to get the most for it. I show why it's worth what we're offering and why we're offering what we're offering, with good hard numbers, hard facts and what the industry average is. It's only worth what people will pay for it."

As we slowly emerge from this recession, Edmonds expects merger and acquisition activity to pick up.

"There's probably more energy toward deals right now than I've seen in three years," Edmonds said. "The phone's rung a lot, both from buyers and sellers. That's mostly a good thing."

And if yours is one of the companies that creates interest in a buyer, Mann has some advice.

"If someone comes to you with an offer, it's well worth your time to listen to them and give them your ear for a little while," Mann says. "It's worked out for me. In challenging economic times like this there is safety in numbers. It might be an excellent opportunity." LM

Bob Mann (left) joined Lawn Dawg when Jim Campanella purchased his company in 2009.

PHOTOS COURTESY: RON EDMONDS (TOP); LAWN DAWG

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PROVEN SOLUTIONS

JEFF HARKNESS | The author, owner-manager of 3PG Consulting, is a 15-year industry veteran. Reach him at jharkness@questex.com.

Value…How does it all add up?

Growing a company's enterprise value requires planning, people and perseverance. Great deals don't just fall into an owner's lap. It takes planning and execution. So where do you start?

Let's start with some basics.

Consider a checklist of value drivers and value detractors. Buyers will rate these and other factors that will impact "your multiple" on Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA). While there are several ways to value a company, consider the information below as a "practical" start to evaluating your company's tangibles and intangibles.

1. Amount and stability of historical earnings over the last two fiscal years (Adjusted EBITDA)

a. 12%-15%: Puts you well in the game
b. 15%-20%: Separates you from the pack
c. 20%-25%: Puts you at the head of the class, and there aren't many out there.

2. Revenue growth and stability in top line

a. 10% or more: You are a professional sales organization.
b. Single digits: Acceptable but your pipeline and sales channel velocity need improvement.
c. Flat or down: This will cost you dearly over the next two years.

3. Revenue mix/business model

a. Contract maintenance/turf care: Still leads the pack
b. Plant healthcare/snow/residential maintenance: Getting more interesting
c. Design/build or Bid build: Pass

4. Customer concentration/retention

a. Diversity is key. 80/20 rule
b. 85% retention is solid.
c. Credit risk can't be ignored.

5. Location and market

a. Appetite for new market
b. Add market share.
c. Seasonality could be a make or break.
d. Secondary markets are gaining in popularity.

6. Stability and depth of employees/management

a. Licensed and certified.
b. Defined org. — sales, production, account management, administration
c. Tenured, E-verify, H-2B

7. Condition of fleet and equipment

a. Good working order/new/well maintained
b. Large capital expenditures needs will drive down value

8. Technology and information systems

a. Real time data/integrated systems equals premium
b. Budget vs. actual accounting and job cost data are required.
c. CRM, GPS and satellite imaging a plus

9. Strength of company's balance sheet

a. Strong working capital
b. Low debt load
c. Retained earnings: Equity: Does it exist?

10. Current and possible future role of owner

a. Does he/she drive sales: If so, how much?
b. Who manages customer relationships?
c. How involved are they in production?
d. Management style, flow of data.
e. Fire in belly: What motivating factors exist?

The key to evaluating the items above is to know the benchmarks and take action during your budget process to discuss and quantify the impact of these items. Remember, if you build it, they will come.

SOCIAL MEDIA IS ALL ABOUT TIMING . . . *OR IS IT?*

Dedication and focus are important, but don't forget to have some fun, too.

