SPONSORED CONTENT

2020 TERMITE

STATE OF THE MARKET REPORT



- Business is Up
- Swarms are Meh
- Sales are Proactive
- Future Looks Good

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A WORD FROM THE SPONSOR

Innovative Termite Solutions Designed To Enhance Profitability



DAVE POLING

BASF Professional & Specialty Solutions is pleased to sponsor PCT's "State of the Termite Market" report. This annual supplement, based on a survey of PMPs throughout North America, features PMP interviews, market analysis and industry data designed to prepare pest management professionals for the coming termite season.

Termites are among the most destructive pests encountered by PMPs, causing more than $5 billion in property damage annually in the U.S. alone. BASF is leading the fight against termites with best-in-class termiticides, as well as technologically advanced injection, monitoring and baiting systems. Our innovative termite control solutions are designed to provide enhanced profitability and business flexibility for a wide variety of situations and environments.

As a world leader in termite control, we're proud of the 20-year history of our groundbreaking Termidor® product line, the gold standard of the industry. The latest addition to the Termidor® family of products is the Termidor® HP II High Precision Injection System, a revolutionary new technology that eliminates the need for trenching and rodding.* With its onboard computer, this advanced technology creates an exact finished dilution, which is then injected into the ground. The result is an accurate, uniform zone of treatment, protected by the full strength of Termidor® termiticide.

If termite baiting is your preference, BASF has you covered there as well. Trelona® ATBS Advance® Termite Bait System (ATBS) features the active ingredient, Novaluron, which achieves ongoing structural protection through colony elimination. Its superior station design promotes faster hits and sustained consumption. In addition, an annual inspection label means year-round protection, freeing your business to operate even more efficiently and cost-effectively.

PMPs are also providing peace of mind to customers by offering termite monitoring services. To address this growing trend, BASF's Advance® Termite Monitoring System provides 24/7 monitoring both before and after home construction, all with no disruption to the customer's landscape. And *every* BASF termite control solution comes with superior customer support, including web-based training, consumer advertising, marketing support and more. It all adds up to a business partner that is singularly focused on your company's success this coming termite season.

Bolstered by a healthy economy and a strong housing market, 58 percent of respondents to the PCT survey expect their termite revenue to increase in 2020. We're also optimistic about the coming year because we know PMPs are dedicated to providing the highest quality termite control services possible, utilizing the latest termite technology from BASF, your partner in pest control.

Sincerely,

Dave Poling
Manager, Regional Marketing
BASF Professional & Specialty Solutions

*In most situations.

Business is UP



Depending on your point of view, the termite control market in 2019 was an up or down year. Revenue and outlooks were positive. Areas of concern included swarms, service prices and liability risks.

The market also appeared to be shifting. Pest management companies were not waiting for the phone to ring with swam calls, said PMPs in follow-up interviews. Instead they were proactively seeking out termite work and selling preventive termite services.

For most pest management companies, 2019 was a stellar year for termite control.

"I thought the season was great. We had swarmers back a little heavy; the economy is great. We had one of our best years in a long time," said Steven Durieu, owner of Senate Termite Control in Gaithersburg, Md.

Matt Breda, vice president of Breda Pest Management in Loganville, Ga., said "termite was up again" following record growth in 2018. "In this industry we know when the economy and the housing market are great, the termite industry is great. The three are correlated," he said.

In fact, 51 percent of PMPs said revenue generated from termite control services increased in the past three years, according to the PCT 2020 State of the Termite Market Survey, which was sponsored by BASF and conducted by Readex, an independent research company. This was up from 39 percent of PMPs who reported an increase in PCT's 2019 survey.

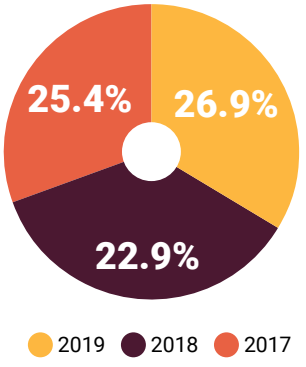
Termite control services accounted for 26.9 percent of overall company revenue on average in 2019, up from 22.9 percent in 2018 and 25.4 percent in 2017.

Most PMPs (22 percent) said their company location generated less than $15,000 from termite-related services in 2019. Fourteen percent said they generated $50,000 to $99,999 and an equal percentage earned $100,000 to $249,999.

