



INSIDE THE GREEN INDUSTRY



**A Look at the Current Market and What is Driving a
Compelling Environment for Sellers of Landscaping &
Vegetation Management Companies**



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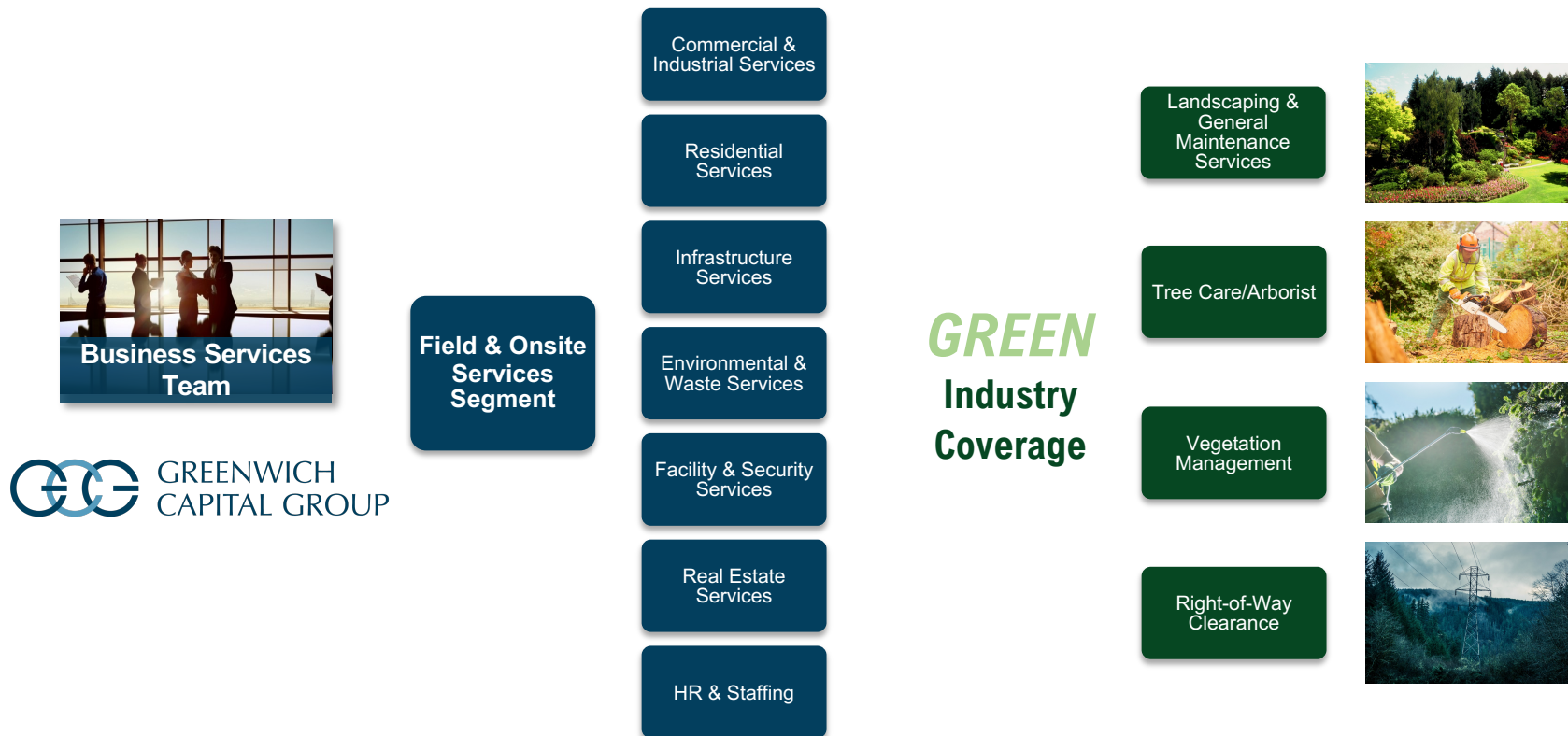




INTRODUCTION

Greenwich Capital Group Coverage of the Green Industry

Inside the Field & Onsite Services Segment within GCG's Business Services team

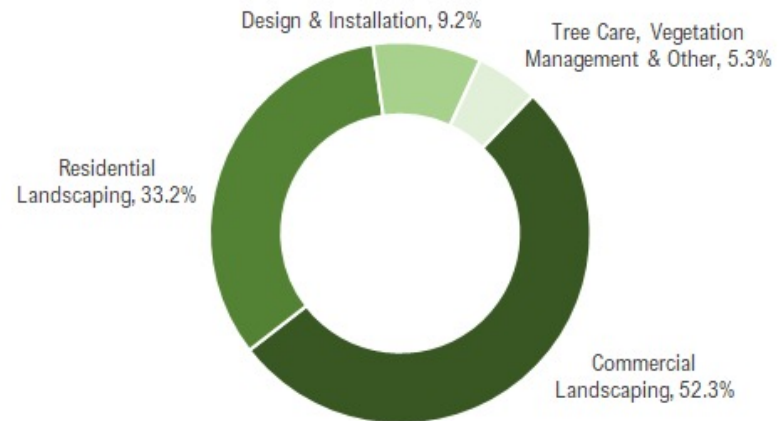


- Within its Business Services team, one of GCG's focus areas includes advising companies that provide services among a variety of field applications and onsite at customer facilities
- While GCG has deep experience across many types of field & onsite services, this publication was developed to provide insights specifically for owners & operators of **Landscaping and Vegetation Management** companies
- GCG understands key factors that influence M&A transactions and valuations in these industries, and has vast experience advising families (often multi-generational) and entrepreneurs that lead privately held companies

What is the Green Industry?

