

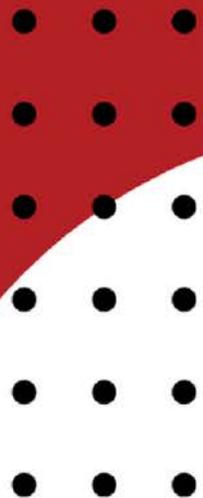


PEST CONTROL INDUSTRY
COST STUDY



PCO
BOOKKEEPERS &
M&A SPECIALISTS

pcobookkeepers.com





PEST CONTROL INDUSTRY **COST STUDY**

We are happy to present the results of our Pest Control Industry Cost Study. This study is the result of research done by our accounting firm, PCO Bookkeepers & M&A Specialists, using 157 of our pest management clients as subject companies.

In today's competitive business environment, the need to operate more efficiently and profitably has never been greater. Information is power. One of the most powerful tools in business is bench-marking against past company results, future budgeted results and most importantly against industry standards.

By measuring key performance indicators (KPIs) from your company against other successful players in the industry, you can improve your own efficiency and productivity, help manage expenses and identify areas for revenue growth.

It's with this in mind, that we create this study to provide the industry with information that can be used to compare industry averages against individual firms to quantify potential financial and operational strengths and weaknesses.

I'd like to thank all participant company owners as well as those who responded to our survey. We are confident that the results included in this report will provide value and actionable information to help improve your company.

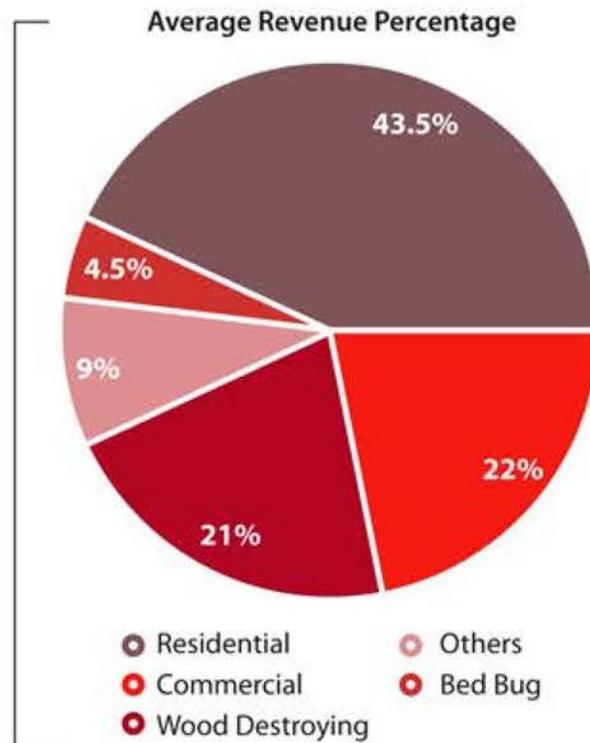
Daniel S.Gordon,CPA



Who Are the Participants and Where Do They Fit into the Study?

The study contains data from 157 firms reporting in 37 states. The median employee count, revenue per employee, revenue per customer and mix of services were tabulated from the data reported:

SERVICE	REPORTED REVENUE	MIX FROM REPORTED	AVERAGE PER FIRM REVENUE
Commercial Pest Management	\$ 71,159,139	22.0%	\$ 453,243
Residential Pest Management	\$ 140,701,025	43.5%	\$ 896,184
Wood Destroying	\$ 67,924,633	21.0%	\$ 432,641
Bed Bug Control	\$ 14,555,278	4.5%	\$ 92,709
Other Related Services	\$ 29,110,557	9.0%	\$ 185,418
Total	\$ 323,450,632	100.0%	\$ 2,060,195



Who Are the Participants and Where Do They Fit into the Study?

GENERAL INFORMATION	COMMERCIAL	RESIDENTIAL	WOOD DESTROYING	BED BUG	OTHER RELATED
Total # of Active Customers	315	2144	546	132	219
2017 Revenue	\$453,243	\$896,185	\$432,641	\$92,709	\$185,418
Annual Average Revenue Per Customer	\$1,439	\$418	\$793	\$702	\$847

EMPLOYEE COUNTS

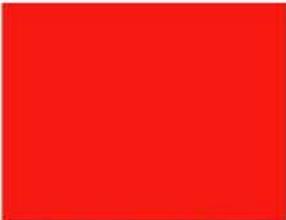
• Average Annual Revenue	\$2,060,195
• Average FTE Technicians	11.5
• Average FTE Office Staff	3.1
• Average FTE Sales people	2
• Average FTE Supervisor	1.4
• Average FTE Manager	1.1
• Total Average # Employees	19.1

AVERAGE REVENUE PER FTE EMPLOYEE

• Average Annual Revenue	\$2,060,195
• Average FTE Technicians	\$ 179,147
• Average FTE Office Staff	\$ 664,579
• Average FTE Sales people	\$ 1,030,098
• Average FTE Supervisor	\$ 1,471,568
• Average FTE Manager	\$ 1,872,905
• Total Average # Employees	\$ 107,864

*FTE = Full Time Equivalent

An FTE equates to the hours worked by one employee on a full-time basis. The concept is used to convert the hours worked by several part-time employees into the hours worked by one full-time employee. On an annual basis, an FTE is considered to be 2,080 hours, which is calculated as: 8 hours per day. x 5 work days per week x 52 weeks.