BY **CHRIS HEILER**

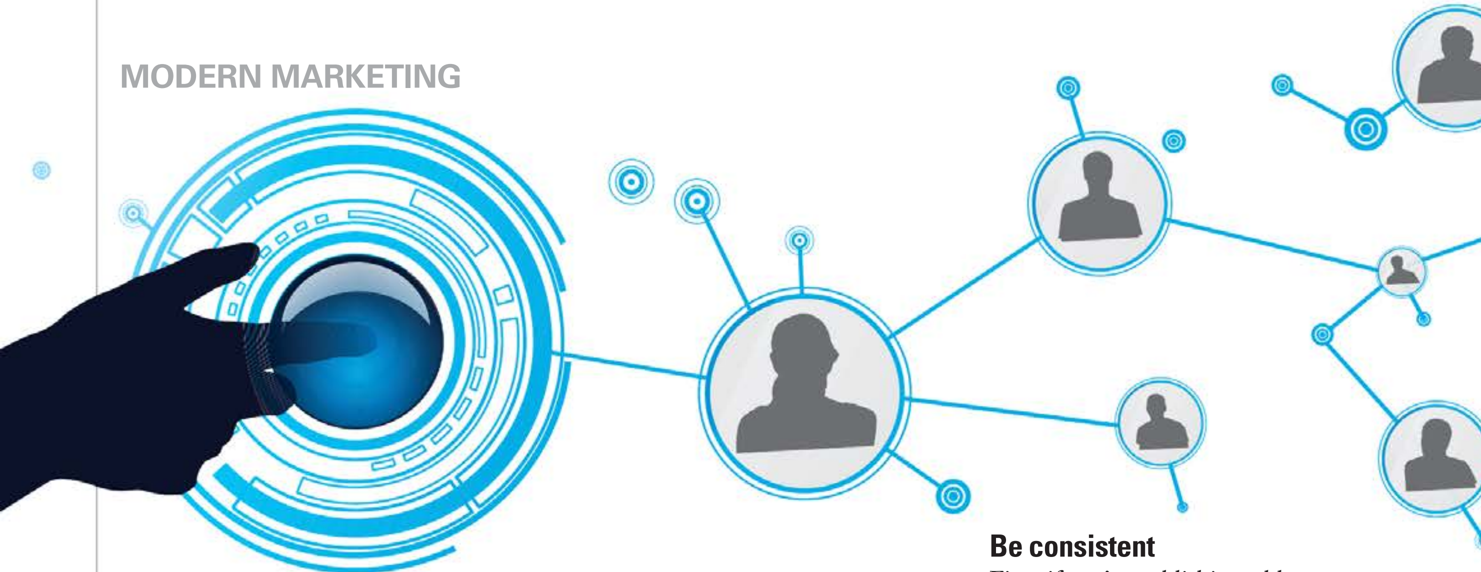
ILLUSTRATION BY: ISTOCK INTERNATINAL INC.

Provided you've been paying attention for the past couple of years, you know the marketing landscape has changed pretty drastically — and continues to change by the day. If you haven't been paying attention, prepare to have the rug pulled out from under you very, very soon.

Social media has turned the focus of marketing away from the hard sell, and centers instead on building relationships between you and your customers. So when you're planning your strategy, you should be thinking of yourself less as a business selling your service and more of an expert (or even a friend) sharing information. To be successful with social media now, people must trust you enough to invite you into their networks and their lives — and that means being a consistent, constant presence in their lives.

That presence doesn't have to be huge, and it shouldn't be disruptive. But it should be noticeable and enriching.

Because you're not just pushing advertising and marketing copy to customers now, there's a different set of rules that apply to timing your social media, too. Before, your strategy was likely dictated by newspaper deadlines, advertising rate cards and seasonal selling. But relationships don't have a hard and fast timeline, so your strategy probably won't, either. Here are a few tips for timing your social media.



TO BE SUCCESSFUL WITH SOCIAL MEDIA NOW, PEOPLE MUST TRUST YOU ENOUGH TO INVITE YOU INTO THEIR NETWORKS AND THEIR LIVES — AND THAT MEANS BEING A CONSISTENT, CONSTANT PRESENCE IN THEIR LIVES.

Be consistent

First, if you're publishing a blog or newsletter, remember that it's not about frequency so much as it's about consistency: Clients are not going to be angry with you for not updating your blog every day … unless they look forward and have become accustomed to reading your posts every day before breakfast and the content suddenly stops arriving. Your brand might start slipping out of people's good graces

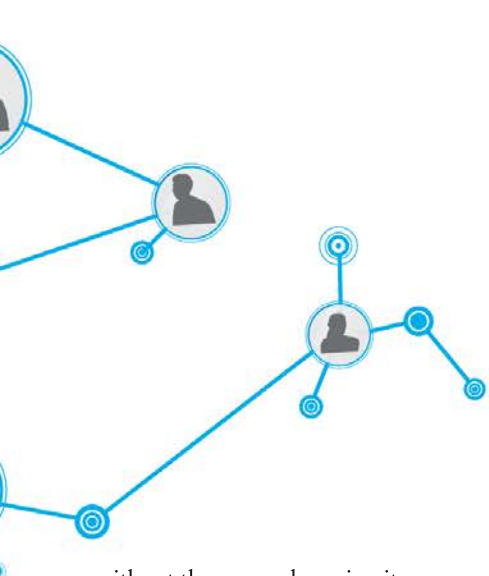


ILLUSTRATION BY: ISTOCK INTERNATIONAL INC.

without them even knowing it.

