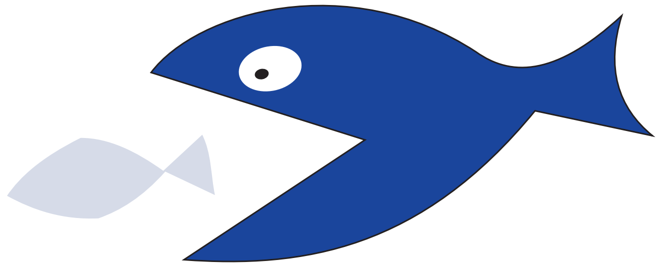
And the big get bigger



Pest control is a dynamic business. Companies come and companies go. But one of the most noticeable recent trends is that of company acquisition. The big companies are on a spending spree, so the big boys are just getting bigger. Over the months and years at *Pest* we have covered these individual movements, but for the benefit of readers we have tried to assemble the most recent and significant movements. What relevance does this have for those at the sharp end of pest management? *Pest* editor Frances McKim investigates.

Within the industry mergers and acquisitions, know by the jargon M&A, usually occur either between service companies or between suppliers – meaning manufacturers or distributors.

The servicing company sector

With service companies, sometimes it's simply a natural joining of local or regional service partners who have a history of working together and may share specialist services, such as bird work or fumigation. However, increasingly the impetus is the drive from the larger players to increase their market coverage especially into more markets worldwide.

Rentokil has deep pockets

Mention take-overs within the servicing sector and undoubtedly Rentokil's activities will spring to mind.

Back in the 1990s, the then chief executive Sir Clive Thompson set his stall out to achieve 20% growth in earnings every year, leading to his nickname of 'Mr 20 per cent'. All sorts of acquisitions were made and new business sectors entered, many of which failed to live up to expectations.

With the appointment of the current chief executive, Andy Ransom, in 2013 the company is now concentrating on its three core business; one being pest control and it has divested a large proportion on non-core activities.

With funds clearly available for mergers and acquisitions, Rentokil has been on something of a spending spree.

Take North America for example, in the last three years it has acquired 97 pest control companies, the most significant being Steritech in 2005 for $425m. Today Rentokil stands as number three in the US servicing market. In February 2017 a joint venture with PCI Pest Control Ltd in India was announced. A 57% stake was acquired in the new joint venture making Rentokil the largest provider of pest control services and products in India.

Across the globe, 54 companies have been acquired since 2016. At home in the UK, a significant purchase in January 2017 was Cannon Pest Control (part of the OCS Group).

Sweden's Anticimex also growing

Founded in Sweden in 1934, Anticimex only took its very first hesitant steps towards an international presence in 1973 with the launch of Anticimex in Norway followed by expansion into Denmark, Finland, Germany and the Netherlands in the 2000s.

Since then its rate of globalisation has picked up and Anticimex is now the world's fourth largest pest control servicing company with 142 branches in 17 countries. With its recent US acquisitions, Anticimex is now one of the top 15 servicing companies in the USA.

Asked about the company's future international plans, Ola Nordh, head of mergers & acquisitions for the Anticimex Group said: "Our ambition is to be become the global leader in pest control and M&A is a core component of our global growth strategy. Anticimex does not have any presence in the UK but we may decide to enter the UK market at some point in the future."

Far from a one way street

Whilst the US pest control market is prime territory to move into as it, alone, accounts for almost half of the world's pest control servicing market, the acquisitions trail is far from all one way.

America's largest pest control organisation, Atlanta-based Rollins, via its subsidiary Orkin, has not only been acquiring US companies, but has also set its sights on global markets.

Traditionally Orkin's business model has been one of franchises which now extend to over 70 separate franchisees in more than 45 countries, including 12 in China. This makes Orkin the number two global player.

A new approach has been the acquisition of established companies. In Australia, for example, the acquisitions have been highly strategic: first Allpest the leading company in Western Australia, followed by Statewide in Victoria and, last year, Murray Pest Control, the premier company in South Australia. In Europe a bridgehead was established with the acquisition of Kent-based Safeguard Pest Control in June 2016.

Merger mania by manufacturers

There has been a flurry of corporate growth by acquisitions and mergers within the manufacturer sector.

The three mega-deals currently on the go are:

- Bayer's (Germany) $66 billion bid for Monsanto (USA);
- ChemChina's (China) $43 billion bid for Syngenta (Switzerland);
- DuPont-Dow $60 billion merger of equals (both USA).

From announcement to completion can take many months as approval has to be sought from the various government agencies.

Jeff Cox global head of Syngenta's Lawn & Garden sector which includes professional pest control speaking at PestWorld 2016

Completion is due by the end of 2017 for all three of these deals.

Readers could be forgiven for wondering what the relevance is to them of such enormous corporate deals, but don't forget the majority of the chemicals used in professional pest control are developed and marketed by these organisations. Use within our sector is very much a 'specialist area'; basically a spin-off, or extended use, of an active ingredient developed for the far larger agricultural market. The risk is always there that these 'specialist market sectors' are simply spun-off in their entirety.

Challenge of new pest threats

Speaking about the challenges faced by new pest threats at PestWorld 2016, Jeff Cox, global head of Syngenta's Lawn & Garden business sector said: "At the heart of the matter is the acute need for new active ingredients to control rapidly evolving pest and vector borne diseases. Yet, as an industry, we face key strategic challenges.

"The number of companies with the investment power and resources to conduct research and development (R&D) is falling. At the same time, the costs of R&D are increasing as the requirements of regulators become increasingly challenging.

"Regulatory pressures have also impacted agricultural R&D. The increased costs of developing insecticides and other pesticides to meet regulatory standards often results in products with a narrower spectrum of control. This, in turn, makes it increasingly unlikely that agricultural product R&D will generate spin-offs for the pest control industry as they have in the past.

"On average, it costs $280 million to research and develop a single active ingredient. At the manufacturer level, professional pest management is worth approximately $2 billion, so even if we invest at 10% of sales, that only yields $200 million for the total industry R&D. However, as a company, Syngenta has made a commitment to invest in specific R&D for professional pest management," he concluded.

On a more modest yet international scale

Not quite up to mega-multinational levels, but the recent acquisitions by the USA-based Curtis Gilmour Group is noteworthy. Since 2016 the company has added Wales-based AgriSense, and Silvandersson from Sweden to its original portfolio of B&G Equipment and Curtis Dyno-Fog, both located in the USA. This has made the company a significant supplier on the global stage.

Closer to home, the Pelsis spending spree is likely to continue as it was announced on 25 August 2017 that LDC (part of Lloyds Banking Group) has backed a management buyout of Pelsis, in a multi-million-pound deal.

Pelsis currently operates across 11 locations in Europe, Asia and North America and supplies customers in more than 80 countries. This latest investment will support the acquisition of further assets in the pest control marketplace, building on the past acquisitions of brands including Insect-O-Cutor, Network, Edialux and Pest-Stop.

To conclude

So in both the service and manufacturing communities it is the multinational company that is increasingly dominant. Decisions are being taken further and further away from customers and employees with day-to-day knowledge and understanding of the business.

As can be seen from the comments by Jeff Cox from Syngenta, these decisions are being driven by factors outside of the control of the pest management industry, yet they are likely to have a significant impact upon it.

However, these international consolidations do lead to the interchange of personnel and ideas between countries, bringing new and innovative ideas and products with them. Pest management as a market is neither immune to this increasing internationalism nor to the increasing dominance of larger players. Looking on the bright side, this industry is still a long way from the dominance of a few single players, unlike in the multinational telecoms market!