

POTOMAC TEAM

Paul Giannamore
Managing Director
paul@potomaccompany.com

Franco Villanueva-Meyer, CFA
Vice President
franco@potomaccompany.com

Ericka Andes, CPA
ericka@potomaccompany.com

Marlein Montierro
marlein@potomaccompany.com

Erin Olsofsky
erin@potomaccompany.com

POTOMAC

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 +1-215-525-0689

team@potomaccompany.com
www.PotomacPest.com

\$250m+ Deals on Hold – Pest Control Update

Given the movement in the markets and the constant requests that we are receiving, Potomac will be providing a brief daily update for the time being on the pest control public and private market news.

Market Performance

Ticker	Share Price	Performance									Valuation Metrics		
		1D	1W	1M	YTD	Q3'19	Q2'19	12M	52L	52H	EV/NTM Revenue	NTM P/E	EV/NTM EBITDA
ROL	\$38.11	6.6%	(11.4%)	(10.2%)	7.8%	4.9%	(0.3%)	(11.6%)	14.0%	(18.6%)	5.8x	46.4x	28.1x
SERV	\$26.64	0.6%	(21.9%)	(29.7%)	(31.5%)	(52.6%)	(49.1%)	(44.1%)	0.7%	(54.9%)	2.6x	26.0x	15.0x
RTO-GB	\$4.01	0.5%	(14.9%)	(19.0%)	(12.0%)	(14.8%)	0.3%	15.2%	16.1%	(25.5%)	3.0x	24.9x	13.4x
SP50	\$2,529.19	6.0%	(12.2%)	(25.2%)	(21.7%)	(15.0%)	(14.0%)	(10.4%)	6.0%	(25.3%)	2.1x	13.7x	9.9x

After plunging almost 13% yesterday, the Dow Jones roared back adding 5.2% in a clearing rally.

\$250M in Deals on Hold: Acquirers in the pest control industry have rapidly put deals (\$200 million as of March 17th, 2020) on the back burner while they focus on more important issues like: How do we protect our people? How will this impact our commercial business? Not all deals are on hold, but this slowdown hasn't been seen since 2008.

Spike in Residential: Interestingly enough, with Americans stuck at home with their kids leaving Doritos on the floor, there has been a spike in residential service requests over the last week. We've heard this from two of the Big 4 as well as from some of our privately-held clients.

Lobbying Efforts: Pest control's SIC code (standard industry classification) is 7342, which is "Disinfecting and Pest Control Services." We've heard from almost all of the large players that there is active lobbying in the US and Europe to ensure that Disinfecting and Pest Control is classified as an "essential service" in the event of widespread business closures.

Although the acquisition market has changed, the consensus among the large players in the industry is that 2020 will be a more favorable period for sellers than 2021.