Definitions and Ratio Analysis Methodology



In presenting the data, the following definitions are relevant and should be understood.

Ratio

A ratio is the relationship of two quantities expressed as the quotient of one divided by the other. For example, if there are 10 people, 6 of whom have blue shirts and 4 of whom have red shirts the ratio of blue shirts to the population would be 6/10ths or 60%. The ratio of red shirts to the entire population would be 4/10ths or 40%. Most of the KPIs in this report will be expressed as ratios.

Median

The value of a set of data that falls at the midpoint of the data assuming the data is ordered lowest to highest. The median does not give value to the values themselves but rather to their ordering.

Mean

The mean is the mathematical average calculated by adding up all data points and dividing by the number of data points.

Median versus Mean

This report utilizes medians for the majority of reported results. The reason for using the median is that it excludes outliers that can skew the data.

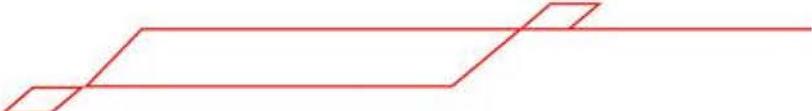
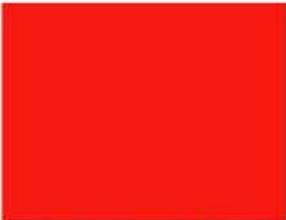
A perfect example would be sitting down with multi billionaire Mark Zuckerberg and a few other average wage earners. Due to Zuckerberg's extremely high net worth the average net worth at this table would be a billionaire. However, using the median net worth of all folks at the table instead of the mean, Zuckerberg would be excluded as an outlier, and a more realistic net worth would be used to calculate the typical wealth of the folks at the table.

Where the mean or average will be used in this report will be on the compilation of opinions asked in the survey on industry opportunities and challenges. Here each respondent's answer will be given equal weight.

Current Assets

Current assets are all assets on a balance sheet that can be converted in to cash quickly (usually one year or less). Examples include cash, accounts receivable, inventory, and marketable securities.





Definitions and Ratio Analysis Methodology



Current Liabilities

Current liabilities are debts or obligations of the company that are due in the short term (usually one year or less). Examples include accounts payable, credit cards payable, payroll taxes payable, credit lines payable.

EBITDA

Earnings before interest, taxes, depreciation, and amortization (earnings while adding back non-cash charges – so the number gets closer to cash provided by operations).

Fixed Asset

Also known as Property, Plant and Equipment (PP&E). These are assets that cannot easily be turned into cash. Some examples include vehicles, equipment and real estate.

Revenue

Revenue is the amount of money that is earned in a given period.

Cost of Goods Sold (COGS)

Generally Accepted Accounting Principles do not provide a detailed description of COGS as they can be made up of many items. In our context, think of them as all direct costs or those costs that happen away from the office such as technician labor, vehicles costs, materials. etc.

Equity

The difference between assets and liabilities on a balance sheet. In this case, assets are recorded at historic cost. Therefore, true equity would not be measured from the balance sheet as assets appreciate and intangibles such as customer lists grow. These items can be significant and are excluded as a balance sheet is historic but should be considered in any analytic exercise.

Gross Profit

The difference between a firm's revenues and their direct costs. Gross profit is the most important KPI when running a business. Gross Profit is key to finding out a firm's breakeven point using breakeven analysis (BEA).

Operating Expenses

Operating expenses are those expenses used to run the business that are not associated directly with production of service. Some examples include office rent, utilities, marketing, sales, office staff, etc. Many refer to operating expenses as fixed costs. The reason for this is that most of these must be paid at any volume of business and can be seen as fixed over a range of business activity.



Definitions and Ratio Analysis Methodology

Ratio Analysis

Financial ratios are used widely to evaluate the performance of business and to identify possible trouble areas that could result in reduced profits or even business failure.

- Industry indicators of financial performance are useful to those lending monies, or to those thinking about investment in that they allow comparison of the firm under consideration with the industry in general.
- Managers/ Owners also use industry data to evaluate their own situation and performance, and to develop internal plans in which they might compare current and past performance.

For example, is cash flow getting tight? Are accounts receivable taking longer to collect? Is additional debt being incurred?

People tend to improve what is being measured. Call it competition. or call it business acumen. But most people want to be part of a winning team. So, looking at the proper metrics with an eye on improvement is helpful in winning at the game of business. Ratio analysis helps to quickly analyze the business. We used ratio analysis in the following areas:

- Profitability
- Financial Position
- Liquidity
- Activity
- Leverage
- Other Important Ratios



