

Investor Insight

Dekker Hewett Group | Independent. Trustworthy. Experienced.

Succession Planning for Your Business – A Potential Sale

If you're a business owner, you will eventually be faced with the question of what happens after you decide to leave the business. It is never too early to begin the succession planning process. One exit strategy to consider is selling your business. If you are considering this option, proper planning can help to ensure that the sale will go smoothly. Here are a few tips to help as you plan for a potential sale:

Plan ahead to ensure that the business is sold at the best time. By having a plan in place, a business owner may be more likely to sell at the optimal time. Often, the worst time to sell a business is under unanticipated circumstances or stress. It is not an uncommon situation for a business owner to become ill and be forced to sell the business quickly at a lower than market price because a contingency plan had not been put in place.

Market conditions can also impact the sale of a business. During the most recent financial crisis, some business owners postponed the sale of their businesses until the economic environment and business valuations improved. Planning ahead can allow for flexibility in the timing of a sale and potentially lead to a better price.

Determine what you are selling. Every business consists of different types of assets, including physical assets and also what are considered "intangible" assets. Goodwill is one type of intangible asset that includes the established reputation of the business, trademarks or client lists that increase the value of the company. Business owners will need to determine what assets will be sold and the valuation of these assets. If the business is incorporated, the owner will also need to decide to sell either the assets of the corporation or the shares of the company.

Get your books in order. Business owners should always ensure that the business' books are in good order, but this is especially important in a sale process. Buyers will require historical corporate financial statements to review the business' performance over a period of at least five years. Tax payments should be up-to-date and any liabilities should be reduced as much as possible. The company's financial statements will act as the basis for the business' valuation and eventual sale price.

Dekker Hewett Group
Canaccord Genuity Wealth Management
609 Granville St., Vancouver, BC, V7Y1H2
T: 604.699.0852
E: dhginfo@canaccord.com
www.dekkerhewettgroup.com

CANACCORD GENUITY WEALTH MANAGEMENT IS A DIVISION OF CANACCORD GENUITY CORP., MEMBER-CANADIAN INVESTOR PROTECTION FUND AND THE INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

This newsletter is solely the work of the author for the private information of clients. Although the author is a registered Investment Advisor at Canaccord Genuity Corp., this is not an official publication of Canaccord Genuity Corp. and the author is not a Canaccord Genuity Corp. analyst. The views (including any recommendation) expressed in this newsletter are those of the author alone, and are not necessarily those of Canaccord Genuity Corp. The information contained in this newsletter is drawn from sources believed to be reliable, but the accuracy and completeness of the information is not guaranteed, nor in providing it do the author or Canaccord Genuity Corp. assume any liability. This information is given as of the date appearing on this newsletter, and neither the author nor Canaccord Genuity Corp. assume any obligation to update the information or advise on further developments relating to information provided herein. This newsletter is intended for distribution in those jurisdictions where both the author and Canaccord Genuity Corp. are registered to do business in securities. Any distribution or dissemination of this newsletter in any other jurisdiction is prohibited. The holdings of the author, Canaccord Genuity Corp., its affiliated companies and holdings of their respective directors, officers and employees and companies with which they are associated may, from time to time, include the securities mentioned in this newsletter.

The preceding information is for general information only and does not constitute tax advice. All investors should consult with a qualified tax accountant.
Tax & Estate advice offered through Canaccord Genuity Wealth & Estate Planning Services.

FOR DISTRIBUTION IN CANADA ONLY

“Planning ahead can allow for flexibility in the timing of a sale and potentially lead to a better price.”

Understand what your business is worth. Understanding the business' valuation well before a potential sale is important to set expectations. It may also be helpful in determining the optimal time at which to sell. Given that we are living longer and healthier lives, some business owners may wish to postpone their business succession and continue working in order to have a continued inflow of income. Others may do the opposite if the sale of the business can lead to a comfortable and more immediate retirement.

There are various ways to value a business, including by using revenue/earnings multiples or discounting future cash flows, so the analysis of a professional can be beneficial to determine which approach best suits your company. A professional valuation may also add credibility when it comes to approaching potential buyers.

Seek Advice

As a business owner, you have likely spent a great deal of time and effort in building your business over the years. That's why a considerable amount of planning should also be put into preparing your business' succession plan.

If you need assistance, we can put you in contact with experts who can support you in this important process. Please don't hesitate to contact us.