



Pest Control Services

NAICS: 561710

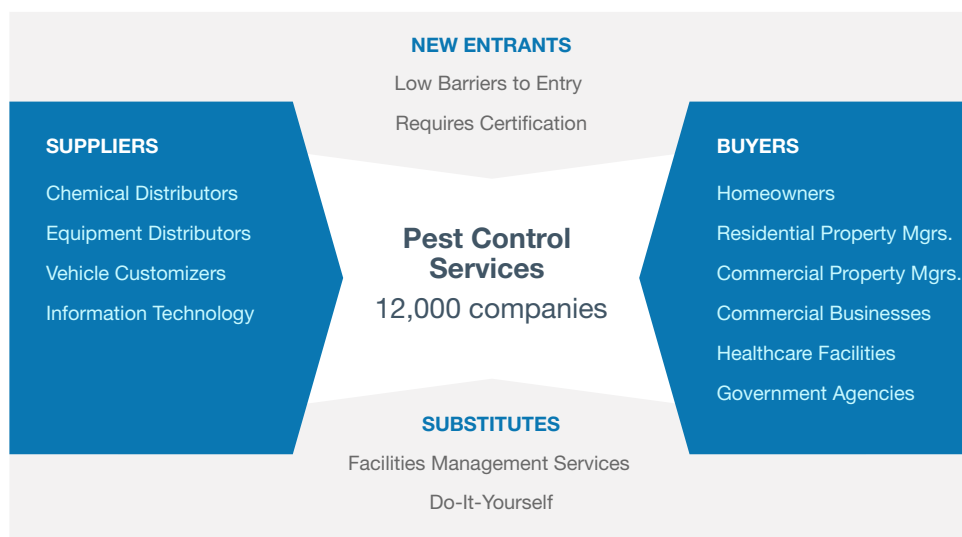
SIC: 7342

prepared May 10th, 2020

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Industry Structure



The average pest control services provider operates out of a single location, employs 10 workers, and generates over \$1 million annually.

- The pest control services industry consists of about 12,000 companies that employ about 124,000 workers and generate about \$14 billion annually.
- The industry is concentrated at the top and fragmented at the bottom; the top four firms account for about 28% of industry sales. The majority of pest control service providers are small, independent companies or franchises.
- Large companies include Rollins (Orkin) and divisions of ServiceMaster (Terminix).
- The business structure of pest control services firms is 20% corporations, 59% S-corporations, 11% individual proprietorships, and 10% partnerships.

Industry Demographics

Female Owned

14.0%

Minority Owned

20.0%

Veteran Owned

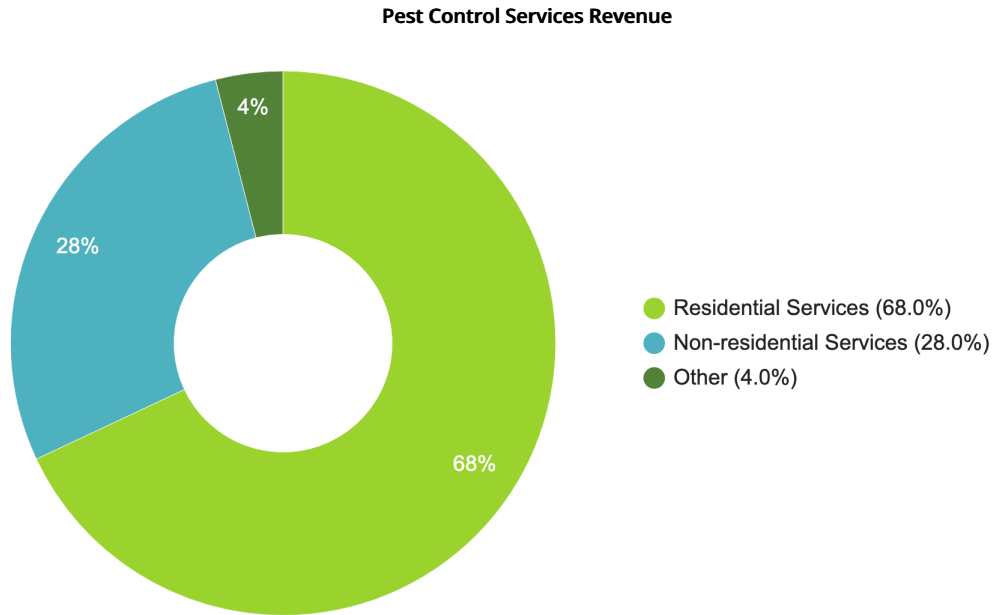
12.2%

How Firms Operate

Products and Operations

Pest control service providers exterminate and control the presence of unwanted creatures, such as insects, rodents, or other small animals.

- Companies may specialize in residential or non-residential services. Providers may also specialize in a particular industry, such as food manufacturing or health care.
- Common pests include roaches, mice, rats, termites, ants, fleas, ticks, spiders, and silverfish.



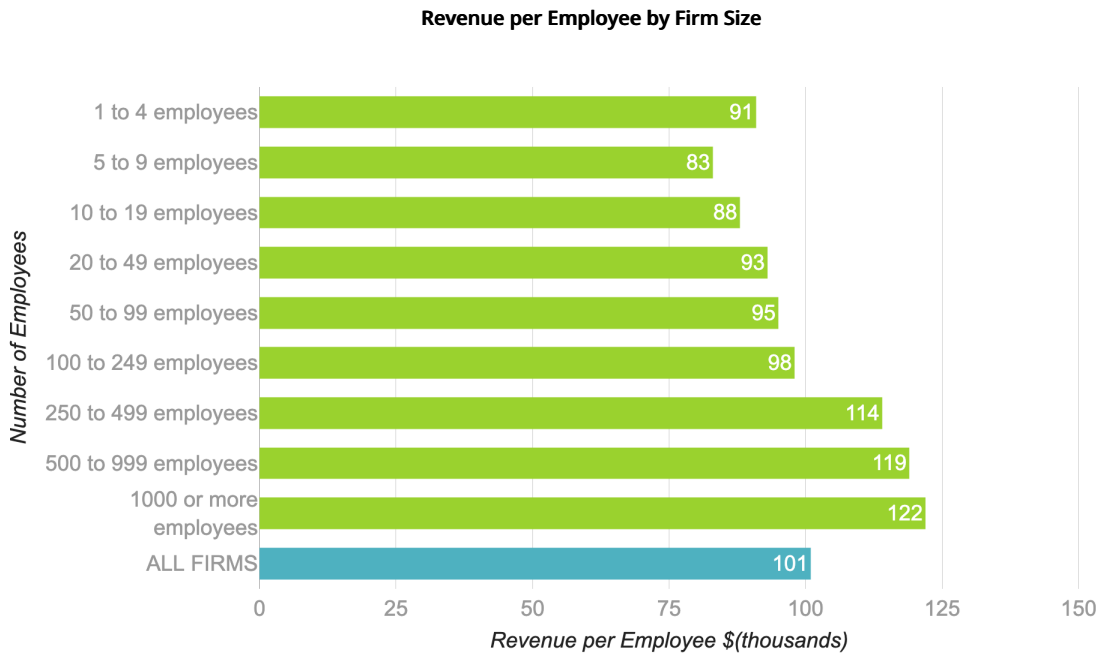
Companies identify pest problems, inspect properties for infestation, and develop and execute plans to eliminate or control pests. Technicians apply chemicals, set and bait traps, or create barriers to separate pests from buildings. Providers that specialize in termite control may offer structural repair services. Companies may use fumigants (poisonous gases) to treat serious infestations. Fumigation involves sealing a building and filling the building with fumigants to kill pests. Providing service may involve single or periodic applications, depending on the type of problem. Severe infestations often require multiple treatments. Termite control can involve the installation of monitoring stations and monitoring services over a period of time.

