

Key Trends for 2012

No matter which party controls the White House and Congress after the elections, the outlook for small business will improve. Both parties will see strengthening small business as an important part of strengthening the overall economy.

Here are our thoughts about key trends that will impact green industry mergers and acquisitions in 2012:

- The political climate will contribute to some uncertainty in the marketplace, but as the economy continues to strengthen, the level of merger & acquisition activity will continue to increase.
- No matter which party controls the White House and Congress after the elections, the outlook for small business will improve. Both parties will see strengthening small business as an important part of strengthening the overall economy.
- Immigration policy will continue to be a hot potato issue affecting the industry.
- Future tax policy for capital gains and estate taxes will be uncertain, leaving exit planning a confusing process for many.
- Major industry players will be moderately aggressive in seeking strategic acquisitions to strengthen their networks and competitive position.
- Price competition will continue to negatively impact the profitability of the industry.
- Progressive companies will look for acquisitions that strengthen their competitive advantage.
- Landscape companies will look for acquisitions that expand their markets, including outdoor living products, other exterior maintenance services, swimming pool construction and maintenance, fencing, lighting and similar services.
- Many facilities management companies will seek to bring landscape services in-house, including by acquisition.
- Franchising and similar programs will continue the growth they experienced in 2011. Independent operators will continue to see value in being able to access marketing and operational support and reduce risks.
- Financing will be more accessible for acquisitions, but will continue to be a challenge for some potential buyers.
- Buyers will continue to be very disciplined in their approach to acquisitions, partly in response to the requirements of their financing sources. The days of easy transactions at high multiples are over for the foreseeable future.
- Valuations will remain soft and will not return to pre-recession levels anytime soon. The best opportunities can command premium valuations, but this will be rare.
- Sustainability will continue to be in the forefront. Organic lawn care and water-efficient landscaping will command premiums.

About The Principium Group

*Our services include:
Mergers & Acquisitions,
Exit Planning,
& Capital Formation*

The Principium Group provides mergers & acquisitions and business brokerage services to a variety of middle market and small businesses, with a focus on the green industry. We also assist our clients with exit planning and capital formation. Our professionals have assisted business owners in hundreds of transactions.

For buyers, Principium provides assistance and counsel in strategic planning, identifying potential acquisition targets, due diligence and planning for successful integration of

acquisitions.

For sellers, Principium provides assistance and counsel in evaluating strategic alternatives, identifying and negotiating with potential acquirers and assisting with transactions from due diligence through the closing process.

In order to provide the highest quality service, we maintain relationships with other professionals serving the green industry and can access those professionals to supplement our internal resources. No matter how large or small your busi-

ness may be, we have the resources to serve you well.

We understand that the decision to buy or sell your business is a profound one, and we pledge to work with you in a professional and confidential manner while we help you navigate this often confusing process.

Whether you have immediate plans to buy or sell a business or may sometime in the future, we would welcome the opportunity to talk with you about your business.

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private equity platforms in the landscape space were initiated in 2011:

L2 Capital of Radnor, Pennsylvania, announced the launch of a commercial landscaping and snow removal platform by acquiring New Jersey-based Lipinski Outdoor Services and Pennsylvania based R.E.I.T./M&H Services.

Birmingham-based McKinney Capital acquired Environmental Landscape of Memphis and indicated it is considering several additional acquisitions.

In a Canadian private equity deal, DDR Landscaping Contractors, Ltd. of Oakville, Ontario, has been acquired by a joint venture of GC-Global Capital Corp. and Rossmore and Partners Investment Corp. DDR is now known as Tanenbaum Landscape & Design.

Among other private equity transactions, Denver-based Terracare Associates, Ltd. has acquired Cimarron Landscape of Sacramento, California. Terracare's financial partner is Progress Equity Partners, Ltd.

Nashua, New Hampshire, based Lawn Dawg, Inc. acquired Capital Green Lawn Care of Rochester, New York. Lawn Dawg is backed by Brighton Partners.

In another example of a facilities management company adding landscape services, The Millard Group, based in Chicago, acquired Preferred Landscape and Lighting of San Antonio, Texas.

In the New York metro area, Blondie's Treehouse merged with J. Mendoza Gardens.

Blondie's Treehouse is one of the largest interior landscapes businesses in the U.S. It also provides exterior landscaping services. J. Mendoza Gardens will continue to operate as a division of Blondie's Treehouse, focusing on New York City terraces and rooftop gardens.

Also in New York City, Town & Garden, Ltd. was acquired by Connecticut-based Ultimate Services Professional Grounds Management, Inc.

Arrow Environmental Services of Sarasota, Florida, acquired Seminole-based Ultimate Pest & Termite Control and Tampa-based Young Pest Control. Arrow offers lawn, tree and shrub services in addition to pest control.

Bartlett Tree Experts acquired Preservation Tree Care in Beaufort, South Carolina, and Native Son Landscape & Tree Care in Wimberley, Texas.

Broccolo Tree & Lawn Care, of Rochester, New York, has acquired Country Way Garden Center, which will continue to operate under its existing name.