More than a third (35 percent) of PMPs said termite control today is more significant

BIGGER PIECE OF THE PIE

Average % of total revenue from termite control services in...



Sources: Readex Research/PCT surveys 2018, 2019, 2020

OLEG GOLOVNEV | ADOBESTOCK; GOOPHOLIDON | ADOBESTOCK

to the company's bottom line than it was five years ago, up from 30 percent who felt this way last year.

Madero Pest Control in Pueblo, Colo., benefited from being in the right place at the right time. "We are one of the few local companies offering the subterranean termite service throughout Colorado," said co-owner Angela Madero.

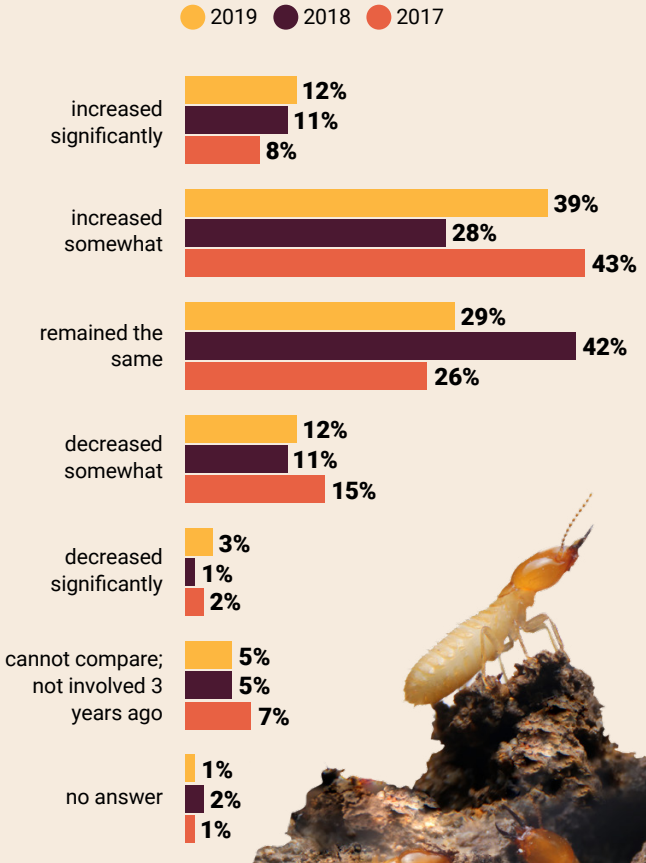
Others were helped by the "massive amount of commercials" run by national competitors, which increased awareness of termite control in general and complemented the advertising of smaller operators, said Durieu. "If you're doing your correct marketing and getting your name out there, the market's great," he said.

Still, termite control played a less significant role at some companies, according to 19 percent of PMPs surveyed. "It's definitely gotten smaller each year, which is the reason why we do other things," said George Pilkington, owner of Universal Pest & Termite in Virginia Beach, Va., which now offers duct cleaning and insulation services to help offset the loss in termite work.

Pilkington said the "absolute explosion of competition" in his market over 20 years contributed to the decline. In 2019, 82 percent of pest management companies offered termite control service, an increase from 77 percent in 2017, according to PCT surveys.

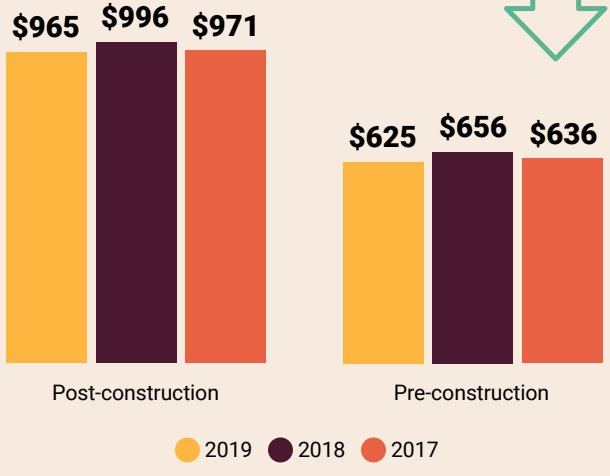
BIG GAINS IN REVENUE

Change in revenue from termite control services in the past three years:



PRICES GOING DOWN

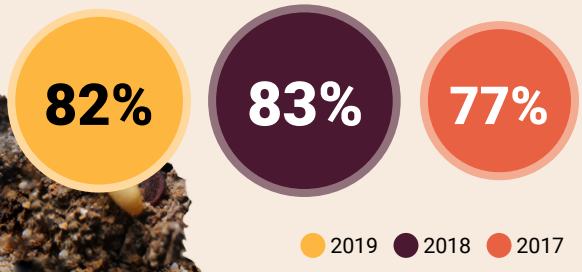
Average charge for termite treatments:



Sources: Readex Research/PCT surveys 2018, 2019, 2020

8 IN 10 OFFER SERVICES

Does your company offer termite control services?



Sources: Readex Research/PCT surveys 2018, 2019, 2020



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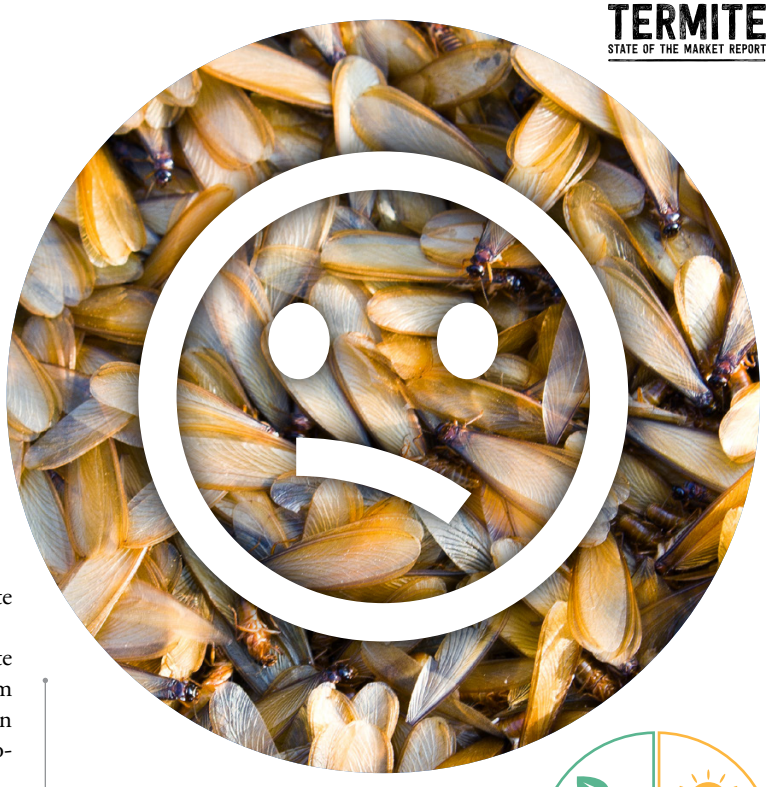
Swarms are MEH



Swarm season did not drive the growth in termite control revenue.

According to the PCT 2020 State of the Termite Market Survey, 50 percent of PMPs said swarm activity was average in 2019. Nine percent said it was an above average season, down from 15 percent who categorized 2017 in this way.

In addition, 40 percent of PMPs said swarming activity in their market areas was weaker compared to five years ago.

"The days of the swarm season are gone. It's just not what it used to be in our region," said George Pilkington, Universal Pest & Termite. He said the Hampton Roads area of Virginia once was a top 10 market for termites. "But now, I just don't see them," he said.

It was a similar situation across the country in Colorado Springs, Colorado. "I haven't seen the heavy swarming activity. I don't think we have that heavy of pressure anymore," said Charles Osborne, owner of Osborne Pest Management. "We might be getting an upper hand here," he concluded.

In fact, the majority of PMPs (53 percent) believed swarming activity had declined due to the overall effectiveness of termite control products, found the survey. Products today kill termites, whereas they merely repelled them in the past, PMPs explained.

"I think the materials that are used have made a difference," said Pilkington. "In our industry, being too good at what you do can cost you a customer."

Steven Durieu, Senate Termite Control, does not believe improved products have impacted termite populations. "Everybody thought, we're wiping the termites out. Well after the last two years, they're just as strong as ever in my opinion," said Durieu, who operates in Virginia, West Virginia and Maryland.