Pesticides are formulated to target a particular type of pest and eliminate infestation through a variety of methods. For example, rodenticides are poisons formulated to kill mice and rats. Insect growth regulators (IGR) control insect populations by interrupting or inhibiting the life cycle. Other insecticides affect the nervous systems of pests. Pesticides come in various forms, including gases, liquids, aerosols, dusts, powders, pastes, pellets, gels, and granules. Application can involve sprayers, foggers, or misters. Companies may also use traps, such as glue/sticky traps, light traps, or other devices.

Integrated Pest Management (IPM) is a pest control system that involves inspection, identification, and treatment methods specific to each situation. Treatment includes chemical and non-chemical solutions. For example, companies may recommend better sanitation procedures to eliminate food supplies for offending pests. Sealing gaps around plumbing, wall outlets, and switch plates can prevent pest migration.

Marketing and promotional vehicles include local television, print, and radio advertising; direct mail; and online/Internet programs. Some companies are experimenting with social media. Few companies are large enough to justify national marketing campaigns. Referrals are an important source of leads and new business. Companies often depend on relationships with builders and contractors for termite pre-treatment work on new construction.

Technicians are typically trained and licensed to use pesticides. Because pesticides are toxic, workers wear protective gear, such as respirators, gloves, and goggles. Inspecting sites may require workers to crawl in tight spaces.



Profit Drivers

Growing Customer Base

Pest control companies provide one-time and recurring treatments to residential and non-residential customers. Increasing the number of customers with annual pest control contracts provides a stable revenue stream and helps firms efficiently schedule customer services. Companies rely on referrals for new business leads and also invest in local advertising and direct mail programs to reach new customers. They also develop relationships with builders and property management companies to secure termite control and other business.

Efficiently Scheduling Technicians

Labor is the most significant cost for pest control companies, so they try to maximize the productivity of their technicians. Efficient scheduling and routing of jobs can allow technicians to complete more customer treatments per day. Companies may invest in route scheduling software and GPS systems to boost technician productivity. Having multiple residential contract customers in the same neighborhood can minimize travel time, so companies may offer discounts through homeowner associations or use direct canvassing and referrals to build a critical mass of nearby customers.

Managing Staff Levels

Due to seasonal swings in demand for pest control services, companies face challenges in matching staffing levels to customer demand. Pest control companies typically hire part-time workers to handle peaks in demand during the spring and summer months and let them go during the slow winter months. However, firms need to maintain experienced technicians who are licensed in the proper application of pesticides, so they are reluctant to let go of good performers. Having annual pest control contracts with customers can help smooth cash flow and allow firms to maintain a permanent staff year round.

Industry Trends

Steady Revenue Growth

As the economy improves, sales growth for pest control service providers is increasing. Revenue for the exterminating and pest control services industry jumped 12% in 2017 after growing 3-8% annually in recent years. The use of contracts in the pest control industry provides a source of recurring revenue, somewhat insulating companies from periodic downturns. In addition, the increasing presence of bed bugs and concern over the Zika virus have helped drive demand for pest control services.

Bed Bugs Bite

Bed bug infestations, which were relatively rare more than a decade ago, have increased across the country, creating massive sale opportunities for pest control service providers. Significant increases in presence are occurring in public places, such as hotels, college dorms, nursing homes, office buildings, schools, and daycare centers. Revenue derived from controlling bed bugs averaged 7.5% of total revenue in 2017, but fell slightly in 2018. Pest control firms charge an average of \$1,225 for treatment. Almost all companies now provide bed bug extermination services. Insecticide and heat treatments are the primary techniques for extermination. The industry is forecast to earn \$1 billion in revenue from bed bug treatments between 2015 and 2020.

Ant Infestations On The Rise

Ants maintain their status as the most common pest problem for consumers, and incidence of infestation is on the rise, according to a survey by the Professional Pest Management Alliance (PPMA). More than half of companies surveyed cited increases in ant treatments. Pest control service providers presume that an increase in moisture, changing pest control practices, and new species were the most likely causes of rising occurrences. The most prevalent species are carpenter ants, odorous house ants, and pavement ants. Infestations were most common in office buildings, restaurants, apartments and condos, and single family homes.

Partnerships With Insurance Carriers

Because of the significant cost associated with bed bug treatments, Aon (an insurance broker) has partnered with Terminix to provide bed bug coverage to commercial clients, such as hotels, landlords, student housing developments, and businesses. Standard commercial property insurance does not cover extermination costs, which can be unpredictable. A serious bed bug infestation can mean substantial loss of revenue and clean-up costs. Major hotel franchises have spent hundreds of thousands of dollars in extermination costs. Specialized policies allow customers to maintain a stable budget for pest control and have fast access to a reliable service provider.

Bee Colony Collapse

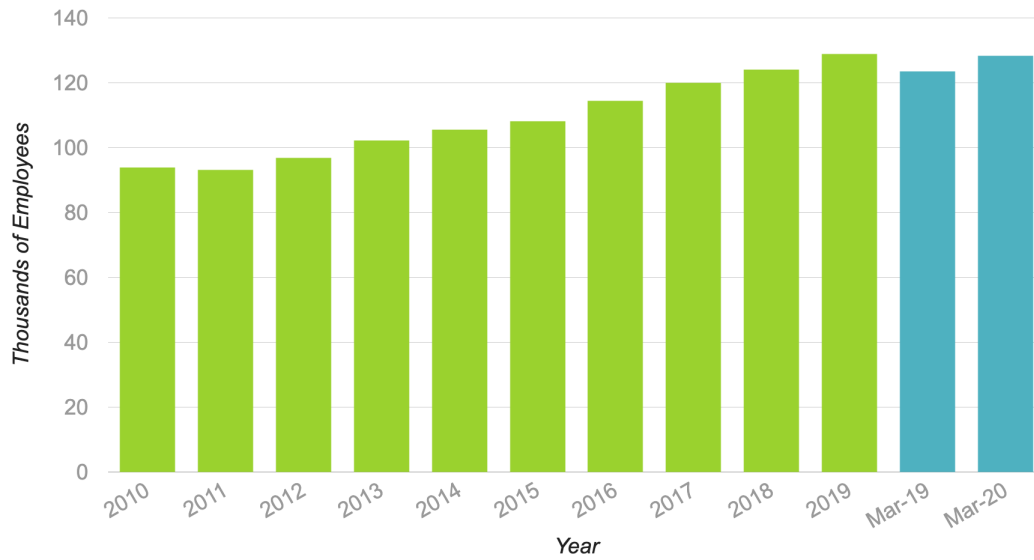
Bee colonies continue to experience significant losses, as government and private organizations search for specific causes. Colony losses, which started in 2006, are about 20-30% annually, according to surveys of beekeepers by the Apiary Inspectors of America and the USDA's Agricultural Research Service (ARS). Experts suggest numerous causes, including pesticide exposure, although studies linking pesticide use to colony collapse have had mixed results. Recent studies contend that low levels of pesticide use can fog honeybee brains and affect the insect's ability to find its way home and supply food to produce new queens.

