



Survey of Green Industry Business Owners & Managers: Mergers & Acquisitions and Exit Planning

March 2013

The Principium Group recently completed a survey of green industry business owners on issues related to mergers & acquisitions and exit planning. This document reports the results of that survey.

The overall objective of the survey was to obtain information about the attitudes and experience of green industry business owners and managers regarding offers for their businesses, merger & acquisition activities and plans and exit planning.

The survey was given to a broad cross-section of green industry business owners and managers. However, the survey was not conducted on a scientific basis. The results, as reported herein, are interesting and instructive, but the statistics reported are not representative of the industry as a whole and no statistical conclusions should be inferred.

Here are some highlights from the survey:

- A surprising 30% of survey participants indicated their business is considering an acquisition in the next year.
- 40% of survey participants reported they have an exit strategy, while only 13% indicated they had a written plan.

The survey was conducted during the week of March 17-23, 2013 among readers of *Green Industry Merger & Acquisition News*, a monthly electronic newsletter which tracks merger and acquisition activity in the green industry and related news of interest to green industry business owners, which is published by The Principium Group.

The Principium Group is an advisory firm specializing in the areas of mergers & acquisitions, exit planning and capital formation in the green industry. If we can be of assistance to you, please contact us.

Ron Edmonds
ron@principiumgroup.com
888-229-5740

Mergers & Acquisitions | Exit Planning | Capital Formation

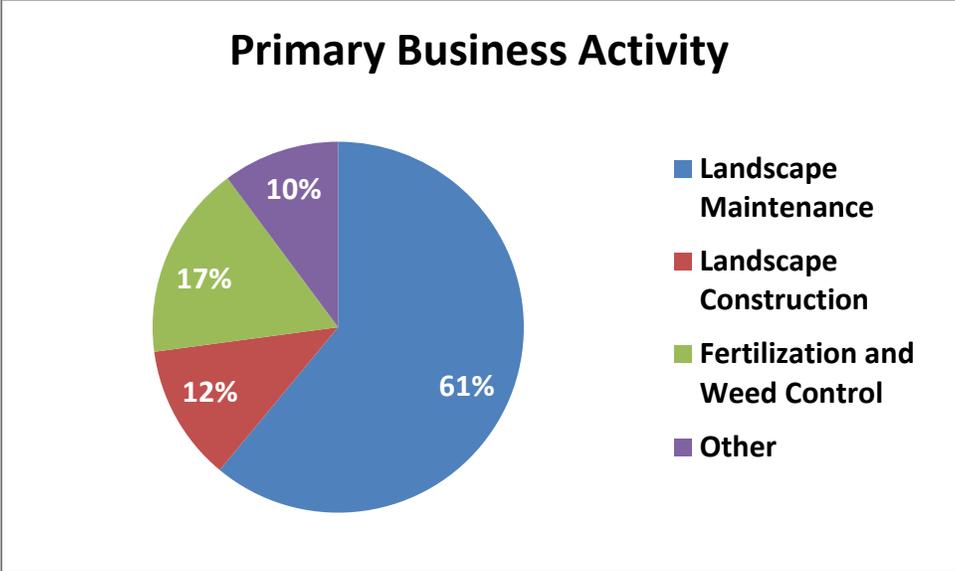
P.O. Box 414 • Cordova, Tennessee 38088 • 901-881-7741
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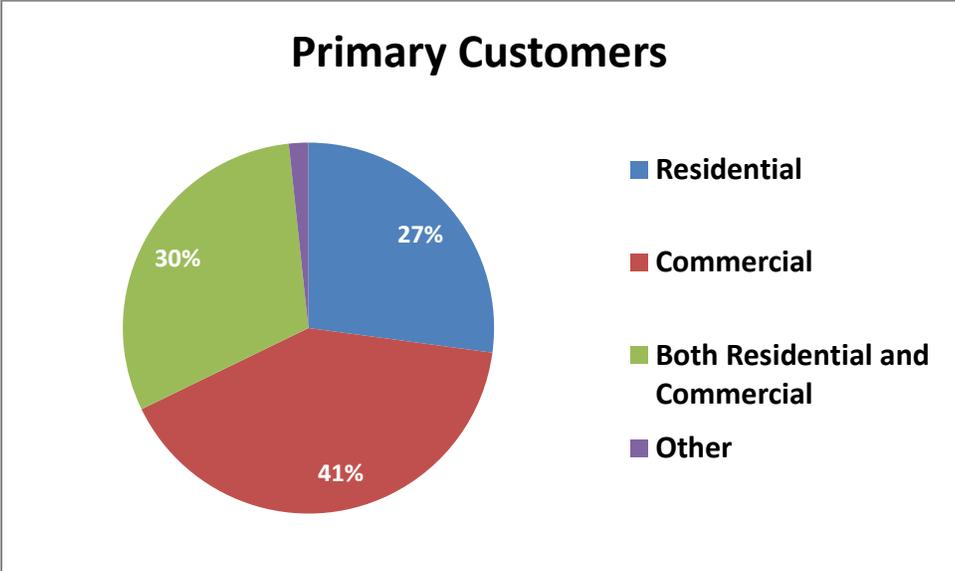
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Demographics of Survey Participants