Profitability & Profitability Ratios

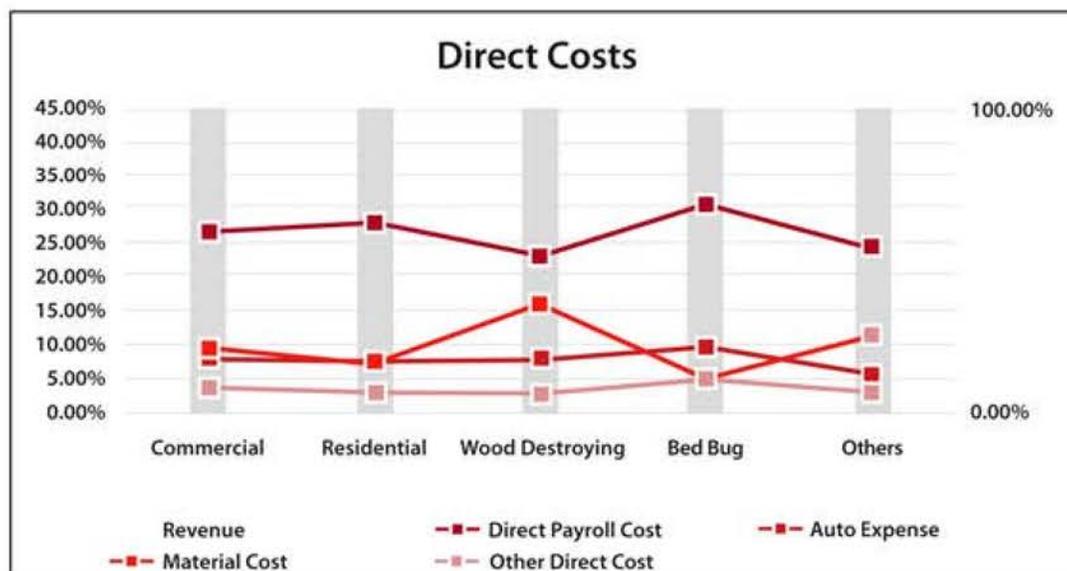
Profitability

- The income statement is one of the major financial statements used by accountants, financial institutions and business owners to determine entity profitability.
- The income statement is sometimes referred to as the profit and loss statement (P&L), statement of operations, or statement of income.
- The income statement is important because it shows the profitability of a company during the time interval specified in its heading.

In the tables that follow, the medians of each market segment were taken and converted into percentages for presentation. Of the 157 companies that reported there were none that only reported working in one segment. Each participant provided 2 or more services with 82% of the respondents reporting at least 4 of the services.



Description	Wood Destroying Bed Bug					Total
	Commercial	Residential	Wood Destroying	Bed Bug	Others	
	%of Income	%of Income	%of Income	%of Income	%of Income	%of Income
Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Direct Costs						
Technician Labor	20.70%	21.7%	17.37%	22.30%	18.92%	20.20%
Payroll Taxes	1.98%	2.0%	1.74%	2.39%	2.22%	2.06%
Health Insurance Technicians	1.26%	1.58%	1.51%	2.61%	0.57%	1.50%
Employee Benefits	0.70%	0.7%	0.75%	0.78%	0.76%	0.74%
Subcontract Costs	2.00%	2.0%	1.75%	2.47%	1.95%	2.04%
Total Direct Payroll Cost	26.64%	27.98%	23.12%	30.55%	24.42%	26.54%
Vehicle Leasing	3.60%	3.6%	3.60%	3.60%	1.10%	3.11%
Vehicle Fuel	2.24%	2.13%	1.93%	2.70%	2.83%	2.37%
Vehicle Repair and Maint.	1.35%	1.3%	1.21%	1.80%	1.06%	1.34%
Vehicle Insurance	0.65%	1.0%	1.08%	1.21%	1.06%	0.99%
Total Auto Expense	7.84%	8.03%	7.82%	9.31%	6.05%	7.81%
Materials	8.00%	6.3%	15.40%	2.00%	10.72%	8.13%
Supplies - Direct	0.58%	0.7%	0.39%	0.99%	0.24%	0.57%
Materials - Other	0.57%	0.31%	0.34%	0.48%	0.43%	0.44%
Equipment Expense	0.08%	0.1%	0.06%	1.69%	0.08%	0.40%
Total Material Cost	9.23%	7.41%	16.19%	5.16%	11.47%	9.54%
Liability Insurance	1.10%	1.1%	1.44%	1.99%	1.73%	1.47%
Workers Comp Insurance	1.66%	1.28%	0.79%	1.76%	0.56%	1.20%
Other Direct Costs	0.75%	0.7%	0.62%	1.11%	0.54%	0.75%
Total Others Costs	3.51%	3.08%	2.85%	4.86%	2.83%	3.42%
Total Direct Costs Calculated	47.22%	46.50%	49.98%	49.88%	44.77%	47.31%
Gross Profit	52.78%	53.50%	50.02%	50.12%	55.23%	52.69%



Selling & Marketing:

Selling Expense

Wages - Sales	2.21%
Commissions - Sales	0.87%
Payroll Taxes - Sales	0.31%
Health Insurance - Sales	0.18%
Total Selling Expense	3.57%

Marketing Expense

Marketing - Traditional	1.70%
Marketing - Digital	3.50%
Marketing - Other	1.10%

Total Marketing Expense	6.30%
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Total Selling & Marketing Expense	9.87%
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General & Admin:

Officer Wages	5.00%
Office Wages	7.00%
Management Wages	4.00%
G&A Empl Benefits - Health	0.30%
G&A - Payroll Tax	1.22%

Total General & Admin Wages	17.52%
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Office Rent	2.00%
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Computer Expense	1.80%
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Office Supplies	0.50%
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Office Printing	0.20%
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Office Postage	0.36%
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Bank Service Charge	0.51%
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Credit Card Charges	1.34%
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Professional fees - Accounting/ Legal	0.94%
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Recruiting Expenses	0.05%
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Payroll Preparation Fee	0.13%
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Dues & Subscriptions	0.30%
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Donations	0.29%
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Travel & Entertainment