Employment and Wage Trends

Employment by pest control services increases

Overall employment by pest control services changed 3.9% in March compared to a year ago, according to the latest data from the Bureau of Labor Statistics.

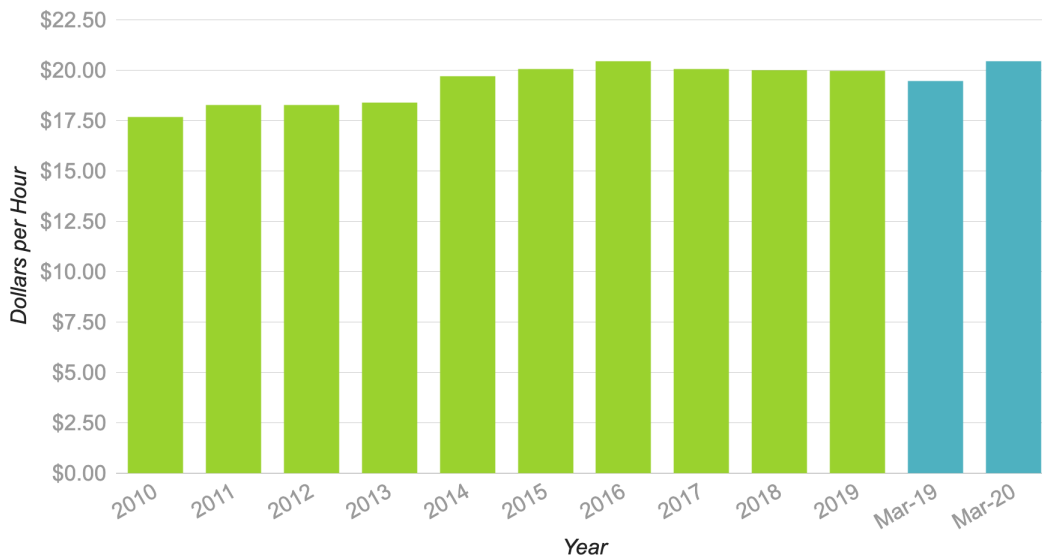
Pest Control Services Employment



Wages at pest control services rise

Average wages for nonsupervisory employees at pest control services were \$20.45 per hour in March, a 5.1% change compared to a year ago.

Average Wages for Nonsupervisory Employees



Industry Risks

Business Exit Rate

Pest Control Services exit at US average

The business exit rate for pest control services from the end of 2017 to the end of 2018 was 9.10%, comparable to the average for all US businesses, according to data from Powerlytics. Powerlytics exit data tracks the percentage of businesses that have closed their business by location and industry as a percentage of businesses operating in that industry and location.

Industry Risks

Seasonality

Demand for pest control is seasonal, and driven by increases in pest activity. Pest problems tend to occur more frequently during the spring and summer, as bugs seek moisture and warmth. Termites can swarm in the spring, summer, or fall, depending on location and the timing of the change of seasons. Extreme weather, such as droughts, can reduce the pest population in a particular area for an extended period.

Hazardous Substances

Pest control often involves the application of toxic chemicals that have the potential to harm humans, pets, plants, or the environment. The risk of harm varies depending on the level of toxicity and exposure. Application can create both acute toxicity (short exposure) and chronic toxicity (long term exposure). Because technicians are exposed to pesticides on a regular basis, most receive special training and equipment to minimize risk. Misapplication can result in personal injury or property damage.

Government Regulation

Because pest control involves toxic substances, the EPA and state governments regulate various elements of operations, including licensing, record keeping, standards of application, training, and product registration. Failure to comply often involves penalties, including fines, corrective action, and license revocation. The EPA can restrict or ban the use of effective pesticides that cause harm to other organisms.

Competition

Competitors for pest control service providers involve companies in a range of industries, including cleaning and sanitizing services, facilities services, and lawn care. By offering pest control as part of a portfolio of services, large multi-disciplinary competitors attract commercial customers who prefer to deal with a single source. In addition, some customers (particularly residential customers) will attempt do-it-yourself (DIY) pest control to save on costs. DIY customers typically lack technical expertise and access to commercial strength pesticides.

Sensitivity To Economy

Although less vulnerable than other types of building and dwelling services, demand for pest control is sensitive to economic conditions. During the last recession, sales growth for pest control services slowed. Companies that specialized in termite treatments for new construction suffered as the real estate market collapsed. A significant increase in the number of empty building and homes reduced the need for pest control. The industry fared better than most other types of building-related services, which experienced sales declines. Because pest elimination involves hazardous substances and requires expertise, customers may be reluctant to attempt control themselves.

Termite Liability

Companies that sell termite bonds or guarantees can be liable for excessive repair charges related to damage. Many pest control service providers offer special termite protection, which includes covering the cost of repairs. Termite-related damage can be significant, and involve replacing walls, siding, and other structural elements. While companies maintain an accrual to cover termite damage, excessive costs may result in significant losses. Because termite contracts can be complex and include multiple exclusions, customers often misunderstand terms and assume coverage where none exists. The resulting confusion can involve litigation, particularly when damage is extensive.

Company Risks

Competing With Large Companies

Small, independent companies may struggle to compete with large franchises, which have considerable resources and access to capital. Franchises benefit from national or regional advertising and promotional campaigns supported by parent companies. Economies of scale allow larger companies to operate more efficiently and offer lower prices. When selecting a pest control service provider, some consumers prefer the safety of a well-known brand name.

