Selling your business could truly be one of the most stressful and emotional experiences of your business life. To make the experience run smoothly there are several factors that can be addressed in advance of a transaction. The Crucial Considerations outlined below will provide insight into the best ways to prepare your business for sale and maximize the value once you sell.

1. Your Business must have accountant reviewed or audited financial statements. Internally prepared financial statements are considered a “red flag” for purchasers, because there is potential or perception for manipulation of financial results.

2. 37% of Alberta’s independent business owners intend to exit or transfer control of their business within the next 5 years, while only 10% of all independent business owners have a formal plan to sell or transfer their business. HAVING A SUCCESSION PLAN WILL HELP ENSURE A BUSINESS TRANSITION GOES AS SMOOTHLY AS POSSIBLE. A WELL-DESIGNED SUCCESSION PLAN WILL HELP:
   - Ensure the future financial stability and value of the business.
   - Reduce the potential tax liabilities of transferring the ownership.
   - Set a timetable for transfer of ownership to the successor, whether a family member, employee or an outside purchaser.
   - Contribute to the growth of the business in terms of market share, profitability and size.
   - Provide stability for employees.

The downside of not planning is undeniable: OWNERS WILL BE FORCED TO SELL AT A DISCOUNT WITH THE ASSOCIATED RISK OF BUSINESS CLOSURE AND LOSS OF JOBS.¹

3. Once the decision has been made to sell a business, it can take up to 1 year to prepare the business to receive the highest price, one year until the deal is completed and a further 6 months to fully exit from day to day operations. IF YOU ARE CONSIDERING SELLING YOUR BUSINESS WITH THE PLAN OF BEING OUT IN 3 YEARS, THE BEST TIME TO START THE PROCESS IS TODAY.

4. A transfer of your business to the next generation is not generally the best solution for the sustainability of the business. ONLY 33% OF FAMILY BUSINESSES SURVIVE FROM THE FIRST GENERATION INTO THE SECOND, WHILE ONLY 15% SURVIVE INTO THE THIRD GENERATION.²

5. Selling your business has some parallels to selling your house…YOU MUST ENSURE THAT YOUR BUSINESS “SHOWS WELL”. MAKE SURE THE OFFICE AND SHOP ARE CLEAN AND ORGANIZED, A DISORGANIZED OR MESSY BUSINESSES IS A “RED-FLAG” TO INVESTORS AS IT RAISES THE CONCERNS THERE COULD BE “MESSES” ELSEWHERE IN THE BUSINESS, LIKE THE FINANCIAL STATEMENTS.

6. Make the business easy to buy….HAVE IN PLACE DETAILED OPERATING MANUALS AND PROCEDURES AS WELL AS A SECOND TIER OF MANAGEMENT THAT WILL MAKE THE TRANSITION FOR NEW OWNERS A SMOOTH ONE. THE LAST THING YOU WANT IS FOR A POTENTIAL PURCHASER TO BELIEVE THAT ONCE YOU ARE GONE, SO WILL THE BUSINESS.

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1. Canadian Federation of Independent Businesses, October 2006
2. Mass Mutual/Raymond Institute, 2002
7. Understand how your business's performance compares to other businesses in the same or similar industries. Buyers often hear the overused terms “My Business is a Best in Class Performer” or “We are a top-quartile company” and they usually are very skeptical. ENSURE THAT BEFORE YOU PRESENT YOUR BUSINESS FOR SALE THAT YOU DO IN FACT KNOW HOW YOUR BUSINESS STACKS UP FROM BOTH A PROFITABILITY AND BALANCE SHEET PERSPECTIVE VERSUS OTHER COMPANIES IN YOUR INDUSTRY BECAUSE ASTUTE BUSINESSES PURCHASERS WILL CERTAINLY HAVE THAT INFORMATION.

ABOUT EQUICAPITA

Equicapita is a private equity fund that acquires established, private, small and medium sized enterprises (“SMEs”) located primarily in Western Canada. Equicapita’s investment drivers are to acquire operating companies at attractive valuations, with a history of generating sustainable cash flow and proven management teams. Equicapita believes that there is:
- a generational opportunity to acquire ‘baby boomer’ SMEs; and
- a funding gap in the $2 to $20 million enterprise value range.

The retirement of baby boomer business owners has been described as triggering one of the biggest transfers of corporate assets on record in Canada. This creates an environment with an abundance of opportunities to acquire SMEs with long-term operating histories, at attractive cash flow multiples. Equicapita provides investors with access to this alternative asset class via an efficient RRSP eligible structure.

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