- One of the largest sectors in the U.S. economy
- Represents more than **\$105 Billion** of annual spending to providers that service a wide variety of **commercial, industrial, utility, government, and residential** customers
 - Almost **\$90 billion** per year is spent on landscaping and general maintenance needs for commercial facilities and residential properties
 - While a comparatively smaller market, more than **\$15 billion** per year (**and growing**) is spent to facilitate tree care, vegetation management, and other critical commercial, industrial, utility, and government maintenance requirements

Market Segmentation – \$105 Billion of Annual Revenue



	Commercial Landscaping	Residential Landscaping	Design & Installation	Tree Care, Veg. Mgmt. & Other
TYPICAL SERVICES	<ul style="list-style-type: none"> Lawn Mowing Weed Trimming Application of Pesticides / Herbicides Fertilization & Propagation Tree & Shrub Services Exterior Landscape Installation 	<ul style="list-style-type: none"> Lawn Mowing Leaf Blowing Fertilizing Weed & Pest Control 	<ul style="list-style-type: none"> Maintenance & Installation of Lawn & Garden Features Construction of Embankments, Terraces & Retaining Walls, Walkways, Decks, Fences, Ponds, And Similar Structures 	<ul style="list-style-type: none"> Cultivation and Management of Trees, Tree Felling and Surgery, Power Line & Other Right-of-way Clearances Vegetation Management (Mechanical & Herbicide Based)
TYPICAL CUSTOMERS	<ul style="list-style-type: none"> Commercial Facilities Municipal Buildings Campuses Others 	<ul style="list-style-type: none"> Households Multi-family Residential Structures 	<ul style="list-style-type: none"> Commercial Facilities Higher Income Households 	<ul style="list-style-type: none"> Utilities, Municipalities, Other Commercial & Industrial ROW Operators Residential Households

Source: IBISWorld.

Why Should Owners Considering a Transition be Optimistic?

- The Green Industry is a highly desired market segment for acquirers, both strategic consolidators and private equity firms that are aggressively looking to deploy capital
- The attraction is driven by:
 - Recurring demand for critical maintenance, leading to non-discretionary customer budget requirements
 - The expectation that outsourcing trends will be sustainable throughout the long-term future
 - The fundamentals of this large fragmented industry that support accelerated growth strategies through acquisitions
- **Valuations are at an all-time industry high**, albeit there are numerous factors that contribute to value on a company-by-company basis
- Lenders are attracted to the industry as well and are extending financing to acquirers at aggressive leverage multiples to support high valuations



What Green Industry Business Owners Should Know?

IT IS AN ATTRACTIVE TIME TO SELL

- Owners of landscaping and vegetation management businesses that desire to transition their ownership in the next several years **may never see a better time than now to maximize their value and options**
- The current market environment presents an opportune time for sellers to achieve an optimal outcome that aligns with their objectives, both financially and for the next stage of their companies



Throughout this publication, GCG offers insights gained from its expertise and proprietary transaction experience across the Landscaping and Vegetation Management market segments, to provide perspectives on what is driving strong activity levels and a compelling environment for sellers.



GREEN INDUSTRY SERVICES & PRIMARY END MARKETS

Landscaping: Overview

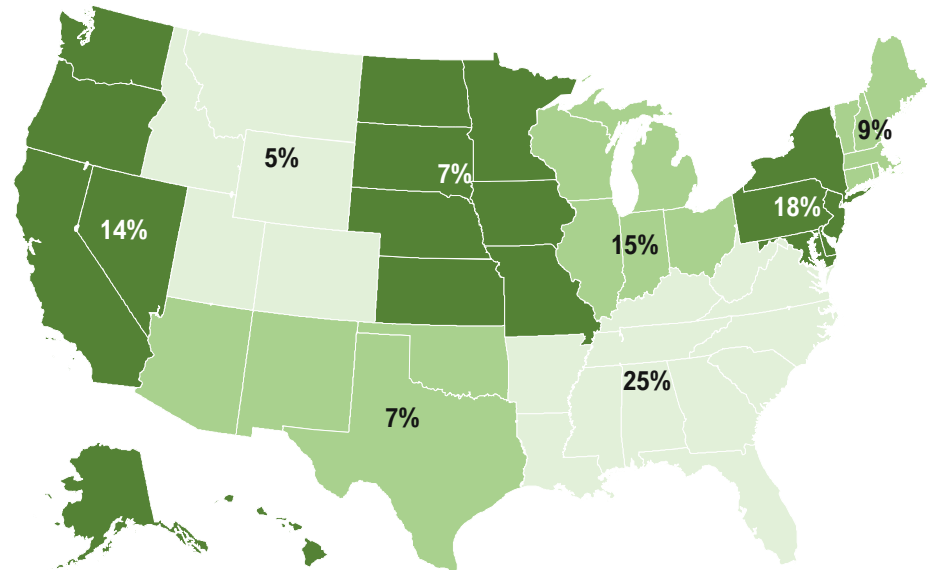
Landscaping is a requirement for owners of corporate, industrial, and residential properties that rely on outsourced service providers to address this critical maintenance need; the breadth of service offerings normally varies from one provider to the next

- Larger and more diverse landscaping companies tend to offer a broader portfolio of services and may handle multiple locations for their customers
- Smaller players typically focus on specific offerings within a limited geography

Market Dynamics

- There are more than **600,000 landscaping service providers** throughout the U.S.
- Some are larger companies, with a:
 - Regional, or in some cases national reach
- However, the majority are smaller operators, often with a:
 - Limited geographical presence
 - Focus on specific offerings
 - Owner/operator model

REGIONAL % BREAKOUT OF THE 600,000 LANDSCAPING COMPANIES ACROSS THE U.S.