Participants in the survey were primarily owners or managers of businesses. 61% of survey respondents represented landscape maintenance companies, 12% landscape construction companies, 17% fertilization and weed control companies and 10% other categories within the green industry.

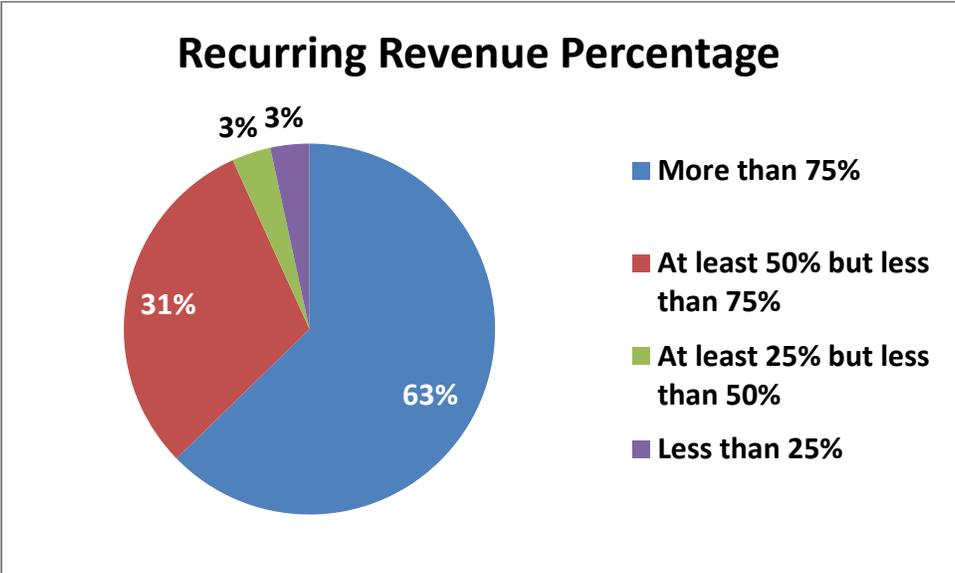


41% of survey participants serve primarily commercial customers, 27% serve primarily residential customers and 30% serve a mix of commercial and residential customers.