Maintaining An Adequate Workforce

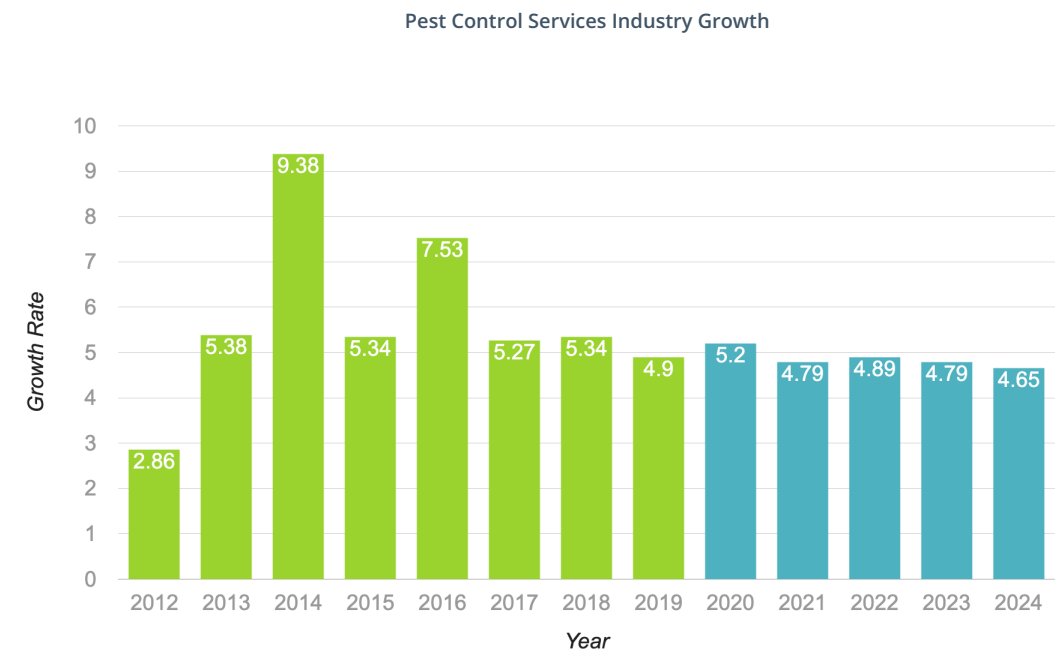
Because of the seasonal nature of pests, labor management can be a challenge for pest control services providers. During the spring and summer, when pest activity is the highest, demand often exceeds supply. Scheduling becomes difficult and smaller companies may not have enough technicians to service accounts in a timely manner. Maintaining an adequate workforce during the off-season can consume cash and force companies to rely on lines of credit to survive through the winter.

Industry Forecast

Sales for the US pest control services industry are forecast to grow at a 4.87% compounded annual rate from 2018 to 2024, faster than the growth of the overall economy.

Vertical IQ forecasts are based on the Inforum inter-industry economic model of the US economy. Inforum forecasts were prepared by the Interindustry Economic Research Fund, Inc.

Last Update: January 2020



Working Capital

Sell and invoice

Companies generate revenue by providing pest control services to residential and commercial customers. Services include one-time treatments and multiple treatments. Some companies offer annual contracts and provide discounts for pre-payments. The use of medium to long-term contracts helps ensure recurring revenue. Pricing may be based on square footage or an hourly rate. Many companies offer customer credit.

Collect

Collection periods average 40-41 days and receivables average 15% of assets. Companies may maintain an allowance for doubtful accounts.

35% of business services providers said they go to their accountant or bookkeeper for cash flow advice, while 10% turn to their banker, 11% turn to a colleague or industry partner, and 60% do not seek advice, according to a survey of small businesses by Barlow Research Associates.

Source: Barlow Research Associates.

Manage Cash

Gross margins average 66-68% of sales. Labor is the most significant cost for pest control service providers. Estimating the number of hours required to complete a job is especially important for companies that charge a flat fee. Excessive callbacks to finish incomplete or unsatisfactory work create additional costs and hurt profitability. Efficient scheduling and routing can help generate incremental revenue and minimize fleet management costs. Contract renewals are important to maintaining steady long-term cash flow.

Pest control service providers that provide termite bonds or guarantees typically maintain an accrual to cover future claims. Termite coverage provides for the cost of repairs, reapplications, and settlements. Because the number and size of future claims are based on estimates, expenses could exceed funds set aside to cover costs.

Cash flow is seasonal and affected by weather conditions. The presence and activity level of pests increases in the spring and summer. Extended droughts can reduce the pest population and decrease demand for pest control services. Companies may rely on lines of credit to fund operating expenses through slow winter months.

Pay

Payroll averages 28-30% of sales. Compensation may include commissions. Rent averages 2-3% of sales and advertising averages 1% of sales. Other costs include chemicals, fuel, fleet maintenance, and insurance. Franchised pest control service providers may pay an initial fee, royalties, and other fees.

Report

After-tax net profit averages 3-4% of sales. To evaluate marketing and sales effectiveness, companies may track sales leads and conversion rates. Monitoring the source of leads (referrals, sales staff, direct mail) helps companies determine which marketing vehicles are working. Callback reports indicate which accounts may be receiving unsatisfactory service. Chemical usage reports detail the time, location, and quantity of pesticides applied, and may be required by state regulators annually. Companies may measure technician productivity by tracking the number of stops completed per day over time.

Cash Management Challenges

Cash Shortfalls Driven By Weather Conditions

Demand for pest control services varies depending on weather conditions. Pest activity declines during the winter in cold climates. Periods of extended drought also decrease pest populations and demand for services. Lower revenue during the winter may cause cash shortfalls for firms in covering fixed expenses for facilities, vehicles, insurance, and permanent staff.

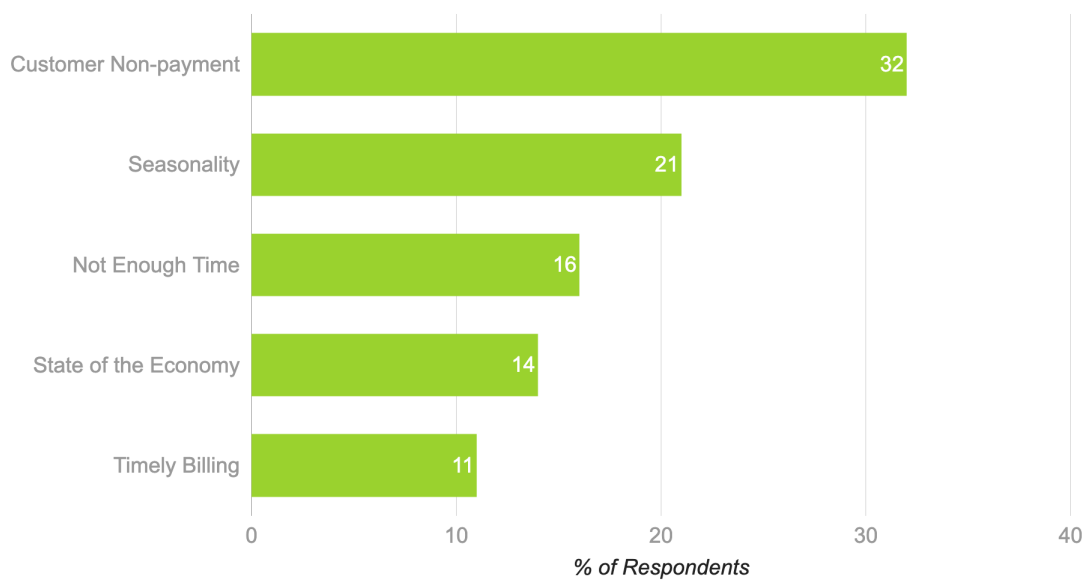
Retaining Qualified Staff

Pest control services require workers who are licensed in the proper application of pesticides. They seek to retain experienced workers, but this can be a challenge given seasonal swings in demand. Firms typically rely on part-time workers to handle peaks in demand during the spring and summer. They may need to convert part-time employees to full-time in order to retain high performers, but this can strain cash flow when demand slows during the winter.