Source: IBISWorld.

Market Fragmentation



Driving Attractive Valuations

- Private equity firms that base their investment thesis on a “buy and build” strategy tend to pay higher values for both attractive platforms and add-on acquisitions
- Higher values are justified since private equity backed landscaping companies can normally grow faster and achieve greater investment returns when a “buy and build” strategy is successfully executed
- A fragmented market, such as the Green industry with >600K participants, and many opportunities to pursue attractive add-on acquisitions is a key requirement for this strategy to be effective

Landscaping: Services and Primary End Markets

TYPICAL SERVICES OF MOST COMMERCIAL AND RESIDENTIAL LANDSCAPING COMPANIES



Landscape Maintenance



Lawn Care



Design & Installation



Sprinkler &
Irrigation Service



Snow Removal

Typical End Markets:



Commercial Real Estate /
Property Management



Residential Households
and Multi-Family
Properties



Local Municipalities

ADDITIONAL SERVICES PROVIDED BY LARGER, MORE DIVERSE LANDSCAPERS



Tree Care / Removal



Golf / Sports Turf
Management

National and Regional Players Tend to Offer Multi-Site Management for Customers as well

Typical End Markets for Larger Players:

- General Commercial
- Education
- Healthcare
- Hospitality
- Religious
- Residential
- Retail
- Sports & Leisure
- General Industrial
- Others

Vegetation Management: General Overview

Vegetation Management is the practice of:

- Managing, treating, and slowing the growth of vegetation within right-of-way environments and other properties that can infringe and cause disruption to services. Potential problems typically arise from the undesired and recurring growth of trees, weeds, vines, and brush
 - It also includes line clearance for development of right-of-way infrastructures
- Right-of-way is generally defined as easement over a piece of land for transportation purposes, such as highways, public footpaths, railroads, canals, electrical transmission/distribution lines, and oil & gas pipelines

VEGETATION MANAGEMENT TREATMENT METHODS

Mechanical

- Trimming
- Sawing
- Pruning
- Mowing

Application of Herbicides

- Foliar Treatments (Green/growth stage)
- Selective vs. Non-Selective Herbicides
- Dormant Season / Bark Applications
- Tree Growth Regulators

Typical Users / Applications

ROW operators that must manage vegetation and prevent it from disrupting the services they provide. Examples include:



Electric Utilities

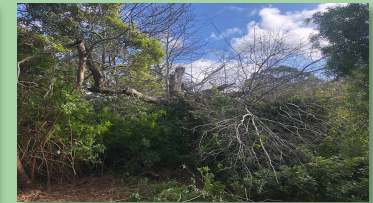


Railroad Operators

Government organizations and other property owners that desire to improve safety and aesthetics throughout their ROWs. Examples include:



Roadside



Forestry

Vegetation Management: Services and Treatments

MECHANICAL / NON-CHEMICAL TREATMENTS

Manual Control Methods Involving Use of Heavy Equipment and Machinery



Trimming



Pruning



Sawing



Mowing

HERBICIDE BASED TREATMENTS

Use of Selective / Non-Selective Herbicides to Slow Growth or Eliminate Vegetation



Foliar Treatments
(green/growth stage)



Dormant Season /
Bark Applications



Tree Growth
Regulators

CONCEPT OF INTEGRATED VEGETATION MANAGEMENT (“IVM”)

What is IVM

Effective Balancing of Mechanical and Herbicide-Based Treatments

Benefits of IVM

IVM Process

LEADS TO

- Systems-based approach that promotes vegetation management treatments that are more environmentally-friendly and cost-effective
- Emphasis on year-round treatments through greater use of herbicide-based solutions to employ a more proactive long-term approach to controlling vegetation growth
- **Lowers overall maintenance costs for customers with large annual budget requirements**
- **Reduces frequency of treatments and slows undesired vegetation growth**
- **Promotes healthy and environmentally-friendly vegetation species**
- **Greater preservation of wildlife habitats**
- Planning & Evaluation
- Set Action Plan
- Determine Treatments
- Implementation & Ongoing Monitoring

Less risk of service disruptions, safety hazards, and regulatory non-compliance

Vegetation Management: Major End Markets

PRIMARY RIGHT-OF-WAY APPLICATIONS



Electric Utilities

- The U.S. electric power delivery infrastructure consists of:
 - > 200,000 miles of transmission lines
 - > 5.5 million miles of distribution lines
 - Thousands of substations
 - 145 million residential, commercial, and industrial customers
- Utilities have a responsibility to manage vegetation in their rights-of-way to protect their lines; still every year power outages result in a cost of **more than \$100 billion** to the U.S. economy
- Government organizations, such as the **Federal Energy Regulatory Commission (FERC)** and **North American Electric Reliability Corporation (NERC)** oversee, impose, and enforce strict regulatory guidelines the electric power utilities must adhere to or face severe fines and penalties



Railroad

- The U.S. freight rail network includes almost 140,000 route miles controlled by Class I and other regional short-line operators
- Specialized equipment and skills are required to effectively manage vegetation in order to protect people and the infrastructure, while providing customers continued service without delay for vegetation on the tracks



