



Landscape Services Mergers & Acquisitions

Year in Review 2018 Outlook for 2019

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Mergers & Acquisitions | Advisory Services

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Introduction

To our clients and friends:

We are pleased to present our Market Report - ***Landscape Industry Mergers & Acquisitions - The Year in Review 2018 and Outlook for 2019.***

We have published an annual Year in Review issue of our *newsletter Green Industry M&A News* for many years. This year, for several reasons, we have expanded it into this downloadable special report.

Certainly, the sheer volume of transactions warrants an expanded report, but there are also interesting developments and trends to explore. These developments include continued private equity attention across subsectors. The breadth of M&A activity extended from landscape services, lawncare, tree care, landscape supply and related businesses. International activity increased significantly, especially in continental Europe and the United Kingdom. Merger & acquisition activity has always been cyclical and dependent on general economic conditions. We find ourselves in what has been the longest economic expansion in memory. That certainly begs the question of how much longer the elevated level of activity is likely to continue. Right now, we see few signs of a slowdown.

In most cases, you can find more information about the transactions included in this report by visiting the news section of our website at principiumgroup.com/news and searching the companies in question. If you know of transactions that have been omitted from this list, please let us know. We strive to follow M&A activity in our sector very closely.

It is an exciting time for the industry and business owners must carefully weigh their options as they consider their exit strategies. We would welcome the opportunity to discuss your particular situation.

A handwritten signature in blue ink that reads "Ron".

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2018 Part One The Year in Review



Landscape Services

2018 was an exceptional year for mergers & acquisitions within the landscape services segment. Here are some highlights:

Brightview completed an initial public offering mid-year. While the proceeds were used for debt repayment, the transaction is likely to ultimately facilitate gradual exits for its private equity sponsors.

In connection with its IPO filings, BrightView revealed that it had completed a number of acquisitions which had previously been unreported, including Cleary Brothers (California), Precision Landscape (Texas) and Willamette Landscape (Oregon). It earlier announced the acquisition of The Groundskeeper (Arizona, Texas, Nevada, New Mexico & Texas). Later in the year, it acquired Russo Landscape in Connecticut and Emerald landscape in California. We expect BrightView to continue to pursue acquisitions throughout the country.

Aspen Grove Landscape Group (formerly Five Seasons) revealed that it had acquired eight regional landscape companies prior to 2018 (six of which had not been announced). It added Janes River Grounds Management in 2018.

California's Landscape Development, Inc. completed three acquisitions in 2018, including an acquisition in Las Vegas, its first outside California.

Rotolo Consultants of Louisiana made two acquisitions in the Florida panhandle.

Yellowstone Landscape Group reported two acquisitions, including Somerset landscape in Arizona, which had been backed by Tregaron Capital. Yellowstone now stretches across the southern United States from Florida to Arizona. Yellowstone is a portfolio company of CIVC Partners.



Landscape Services (continued)

Seattle-based Botanical Designs was acquired by through a search fund backed by a number of well-known search fund investment firms, including Anacapa Partners, Aspect Investors, Endurance Search Partners, Trilogy Search Partners and WSC & Company.

Westhook Capital invested in Denver-based Metco Landscape as a platform acquisition. This transaction was a bit unique among private equity deals in that Metco has a focus on homebuilder services. Most private equity-backed transactions have been of businesses with a principal focus on commercial maintenance.

In another platform acquisition, Salt Creek Capital acquired Beauchamp Lawn & Snow in Brighton, Michigan.

International acquisition activity was brisk with idverde being acquired by Core Equity Holdings and moving to expand its presence in the U.K. and add The Netherlands to its territory. Sullivan Street Partners acquired the former landscape operations of ISS in the UK and rebranded it Tivoli. There were several other transactions in the U.K. and in Continental Europe. See the "International" section of this report for more information.

Stories are circulating about several unreported acquisitions and new companies under development which may be active acquirers in the future.

A substantial component of the landscape services industry consists of relatively small businesses. It is very hard to identify and count transactions involving relatively small businesses. They are often not announced and not listed in any database of transactions. On an anecdotal basis, we believe that such transactions continued at a brisk pace in 2018.