Meals & Entertainment	0.27%
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Travel	0.15%
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Total Travel & Entertainment	0.42%
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Utilities	0.34%
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Rubbish Removal	0.02%
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Telephone Expense	0.16%
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Wireless Communications	0.57%
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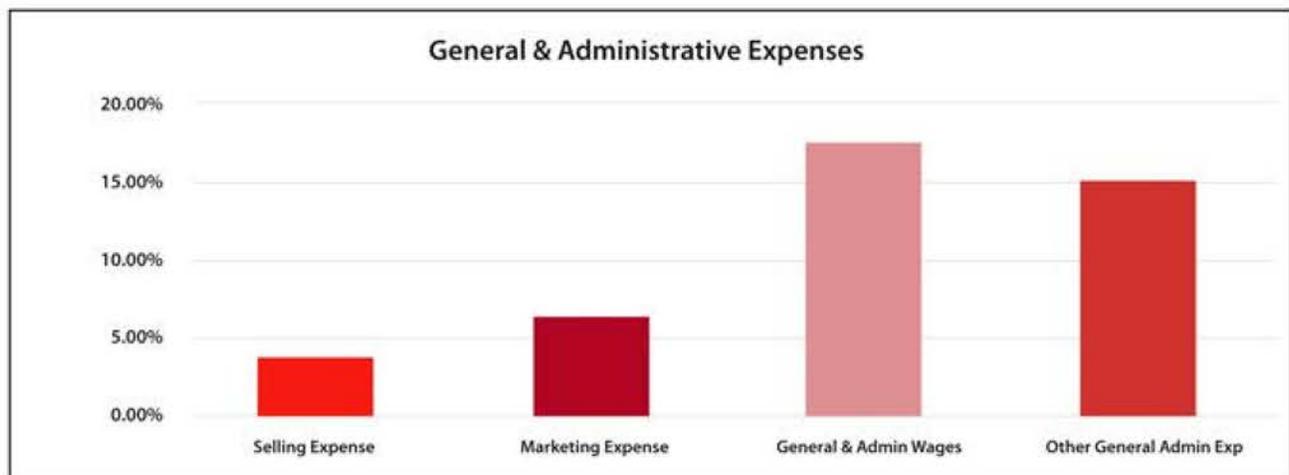
Depreciation	2.43%
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Other General & Admin	2.73%
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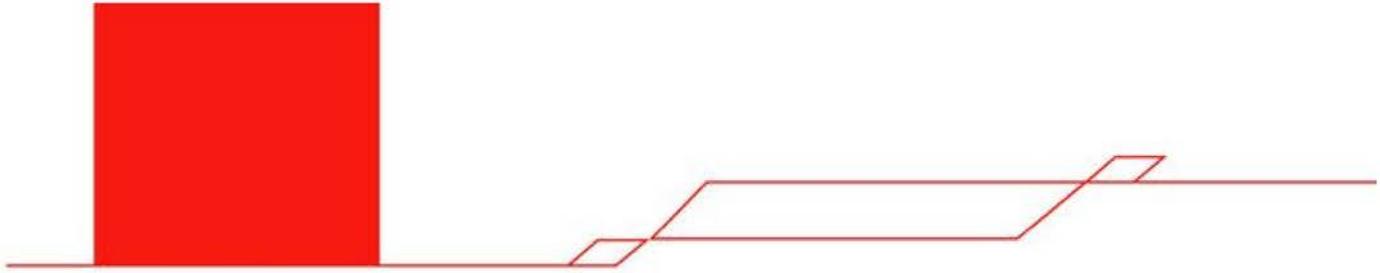
Total General & Admin	32.61%
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Total Expense	42.48%
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Operating Profit	10.21%
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While the financial performance varied from company to company, the tables above depict the median company results for each category. These results are in line with the percentages we see for the various service lines in our portfolio of clients to whom we provide accounting services.



Profitability Ratios

Profitability ratios reflect the overall effect of a firm's managerial efficiency:

- These are ratios that are indicators of a firm's breakeven point and the amount of money that is made once breakeven is achieved given a certain level of sales.
- They reflect the results of decisions that management has made in order to maximize profitability.
- They are a class of financial metrics that are used to assess a business's ability to generate earnings as compared to its expenses and other relevant costs incurred during a specific period of time.

Gross Profit%

This ratio shows us how efficient a firm is at providing services before paying sales, marketing and fixed costs. In our opinion, Gross Profit is the single most important financial ratio.

Operating Expense %

If operating expenses exceed gross margin you will operate at a loss. If they are truly fixed, the fixed cost percentage will fall as a firm grows.

Profit Margin

This is what you work for – net income

EBITDA

Earnings before interest taxes depreciation and amortization. This is cash flow!

Return on Assets

This is one that, for comparison purposes, works for companies that employ a high value of assets. From our prospective this ratio is better suited to looking at your portfolio of investments as opposed to fixed assets. Our reasoning is that our biggest asset in the service business is our people. With the exception of construction, most firms don't employ high values of assets but rather they do use a high value of direct labor.



RETURN ON EQUITY

This ratio answers the question: What is the return on that piece of the balance sheet called equity? Again, it is great to do comparisons with other firms, but equity is such a loose concept in a small, privately held businesses.