Municipal / Roadside ROW

- Local governments or municipalities are responsible for managing vegetation throughout their rights-of-way, or roadsides
- Roadside vegetation is managed to provide drivers with a clear view of approaching vehicles and other hazards

OTHER MAJOR INFRASTRUCTURE APPLICATIONS



Oil & Gas Pipelines



Electric Co-ops



Water / Wastewater



Telecommunications

OTHER END MARKETS / APPLICATIONS



Environmental Services



Forestry



General Industrial



General Commercial



Drainage Canals

Contractual Nature: Landscaping & Vegetation Management

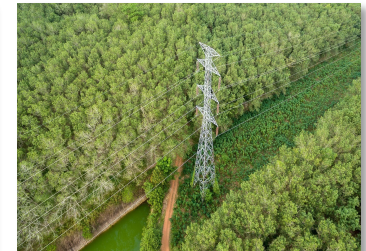
LANDSCAPING SERVICES

- While terms can vary between commercial and residential applications, landscaping service providers typically engage in contracts with their customers
- Commercial contracts will typically include the following:
 - 1 – 3 year terms
 - Set billing rates for time & material (or fixed unit pricing); or sometimes fixed rates for periodic maintenance, with billing rates for additional services
- Work is then typically released via purchase orders
- For residential applications, contracts tend to be either one-year or “seasonal-period based”, and can often include auto-renewal provisions



VEGETATION MANAGEMENT

- Most vegetation management service providers operate under long-term master service agreements (MSA's) with their customers
- Because of larger budget requirements for annual vegetation management maintenance programs, there tends to be a more extensive qualification process in selecting service providers, making it more difficult to gain the business but also harder to lose it
 - Often, service providers are exclusive to identified geographic areas
- Typical MSA's often exhibit the following characteristics:
 - 1-5 year terms
 - Set time & material pricing rates or fixed unit pricing
 - Work is released via purchase orders





RECENT MARKET ACTIVITY AND PRIMARY INDUSTRY CONSOLIDATORS

Summary

In the past 18 months alone, GCG has observed **nearly 100 transactions that occurred throughout the Green Industry**

- During this time, at least eight new private equity platforms were established
- Currently, there are **more than 40 active private equity platforms across the landscaping and vegetation management segments**, and GCG anticipates that additional investors will enter the industry

This should create further demand for business owners that have a desire to sell and can attract **premium interest and valuations**

The following pages present the transactions GCG has observed in the past 18 months throughout the industry, followed by illustrations of the primary strategic consolidators and private equity platforms

Source: Capital IQ and publicly available information.

Transactions During the Past 18 Months

Source: Capital IQ and publicly available information.

<u>Transaction Date</u>	<u>Acquirer</u>	<u>Current Private Equity Sponsor</u>	<u>Target Company</u>	<u>Market Segments</u>
Jul-21	The Davey Tree Expert Company	N/A	Utility Line Crew Division of Seacoast Tree Care, LLC	Tree Care
Jul-21	SavATree, LLC	CI Capital Partners	Preservation Tree Services, Inc.	Tree Care
Jul-21	Incline Management, L.P.	N/A	Edko, LLC	Vegetation Management
Jul-21	KKR & Co. Inc.	N/A	Neighborly, Inc.	Landscaping
Jul-21	L2 Capital Partners, L.P.	N/A	Ecotone, Inc.	Landscaping
Jul-21	Urban Life Solutions Inc.	Signal Hill Equity	GrassChopper Landscaping Ltd.	Landscaping
Jun-21	The Greenery, Inc.	N/A	Livingston Huff, Inc.	Landscaping
Jun-21	Warren Equity Partners, LLC	N/A	Pittman's Tree & Landscaping, Inc./West Tree Service, Inc./Steve Woodson, Inc.	Landscaping/Tree Care/ Vegetation Management
Jun-21	BrightView Holdings, Inc.	N/A	West Bay Landscape, Inc.	Landscaping
Jun-21	BrightView Holdings, Inc.	N/A	Baytree Landscape Contractors, Inc.	Landscaping
Jun-21	Outworx Group	Mill Point Capital/Cohesive Capital	Gold Landscape, Inc.	Landscaping
Jun-21	SavATree, LLC	CI Capital Partners	Tree-Tech, Inc.	Tree Care
May-21	Crosswalk Capital	N/A	Earth Development, Inc.	Landscaping
May-21	Top Gun Pressure Washing, Inc.	Osceola Capital Management	Emerald Isle Landscaping, Inc.	Landscaping
May-21	Bartlett Tree Experts	N/A	Westree Inc.	Tree Care
May-21	BrightView Holdings, Inc.	N/A	BIRCH, Inc.	Landscaping
May-21	Green Group Oklahoma	N/A	Lawn Oklahoma	Landscaping
Apr-21	Schill Landscaping And Lawn Care Services, Inc.	Plexus Capital/Argonne Capital Group	Mike Ward Landscaping, LLC	Landscaping

Transactions During the Past 18 Months

Source: Capital IQ and publicly available information.