Weather boosted swarms in some parts of the country. "I think the moisture we had the year before really just made it one of the best years for termites. This has been our busiest termite year so far," said Nick Madero, co-owner of Madero Pest Control.

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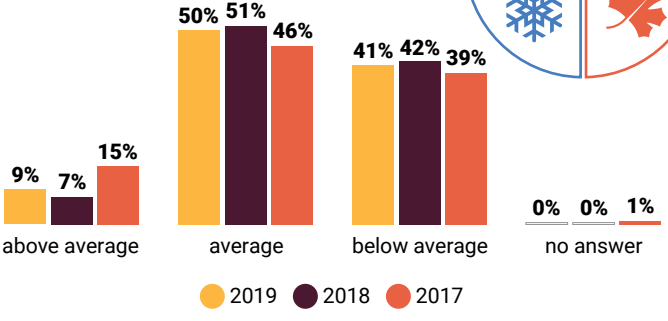
SAME OLD SWARMS

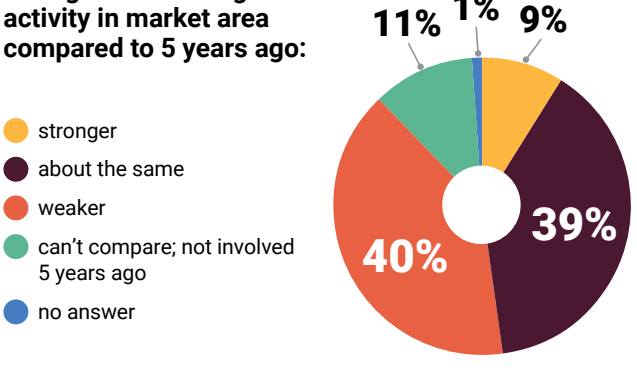
How was your swarm season?



Sources: Readex Research/PCT surveys 2018, 2019, 2020

SAME NEWS, DIFFERENT YEAR

Change in swarming activity in market area compared to 5 years ago:



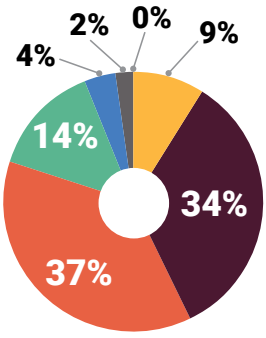
Source: Readex Research; Number of Respondents: 353

Sales are PROACTIVE

INCREASING CALLS

Change in termite-related service calls in 2019 vs. one year ago:

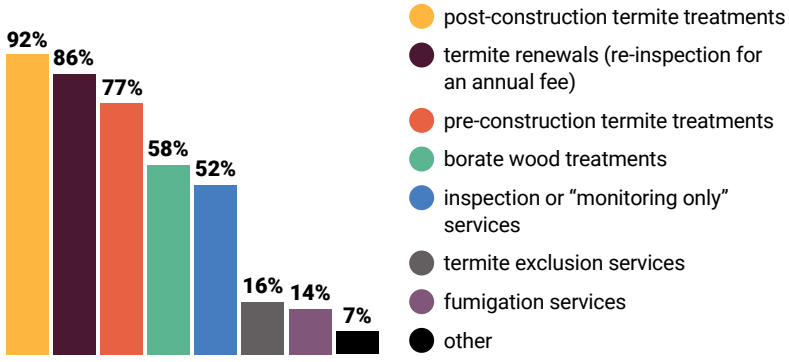




Source: Readex Research; Number of Respondents: 353

A FULL TOOLBOX

What types of termite control services does your location offer?



Source: Readex Research; Number of Respondents: 353
(Respondents Could Select Multiple Answers)



According to 43 percent of PMPs who took part in the PCT 2020 State of the Termite Market Survey, pest management companies performed more termite-related service calls in 2019 than the year before.

Companies did not wait for customers to contact them; instead they actively sold termite solutions.

"You've got to go get it," said Edward "Bubba" Grace of the termite work in his market. The owner of Grace Pest Solutions in Franklin, Ky., gained termite jobs by offering free inspections. At many properties, he found evidence of termite activity not known to the homeowners.

Companies also sold more preventive services to homeowners without termites, reported PMPs in follow-up interviews. Once the service is explained the sale is "kind of a no-brainer" because people see it as a way to protect their biggest investment, said Steven Durieu, Senate Termite Control. Plus, this market offers more potential than the "very small market" of homes with active infestations, he said.