Landscape Services (continued)

Landscape Services Acquisitions Reported in 2018

<u>Acquiror</u>	<u>Target</u>	<u>Location</u>	
Aspen Grove Landscape Group	Annco Services	Florida	(1)
Aspen Grove Landscape Group	Clippers	Northern VA	(1)
Aspen Grove Landscape Group	Integrated Landscape Management	Phoenix, Arizona	(1)
Aspen Grove Landscape Group	James River Grounds Management	Virginia	
Aspen Grove Landscape Group	Providence Landscape group	Charlotte, NC	(1)
Aspen Grove Landscape Group	The Landscape Partners	Texas	(1)
Aspen Grove Landscape Group	United Lawncare	Michigan	(1)
Multiple search fund investors	Botanical Designs	Washington	(2)
BrightView	Emerald Landscape	California	
BrightView	Precision Landscape Management	Dallas, TX	
BrightView	Cleary Brothers	Northern California	
BrightView	Willamette Landscape Maintenance	Oregon	
BrightView	Urban Tree Care	Los Angeles	
BrightView	J&S LawnMan	New Jersey	
BrightView	Russo Lawn & Landscape	Hartford, CT	
BrightView	The Groundskeeper	Tucson	
Davey Tree Expert	Elizabeth River Lawn & Landscape	Suffolk, VA	
English Gardens	Plymouth Nursery	Detroit, MI	
Five G Capital	Perennial Companies	Chicago, IL	
Great Lakes Grounds Management	Rowland's Lawncare	Lorain Co, Ohio	
Greenscape NC	TurfTenders	Raleigh, NC	
Heartland	Columbia Landcare	Columbia, MO	PE Add-on
Landscape Development	NewTex Landscape	Las Vegas, NV	
Landscape Development	Chateau Landscape	Santa Clarita, CA	
Landscape Development	Quality Landscape Care	Ventura, CA	
McHale Landscape Design	Green Gardens	Clarksburg, MD	
Plantscapes	Greenleaf Landscaping Group	Tacoma, WA	
Plantscapes	Complete Yard Services	Everett, WA	
Prescott Landscape Professionals	Nature West	Prescott, AZ	

NOTES:

(1) Transaction completed in prior years, but announced in 2018.

(2) Botanical Designs was acquired in a search fund transaction with multiple investors, including Anacapa Partners, Aspect Investors, Endurance Search Partners, Trilogy Search Partners and WSC & Company



Landscape Services (continued)

Landscape Services Acquisitions Reported in 2018, continued

<u>Acquiror</u>	<u>Target</u>	<u>Location</u>	
Rotolo Consultants	Bay Landscape and Palm Service	Florida	PE Add-on
Rotolo Consultants	GPL Landscaping	Miramar Beach, FL	PE Add-on
Ruppert Landscape	Classic Landscaping, Inc.	Frederick, MD	
Salt Creek Capital	Beauchamp Lawn & Snow	Brighton, MI	PE Add-on
Signature Coast	C&R Landscape	Rocklin, CA	PE Add-on
Westhook Capital	Metco Landscape	Aurora, CO	PE Platform
Yellowstone Landscape Group	Somerset Landscape	Phoenix, AZ	PE Add-on (1)
Yellowstone Landscape Group	Leaderscape	Palm Beach, FL	PE Add-on
<i>International</i>			
Core Equity Holdings	idverde	France	PE Platform (2)
idverde	KJT Group	Devon, South West England	PE Add-on
idverde	BTL	The Netherlands	PE Add-on
idverde	Out There Services	Northern Ireland	PE Add-on
Advance Global	Country Cousins	Singapore	
Qess Corp	Greenpiece Landscapes	India	
Nurture Landscapes	Grace Landscapes	UK	
Nurture Landscapes	Gavin Jones	U.K.	
Green Landscaping Holding AB	Svensk Marservice Holding AB	Sweden	
Joe's Lawn Care	Midland's Lawn Care	UK	
Sullivan Street Partners	ISS UK Landscape Operations (Tivoli)	UK	PE Platform

NOTES:

- (1) Yellowstone acquired Somerset in a transaction in which Tregaron Capital exited its investment in Somerset.
- (2) Core Equity acquired idverde in a transaction in which Chequers Capital exited its investment in idverde.



Lawn Care

The lawn care merger & acquisition market was fairly quiet in 2018. Only a handful of acquisitions were publicly reported, although many more have been known to be completed.

TruGreen remains the largest player by a large margin. TruGreen was active with acquisitions in 2018 but usually does not announce acquisitions. The TruGreen transactions reported below became known due to press reports. We anticipate that TruGreen will continue to be an active acquirer, partly in anticipation of an initial public offering or other liquidity event for its private equity sponsor, Clayton, Dubilier & Rice and ScottsMiracle-Gro which holds a minority interest in TruGreen arising from the merger of Scotts Lawn Service into TruGreen.