<u>Transaction Date</u>	<u>Acquirer</u>	<u>Current Private Equity Sponsor</u>	<u>Target Company</u>	<u>Market Segments</u>
Apr-21	SavATree, LLC	CI Capital Partners	Branches Tree Experts	Tree Care
Apr-21	Sperber Landscape Companies, LLC	Nexus Capital Management	Cagwin & Dorward	Landscaping
Mar-21	SavATree, LLC	CI Capital Partners	T.L. Jenkinson LLC	Tree Care
Mar-21	Harvest Landscape Enterprises, Inc.	N/A	Pacific Landscaping Group, Inc.	Landscaping
Mar-21	Prescription Landscape, Inc.	N/A	Peerless Lawn Care, Inc.	Landscaping
Mar-21	SavATree, LLC	CI Capital Partners	Chris Glynn's Tree Experts, Inc.	Tree Care
Mar-21	SavATree, LLC	CI Capital Partners	Kaiser Tree Preservation Co.	Tree Care
Mar-21	The Davey Tree Expert Company	N/A	Chippers Inc.	Landscaping
Feb-21	Rollins, Inc.	N/A	McCall Service Inc.	Landscaping
Feb-21	JMF Landscaping Inc.	N/A	Yards of Pleasure, Inc.	Landscaping/Vegetation Management
Feb-21	Andover National Corporation; Zodega Landscape Services, LLC	Windber National	Substantially all of the assets of GreenTex Landscaping Inc	Landscaping
Feb-21	Senske, Inc.	N/A	Assets of Elk Creek Lawn & Tree Care	Landscaping
Feb-21	Stratton - Brätt Landscapes, LLC	N/A	Elite Grounds L.C.	Landscaping
Feb-21	Senske, Inc.	N/A	ExperiGreen - Denver, LLC (nka:Senske Services in East Denver)	Landscaping
Feb-21	SavATree, LLC	CI Capital Partners	Big Twigs Arboricultural Services LLC	Tree Care
Feb-21	LPA, Inc.	N/A	Lastras de Gertler Landscape Architects, Inc.	Landscaping
Feb-21	Schill Landscaping And Lawn Care Services, Inc.	Plexus Capital/Argonne Capital Group	Commercial Division of The Ohio Valley Group	Landscaping
Feb-21	BrightView Holdings, Inc.	N/A	Green Image, LLC	Landscaping

Transactions During the Past 18 Months

Source: Capital IQ and publicly available information.

<u>Transaction Date</u>	<u>Acquirer</u>	<u>Current Private Equity Sponsor</u>	<u>Target Company</u>	<u>Market Segments</u>
Jan-21	Andover National Corporation; Zodega Landscape Services, LLC	Windber National	Substantially all of the assets of Texas Seasons Corporation	Landscaping
Jan-21	Zodega Landscape Services, LLC; ANC Green Solutions - Zodega, LLC	Windber National	All of the Property and Assets of Zodega-TIS Services	Landscaping
Jan-21	Confluence, Inc.	N/A	studioINSITE, LLC	Landscaping
Jan-21	Stay Green, Inc.	N/A	Emerald Landscape Services, Inc.	Landscaping
Jan-21	SavATree, LLC	CI Capital Partners	Arborwell, Inc.	Tree Care
Jan-21	BrightView Holdings, Inc.	N/A	Cutting Edge Property Maintenance, Inc.	Landscaping
Jan-21	Landscape Workshop LLC	Carousel Capital Partners	Landscape Operations of Volunteer Lawn Corporation	Landscaping
Dec-20	SavATree, LLC	CI Capital Partners	Treecology, LLC	Tree Care
Dec-20	Bartlett Tree Experts	N/A	Signature Tree Care	Tree Care
Dec-20	Landscape Workshop LLC	Carousel Capital Partners	Landscape Maintenance and Enhancement Operations of Great Oak Landscape Group	Landscaping
Dec-20	T.D.T. Corporation	N/A	JD Irrigation	Landscaping
Nov-20	American Landscaping Partners LLC	Cold Bore Group	Fairfield Construction, LLC and Fairfield Snow & Ice Services, LLC	Landscaping
Nov-20	BrightView Holdings, Inc.	N/A	WLE LLC	Landscaping
Oct-20	Yellowstone Landscape, Inc.	Harvest Partners	Acres Group	Landscaping
Oct-20	BrightView Holdings, Inc.	N/A	Commercial Tree Care, Inc.	Tree Care
Oct-20	Devil Mountain Wholesale Nursery, LLC	N/A	BrightView Tree Company	Tree Care
Sep-20	BrightView Holdings, Inc.	N/A	All Commercial Landscape Service Inc	Landscaping
Sep-20	Carousel Capital Partners LP; Carousel Capital Partners V, L.P.	N/A	Landscape Workshop LLC	Landscaping

Transactions During the Past 18 Months

Source: Capital IQ and publicly available information.

