



M&A TRENDS

By Stuart Aust and Daniel Aust | PMP Contributors

7 reasons to sell your pest control company this year

Owning a pest control business used to be the best-kept secret — but now the cat is out of the bag.

For many years, companies quietly produced predictable cash flow, high recurring revenue and recession-resistant performance, but few people outside the industry realized how valuable these businesses were. Most owners operated under the radar, and the broader investment world hadn't yet discovered the strength of the business model.

But that has changed.

Private equity firms, strategic acquirers and investors have now recognized the pest control industry is one of the most attractive service industries in the U.S., which makes now the best time to sell. Consider the following facts:

- 1** Buyers are paying record-high multiples for quality companies.
- 2** Stabilizing interest rates means financing for acquirers is more predictable than before.
- 3** Private equity investment sponsors are sitting on large

FACT: There are now more than 30 private-equity backed companies in the pest control industry, with many more looking to jump in this year. In addition, several existing pest control companies are strategic buyers — some that have been acquiring for years and some that are making their first acquisition.

amounts of capital that must be deployed and invested.

4 Strategic buyers need to show continued growth to their shareholders.

5 As we saw during the COVID-19 pandemic, the pest control industry is strong and resilient.

The industry grew leaps and bounds during this period. It also is recession-resistant, as proven most recently during the 2008 recession.

6 The industry's long-term recurring service agreements translate to good earnings before interest, taxes, depreciation and amortization (EBITDA) margins. When pest control companies have high demand, high EBITDA and a solid leadership team, they're positioned extremely well for a sale.

7 Finally, because there is a limited supply of "best-in-class" companies, potential acquirers will compete aggressively for those companies that stand out.

Weigh your options

Many flexible transition paths are available to owners looking to sell. Some owners opt to work for a short period of time after the sale; typically, we see consulting agreements for three to six months for sellers. Other owners opt to stay on working full-time, while



still others work part-time in an ambassador role. You can choose the right fit based on the buyer.

Know your worth

As advisors, we can tell you that economic windows don't stay open forever. Interest rates can change. Capital gains taxes can change. Consolidation waves can end. Capital can be reallocated to other industries. Competition among acquirers can cool off.

At press time, it's a seller's market for pest control acquisitions. Everything in life is about timing, and you want to strike while the iron is hot.

Are you ready to take advantage of today's market conditions — or at least learn what the value of your pest control company is? You just may become inspired to explore a sale. **PMP**

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