Profitability	Formula
Gross Profit %	GP / Revenue
Operating Expense %	Operating Expenses / Revenue
Profit Margin	Net Income / Revenue
EBITDA	Earnings before Interest, Taxes, Depreciation / Amortization
Return on Assets	Net Income / Total Assets
Return on Equity	Net Income / Total Equity

Description	Total Company	Commercial	Residential	Wood Destroying	Bed Bug	Others
Gross Profit %	52.69%	52.78%	53.50%	50.02%	50.12%	55.23%

Description	Total Company
Operating Expense	42.48%
Profit Margin	10.21%
EBITDA	13.74%
Return on Assets	54%
Return on Equity	2.10%



Financial Position or Balance Sheet

- The balance sheet is a report that summarizes all of an entity's assets, liabilities, and equity as of a given point in time. It is typically used by lenders, investors, and creditors to estimate the liquidity of a business.
- Typical line items included in the balance sheet (by general category) are:

Assets: Cash, Accounts Receivable, Inventory, and Property, Plant and Equipment

Liabilities: Accounts payable, short-term debt, and long-term debt

Shareholders' equity: Stock, Paid-In-Capital and Retained earnings.

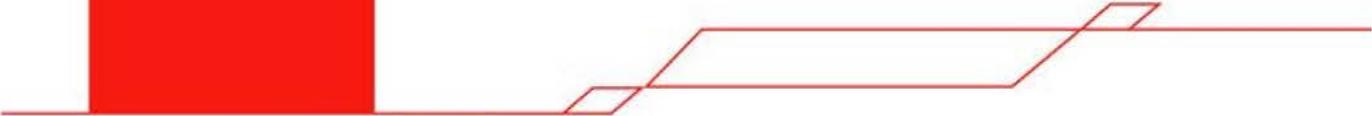
Below is the raw data regarding the financial position that was collected for the study expressed as percentages:

Description	
Cash & Marketable Securities	11%
Accounts Receivable	11%
Cash+ AR	22%
Inventory	1%
Other Current Assets	2%
Total Current Assets	25%
Net Fixed Asset	71%
Other Assets	4%
Total Assets	100%
Accounts Payable	7%
Other Payables - Due in less than 1 year	5%
Customer Deposits (Prepays)	2%
Total Current Liabilities	14%
Long Term - Notes Payable	72%
Loans to Shareholders	3%
Total Liabilities	89%
Owner Equity	11%
Total Liabilities & Equity	100%

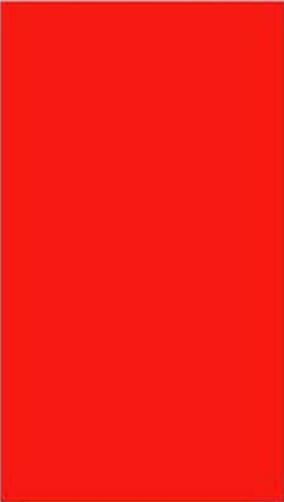
Important Distinction:

A balance Sheet is not a statement of net worth as assets are recorded at historic costs and may have appreciated or depreciated since being recorded. In addition, intangibles such as the value of customer relationships, which can be significant for the most part will not be on the balance sheet.

It should be emphasized that every respondent provided services in multiple service lines, but balance sheets were reported on an entire entity basis. This means the ratios calculated from balance sheet results should be interpreted on a company wide basis as opposed to a particular service segment.



Liquidity Ratios



Liquidity is a measure of the quality and adequacy of current assets to meet current obligations as they come due. In other words, can a firm quickly convert its assets to cash without a loss in value in order to meet its immediate and short-term obligations?

For firms that can readily and accurately predict their cash inflows (recurring revenue model), focusing on liquidity is not nearly as critical as it is for firms that make their money by completing large projects that can have wide fluctuations in demand and revenue streams.

- These ratios provide a level of comfort to lenders in the case of liquidation as well as allowing management to limit surprises when it comes to cash flow planning.
- Many of the liquidity ratios are well documented as to typical averages in finance books and literature. However, may we suggest that you look at these numbers with a more critical eye and compare them with your overall strategy? A high growth firm may not be as liquid as a more mature firm. The banks may notice this as a higher credit risk. But the owner, if he/ she is experienced understands that this higher risk allows him/her to grow quicker. We are not in any way suggesting that a firm grow so fast that it has little liquidity. What we are suggesting is that you look at the numbers with a critical eye and understand how they fit into your full strategy. In terms of growth the owner or manager must operate in a comfortable manner and liquidity must be considered.
- It should also be noted that the numbers reported in the survey are at calendar year end. From an operational and balance sheet prospective, many participants in the survey are in cold weather states which can have a profound effect on the ending balances thereby skewing some of the ratios negatively due to the time of measurement.

Current Ratio

One of the first ratios a lender looks at when examining a company for credit purposes. The Current Ratio gives an indication of a firm's ability to meet its current obligations. A ratio of 2:1 is preferred. The current ratio includes inventory as a current asset.

Quick Ratio

This ratio shows if there is sufficient cash or cash equivalents to immediately pay bills. The weakness with the quick ratio is it assumes accounts receivable are immediately collectible. Nevertheless, most lenders look at the Quick ratio for prospective. The Quick ratio does not include inventory.



Acid Test

This ratio asks us that if the business were stopped immediately would there be enough cash to pay the bills? A positive acid test would be 1:1 or above.

Times Interest Earned Ratio or the Interest Coverage Ratio

Measures a firm's ability to pay the interest on outstanding debt. Most banks have covenants in their loan documents requiring borrowers to maintain at least a 1.25 ratio.