Senate Termite Control has offered a quarterly termite monitoring and warranty service, which accounts for about 40 percent of its termite business, for 29 years, said Durieu. More than half (52 percent) of companies offered termite monitoring or inspection only services, found the PCT survey.

PMPs also reported performing more wood-destroying insect and organism (WDI/WDO) inspections for real estate closings last year, which led to more termite work. "I think that's what's really helped us," said John King, owner of On The Fly Pest Solutions, Apopka, Fla. His termite revenue increased 40 percent in 2019.

Companies also offered post-construction (92 percent) treatments, renewals involving a re-inspection for an annual fee (86 percent), and pre-construction (77 percent) treatments, borate wood treatments (58 percent), termite exclusion (16 percent) and fumigation (14 percent).

Unfortunately, the average callback rate for termite control service increased, according to PCT surveys. In 2019, it was 1.8 percent compared to 1.6 percent in 2018 and 1.4 percent in 2017.

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Future Looks GOOD

PMPs feel positive about the coming termite season. According to the PCT 2020 State of the Termite Market Survey, 58 percent expected termite control service revenue to increase this year.

"For 2020, we expect another great year for termite season," said Nick Madero, Madero Pest Control.

John King, On The Fly Pest Solutions, expected steady growth. "I'm real comfortable with where we're at right now," he said.

Nearly half (49 percent) of PMPs anticipated prices to increase for termite services this year; an equal percentage thought prices would remain the same as in 2019.

In follow-up interviews, PMPs said the strong housing market and economy should continue to boost the termite market.

The wild card: It's an election year. "Any time you get into a presidential election, everybody wants to pump the brakes," said Matt Breda, Breda Pest Management. Even so, his outlook was positive. "We're still expecting a strong year for 2020," he said.

In the past three years, companies invested in termite products, equipment and marketing, reported 40 percent of PMPs in the survey. More than half (54 percent) expected the same level of investment in 2020.

"My outlook's fantastic," said Steven Durieu, Senate Termite Control, who expected more homeowners to seek out preventative termite measures. "The future is getting the homes that don't have termites," he said.

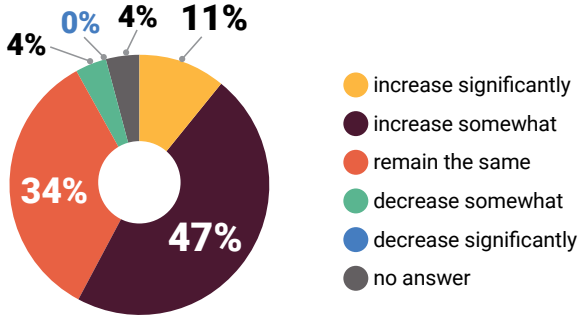
ABOUT THE SURVEY

The PCT 2020 State of the Termite Market Survey was sponsored by BASF and compiled by Readex, an independent research firm in Stillwater, Minn.

A sample of 7,842 U.S. pest control business owners, operators and executives was systematically selected from the PCT database. Data was collected from 431 respondents — a 5 percent response rate — via online survey in December 2019. Respondents who did not offer termite control services were eliminated. The margin of error for percentages based on the remaining 353 respondents is ±5.1 percentage points at the 95 percent confidence level. Charts may not add up to 100 due to rounding.

GREAT EXPECTATIONS

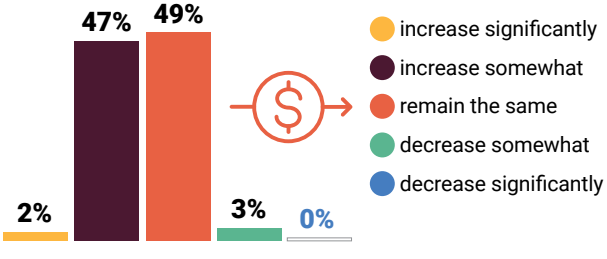
Expected change in percentage of termite control service revenue in 2020:



Source: Readex Research; Number of Respondents: 353

CONSISTENT PRICING

Compared with 2019, do you anticipate your location's termite service pricing will increase, remain the same or decrease in 2020?



Source: Readex Research; Number of Respondents: 353

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