

# How a B2B Pest Control Business Went From \$154K to \$356K in Net Profit

## And Solved a Client Concentration Problem That Was Quietly Killing the Business Value

### The Situation

A commercial pest control business came to us generating \$1,400,000 in annual revenue. General commercial contracts across office buildings, retail centers, food service outlets, and light industrial facilities. Single state operation. A team that had been together for years, a solid reputation, and a book of business that renewed reliably.

Ray had built it over twelve years. The business was comfortable. Revenue had plateaued for the past three, creeping up slightly year on year but never breaking through. Margins were acceptable. The phone kept ringing. He was not in trouble.

He replied to one of our emails. He said later it was because a single line in it described exactly what he had been thinking about for two years but had never articulated out loud. The business was doing fine. Fine was the problem.

When we got into the numbers, the picture that emerged was more complicated than the surface suggested. Net profit was 11%, \$154,000 on \$1,400,000 in revenue. That was below where a business of this size and tenure should be sitting. But the number that stopped the conversation was something else entirely.

Forty percent of his revenue came from a single client. One commercial property management group with multiple sites across the state. No formal contract. A verbal arrangement renewed informally each year. Ray was the personal relationship. If that client left, or if Ray was not in the picture, the business lost \$560,000 in revenue overnight.

A buyer looking at this business was not looking at \$154,000 in earnings. They were looking at \$154,000 in earnings with a \$560,000 grenade sitting under it. That is what 1.8x SDE looks like. Around \$275,000. Not because the business was poorly run. Because the risk profile made it nearly impossible to finance or transfer confidently.

Ray came to us for more profit. What he got was a business that earned significantly more, carried far less risk, and sold for more than four times what it would have sold for the day he replied to that email.

We installed five drivers over the following engagement. Here is what happened.

### Driver 1: Profit Recovery

We start every engagement by looking for profit that is already inside the business but leaking out. In commercial pest control, that leakage tends to sit in three places: chemical and supply purchasing, route and scheduling efficiency, and billing accuracy.

Chemical and supply purchasing had not been reviewed in years. Products were being sourced across multiple suppliers with no consolidated purchasing strategy and no volume commitment to any of them. A purchasing audit identified consolidation opportunities and renegotiated terms across the top supplier relationships. The business was spending significantly more per treatment than it needed to.

Route efficiency was the second area. Technician scheduling had evolved organically over twelve years without ever being optimized. Technicians were crossing each other's paths, servicing sites in sequences that added unnecessary drive time, and carrying idle hours that were not being converted into additional service capacity. A routing review and scheduling restructure reduced unproductive technician time without cutting headcount.

Billing accuracy was the third. Callback treatments, additional applications requested by clients between scheduled visits, and emergency call-outs were being handled and then absorbed rather than invoiced. Not through any deliberate decision. Because there was no process to capture them. A formal protocol for documenting and billing non-standard service was implemented. Clients accepted it as professional practice.

Combined, the profit recovery work added \$58,000 in annualized profit before a single thing changed on the revenue side.

## **Driver 2: Market Dominance**

Commercial pest control is a crowded market. Most operators compete on price, responsiveness, and some version of reliability. Clients put contracts out to bid annually. Decisions come down to who quotes lowest and returns calls fastest.

The insight from Ray's existing client base was that his most defensible and highest-margin work was not the general commercial contracts that made up the majority of his book. It was the food service and light industrial clients where compliance documentation mattered. And the most valuable version of that niche was food manufacturing and processing facilities, which Ray had done some work in but never pursued deliberately.

Food manufacturing facilities operate under FDA and USDA oversight. Pest control is not a discretionary service for these clients. It is a compliance requirement with documented audit trails, Integrated Pest Management protocols, and the kind of record-keeping that a general commercial pest control operator typically cannot provide. A compliance failure at a food manufacturing facility does not just cost a client money. It can shut down production, trigger a recall, and result in regulatory action. The cost of getting it wrong vastly exceeds any price difference between a specialist and a generalist.

We repositioned the business around a specific promise to food manufacturing and processing clients: audit-ready pest management with documented IPM protocols and compliance records maintained as standard. Not as a marketing claim but as an operational reality, backed by the processes and documentation standards we built in the business autonomy work.

The repositioning changed the dynamic in new business conversations immediately. Two food manufacturing facilities that had been using regional pest control operators began discussions about switching to a contractor who could demonstrate genuine compliance capability rather than just promising it. The documentation Ray already had from his existing food service clients, properly organized and presented, made the difference.

Ray did not walk away from his general commercial base. That work continued. What changed was that the food manufacturing positioning gave the business a segment that competed on capability rather than price, commanded significantly higher contract values, and produced the kind of recurring, documented relationships that a buyer values most.