Set reasonable expectations for yourself, whether you've committed to writing a monthly newsletter, weekly blogs or daily tips. Then, stick to them.

Be constant

Many businesses in our industry are highly seasonal, and in the past, it was commonplace for owners to take the winter off. But in the 24/7 world of social media marketing, you'll lose momentum and credibility if you disappear for any prolonged amount of time.

There are ways to stay engaged, even if you can't be at your computer every day. Several services allow you to schedule tweets and Facebook posts, and most blogging platforms have features that publish pre-authored posts on dates you've specified. Be transparent about scheduling your posts in advance, and make sure your friends know you'll be responding personally to their messages when you return.

Be in the moment

There has been much debate over the science of timing — on how to strike at the very moment people are getting bored at their desks mid-morning, checking their e-mail before going home at the end of the day, or looking at their phones as they wait for their kids to finish at soccer practice.

But there are always people online, and if you have something to say, you should just say it. If you've got a great tip, share it. If you took a fantastic picture that could brighten someone's day, post it. Comment on your customers' Facebook pages, and encourage them to interact with you. Retweet with abandon, as long as it has a purpose.

As long as you're consistent with your formal posting timeline and consistent in the levels at which you're engaging with people online, the rest can fall in line however you'd like.

Think about your strategy, follow through with your plans and above all, enjoy it. If you're patient and take time to establish your network of friends and followers, you'll be rewarded with loyal customers who trust you more than ever — both online and off. LM

Heiler is a social media consultant for the Green Industry. Get his e-newsletter at www.LandscapeLeadership.com.

Robert Maffei, president of Maffei Landscape Contractors, remembers the day he went from a contractor running a small operation that would make him enough money to put himself through school to a full-time Green Industry business owner.

"We were working on the street corner at this nice insurance company that was having us put a new lawn in," Maffei recalls. "We made a big deal about waving to everybody that drove down the road. And if a Willowbend (Country Club) truck drove down the road, 'Drop your rake and wave.' I've got to tell you, it was as corny as that." Maffei was offered work at the new country club and went from about 10 employees to nearly 40 within a month. And he hasn't looked back since.

AT A GLANCE

NAME: Robert Maffei

TITLE: President

COMPANY: Maffei Landscape Contractors

YEAR FOUNDED: 1991

STARTED IN THE INDUSTRY: 1987

INDUSTRY INVOLVEMENT: PLANET; Cape Cod Landscape Association; Cape Cod Young Professionals

EDUCATION: Classes at Merrimack College and U. Mass.

HOBBIES: Fitness, mini-triathalons, bow hunting and fishing

FAMILY: Not married

WEBSITE: www.maffei-landscape.com

Really? It was as simple as waving to passersby? My guys were almost to the point of making fun of me. I said, 'We've got to be friendly. They've got to notice that we are here.' Sure as hell, after about the fourth day of working on that property, a Willowbend pickup truck pulled over and out gets this guy who says, 'I know who you guys are around town.' That's where our shot came from.

Any regrets about the decision? It became the smartest move. I knew I had this great, once-in-a-lifetime opportunity. I thought of it as an upside down pyramid. I had the opportunity to grab all of this revenue through these big golf course communities that were being built. I worked 100 hours a week for years. I knew if I could grab the revenue then, I had to build the infrastructure underneath me or I'd die. Slowly but surely, the pyramid flipped the other way. It was a foundation and a base. It wasn't just all that revenue pointed down on my shoulders.

How does your apprenticeship program help your organization? We want to bring a group of master craftsmen to the site and not jacks-of-all-trades. We absolutely explain to customers that in most landscape companies the guy cutting your lawn is the guy pulling your weeds. In my company we don't mix it up like that. If there's a bad job being done or a good job being done, I know exactly who did it and when. It makes my people more efficient.