We continue to believe regional consolidation plays emerge in and beyond and fill a void of national buyers other than TruGreen.

Lawn Doctor, a large franchisor of lawn care operations, acquired Mosquito Hunters. CNL Strategic Partners acquired Lawn Doctor from Levine Leichtman in a transaction that retained Levine Leichtman as the manager of the investment. Lawn Doctor executives are also shareholders.

On a lighter note, the December 31, 2018 crossword puzzle in the *Los Angeles Times* included this clue for 42 across “**Lawn service company that merged with TruGreen**”. The answer was “**Scotts**”.

Lawncare Acquisitions Reported in 2018

Acquiror	Target	Location
TruGreen	High Point Lawn	Ohio and New York
TruGreen	Green T Lawn	Illinois
Arrow Environmental	Miller Enviro-Care	Orlando, FL
LawnMan	Judi's Professional Lawn Care	Huntsville, AL
Senske Lawn & Tree Care	LawnTech	Idaho Falls, ID



Tree Care

The tree care segment was particularly active in 2018, with Bartlett Tree Experts reporting ten acquisitions, SavATree reporting four acquisitions and Davey Tree reporting three.

Tree Care Acquisitions Reported in 2018

Acquiror

A Plus Tree
 Bartlett Tree Expert Co.
 Davey Resource Group
 Davey Resource group
 General Tree
 SavaTree
 SavATree
 SavATree
 SavATree
 Sheridan Landscaping
 Tree medic

Target

Swift Tree Care
 Tree Frog Tree Care
 Colorado Treescapes
 C.L. Frank and Company
 Mellinger Tree Service
 Clean Cutt Tree Service
 Pavey Tree
 Weise Choice Tree Services
 Connecticut Arborists
 HortScience
 Seattle Tree Preservation
 New Age Communications Construction
 Land Management Group
 Tree-ific Arbor Care
 Integrity Tree Service
 Mike's Tree Surgeons
 Brooks and Barber Tree Management
 404-CUT-TREE
 Whitbeck's Treecare
 Specialty Tree Service

Location

Northern California
 Calgary, Alberta
 Littleton, CO
 Northampton, MA
 Santa Momica, CA
 Willimngton, DE
 Dwight, Ontario
 Middlebury, CT
 Monroe, CT
 Pleasanton, CA
 Seattle, WA
 Cincinnati, OH
 Wilmington, NC
 McMinnville, OR
 Phoenix, AZ
 Michigan
 Bedmoinster, PA
 Norcross, GA
 Plymouth, MA
 Coeur d'Alene, ID

International

Green Landscaping Holding AB
 Practicality Brown

Tradexperterna AB Tree Care Business
 Midland Tree Surgeons (Commercial Business)

Sweden
 UK



Landscape Supply

The landscape supply sector continued to be very active in 2018.

SiteOne Landscape Supply led the sector by the continuing its aggressive consolidation strategy. SiteOne completed 15 acquisitions, including Atlantiic Irrigation which had 33 locations in 13 states.

In other notable activity, Ewing made one acquisition. Private equity-backed Pioneer Landscape Centers made two. Horizon Distributors, a unit of publicly held Pool Corp. also made an acquisition in 2018.

Acquiror	Target	Location
Ewing	All Star Materials	Phoenix, AZ
Horizon Distributors	Turf & Garden	Virginia
Living Earth	Nature's Best Organics	Tennessee
OASE Living Water	Atlantic Water Garden	Mantua, OH
Pioneer Landscape Centers	Midwest Materials	Longmont, CO
Pioneer Landscape Centers	Grand Materials & Supply	Arizona
SiteOne	Cutting Edge Curbing Sand & Rock	Phoenix, AZ
SiteOne	All Around Landscape Supply	Santa Barbara, CA
SiteOne	Santa Ynez Stone & Topsoil	Santa Barbara, CA
SiteOne	C&C Sand & Stone	Colorado
SiteOne	Stone Center	Manassas, VA
SiteOne	CentralPro	Florida
SiteOne	Kirkwood Material Supply	St. Louis, MO
SiteOne	Landscape Express	Boston, MA
SiteOne	All American Stoine and Turf	College Station, TX
SiteOne	Auto-Rain Supply	Spokane, WA
SiteOne	landscaper's Choice Wholesale Nursery & Supply	Florida
SiteOne	Tarazzo & Stone Supply	Bellevue, WA
SiteOne	Three locations of Village Nurseries	California
SiteOne	Loma Vista Nursery	Kansas City
SiteOne	Atlantic Irrigation	33 locations-13 states



Related Businesses

The mosquito services area was very strong in 2018. Many landscape and lawncare businesses added mosquito control as a service line. There are almost too many mosquito control franchises to count. During 2018, Neighborly (formerly known as The Dwyer Group), the franchisor behind The Grounds Guys in the U.S. and Canada, acquired the franchise brand, Mosquito Joe. Lawn Doctor acquired Mosquito Hunters and Authority Brands acquired Mosquito Squad.