### **Driver 3: Pricing Power**

Pricing had not been seriously reviewed since the business was roughly half its current size. General commercial rates had drifted behind cost increases. The concentration client had been held at rates that had barely moved in years because Ray was afraid that raising them would trigger a review and potentially a competitive tender.

We rebuilt the pricing model from scratch.

First we established true service delivery costs across every contract type. Chemical costs at current supplier pricing, technician time at fully loaded rates including vehicle allocation and supervision, compliance documentation overhead, and insurance allocation. When the numbers were laid out properly Ray was quiet for a moment. Several contract types were running at margins that would not have survived a proper cost analysis if anyone had sat down to do one.

The food manufacturing specialization created something that had not previously existed in the business: a legitimate basis for premium pricing. A pest control operator who provides audit-ready IPM documentation, FDA-compliant reporting, and can speak to a food safety auditor with genuine authority is not interchangeable with a general commercial operator. That capability commands a premium, and the clients who need it expect to pay one.

A tiered contract model was built. Standard commercial rates for general office and retail clients, a compliance program rate for food service clients requiring documented protocols, and a premium food manufacturing rate for facilities requiring full IPM documentation, audit support, and regulatory compliance reporting.

The concentration client was repriced. Ray had been avoiding this conversation for years. We prepared him for it and went through it with him. The client accepted the new

rate. They had no real alternative given the relationship, the compliance documentation Ray already held for their sites, and the disruption cost of switching. Ray stopped being afraid of the conversation.

The repricing added \$59,000 to annualized net profit.

## **Driver 5: Recurring Revenue**

The business already had recurring revenue. Most commercial pest control is contract-based. The problem was not the absence of recurring revenue. It was the quality and structure of that revenue.

Month-to-month arrangements, informal renewals, verbal agreements, and a book heavily dependent on a single relationship were not what a buyer would call contracted recurring revenue. They were what a buyer would call optimistic assumptions about future income.

We restructured the contract portfolio systematically. Every active client was moved to a formal written agreement with defined scope, clear pricing, a minimum notice period for cancellation, and an annual renewal process. Clients on informal arrangements accepted formalization without resistance. Most of them had wanted a proper contract themselves.

The concentration client was the most important piece of this work. The verbal arrangement was converted into a formal multi-site service agreement with documented scope, compliance obligations on both sides, and a structured renewal process. The relationship did not change. The documentation around it did. From a buyer's perspective, the difference between those two things is the difference between a contract they can rely on and a hope they are acquiring.

Beyond formalizing existing arrangements, we identified a set of clients who had been receiving periodic one-off treatments and converted them to annual service agreements. These clients already had a relationship with the business. The shift to an annual agreement simply gave that relationship a formal structure that produced predictable revenue for the business and predictable service for them.

\$60,000 in revenue that had been arriving informally or periodically was converted to contracted annual agreements. The concentration client's share of total revenue dropped from 40% to under 22% as the broader book grew and formalized.

## **Driver 6: Strategic Partnerships**

Ray had supplier relationships and some informal referral connections. Work came in through reputation and word of mouth. Nothing was being actively built.

We identified three referral partner categories that served the same client base.

Food safety consultants and compliance auditors. These are the professionals food manufacturing facilities bring in when preparing for FDA inspections, SQF audits, or FSMA compliance reviews. When a food safety consultant walks into a facility and

identifies pest control documentation gaps, they need to be able to recommend a contractor immediately. A structured approach was developed that positioned Ray's business as the compliance-ready pest control partner for food safety professionals. Several consultants began referring the business by name to clients who needed to upgrade their pest management documentation before an audit.

Commercial property managers. These are the people who manage the office parks, retail centers, and commercial developments that make up a significant portion of the general commercial book. A structured partner program was built with named contacts at the top local property management firms, priority response guarantees on referrals, and mutual referral agreements for property managers whose clients occasionally needed services outside the standard scope.

Commercial kitchen equipment suppliers and restaurant fit-out contractors. These businesses work with the same food service clients Ray was already targeting. When a new commercial kitchen is commissioned or an existing one is upgraded, pest control is required immediately. Formal mutual referral agreements with the top operators in each category.

Referral volume from structured partnerships increased 25% compared to the prior period.

## **Driver 7: Business Autonomy**

The profit improvements, the contract restructure, the niche repositioning, the partnership program. None of it was transferable to a buyer if Ray remained the critical path on every client relationship and every operational decision.

