



Exit Strategies

presented by

Karen McDonald-Hurley

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Overview

Are you ready?

Planning steps

Transition options

Key findings from those who have exited



Are you ready

How many businesses have exit strategy in place?

- 10 percent
- 24 percent
- 38 percent
- 52 percent

- According to TD Waterhouse's October 2011 Business Succession Poll of 609 small business owners
- 24 percent of small business owners surveyed said they had a succession plan worked out for retirement
- CFIB survey that same year said their poll results closer to 10 percent

What do you need to think about?

You need to figure out if you're building a business you're going to sell one day, or if you're just building a job for yourself, one you'll be happy to just walk away from one day.

Getting Ready

- business value built up over years, planning is a way to realize that value
- giving yourself enough time to put plan into action
- clearly articulate your plan and who will be involved in the steps
- no plan = potential loss of value, inability to move due to health issues, loss of business



Planning Steps

1. Get Advice
2. Choose type of successor
3. Prepare your successor
4. Structure the transaction
5. Plan the handover
6. Review your plan

Transition Options

1. selling or giving to family member
2. selling to company insiders (managers and/or employees)
3. selling to an outside buyer



Family Transition

- Most common exit strategy used in Canada by selling or giving to family members
- Companies do better than those sold to non family owners (BDC survey)

Family Transitions

1. Communicate-include everyone in the email!
2. Define roles and responsibilities
3. Give yourself enough time



Insider Buyout

1. Can pool resources to acquire all or part of business
2. Mixed funding model, personal, vendor financing and external (bank or other investor)
3. Owner and purchaser agree on sale price

Insider buyout advice

1. Be transparent.
2. Focus on the financials.
3. Choose skilled people
4. Share equity Fairly
5. Retain good relationships

External Sale

1. Sell to outside investors
2. Use advisors
3. Put yourself in buyers shoes
4. Buyers have specific criteria

Why do some transitions succeed while other fail or perform poorly?

Key findings (BDC survey of 200 small and med where change of ownership occurred)

1. Transitions by insiders tend to perform better
2. Change of ownership puts pressure on a company's finances
3. Good due diligence leads to good transitions.

Key findings continued

4. Forecasts need to be conservative
5. Synergies are harder to achieve than planned
6. The new management team is the foundation of future success

What percent of companies achieve expected financial performance after one year of new ownership

24%

39%

48%

60%

What is the percentage of companies growing one year post sale

31%

41 %

51%

61%

O*ppportunity*
*G**roup*