Funding Investments To Attract New Customers

Pest control services invest in local marketing programs to generate awareness among home owners and businesses and to build relationships with builders and contractors. They may also invest in new services to take advantage of sales opportunities, such as treatments for bed bug infestations. Funding new marketing programs or new services from existing cash flow can be a challenge, particularly during non-peak seasons.

Factors Causing Cash Flow Stress: Business Services Providers



Source: Barlow Research Associates

Capital Financing

Projects that typically require capital financing include the purchase of property, buildings, equipment, vehicles, and information systems. Many pest control service providers rent space to reduce upfront investments. Equipment includes sprayers, foggers, misters, and heaters (for bed bug treatments). Specialized cameras, microwaves, or X-ray technology can help detect the presence of termites. Equipment costs vary – a plastic sprayer can cost less than \$50, while a professional backpack sprayer can cost \$300. Companies may also have significant investments in vehicle fleets to transport equipment and technicians to customer locations. Companies may have vehicles outfitted and dedicated to certain applications – termite trucks are generally larger than standard pest control trucks.

Companies also invest in technology and information systems to help manage day-to-day operations. Programs that automate invoicing, billing, receivables, payables, and other activities allow companies to operate more effectively. Software programs and hand held devices that manage scheduling and routing help optimize technician time and vehicle utilization. GPS-based fleet management systems can improve driver productivity. Wireless technology allows service providers to monitor traps remotely.

Acquisitions are a popular growth strategy for pest care service providers. Many large companies have expanded geographically by purchasing regional providers. In some cases, the acquired company is allowed to keep its original name and staff to maintain continuity with customers.

Large companies rely on debt, stock, cash, or a combination to fund capital projects. Pest control service providers have also become popular acquisition targets for private equity firms in the recent past. Small companies rely on commercial loans, home equity loans, or private investors, for capital funding.

Examples of Equipment Purchases



Backpack Sprayer

\$250 - 300

Professional quality hand pump backpack sprayer with 2.5 to 5 gallon capacity for applying pesticides.



Bug Fogger

\$300 - 350

1.5 gallon capacity fogger for flying insect control.



Termite Flow Meter

\$350 - 400

Digital flow meter for measuring chemical flow through pipes for termite applications.



Flashlight Video Recorder

\$300 - 400

Long range beam flashlight with built-in digital video recorder for termite and bed bug inspections.



Pest Control Truck



\$30,000 - 40,000

300 gallon fiberglass tank mounted on pickup truck bed with four storage boxes and two reels of 300 ft spray hose on each reel.

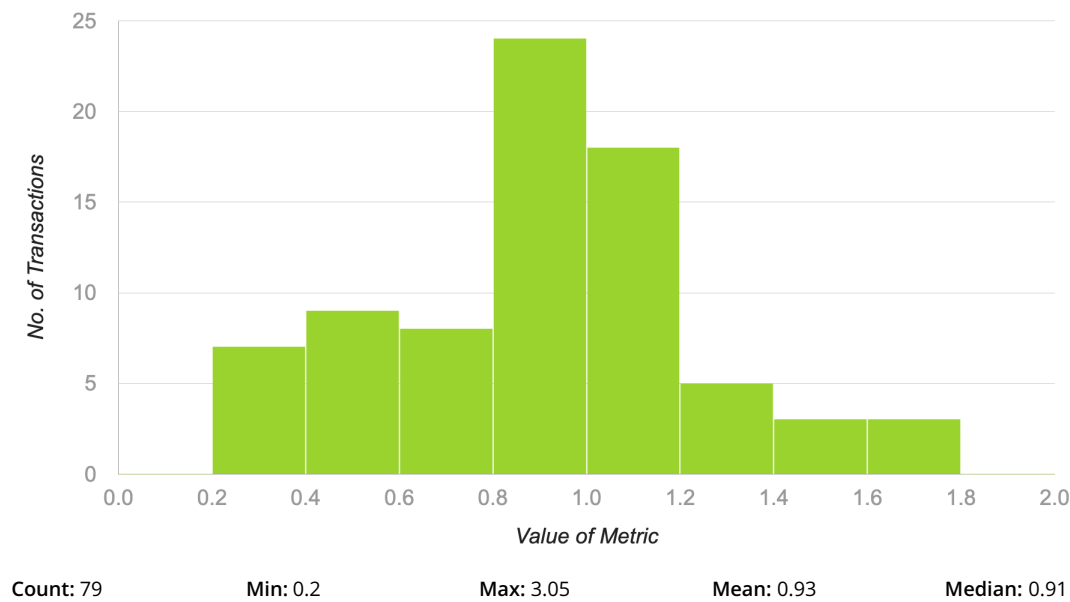
Business Valuation

This data on business valuations is supplied by DealStats, an online database with the most complete financial details on nearly 36,000 acquired companies. The graphs show the distribution of transactions for various values of each of the following metrics:

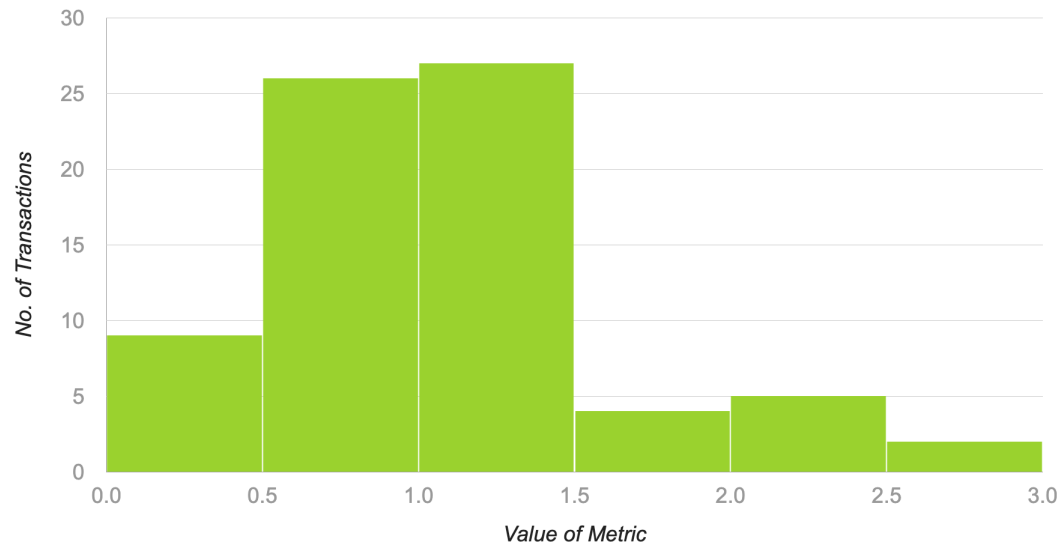
- Selling Price to Sales
- Selling Price to Gross Profits
- Selling Price to EBITDA
- Selling Price to EBIT