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Sep-20	Barenbrug USA, Inc.	N/A	Jacklin Seed Company	Landscaping
Sep-20	Authority Brands, LLC	Apax Partners	Monster Tree Service LLC	Tree Care
Sep-20	SavATree, LLC	CI Capital Partners	Jordan's Tree Moving & Maintenance, Inc.	Tree Care
Sep-20	Landscape Partners, L.P.	N/A	Schill Landscaping And Lawn Care Services, Inc.	Landscaping
Sep-20	Massey Services, Inc.	N/A	Ardent, LLC	Tree Care
Aug-20	Conserve Landcare, LLC	N/A	Monarch Landscapes Holdings, LLC	Landscaping
Jul-20	SavATree, LLC	CI Capital Partners	Olive Branch Tree Care of Louisville	Tree Care
Jul-20	SavATree, LLC	CI Capital Partners	Spruced Up Tree & Shrub LLC	Tree Care
Jul-20	Warren Equity Partners, LLC	N/A	New Urban Forestry, LLC	Tree Care/Vegetation Management
Jun-20	Warren Equity Partners, LLC	N/A	Gunnison Tree Services, LLC	Tree Care/Vegetation Management
Jun-20	SavATree, LLC	CI Capital Partners	Downey Trees INC.	Tree Care
May-20	Advanced Tree Care, Inc.	N/A	Topps Tree Service, INC	Tree Care
May-20	Hoffman Landscapes, Inc.	N/A	Kent Greenhouse & Gardens	Landscaping
Apr-20	Daniels and King Management Company, L.P.; Prairie Capital VI, L.P.; Rising Point Capital	N/A	Fairway Lawns, Inc.	Landscaping
Apr-20	The Davey Tree Expert Company	N/A	Certain Assets of Wickes/Arborists in Spring Valley, New York	Tree Care
Apr-20	Aero Operating LLC (nka:Outworx Group)	Mill Point Capital/Cohesive Capital	The Shepherds' Landscaping, LLC	Landscaping
Apr-20	Montage Partners, Inc.	N/A	URW, LLC	Landscaping/Vegetation Management
Apr-20	Aero Operating LLC (nka:Outworx Group)	Mill Point Capital/Cohesive Capital	Lawn Butler LLC	Landscaping

Transactions During the Past 18 Months

Source: Capital IQ and publicly available information.

<u>Transaction Date</u>	<u>Acquirer</u>	<u>Current Private Equity Sponsor</u>	<u>Target Company</u>	<u>Market Segments</u>
Apr-20	Aero Operating LLC (nka:Outworx Group)	Mill Point Capital/Cohesive Capital	Groundtek of Central Florida	Landscaping
Apr-20	Saturn Five	N/A	Highlands Landscaping and Fencing, LLC	Landscaping
Mar-20	Westbridge Capital Ltd.	N/A	Scopes Facility Services, LLC	Landscaping
Mar-20	BrightView Holdings, Inc.	N/A	4 Seasons Landscape Group, LLC	Landscaping
Mar-20	Nature Care Services, Inc.	N/A	Maintenance Division of Richard Cohen Landscape & Construction, Inc.	Landscaping
Mar-20	Enhanced Landscape Management Inc.	N/A	Zuke's Landscape, Inc.	Landscaping
Feb-20	SavATree, LLC	CI Capital Partners	Ping's Tree Service, Inc.	Tree Care
Feb-20	Landscape Workshop LLC	N/A	EcoLandcare LLC	Landscaping
Feb-20	Master Lawn	N/A	Mid-South Turf and Ornamental, Inc.	Landscaping
Feb-20	Andover National Corporation	Windber National	Certain Assets of Potter Professional Lawn Care Inc.	Landscaping
Feb-20	Crux Capital	N/A	Superscapes, Inc.	Landscaping
Jan-20	TeamTurf	N/A	Lawn Care Division of Matteo & Sons Turf Care	Landscaping
Jan-20	Heath Outdoor LLC	N/A	True North Landscaping, LLC	Landscaping
Jan-20	Place Landscape Architecture LLC	N/A	Sage Design Group PLLC	Landscaping
Jan-20	BrightView Holdings, Inc.	N/A	Summit Landscape Group, LLC	Landscaping
Jan-20	BrightView Holdings, Inc.	N/A	Signature Coast Holdings, LLC	Landscaping
Jan-20	The Davey Tree Expert Company	N/A	Certain assets of North American Tree Service, Inc.	Tree Care
Jan-20	Tighe & Bond, Inc.	N/A	Halvorson Design Partnership, Inc.	Landscaping

Primary Strategic Consolidators / Private Equity Platforms

Company	Ownership / PE Sponsor	Focus	Market Reach
		Landscaping Tree Care / Maintenance Vegetation Management	National
	Private	Tree Care / Maintenance	National
		Landscaping	Southeast U.S.
	Public (NYSE: BV)	Landscaping Tree Care / Maintenance	National
	Employee Owned	Landscaping Tree Care / Maintenance Vegetation Management	National

Source: Capital IQ and publicly available information.

Primary Strategic Consolidators / Private Equity Platforms

Company	Ownership / PE Sponsor	Focus	Market Reach
		Vegetation Management	Mostly Eastern half of U.S. and parts of Central U.S.
		Tree Care / Maintenance Vegetation Management	Southeast U.S.
		Landscaping	Central, Mid-Atlantic, and Southeast U.S.
		Tree Care / Maintenance Vegetation Management	Northeast and Mid-Atlantic U.S.
		Tree Care / Maintenance Vegetation Management	Southeast U.S.

Source: Capital IQ and publicly available information.

Primary Strategic Consolidators / Private Equity Platforms

Company	Ownership / PE Sponsor	Focus	Market Reach
		Landscaping	Southeast U.S.
		Landscaping	Western U.S.
		Landscaping	Western U.S. and Texas
		Landscaping	Midwest U.S.



Landscaping
Tree Care / Maintenance

National

Source: Capital IQ and publicly available information.

Primary Strategic Consolidators / Private Equity Platforms

Company	Ownership / PE Sponsor	Focus	Market Reach
		Landscaping	National
		Landscaping	Southeast U.S.
		Landscaping Vegetation Management	Western U.S.
		Landscaping	Texas



Landscaping
Tree Care / Maintenance

National

Source: Capital IQ and publicly available information.