Cantu Enterprises, parent of Express Services of McKinney, Texas, acquired Discount Pest & Lawn, of Carrollton, Texas.

Clark Pest Control of Lodi, California, acquired High Desert Pest Control of Sparks, Nevada, and Smart Pest Control of San Diego, California. Clark provides lawn and

garden services in addition to general pest control and termite services.

Houston-based Econocuts acquired Hillview Landscaping.

Orlando-based Massey Services acquired American Pest Control Management. Massey provides pest control and lawn-care services throughout Florida, as well as in Georgia and Baton Rouge, Louisiana.

SavATree, Bedford, New York, expanded its operations into Illinois, merging first with Autumn Tree Experts and then with the similarly-named Save A Tree. SavATree also acquired Town & Country Tree Experts of Midland Park, New Jersey.

Scott Lawn & Landscape, Inc. of Oviada, Florida, acquired Pristine Image Landscaping.

Swingle Lawn, Tree & Landscape Care, of Denver, Colorado, acquired Lawn Care Aeration Plus of Greeley.

Among transactions in industries related to lawn and landscape, Horizon Distributors, Inc. (Horizon), a full-service distributor of landscape and irrigation products, expanded into the Florida market with the acquisition of certain assets of the Kilpatrick Companies. Horizon also expanded into the Mid-Atlantic region with the acquisition of Gaithersburg, Maryland-based G.L. Cornell Company.

New Hampshire-based Natural Technologies, Inc. acquired Fire Belly, Inc. and its Fire Belly® Organics, a unique

six-step, natural, organic lawn care program.

Hines Growers, LLC sold assets from its Fresno, California; Chino Valley, Arizona; and Fulshear, Texas, nurseries to California-based Colorspot, Inc. Colorspot has growing facilities in California and Texas.

In highlights from SEC reports, ServiceMaster, parent company of TruGreen Lawn care and Terminix, reported expenditures for acquisitions, mostly TruGreen and Terminix of \$24.7 million through September 30, 2011, down 53% from the \$52.5 million reported for the same period in 2010.

ServiceMaster does not typically report individual TruGreen and Terminix acquisitions. ServiceMaster, although a privately-held, private equity-backed company, voluntarily files SEC reports.

Davey Tree, which also files reports with the SEC, reported cash expenditures for acquisitions of \$.9 million for the nine months ended September 30, 2011 compared with \$5.8 million for the same period in the prior year.

In a measure of the level of activity within the industry including transactions that were not publicly reported, the BizBuySell.com database of transactions completed within the lawn and landscape industry includes 89 transactions in 2011, a 27% increase from the 70 completed transactions in the database for 2009.



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For up-to-date information on
Green Industry Mergers & Acquisitions,
visit
SellMyGreenBusiness.com

The information included in this newsletter is derived from publicly available sources. Our intent is to give a perspective on the industry taken as a whole. The inclusion of a transaction in this newsletter does not imply that The Principium Group acted as an advisor to either of the parties to the transaction. It is the policy of The Principium Group always to maintain the confidentiality of its client relationships. For those transactions in which The Principium Group did play a role, the information included herein is still limited to that available through public sources.

Our Travel Calendar

We'd Like to Meet with You

We plan to attend the following industry events:

National Green Centre, Kansas City, January 8-9

We will be speaking at 8:00 am on January 9 and be available for appointments.

Green Industry Great Escape, Nassau, March 1-4

If you are attending any of these events and would like to meet, please give us a call or send us an email to schedule a time.



Jan 8-9, 2012 • Kansas City, MO
By the Western Nursery & Landscape Association

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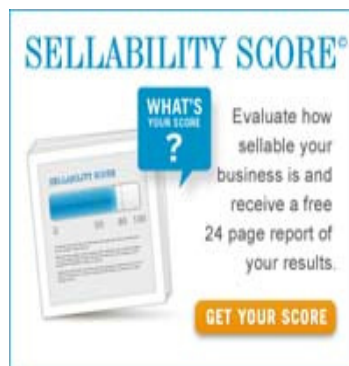
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Green Exit

What's Your Sellability Score?

Have you wondered just how sellable your business is? Here's a chance to find out. Take this quiz and find out your business's sellability score. You'll receive your Sellability Score immediately, and then we will send you a 24-page report that provides additional feedback and schedule a complementary phone call to discuss the results.



principiumgroup.com/sellability-score

Ron Edmonds' latest book is *Green Exit—Exit Planning for Lawn and Landscape Business Owners*.

Green Exit introduces lawn and landscape business owners to the basic concepts of exit planning, including defining your objectives, understanding the value of your business, improving and preserving the value of your business and developing a plan for exiting the business. The book discusses a variety of strategies, including third-party sales, private equity, transfers to family members or key employees and employee stock ownership plans. *Green Exit* targets all green industry business owners who either are or should be considering their business exit plans.

Green Exit is available directly from Principium, from the publisher, Fast-Pencil.com, and from Amazon.com, BN.com, the iBook Store and other online retailers.

GREEN EXIT

Exit Planning for Lawn and Landscape Business Owners

Ronald L. Edmonds
The Principium Group