If you're more efficient, you can charge less and still make money. If you're more efficient at it, you're probably better than everybody else. If that is the case you can charge more. Imagine if you can charge more and do it faster than everybody. That's why we're so into the philosophy of creating master craftsmen. We do it all the way through management.

How do you get employee buy-in? They all listen to the same radio station — WIFM What's in It For Me? If you can't bring "what's in it for me" to them, don't even bother wasting your breath. It's going to be a waste of energy and time. Somebody's going to be extremely passionate about the company, use all that passion until they've burned it out and become frustrated, and you'll have achieved nothing. You have to begin with the end in mind. And the end has to benefit each individual stakeholder.

What are you most proud of? I'm really proud of the team we've built and the hard work they've done in these tough times. A lot of people won't be gritty in these times and they just flake out. It takes a lot to be successful in this climate.

"YOU HAVE TO BEGIN WITH THE END IN MIND. AND THE END HAS TO BENEFIT EACH INDIVIDUAL STAKEHOLDER."

Making the case for products liability insurance

It's not just the obvious products contractors need to worry about.

IF YOU'RE SELLING product to your landscape clients — whether it be fertilizer, mulch, or even lawn décor — and you're not protected by products liability insurance, that's a huge exposure. If any product you've sold causes physical harm or property damages, you might be faced with a lawsuit. That's why products liability coverage is critical.

Products with a danger factor, like fertilizer, pesticides, weed control and outdoor power equipment, are the obvious concerns because of their potential for causing harm or damage. But in reality, *any* products contractors sell to clients need to be considered potentially harmful. Landscape professionals might be held liable if a product they sell or use on a job harms a person or damages property.

"Say a home and garden center sells a pre-lit Christmas tree, and those lights are defective and cause a fire," John Hodapp, senior vice president, Agency Operations, Hortica Insurance, offers as an example. "If a person is injured or property is damaged, that would be covered by products liability."

LANDSCAPE PROFESSIONALS NEED TO REALIZE THEY COULD BE HELD LIABLE IF A PRODUCT THEY SELL OR USE ON A JOB HARMS A PERSON OR DAMAGES PROPERTY.

While the manufacturer of the product would be responsible for a defective product claim, actually collecting from the manufacturer can be difficult.

"If the manufacturer of those defective Christmas lights is based in China, it's going to be very hard to seek recovery from them," Hodapp explains. "Therefore, the responsibility might fall on the importer, the wholesaler or the retailer — the last of which might be the landscaper who sold the product."

Landscapers should know, however, that products liability insurance does not cover their work. If the work is faulty and must be redone, that is not covered under products liability, says Hodapp.

"But if the faulty work leads to a product causing bodily injury or property damage, than the coverage would kick in," he explains. "It wouldn't pay for the work to be redone, but it would pay for any medical bills or damage that result for your client."

Completed operations claims

Products liability coverage falls under general liability coverage, as does completed operations coverage, which is the second key piece to the puzzle. In addition to the products a landscaper has sold, potential liability exposures are also created as the result of work performed. The work might be completed and the contractor has moved on, but something about that work causes bodily injury or property damage.

"For example, say something about the landscape design is flawed and it results in mud coming through the property," Hodapp says. "If that mud damages the property or causes someone to fall and get hurt, it would be a completed operations claim."

Fortunately, these are typical facets of liability insurance for the landscape contractor. Still, it always makes sense to review your policy and ensure you're not only covered for any potential scenario, but that you have the appropriate amount of coverage.

"It's definitely an area where landscapers want to make sure they're fully covered," Hodapp concludes.

Payton is a writer with six years in the Green Industry. Contact her at info@landscapemanagement.net.

PHOTO BY: ISTOCK INTERNATIONAL INC.

SUBBED OUT

Subcontractors are often needed and frequently used in the landscape industry, but landscape business owners need to remember that they create potential liability as well. A sub could install a product that causes bodily harm or property damage, putting the company at risk. Here are a few ways to protect your business.

› Obtain a "Certificate of Insurance" from the subcontractor and make sure the subcontractor names the primary company as an "Additional Insured."

› Require subs to have Workers Compensation insurance so you are not responsible for injuries caused to the subcontractor or any of his or her employees while on the job.

› Verify Workers Compensation insurance by asking to see your subs' Certificate of Insurance. Don't make any exceptions. Liability for an injury could cost you thousands.