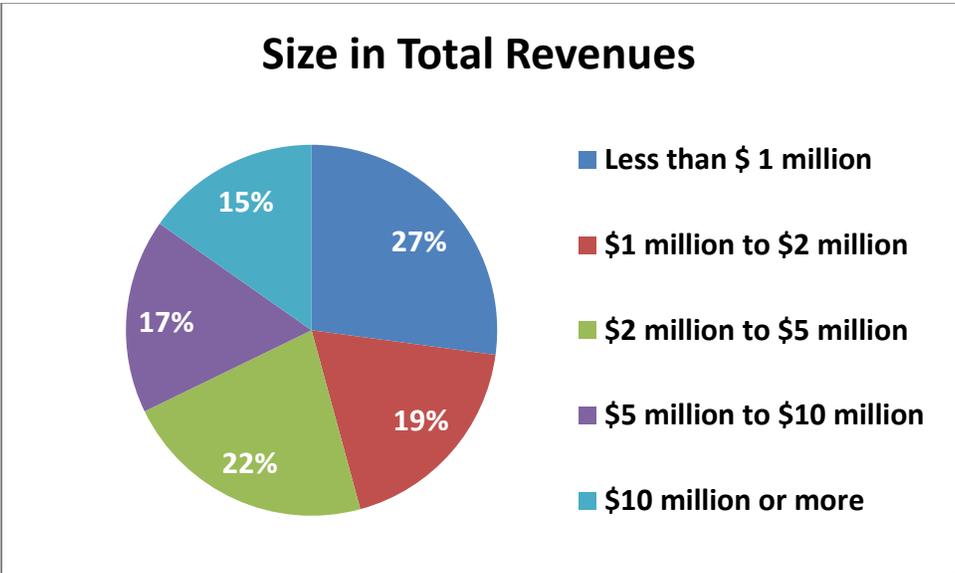


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63% of survey participants reported that more than 75% of their business's revenue was recurring in nature and 31% reported 50-75%.



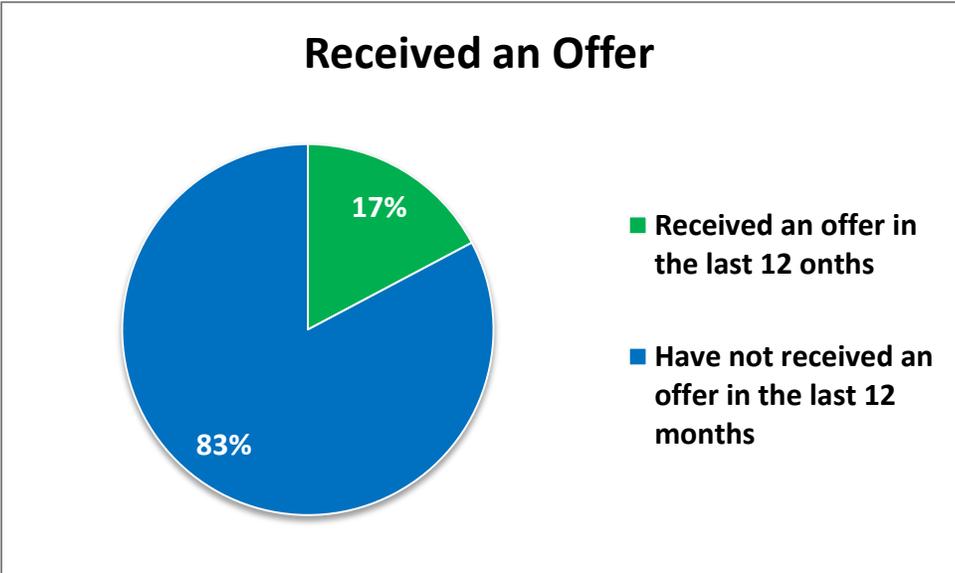
The survey participants covered a wide size range with 27% reporting revenues of less than \$1 million, 19% \$1-2 million, 22% 2-5 million, 17% \$5-10 million and 15% over \$10 million.