In the facility services sector, Kellermeyer Bergensons Services (KBS) acquired East Coast Lot and Pavement Maintenance and National Maintenance Systems. Sweeping Corporation of America acquired USA Services in Florida and Hy-Tech Property Services of Virginia.

The pest control M&A market was white-hot in 2018. Two major European companies – Rentokil and Anticimex have been making many acquisitions, staking out territory in establishing their position in the US market. Combined with other pest control acquirors, notably ServiceMaster (Terminix) and Rollins (Orkin and a variety of other brands), there was lots of competition for quality targets and prices grew to levels that smaller companies often found impossible to match. The pest control industry is of interest to lawn and landscape business owners due to the similarity between pest control and lawn care business operations. Many companies of varying sizes, especially in certain regions of the U.S. have operations in both lawn care and pest control. Two major companies with operations in both sector include Massey Services and Heron Home and Outdoor, both based in Orlando, Florida. Heron Home & Outdoor is a division of pest control company J.C. Erlich, itself a part of Rentokil Initial PLC, a U.K.-based company.



International

There was a very high level of international merger & acquisition activity in the landscape services industry in 2018, particularly in the United Kingdom and Continental Europe.

Early in the year, Core Equity Holdings, a Brussels, Belgium, based private equity firm, acquired a controlling interest in idverde. Idverde is based in France and had significant operations in the U.K. During the rest of 2018, idverde continued an aggressive acquisition program, making several acquisitions in the U.K. Later in the year, it acquired BTL, the largest landscape company in The Netherlands. With this acquisition, idverde is the largest landscape company in France, the U.K. and The Netherlands, the three countries in which it currently operates.

Consolidation activity was strongest in the United Kingdom. In addition, to idverde's acquisitions, U.K.'s Nurture Landscapes made multiple acquisitions.

Also in the U.K., Sullivan Street Partners acquired the U.K. landscaping operations of ISS, rebranding them under the name Tivoli. Interestingly, idverde was originally the French landscape operation of ISS.

Green Landscaping, Sweden's largest landscaper made multiple acquisitions and also completed a public offering



Private Equity

Private equity activity remained strong in 2018.

We saw two new reported platform investments in the U.S. landscape services sector in 2018. In addition, we believe there may be another handful which were completed in 2018 which have not yet been announced. Colorado-based Metco Landscape was acquired by Westhook Capital and Beauchamp Lawn & Landscape in Michigan was acquired by Sawmill Capital.

There was one landscape services private equity exit transaction completed in 2018 – the sale of Somerset Landscape by Tregaron Capital to CIVC Partners-backed Yellowstone Landscape Group.

In the franchise sector, CNL Strategic Partners acquired Lawn Doctor from its previous private equity owner, Levine Leichtman. However, Levine Leichtman continues to manage the investment on behalf of CNL. Harvest Partners acquired The Dwyer Group (since rebranded as Neighborly), the franchisor of The Grounds Guys in the US and Canada and Countrywide Grounds Maintenance in the UK, among other brands, from The Riverside Company, completing Riverside's second investment and exit cycle with The Dwyer Group.

Among landscape-related businesses, Real Green Systems, an extremely popular software system for lawn care companies and other service businesses was acquired by Serent Capital.



Private Equity (continued)

In addition, KKR-backed BrightView completed an initial public offering. The proceeds were used to pay down debt, but the vehicle creates potential liquidity for KKR. As a public company, BrightView is more transparent in its M&A activity. It announced several acquisitions in its IPO filings and was among the year's most active acquirers. We expect that scenario to continue. During recent investor conference call, BrightView indicated it had an acquisition pipeline in the range of \$300 million.

CVC Capital Partners made an investment in family-owned Asplundh Tree Expert LLC through its long-term Strategic Opportunities fund. According to the Wall Street Journal, Asplundh had been coveted by private-equity firms for years but the family was finally encouraged to take on investment in part because CVC would be sticking with it long-term.