Liquidity	Formula
Current Ratio	CA / CL
Quick Ratio	(Cash + A/R) / CL
Acid Test	Cash / CL
Times Interest Earned Ratio or Interest Coverage Ratio	EBITDA / Interest Exp.

Where:

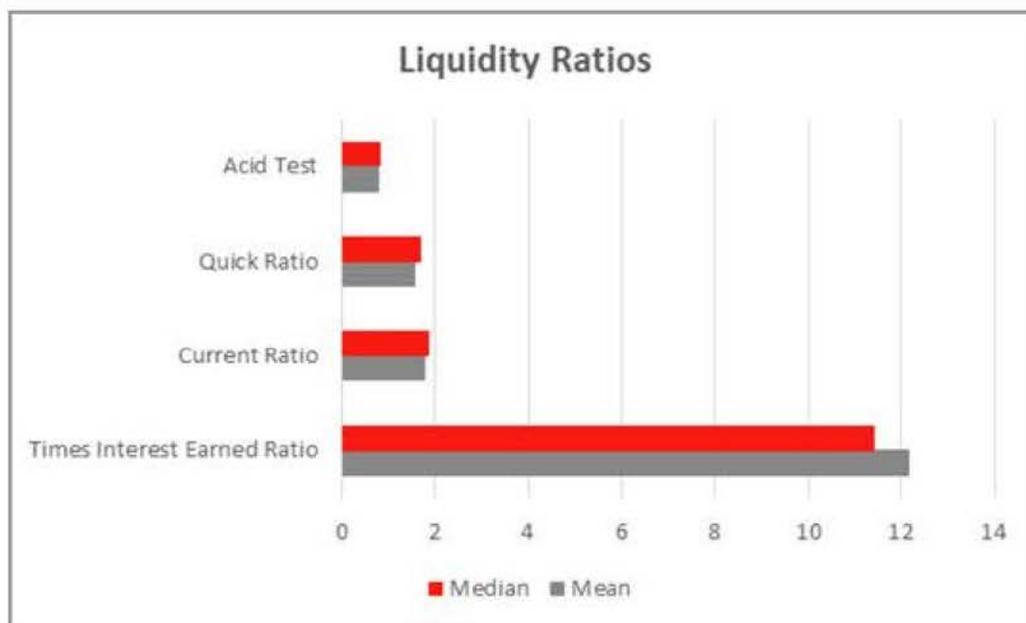
CA = Current Assets

CL = Current Liabilities

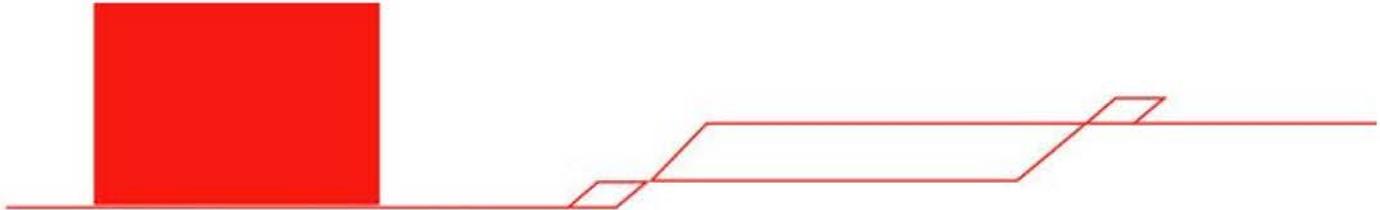
A/R = Accounts Receivable

EBITDA = Earnings Before Interest Taxes Depreciation and Amortization

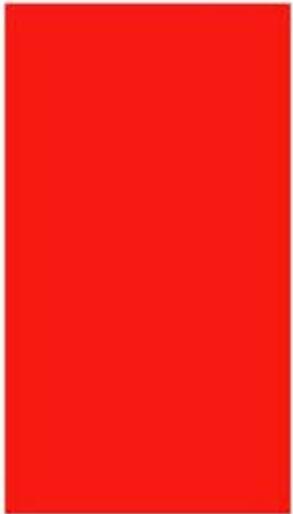
Liquidity	Mean	Median
Current Ratio	1.79	1.87
Quick Ratio	1.57	1.69
Acid Test	0.79	0.84
Times Interest Earned ratio	12.17	11.42



* **Interest Expense** – Usually shown below Net Income from Operations was on average 1.1 % of Revenue



Activity Ratios



Activity ratios indicate how efficiently a firm uses and manages its resources (assets), including cash, accounts receivable, salaries, inventory, property, plant, and equipment.

- Higher ratios may signal efficient use of those assets; while
- Lower ratios may signal inefficient use of those assets.

Activity ratios provide an indication of how efficiently a firm runs its operations. For example, all other factors being equal, a firm that keeps a very modest amount of inventory is usually in better shape than a firm that has to keep (store, manage, warehouse, insure, and so forth) a large quantity of inventory. Some activity ratios are operational as opposed to financial. One such activity ratio would be revenue per employee.

Revenue per Employee (FTE)

Obviously, the more revenue we produce per employee the more efficient we are using the resources (in this case people resources) that we have.

Revenue per customer

This is one that we love. Obviously, you need to have a consistent definition of what a customer is (not just a name in your database but rather someone you continue to do business with). The reason we like this one so much is that we can review this number with our sales team and create very specific future goals.

Example

Our average Quarterly Pest customer yields us \$500 per year. Let's increase that by 10% to \$550 per customer. This is very easily measured.