At the bottom of each graph, the number of transactions, minimum value, maximum value, mean value, and median value are displayed. Click on the metric below to display the corresponding graph:

- [Price to Sales](#)
- [Price to Gross Profits](#)
- [Price to EBITDA](#)
- [Price to EBIT](#)

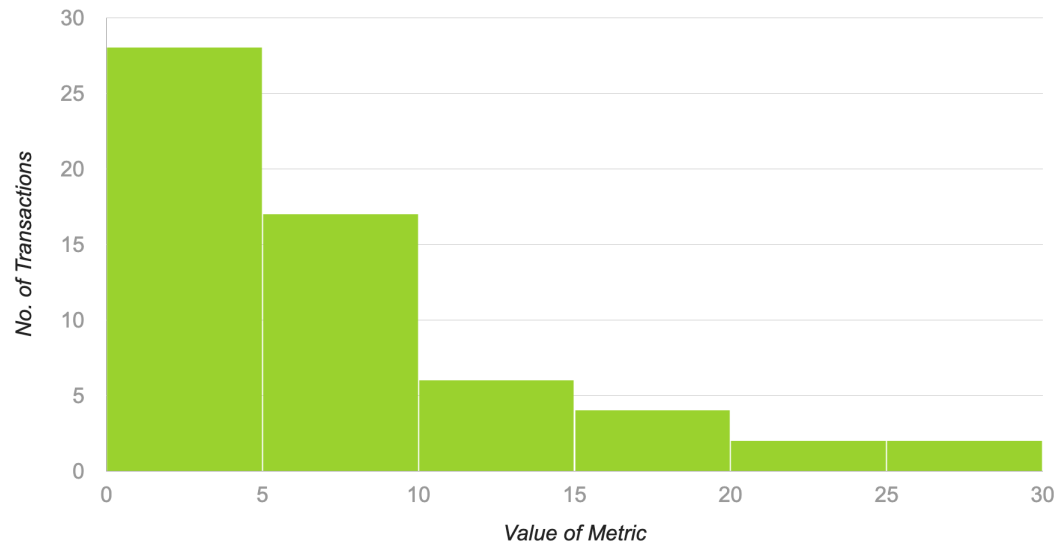


Price to Sales = Selling Price/Net Sales
Date range: 01/22/1999 - 07/01/2019



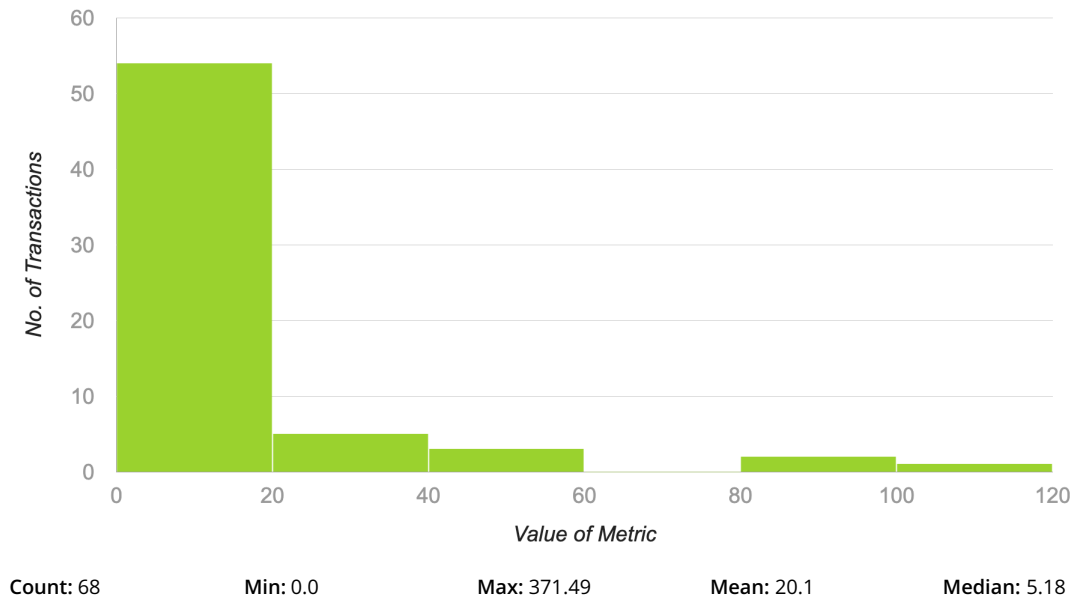
Count: 75 **Min: 0.2** **Max: 3.8** **Mean: 1.19** **Median: 1.11**

Price to Gross Profit = Selling Price/Gross Profit
Date range: 01/22/1999 - 07/01/2019



Count: 62 **Min: 0.57** **Max: 371.49** **Mean: 14.6** **Median: 5.49**

Price to EBITDA = Selling Price/Operating Profit + Depreciation & Amortization
Date range: 01/22/1999 - 07/01/2019



Price to EBIT = Selling Price/Operating Profit
Date range: 01/22/1999 - 07/01/2019

Selling Price, also known as MVIC (Market Value of Invested Capital) is the total consideration paid to the seller and includes any cash, notes and/or securities that were used as a form of payment plus any interest-bearing liabilities assumed by the buyer. The MVIC price includes the noncompete value and the assumption of interest-bearing liabilities and excludes (1) the real estate value and (2) any earnouts (because they have not yet been earned, and they may not be earned) and (3) the employment/consulting agreement values. In an Asset Sale, the assumption is that all or substantially all operating assets are transferred in the sale. In an Asset Sale, the MVIC may or may not include all current assets, non-current assets and current liabilities (liabilities are typically not transferred in an asset sale).

Source: *DealStats* 2019 (Portland, OR; Business Valuation Resources LLC). Used with permission. DealStats is available at <https://www.bvresources.com/learn/dealstats>

Financial Benchmarks

Show: Industry-wide

as: Percentages

This data is provided by Powerlytics, Inc. Powerlytics is a big data predictive analytics platform provider with the most comprehensive, accurate and granular consumer and business financial data available in the marketplace. Its proprietary platform provides a comprehensive financial view of the over 200 million adults and 30 million businesses that comprise the American economy. Major U.S. corporations and financial services providers are using Powerlytics' data to manage risk (such as probability of default for business and consumer loans), discover potential markets, drive corporate strategy, develop digital marketing campaigns, benchmark performance, enhance both business and consumer target marketing, and stay on the cutting edge with predictive analytics. [Learn more about Powerlytics products & data.](#)

Need more detailed financial business or consumer/customer data for your client or prospect? Powerlytics can break down this data by specific industry segments, size of business, or geographic market as well as providing income, health, risk, and market opportunity associated with U.S. consumers. To contact us or order data, [click here.](#)

[Download data as CSV](#)

Financial Ratios (Pest Control Services)