There was also a great deal of international private equity activity with Brussels-based Core Equity Holdings acquiring Idverde from Chequers Capital and UK-based Sullivan Street Partners acquiring ISS's UK operations and rebranding them as Tivoli. Idverde also made add-on acquisitions in England, Northern Ireland and The Netherlands. Total Capital Partners invested in GRITIT, a provider of winter services and grounds maintenance in the U.K.

2019

Part Two
The Outlook



Outlook

Merger & acquisition activity is typically highly cyclical and heavily impacted by general economical conditions.

We are now 118 months into an economic recovery/expansion. This is already the second longest economic expansion since World War II. The longest post-war economic expansion lasted 120 months - from March 1991 to March 2001. That expansion produced somewhat higher annual growth in employment and gross domestic product than the current expansion.

Given those facts and other signals of a slowing economy, many market participants are asking how long the current cycle will last.

When asked, we quickly respond that we just don't know. What we do know is that the market is cyclical and that there is no reason to believe that it will not continue to be cyclical.

The current positive cycle does have some unique elements. Sustained low interest rates and favorable tax policy have been major positives. In addition, it has been our observation that in past business cycles, periods of political uncertainty (such as a government shutdown) have had a definite impact on the pace of M&A activity. Recently, that has not really seemed to be the case.

25%
Chance of a
recession in the
next 12 months



Outlook (Continued)

With the divided Congress potentially producing legislative gridlock, political uncertainty may be a bigger factor, particularly as we move into the election cycle.

According to a Reuter's poll of economists taken in January concludes there is a 25% chance of a recession in the next 12 months and a 40% chance of a recession in the next 24 months

The possibility of a recession in the next 12 or 24 months does **not** suggest that a recession that looks anything like the "great recession" of 2008-2009 with its dramatic impact and its lingering effects on business is on the horizon. It seems that conventional wisdom is that the next recession will be shorter and less severe and look more like the other post-World War II recessions which have averaged 9.6 months in duration and involved an average 2% decline in gross domestic product, versus the Great Recession which *officially* lasted 18 months and produced a 5.1% drop in GDP. The last two before the Great recession were much shorter and milder than those averages.

Notwithstanding recession fears, there currently continues to be a high level of interest in landscape services transactions, both among private equity investors and strategic buyers. There is much stronger interest among private equity firms than there are suitable available targets.

\$1.14 trillion
in dry powder
available

At this point, we anticipate that scenario will continue in 2019 and into 2020.



Outlook (Continued)

Moody's Investor Services estimates that private equity firms have a record \$1.14 *trillion* in dry powder. Dry powder refers to uninvested amounts raised by or committed to private equity funds by investors in those funds. While there are many other factors, including the interest rate scenario, which will affect private equity investment, there is pressure to deploy capital.

While private equity represents only a portion of the landscape services M&A universe, it has played a major role in driving the high level of activity in recent years. To the extent that a slow-down occurs, we believe its greatest impact will be on smaller transactions and that larger transactions such as private equity deals will likely continue, more-or-less unabated.

We believe the biggest factors limiting landscape services M&A activity continue to include (1) a limited number of realistic available platform size initial investment opportunities and (2) valuation levels for many situations that may not make a sale attractive without other factors motivating a seller.

**It's time to
consider
your
options.**

In summary, the outlook in the immediate future is positive. Based on where we are in the business cycle, potential sellers who have a need or desire to exit their businesses in the next two to three years would be well-advised to examine their options in the current market.

About The Principium Group

The Principium Group is a leading merger & acquisition advisory firm focused on serving the lawn, landscape and related industries across the U.S. and Canada.



We serve companies in the lawncare, landscape services, tree care, snow & ice management and facility services sectors, including parking lot maintenance, janitorial and pest control. We also serve investors, including private equity, family offices and similar entities, along with others, seeking to understand the lawn and landscape industry.



Within our target industry sectors, we represent businesses and business owners in the sale or acquisition of businesses. We work with business owners in connection with exit planning. We provide valuation services in connection with exit and strategic planning. We consult with businesses and business owners on a wide variety of topics related to mergers & acquisitions. We also consult with investors and other industry players.

We also reach out to the wider community by writing articles, granting interviews, accepting speaking engagements, participating in trade events and publishing a regular newsletter, Green Industry M&A News.

We would be happy to speak with you about your specific situation. Please contact us at 888-229-5740 or info@principiumgroup.com

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