KEY FUNDAMENTALS AND TRENDS IN VALUATION

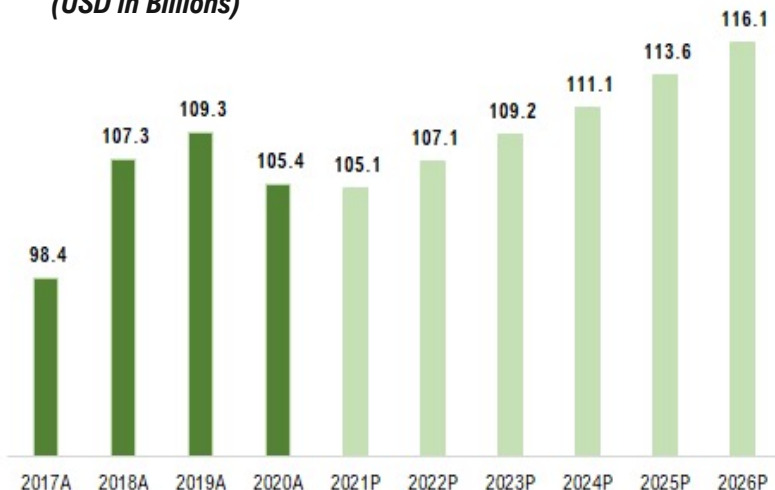
Why are Acquirers Attracted to the Green Industry?

Large and Growing Markets

- With annual revenues in excess of \$100 billion, the Green Industry represents a large portion of the overall economy and is expected to continue growing
- While most industry participants have a specific focus area, they still tend to service a very large market with recurring demand and non-discretionary budget requirements
- The market perceives landscaping and vegetation management needs to be critical, with long-term sustainability in outsourcing these services

Historical and Projected Industry Revenue

(USD in Billions)



Source: IBISWorld.

Key Fundamentals

- **Critical Maintenance Requirements**
 - Most users of landscaping and vegetation management services have large annual maintenance budgets
 - Services tend to be performed under long-term contracts
- **Recurring Demand**
 - Grass, trees, and other vegetation all have a natural growth cycle
 - Regardless of method / frequency of treatment (i.e. mowing, trimming, herbicides, etc.), there will be natural re-growth
- **Non-Discretionary Spending**
 - Consistent maintenance is required to minimize potential service disruptions
 - Stringent requirements from governing bodies enforcing regulatory and safety standards
 - Continuous treatment is required to maintain desired aesthetics on rights-of-way and properties

While the Green Industry as a whole declined in 2020 (due to nationwide shutdowns during the COVID-19 pandemic), many segments remained stable and actually grew

Despite contraction in some areas of the market during the COVID-19 pandemic, the industry in total still grew 2.5% per year (2016-2021), with similar growth expected over the next five years

What Drives Strategic Buyer Interest?

Strategic Buyers Continue to Pursue M&A as a Primary Source of Growth, with the Following Objectives

Expand Market Share

- Because the market is highly fragmented, and it can take time to displace current service providers, it is more difficult to maintain an organic growth rate that keeps pace with one that can be achieved through an acquisition strategy
- Acquisitions therefore enable a faster alternative to expand market share

Increase Geographic Footprint

- Acquisitions enable faster entry into a new market by purchasing a company that already has an existing infrastructure (i.e. management, employees, customers, equipment, etc.)

Diversify and Grow Customer Base

- Acquisitions are utilized to gain access to attractive customers and to also create diversity in sales mix (both customers and end markets)

Greater Access to Labor and Talented Management

- One of the greatest challenges for Green Industry operators is the recruitment and retention of quality and reliable field labor; As such, many providers struggle to keep labor deployed year-round and often resort to government programs like “H2B” to gain access to people (which is often seasonal)
- Acquisitions are an effective means to expand the labor pool
- Acquisitions are also a source of gaining access to talented management personnel that bring valuable external perspectives to the company

Private Equity Strategy and Focus

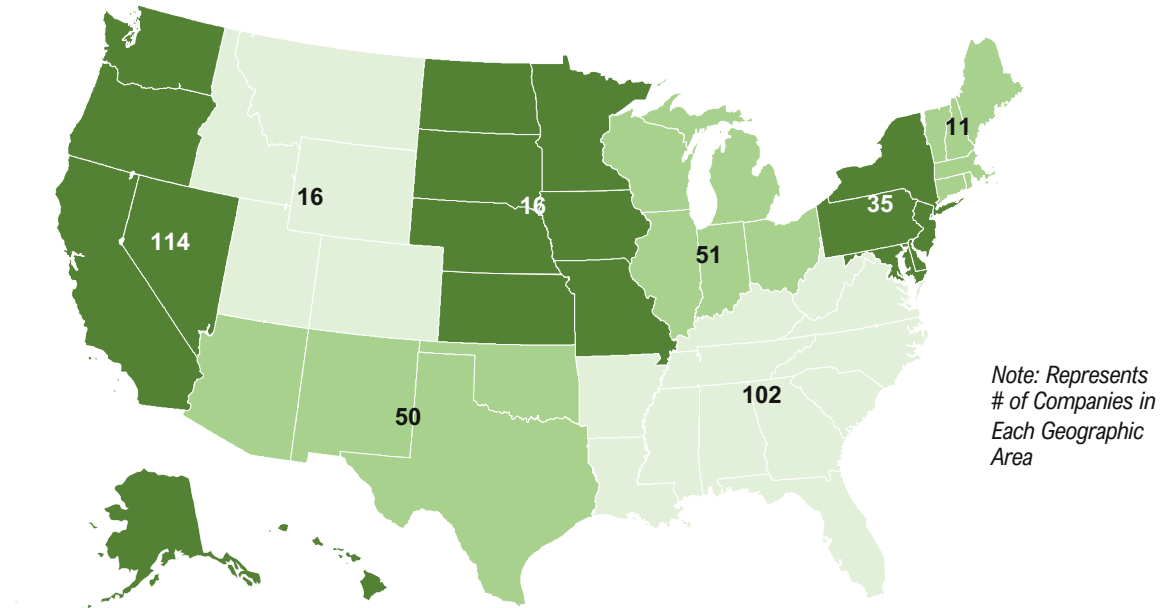
- There are more than 40 active private equity platforms across the Green industry, with at least eight established in the past 18 months
- Much like existing players in the space, private equity is attracted to the fundamentals inherent in the Green industry
 - (i.e. **recurring maintenance, long-term contracts, non-discretionary spending, recession resilience, and market fragmentation**)
- Typically, private equity firms will develop a “Green Industry” thesis, then seek a platform investment
 - A platform investment is the first acquisition the private equity firm will make in the industry, and the target company typically maintains desired qualities to support long-term growth expectations, which often includes an add-on acquisition strategy