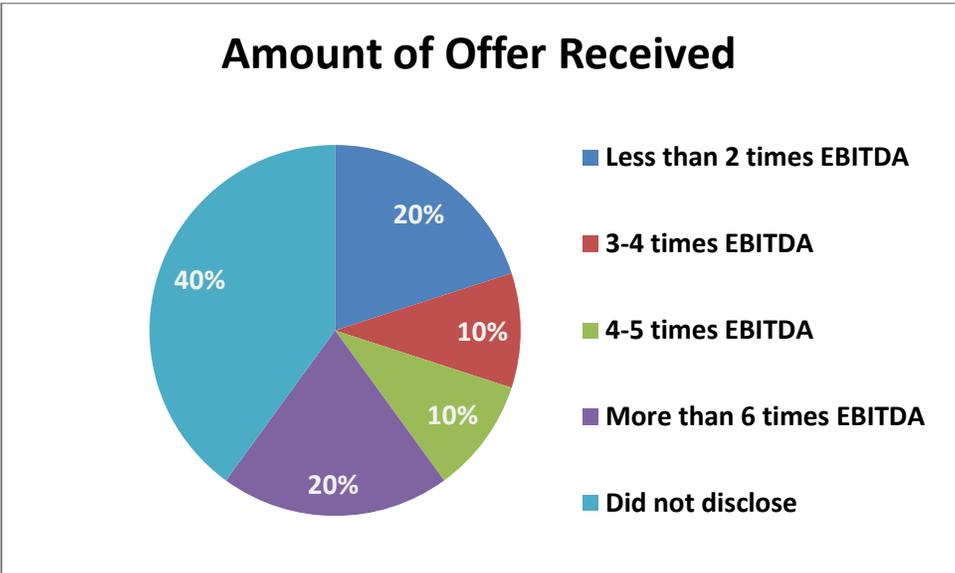
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Businesses That Have Received an Offer in the Past Year

17% of survey participants indicated that they had received an offer for their business in the past year. It is important to note that although only 17% of survey participants represented fertilization and weed control companies, they represented 50% of the participants who reported receiving offers for their business in the past year.



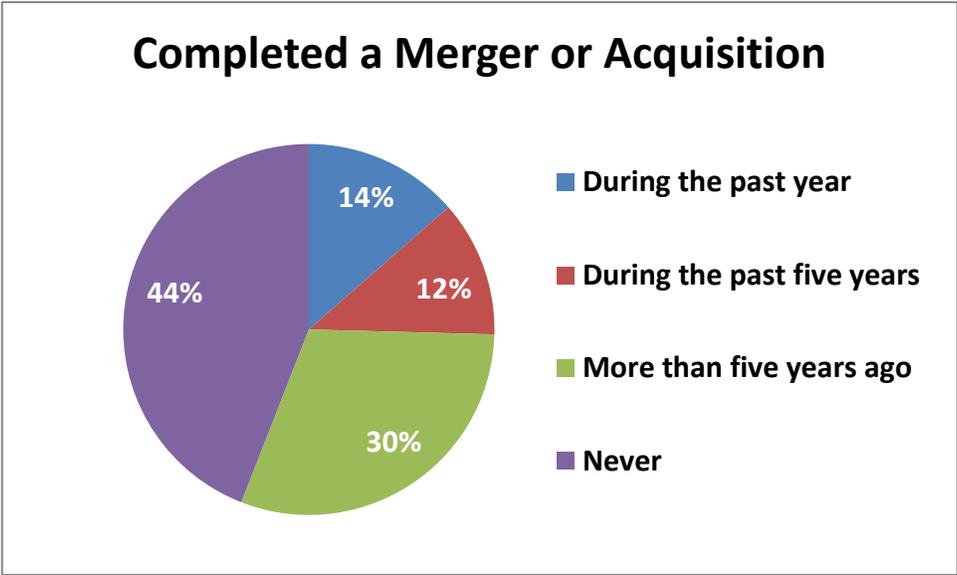
Of those that received an offer for their business in the past year, 20% reported an offer of less than two times EBITDA, 10% 3-4 times EBITDA, 10% 4-5 times EBITDA and 20% reported an offer in excess of 6 times EBITDA. Not surprisingly, all of the participants who reported an offer in excess of 6 times EBITDA were fertilization and weed control companies.



