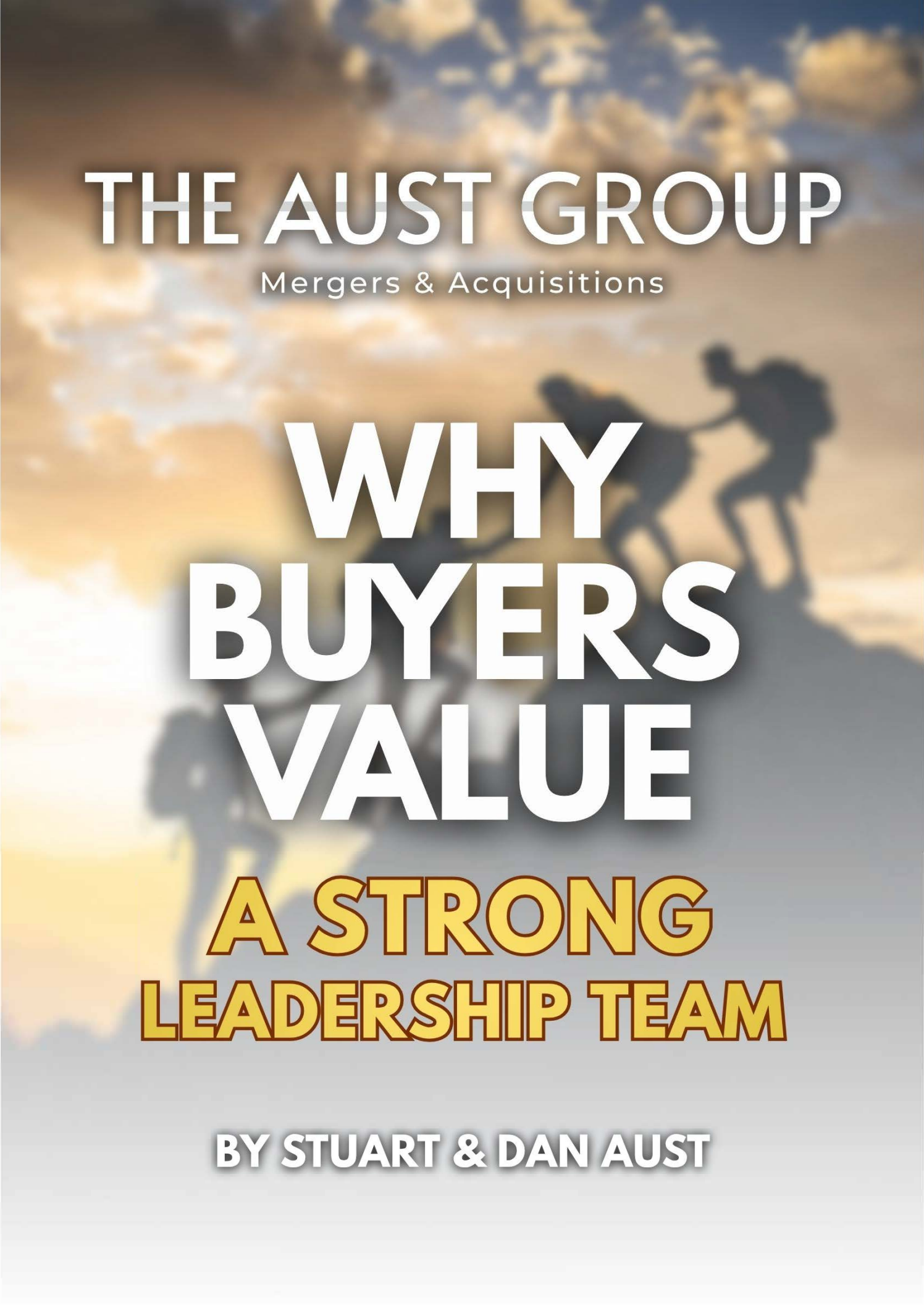

THE AUST GROUP
Mergers & Acquisitions
WHY BUYERS VALUE
A STRONG LEADERSHIP TEAM
BY STUART & DAN AUST





By Stuart Aust and Daniel Aust | *PMP* Contributors

Why buyers value a strong leadership team

When a pest control business owner decides to sell, one of the biggest questions an acquirer will ask is: "What happens to the business when the owner sells and walks away?"

For many pest control companies, the owner historically has been the person responsible for sales and marketing, key customer relationships, hiring, financial decisions, problem-solving and the overall vision of the company. That may have worked well while ownership was actively involved, but it can create significant concerns for a buyer if the owner plans to leave immediately following the transaction.

This is why having a strong, experienced leadership team in place before a sale can be one of the most valuable features of a pest control company.

Can the business stand on its own?

Acquirers are not simply buying routes, customers, vehicles, equipment and revenue. They are buying a business they expect to operate successfully and scale after the transaction closes.

If the owner is the primary reason the company has performed well, the buyer may view the business as having greater risk. What happens to customer relationships when the owner leaves? Who drives sales? Who oversees marketing? Who manages the technicians and the administrative team? Who handles employee issues? Who understands the company's systems, culture, financials and day-to-day operations?

FACT: Two pest control companies in the same market could have similar revenue, earnings, number of customers and growth rates. However, if one company is heavily dependent on its owner while the other has a proven management team that will remain after the acquisition, the latter company will be viewed as a more attractive and scalable business.

Continuity creates confidence

An acquirer wants to see the current employees remain in place after the transaction. It can translate into a higher purchase price and a higher valuation multiple because the buyer is taking on less transition risk.

One of the most powerful messages a seller can communicate to an acquirer is: "The business is built to operate successfully without me."

That statement becomes much more credible when the buyer can meet some of the key members of the leadership team, learn their roles and responsibilities, evaluate their track records and understand that these individuals are committed to staying with the company after the sale.

It also makes the transition easier. Instead of the buyer having to rebuild the management structure immediately, there already is a team in place that understands the other employees, customers, systems, culture and operational processes.

Build the team before you sell

The best time to develop a leadership team is not when the business already is on the market. Ideally, the team should be established and performing well before the owner decides to sell.

Ultimately, an experienced leadership team does more than make the owner's eventual exit easier. It makes the company more valuable.

A pest control company that can demonstrate sustainable recurring revenue, healthy margins, effective processes and systems and an experienced leadership team that will remain after the transaction gives an acquirer something extremely important: confidence in the future of the business.

In an acquisition, confidence can be a significant part of what separates an average deal from a premium one. In our experience at The Aust Group, the pest control companies that have sold for the highest valuations have been those with strong leadership teams in place. If you're an owner considering a sale now or down the road, building a core management team may be one of the most significant investments you can make today to maximize the value of your business. **PMP**

Stuart Aust and **Daniel Aust** can be reached at stuart@theaustgroup.com and daniel@theaustgroup.com.