Collection Period / Days or Days sales in A/R

This ratio tells us how efficient we are at collecting our money or holding our customers to our credit terms.

Example

A company producing \$365K in annual sales, which translates into \$1k per day, that grants its customers 30-day terms should have \$30K in A/R

Be careful that when using this ratio – Make sure that all Prepaids / Customer Deposits are backed out of your A/R number so that it is a true A/R number.



Asset Turnover

Generally speaking, the higher the asset turnover ratio, the better the company is performing, since higher ratios imply that the company is generating higher revenue per dollar of asset. This ratio can vary widely from one industry to the next. While this is a very widely used KPI in the world of finance, it works best in industries where there is a heavy investment in assets. Most firms in our industry utilize labor to a much higher degree than fixed assets and therefore we don't put as much emphasis on this ratio as we do some of the others – again this is just another tool in the financial tool chest.

Inventory Ratio

Inventory turnover is a ratio showing how many times a company's inventory is sold and replaced over a period. The days in the period can then be divided by the inventory turnover formula to calculate the days it takes to sell the inventory on hand or "inventory turnover days." A low inventory ratio is usually a bad sign as inventory may be over ordered or sales may not be as robust.

BIG CAVEAT : Many times, at year end for both tax reasons and the fact that many distributors give great year end incentives, a lot of firms purchase large amounts of inventory which will drive the inventory account up in a big way – So carefully consider this abnormality when making comparisons.

Profit per employee

Again, this is not straight off the financials (as the financials don't note FTEs). However, this is an especially useful ratio to look at. Many times, in the heat of battle we start adding employees without a proper plan or the real time info to determine if it's a good idea. This ratio helps to determine if you are making an acceptable profit for each employee. If profit per employee is being benchmarked, we can make decisions about human resources and determine if we can afford an increased headcount.

Payable period days

Like days of sales in A/R. This data point measures a firm's payment history letting you know if you are meeting your obligations in a timely manner. If your vendors give 30-day terms and you are paying in 25 days you are able to meet your obligations within terms. If you pay in 35 days than you are not meeting your obligations in a timely manner. If you can consistently pay your vendors quickly, many vendors may offer a discount. Terms such as 2/10 net 30 can save a business significant amounts of cash. These terms would be to take a 2% discount if you pay within 10 days or else pay in full by 30 days.

General Information

Formula

Revenue per Employee	Revenue / FTEs
Revenue per Customer	Revenue / # of Active Customers
Profit per Employee	Net Income / # of Employees (FTE)
Collection Period / Days	A/R / (Annual Sales / 365)
Asset Turnover	Net Sales / Average Assets
Payable Period / Days	COGS / Ave A/P

Where:

COGS = Cost of Goods Sold or direct costs, A/P = Accounts Payable

Below table is for the median

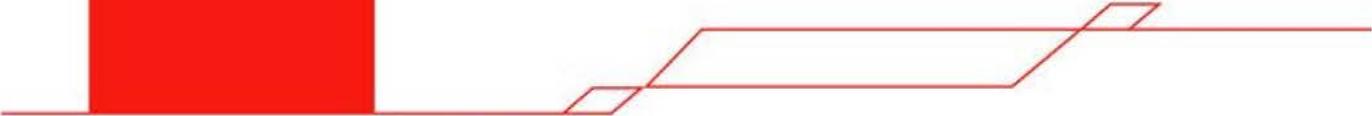
General Information	Commercial	Residential	Wood Destroying	Bed Bug	Other Related
Total # of Active Customers	315	2144	546	132	219
2017 Revenue	\$ 453,243	\$ 896,185	\$ 432,641	\$ 92,709	\$ 185,418
Annual Average Revenue per Customer	\$ 1,439	\$ 418	\$ 793	\$ 702	\$ 847

Employee Counts

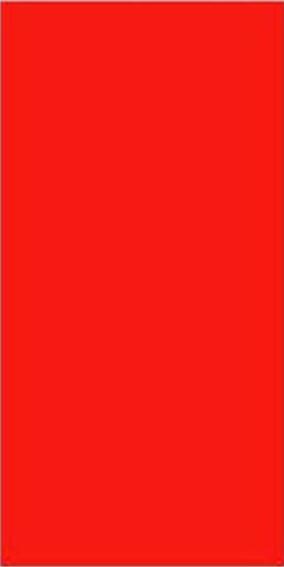
		Average Revenue Per FTE Employee	Average Profit per Employee
Average Annual Revenue	\$ 2,060,195		
Average FTE Technicians	11.5	\$ 179,147	\$ 17,649
Average FTE Office Staff	3.1	\$ 664,579	\$ 65,527
Average FTE Sales people	2	\$ 1,030,098	\$ 101,568
Average FTE Supervisor	1.4	\$ 1,471,568	\$ 145,097
Average FTE Manager	1.1	\$ 1,872,905	\$ 184,668
Total Average # Employees	19.1	\$ 107,864	\$ 10,630

Balance Sheet Ratios

Collection Period / Days	32.85 days
Asset Turnover	12.20
Payable Period / Days	30.10 Days



Leverage Ratios



Leverage ratios measure how much debt a firm has and how much protection does a company's assets provide for the debt held by its creditors? A highly leveraged firm would be a company with heavy debts in relation to their net worth. These firms are more vulnerable to business downturns than those with lower debt-to-equity positions.