The concentration client in particular had been managed entirely by Ray personally. He was the relationship. He was the person their facilities manager called. He was the one who attended their quarterly compliance reviews. If Ray left, the most important client in the book had no relationship with anyone else in the business.

When we started, Ray was the lead on every significant account, the person who handled anything that went wrong, and the one who made every decision about scheduling, chemical selection, and compliance documentation. The team was experienced. None of them had been given the authority or the structure to manage client relationships independently.

We documented every core process. Service scheduling, chemical application protocols, compliance documentation standards, client reporting, complaint resolution, account review procedures, and the IPM documentation workflow that underpinned the food manufacturing positioning. Each process assigned to a role with clear accountability and a defined output. The compliance documentation work in particular had lived in Ray's head. Getting it into a documented system that any trained technician could execute was the work that made the food manufacturing niche transferable.

A senior technician who had been with the business for eight years was promoted into an operations manager role. She had been informally running the team for years. We

gave her the title, the accountability framework, the authority, and the client communication protocols to match. The concentration client was formally introduced to her as the primary account contact. The transition was managed carefully and the client accepted it without resistance.

A simple operating dashboard was built. Eight numbers: active contracts by tier, revenue under contract, gross margin by contract type, concentration client share of total revenue, compliance documentation completion rate, referral volume, outstanding receivables, and owner hours per week. Visible weekly without anyone having to compile it.

As the business autonomy work took hold Ray was in the business fourteen hours a week instead of fifty-five. He used the recovered time to focus on the food manufacturing client relationships and the food safety consultant network that were driving the highest-value new work.

## **The Result**

At sale, annualized revenue had moved from \$1,400,000 to approximately \$1,625,000. Driven by the rate restructure across the existing client base, the food manufacturing niche attracting higher-value new contracts, the formalization of informal revenue into annual agreements, and the 25% lift in referral volume from the partnership program.

Net profit moved from \$154,000 to \$356,000. Net margin moved from 11% to 22%. That improvement did not apply only to the new revenue. The chemical purchasing savings, the route efficiency gains, and the broader pricing discipline from the profit recovery work changed the margin profile across the entire existing contract base. The improvement compounded across both old and new volume simultaneously.

Worth stating plainly: every year that profit ran at \$356,000 instead of \$154,000, Ray put an additional \$202,000 in his pocket. The work that built the exit value also paid him significantly more along the way. More profit now, more value at exit. The same work delivers both.

The concentration client's share of total revenue fell from 40% to under 22%. That single metric changed the risk profile of the business more than any other number in the file.

The exit multiple achieved was 3.0x SDE. The sale price was \$1,068,000.

When Ray replied to our email, the honest estimate of what the business would sell for was around \$275,000. The difference between that number and \$1,068,000 is not a different market or a different economy. It is deliberate work across five drivers.

The buyer was a regional pest control group expanding their commercial footprint. The food manufacturing compliance niche, the formal contract portfolio, the operations manager in place, and the documented processes were exactly what they were acquiring. Ray was not required to stay. He consulted for sixty days at his discretion and was done.

He replied to an email on a Tuesday morning because one line resonated. The answer to what that line was pointing at turned out to be worth just under \$800,000 more than he expected.

## The Numbers at a Glance

	Before	After
Annual Revenue	\$1,400,000	\$1,625,000
Net Profit	\$154,000	\$356,000
Net Margin	11%	22%
Gross Margin	43%	49%
Largest Client Concentration	40% of revenue	Under 22% of revenue
Food Manufacturing Clients	None	Core of new growth
Owner Hours in Business	55+ hrs/week	14 hrs/week
Exit Multiple	1.8x SDE	3.0x SDE
Est. Value at Entry	~\$275,000	—
Sale Price Achieved	—	\$1,068,000

## Is This Relevant to Your Business?

Ray did not come to us because the business was in trouble. He came because comfortable had become the ceiling, and an email articulated what he already knew but had not yet acted on.

The client concentration problem is more common than most owners admit. When one relationship represents 30% or 40% of revenue, that relationship is not an asset. It is a liability that suppresses the multiple and makes the business difficult to finance, transfer, or sell at a fair price. Fixing it requires growing the rest of the book, not just hoping the concentration client stays.

The work required to close the gap between what a business is worth today and what it could be worth is the same work that makes it more profitable in the meantime. You are not choosing between profit today and exit value tomorrow. You are doing both simultaneously.

The systems installed here are not pest control specific. They are the same drivers we install in every owner-operated B2B business in the \$750K to \$5M revenue range where

the fundamentals are sound but the business has not yet been built to run, grow, and sell without the owner at the center of everything.

If you read something recently that resonated more than it should have, that is usually worth paying attention to.

**Leighton Williams**

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