MEASURE	2016	2017	2018
Current Ratio [?]	1.53	1.54	1.54
Quick Ratio [?]	1.16	1.17	1.18
Days Inventory [?]	13.01	13.61	14.18
Days Receivables [?]	40.67	40.51	40.43
Days Payables [?]	56.18	59.38	62.48
Pre-tax Return on Revenue [?]	4.31%	4.35%	4.38%
Pre-tax Return on Assets [?]	5.95%	5.93%	5.89%
Pre-tax Return on Net Worth [?]	19.01%	18.93%	18.78%
Interest Coverage [?]	4.92	5.03	5.12
Current Liabilities to Net Worth [?]	0.72	0.72	0.71
Long Term Liabilities to Net Worth [?]	1.47	1.48	1.47
Total Liabilities to Net Worth [?]	2.2	2.19	2.18
Number of Firms Analyzed	12,512	12,438	12,456

Income Statement (Pest Control Services)

ITEM	2016	2017	2018
Revenue	100.0%	100.0%	100.0%
Cost of Sales	33.49%	32.85%	32.31%
Gross Margin	66.51%	67.15%	67.69%
Officers Compensation	3.46%	3.44%	3.42%
Number of Firms Analyzed	12,512	12,438	12,456

Item	2016	2017	2018
Salaries-Wages	28.3%	29.03%	29.77%
Rent	2.65%	2.64%	2.63%
Taxes Paid	3.95%	4.05%	4.14%
Advertising	1.35%	1.37%	1.37%
Benefits-Pensions	2.48%	2.46%	2.43%
Repairs	0.95%	0.95%	0.96%
Bad Debt	0.41%	0.42%	0.42%
Other SG&A Expenses	14.72%	14.67%	14.49%
EBITDA	8.23%	8.13%	8.04%
Amortization-Depreciation	2.59%	2.5%	2.42%
Operating Expenses	60.87%	61.53%	62.07%
Operating Income	5.64%	5.63%	5.62%
Interest Income	0.35%	0.34%	0.33%
Interest Expense	1.67%	1.62%	1.57%
Other Income	0.0%	0.0%	0.0%
Pre-tax Net Profit	4.31%	4.35%	4.38%
Income Tax	0.76%	0.77%	0.79%
After Tax Net Profit	3.56%	3.57%	3.59%
Number of Firms Analyzed	12,512	12,438	12,456

Balance Sheet (Pest Control Services)

ASSETS	2016	2017	2018
Cash	10.76%	11.03%	11.29%
Marketable Securities	0.18%	0.16%	0.16%
Receivables	15.38%	15.14%	14.92%
Inventory	1.65%	1.67%	1.69%
Other Current Assets	6.72%	6.54%	6.39%
Total Current Assets	34.68%	34.55%	34.44%
Net Fixed Assets	11.57%	10.91%	10.3%
Other Investments	14.28%	13.91%	13.6%
Net Intangible Assets	30.14%	30.98%	31.74%
Other Non-Current Assets	9.34%	9.65%	9.92%
Total Assets	100.0%	100.0%	100.0%
LIABILITIES			
Accounts Payable	7.11%	7.29%	7.45%
Notes Payable	3.28%	3.4%	3.35%
Number of Firms Analyzed	12,512	12,438	12,456

LIABILITIES			
Other Current Liabilities	11.52%	11.41%	11.3%
Total Current Liabilities	22.61%	22.49%	22.38%
Total Long Term Liabilities	46.09%	46.2%	46.22%
Total Liabilities	68.71%	68.69%	68.6%
Net Worth	31.29%	31.31%	31.4%
Total Liabilities & Net Worth	100.0%	100.0%	100.0%
<i>Number of Firms Analyzed</i>	<i>12,512</i>	<i>12,438</i>	<i>12,456</i>

Quarterly Insight

1st Quarter 2020

Detection Systems May Improve Treatment Outcomes

Use of electronic pest detection systems is increasing due to their effectiveness in eliminating stored product pests that can contaminate stored foods. The systems depend on sensors installed in traps. The sensors provide a historical map of pest activity by relaying a signal to a data collection device when a pest is captured. Some systems also have cameras that aid in pest identification. Both techniques can result in more effective prevention and treatment processes, particularly in sensitive areas or high-risk applications where choosing the wrong prevention or treatment process can result in damage or injury.

4th Quarter 2019

Workforce Development Initiative Launched

The National Pest Management Association (NPMA) has approved a comprehensive workforce development initiative to help attract and retain qualified talent in the pest control industry. A group formed through the initiative will develop a new external website dedicated to promoting careers in professional pest control, along with corresponding social media for Facebook and LinkedIn to help drive awareness of professional pest control as a desirable career path. Employment of pest control workers is projected to grow 7% from 2018 to 2028, faster than the average for all occupations, which is 5%.

3rd Quarter 2019

California Considers Rat Poison Ban

The California Assembly passed a bill that would implement a statewide rat poison ban. The California Ecosystems Protection Act would ban the use of second-generation anticoagulants (SGARs) except in agricultural settings like food storage warehouses, slaughterhouses, canneries, and wineries. The act was proposed after wildlife biologists documented cases of rat poison compounds being found in the internal organs of deceased predators such as raccoons, birds of prey, and mountain lions. The Pest Control Operators of California industry group has said that the legislation contains too many exemptions to be effective and recommends widening buffer zones near sensitive wildlife habitat and imposing a sticker program to more tightly track and regulate the purchase of the SGARs. Pest control services beyond California may ultimately be affected by the ban if it becomes law, as other states often follow California's lead in environmental regulation.

2nd Quarter 2019

Study Confirms Efficacy of High-heat Bedbug Treatments

Increasing concern that bed bugs may become increasingly tolerant to high-heat treatments may be unwarranted. High-heat treatments are often considered by many experts to be the gold standard for treating bed bugs, as they may be preferred to using high doses of pesticides in places where people live. A Purdue University study that tested the potential of bed bugs to develop heat resistance across multiple generations found that by the seventh generation, no increase in resistance had occurred. Current guidelines that specify exposure for six to eight hours at greater than 122°F remain adequate, according to the study.

1st Quarter 2019

Climate Change may Force Pesticide Formulation Changes

Climate change may affect the efficacy of some pesticides. Changing environmental conditions like higher temperatures and CO2 levels can cause reduced pesticide sensitivity. Pest control experts predict that the number of pests with reduced pesticide sensitivity due to conditional resistance will increase dramatically if current climate changes projections prove correct. Some researchers suggest that using nanoparticles may result in higher pesticide efficacy under the projected climate change. It may also reduce the risk of pesticide overload in the environment.

Fourth Quarter 2018

Invasive Lanternfly is Spreading in Northeastern US

Pest control services are likely to benefit from attempts to control the expected spread of the invasive spotted lanternfly. Residents of the Northeast region are already dealing with spotted lanternflies on their properties in large numbers, according to the National Pest Management Association. The pest can cause massive damage to trees and fruit crops and can be a nuisance in residential areas. The US Department of Agriculture has allocated \$17.5 million in emergency funding to halt the spread of the fast-moving insect.