Leverage ratios are the ratios that bankers, creditors and or vendors look at to see "How much of the company does ownership actually own vs its creditors." Meaning, is the amount of debt you are carrying make you a high risk to grant credit to or a lower risk company?

Debt to Equity

This ratio shows how much debt a company is using relative to shareholder equity. A number greater than one shows the creditors own a larger percentage than the shareholders.

BIG CAVEAT: Balance Sheet equity is a historic concept. It doesn't consider the value of intangibles such as customer lists which can have significant value or shareholder loans which is treated as debt but if it is a true shareholder loan, there is a strong argument that it is really owner's equity. This is the reason bankers are not attracted to our balance sheets, because our biggest asset (our customer list) is not on it thereby making our leverage ratio's look poor when in essence our company could be very healthy.

Debt Ratio

Debt ratio is the relation of amounts financed to total asset value. An example would be having a \$300k mortgage on a house that is purchased for 500K. The debt ratio would be 60%

Equity Ratio

Reciprocal of Debt Ratio showing how much in the way of assets are financed by shareholders. In the example above the equity ratio would be 40%

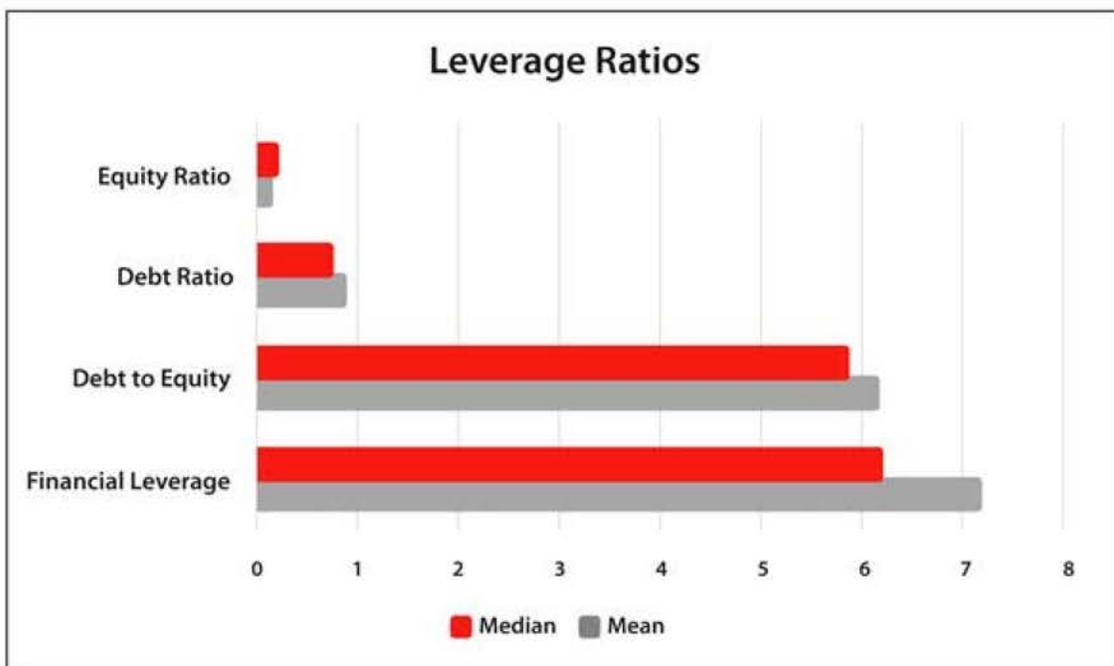


Financial Leverage

measures assets versus equity

Leverage	Reported Revenue
Debt to equity	Total Liabilities / Total Equity
Debt ratio	Debt / Total Assets
Equity ratio	Total Equity / Total Assets
Financial Leverage	Total Assets / Equity

Leverage Ratios	Mean	Median
Debt to equity	6.14	5.84
Debt ratio	0.86	0.72
Equity ratio	0.14	0.17
Financial Leverage	7.14	6.18



Other Important Ratios

Other important ratios – These are operational not found in the P/L or Balance Sheet.

Revenue per Customer

This ratio was mentioned earlier but also belongs in the other important ratio category as it is one that is extremely important.

Direct Labor %

Tech labor divided by revenue. I have often said 3 things make profitability in this business: direct labor, advertising and materials. Keep them in line and we have profits. Keep any one of them out of line and we don't.

of Office people to production people

How effective is the office staff at controlling one of the three biggies mentioned above?

Marketing Spend

What % of revenue are you spending on marketing? Is it producing increased revenue? Is it being measured? Rather than looking at marketing spend as a percentage of total revenue a more useful ratio would be to look at marketing spend over new sales generated by the spend.

Other Important Ratios	Formula
Revenue per Customer	Revenue / # of Customers
Direct Labor %	Direct Labor / Revenue
# of Office People to Production People	# Office People / # Production People
Marketing Expenditure	Total Marketing Spend / Revenue

Description	Commercial	Residential	Wood Destroying	Bed Bug	Others
Revenue per Customer	\$1,439	\$418	\$793	\$702	\$847

Description	Total Company
Direct Labor %	20.20%
# of Office People to Production People	4.10
Marketing Expenditure	6.30%

We're Here to Help

If you need help analyzing your pest control company's ratios or key performance indicators, contact the PCO Bookkeepers & M&A Specialists team today.

We have the experience and knowledge to provide you insights for greater profits and prepare you to exit when the time is right.

Get in touch at 973-300-0288 or pcobookkeepers.com.