It is expected that there will continue to be demand for new private equity investors to enter the Green Industry

There are More than 400 Green Companies Across the U.S. that Generate Revenue Between a Few Hundred Thousand Dollars and \$50 Million per Year

Note: Includes only companies that have available revenue estimates.

**Many Viable
Acquisition
Targets**



Private Equity Strategy and Focus

The “Buy-and-Build” Strategy

- Once a private equity firm executes its platform acquisition, they essentially become a strategic buyer in their pursuit of add-on acquisitions
- Because of the market fragmentation, there is an abundance of potential targets across the country, enabling an aggressive approach to add-on acquisition strategies
 - As noted on the prior page, there are > 400 green companies (including just those companies that have available revenue estimates) across the country generating between a few hundred thousand dollars and \$50 million of annual revenue

Characteristics of a Strong Private Equity Platform Investment

- Owners of selling company willing to “rollover” equity – signals commitment to ongoing value creation
- Talented and energetic management team ready to execute on growth plan
- Proven market leaders that can expand to service additional locations
- Scalable operations with centralized infrastructure
- Metrics driven / technological advantage
- Demonstrated the ability to consistently grow organically
- Team capable of incorporating an acquisition strategy

What Makes for an Attractive Add-on Acquisition?

- Talented management (sometimes this may not be needed)
- Strong customer relationships
- Attractive geographic location
- Offers valuable ancillary services / or services in an ancillary end market
- Accretive profitability margins
- Has proven the ability to grow

GCG's Valuation Observations for Green Industry Companies

- Green industry companies are typically valued based on a multiple of EBITDA (“earnings before interest, tax, depreciation, and amortization”), which is a proxy for cash flow generation
- Industry-wide valuations are trending towards the upper end of the multiple range, but the value on a company-by-company basis will vary

Through proprietary transaction experience and deep industry knowledge, GCG has observed the following EBITDA multiple range



GCG's Valuation Observations for Green Industry Companies

- If a selling company meets more of the “Value Enhancers” versus “Value Contractors” noted below, the likelihood that their valuation could reach the **mid-to-upper end of the range presented on the previous page** increases
- Companies with larger size and scale, that meet many of the “Value Enhancers” **could potentially even see values higher than 10x in this current market**

Value Contractors

- Limited management and professional bandwidth
- Inconsistent work-flow – heavier reliance on work that is seasonal and / or project oriented in nature
- Difficulty in recruiting and retaining a consistent pool of quality field labor personnel
 - Heavier reliance on seasonal-based government programs like the “H2B Program”
- High customer concentrations and limited ability to grow and diversify geographically
- Team less capable of effectively leading an acquisition strategy

Value Enhancers

- Professional management team with long tenures and desire to continue executing strategic growth initiatives
- Market leaders that have numerous opportunities for continued organic growth
- Demonstrated ability to expand geographically and maintain sustainable performance in multiple markets over a long period
- Customer diversity with long-term (and exclusive) contracts
- Scalable operations; Centralized infrastructure; Technology advantages; and focus on metrics to drive efficiencies and greater profit yields
- Team capable of executing an acquisition strategy and effectively integrating operations and culture



GCG CONCLUSIONS / CONTACT INFORMATION

GCG Conclusion

GCG believes the current market environment offers owners of landscaping and vegetation management companies an opportunity to **take advantage of strong market activity driving premium interest and valuations**

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About Us

Greenwich Capital Group (“GCG”) is a middle market focused advisory firm offering a range of investment banking and consulting services to private companies, public companies and private equity investors. Our senior bankers have held leadership positions at global investment banking firms, bringing a wealth of experience to each of our clients. GCG operates with the highest integrity, providing credibility and an excellent client service experience through our proven transaction process. These core values are the common thread in establishing our extensive relationships with privately held businesses, private equity investors and publicly traded companies. With each engagement, GCG’s senior bankers have a common goal. We strive to build relationships by representing our clients’ long-term interests in order to earn ultimately their trust. It is our privilege to be called trusted advisors in the middle market.

For additional perspectives or to discuss your Green Industry company with us please reach out to GCG’s Managing Director, Matt Melago. For more information, please visit www.greenwichgp.com.

Data Sources: We have based our findings on data provided by industry recognized sources. Data and information for this publication was collated from the S&P Capital IQ database. For more information on this or anything else related to our research, please email info@greenwichgp.com.

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