Third Quarter 2018

Most Mosquito Infested Cities Named

Terminix released its ranking of the most mosquito infested cities on August 20, 2018 to coincide with World Mosquito Day. Dallas-Fort Worth; New York City; Washington, D.C.; Houston; and Los Angeles occupied the top five slots. Certain cities in the United States can have more mosquito issues than others due to moisture, temperature, and other conditions, according to the pest-control company.

Second Quarter 2018

Controlling Vector-borne Diseases

Pest control services have the opportunity to become public health protectors and assist in reducing the spread of vector-borne diseases. Diseases such as Zika, Lyme, West Nile, and Chikungunya are rapidly spreading – carried primarily by mosquitoes, fleas, and ticks. A new report by the CDC reveals that disease cases resulting from these three pests tripled between 2004 and 2016. Since rodents are carriers of disease as well as fleas and ticks, rodent control is also essential. Pest control firms have a new weapon – modified dry ice – which properly placed in a burrow, will asphyxiate the rodent and kill accompanying fleas and ticks, but is nontoxic to humans and pets outside the application site.

Call Prep Questions

Working Capital

What are your company's biggest sources of revenue?

Companies generate revenue by providing pest control services to residential and commercial customers. Services include one-time treatments and multiple treatments.

What percentage of your company's business comes from contracts?

Some companies offer annual contracts and provide discounts for pre-payments. The use of medium to long-term contracts helps ensure recurring revenue.

How does your company establish pricing?

Pricing may be based on square footage or an hourly rate.

How does your company control labor costs?

Labor is the most significant cost for pest control service providers. Estimating the number of hours required to complete job is especially important for companies that charge a flat fee.

What percentage of your company's customers renew their contracts?

Contract renewals are important to maintaining steady long-term cash flow.

How does your company compensate for seasonality?

Cash flow is seasonal and affected by weather conditions. Companies may rely on lines of credit to fund operating expenses through slow winter months.

Capital Financing

What types of projects typically require capital financing?

Projects that typically require capital financing include the purchase of property, buildings, equipment, vehicles, and information systems.

How frequently does your company purchase new equipment?

Equipment includes sprayers, foggers, misters, and heaters (for bed bug treatments). Specialized cameras, microwaves, or X-ray technology can help detect the presence of termites.

What kind of investment has your company made in vehicles?

Companies may have significant investments in vehicle fleets to transport equipment and technicians to customer locations. Companies may have vehicles outfitted and dedicated to certain applications - termite trucks are generally larger than standard pest control trucks.

How is your company using technology to improve productivity?

Companies invest in technology and information systems to help manage day-to-day operations. Software programs and hand held devices that manage scheduling and routing help optimize technician time and vehicle utilization. GPS-based fleet management systems can improve driver productivity. Wireless technology allows service providers to monitor traps remotely.

What role do acquisitions play in your company's growth plans?

Acquisitions are a popular growth strategy for pest care service providers.

What are your company's most common sources of financing?

Large companies rely on debt, stock, cash, or a combination to fund capital projects. Pest control service providers have also become popular acquisition targets for private equity firms in the recent past. Small companies rely on commercial loans, home equity loans, or private investors, for capital funding.

How Firms Operate

What is your company's specialty?

Companies may specialize in residential or non-residential services. Providers may also specialize in a particular industry, such as food manufacturing or health care.

What processes does your company use to provide pest control?

Technicians apply chemicals, set and bait traps, or create barriers to separate pests from buildings. Companies may use fumigants (poisonous gases) to treat serious infestations.

What percentage of your company's business comes from termite control?

Termite control can involve the installation of monitoring stations and monitoring services over a period of time.

How do your company's services incorporate integrated pest management?

Integrated Pest Management (IPM) is a pest control system that involves inspection, identification, and treatment methods specific to each situation. Treatment includes chemical and non-chemical solutions.

What are your company's most effective marketing and promotional vehicles?

Marketing and promotional vehicles include local television, print, and radio advertising; direct mail; and online/Internet programs. Referrals are an important source of leads and new business. Companies often depend on relationships with builders and contractors for termite pre-treatment work on new construction.

How does your company protect technicians from overexposure to pesticides?

Technicians are typically trained and licensed to use pesticides. Because pesticides are toxic, workers wear protective gear, such as respirators, gloves, and goggles.

Industry Risks

How does seasonality affect your company's business?

Demand for pest control is seasonal, and driven by increases in pest activity.

How does your company minimize the risks of working with pesticides?

Pest control often involves the application of toxic chemicals that have the potential to harm humans, pets, plants, or the environment.

How does your company ensure compliance with government regulations?

Because pest control involves toxic substances, the EPA and state governments regulate various elements of operations, including licensing, record keeping, standards of application, training, and product registration.

What is your company's biggest source of competition?

Competitors for pest control service providers involve companies in a range of industries, including cleaning and sanitizing services, facilities services, and lawn care.

How sensitive is your company's business to economic conditions?

Although less vulnerable than other types of building and dwelling services, demand for pest control is sensitive to economic conditions.

How does your company minimize the financial risk associated with termite guarantees?

Companies that sell termite bonds or guarantees can be liable for excessive repair charges related to damage.

Industry Trends

How has your company's business responded to recent changes in the economy?

As the economy improves, sales growth for pest control service providers is increasing.

How has demand for bed bug treatments changed over the last few years?

Bed bug infestations, which were relatively rare more than a decade ago, have increased across the country, creating massive sale opportunities for pest control service providers.

What changes are you seeing regarding demand for ant treatments?

Ants maintain their status as the most common pest problem for consumers, and incidence of infestation is on the rise, according to a survey by the Professional Pest Management Alliance (PPMA).

How could partnerships improve your company's business?

Because of the significant cost associated with bed bug treatments, Aon (an insurance broker) has partnered with Terminix to provide bed bug coverage to commercial clients, such as hotels, landlords, student housing developments, and businesses.

What is your company's position on the potential link between pesticide use and bee colony collapse?

Bee colonies continue to experience significant losses, as government and private organizations search for specific causes.

Industry Terms

Acute Toxicity

Short term exposure to hazardous substances.

Attractant

Substance that attracts pests for monitoring or killing.

Bee Colony Collapse

Significant losses to bee colonies occurring since 2006.

Callback

Return trip to customer site.

Chronic Toxicity

Long term exposure to hazardous substances.

Fumigant

Poisonous gas.

IGR (Insect Growth Regulators)

A type of pesticide.

IPM (Integrated Pest Management)

Process that involves inspection, identification, and treatment specific to a particular customer situation.

LD

Lethal Dose.

Repellant

Substance that repels pests.

Rodenticide

Pesticide targeted at rodents.

Web Links

[Pest Control Technology](#)

News, trends, and business advice

[National Pest Management Association](#)

News, trends, legislative issues from trade association

[Pest World](#)

Consumer information on pests and pest control

[Pest Management Professional](#)

News, trends, and firm rankings

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