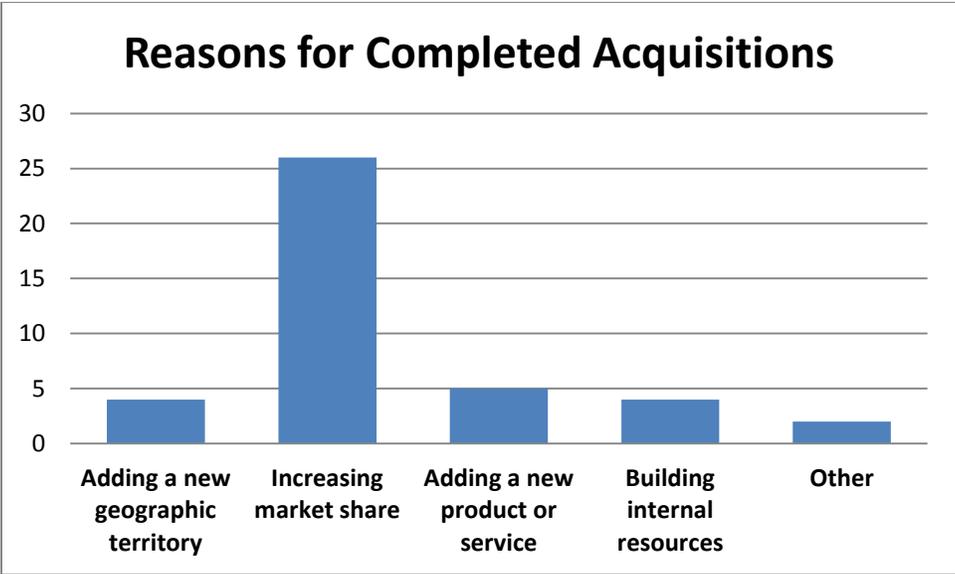
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Merger and Acquisition History and Plans

The next question included in the survey was “Has your business completed a merger or acquisition in the past?” The results were interesting. 56% of the businesses completing the survey have completed an acquisition some time: 14% in the past year, 12 percent in the last five years and 30% more than five years ago. 44% of the businesses completing the survey have never completed a merger or acquisition.

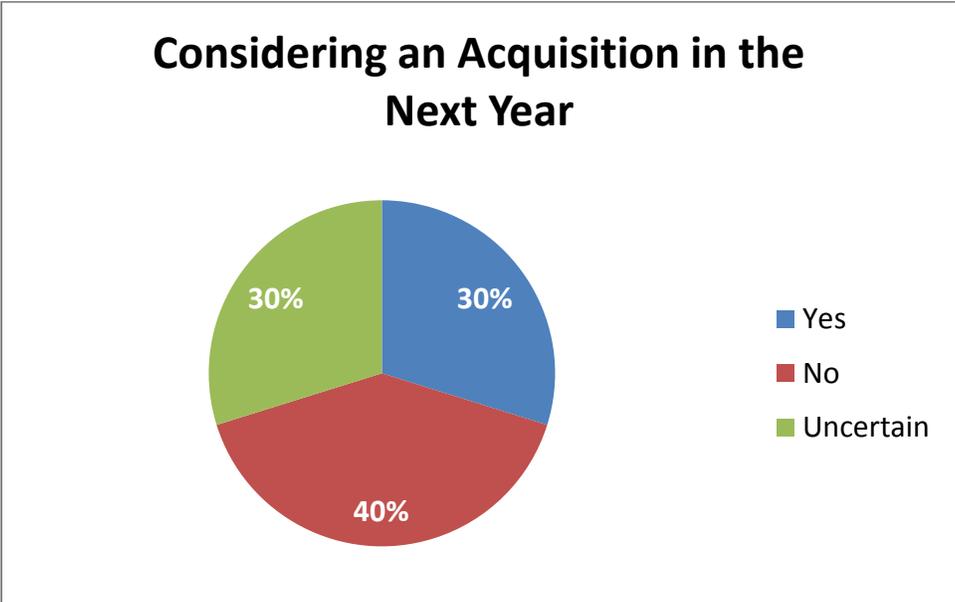


We asked those businesses that had completed a merger or acquisition in the past what the primary objective in completing the acquisition was. The most common answer by a wide margin was “increasing market share.”

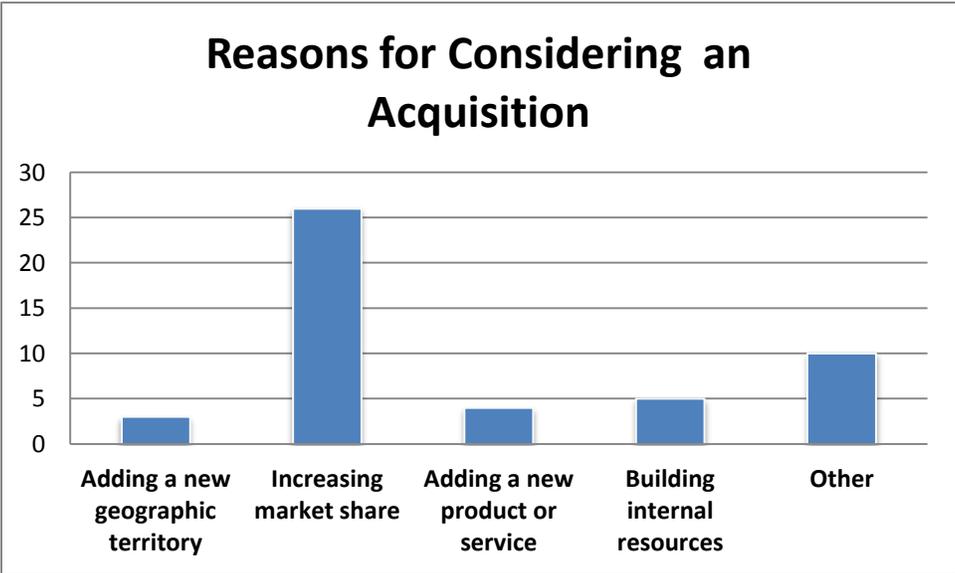


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The next question was “Is your business considering an acquisition in the next year?” A surprising 30% reported that they were considering an acquisition, while 40% were not and 30% were uncertain.



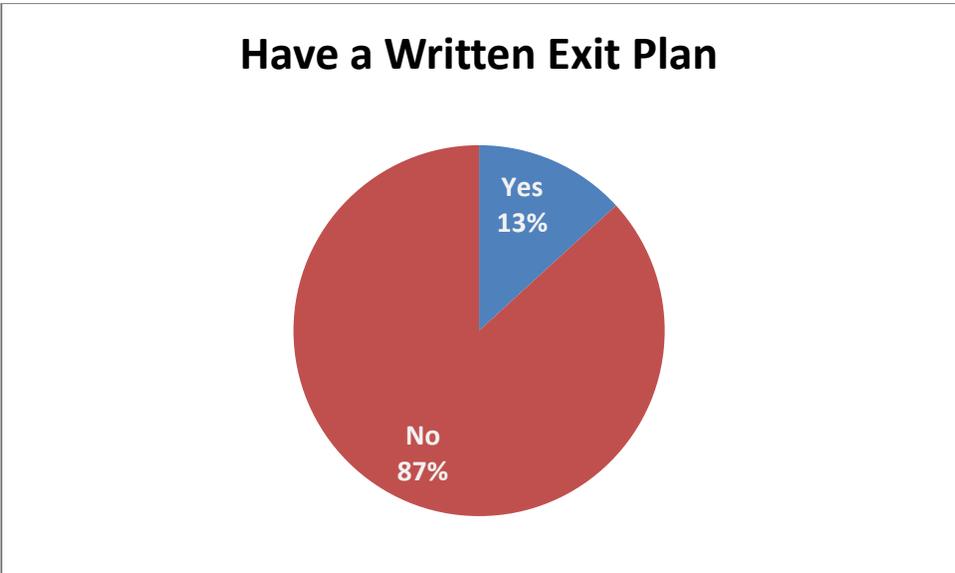
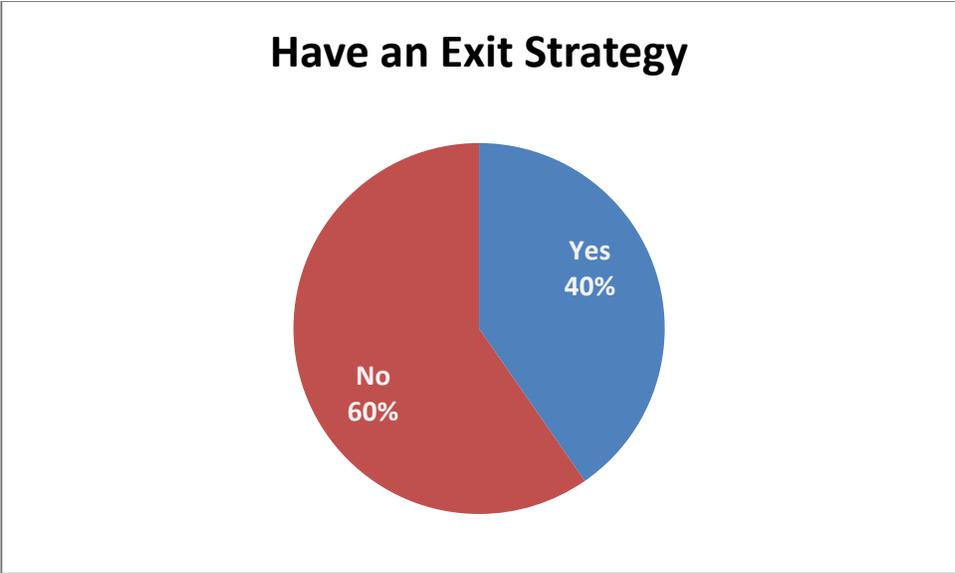
Of those businesses that are considering an acquisition in the next year, the reasons were similar to those who had completed acquisitions in the past. The number one answer was increasing market share.



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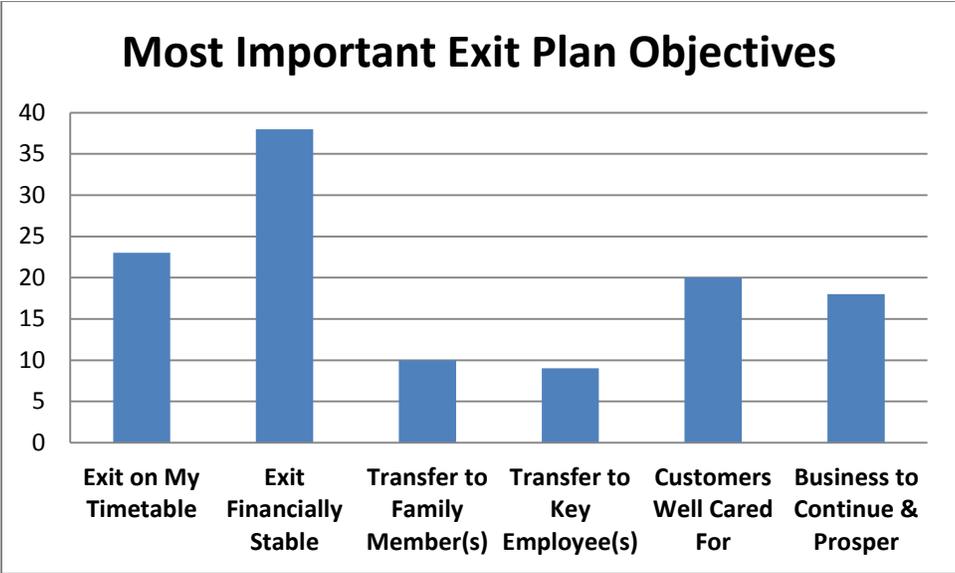
Exit Strategies and Planning

40% of survey participants reported that they have an exit strategy for the ownership interest in their business while 60% did not. Only 13% of participants indicated that they have a written exit plan. We asked those that had written exit plans how recently it had been prepared or updated. We received too few responses to that question to draw any conclusions or report. We suspect that may mean there are many old or outdated plans.



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We asked survey participants about what they considered to be their most important exit planning objectives. Not surprisingly, the most mentioned exit planning objective was to exit the business financially stable, followed by to exit on the business owner’s own timetable. Interestingly, having customers well cared for and the business continuing to prosper were rated as more important than being able to transfer the business to a family member or key employee.



Interestingly, almost all survey participants reported their most important exit plan objectives, while only 39% reported they actually had an exit strategy and far fewer actually had a written exit plan. This suggests that although many green industry business owners have at least thought about their exit planning objectives, relatively few have taken action to increase the likelihood that those objectives can be realized.