



How to Prepare your Business for Sale

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How Much is Your Business Worth?

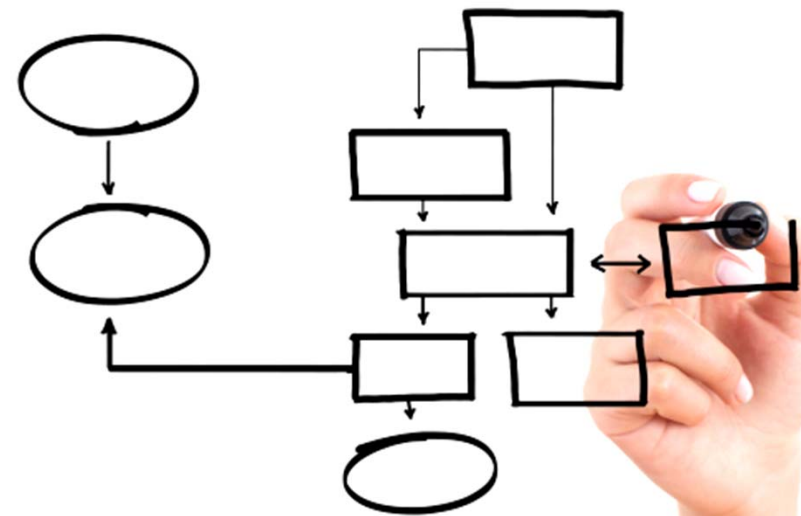
- Differing expectations
 - Determining a sale price isn't easy – but will be the focal point of your transition plan





How Much is Your Business Worth?

- Company Structure a Major Key to Value
 - The current structure plays a big role on the value of the company and HOW the transition takes place
 - Sole Proprietor – simplest way to operate but most difficult to transition
 - Partnership – most complicated structure and partial exit strategy is in place
 - Corporation – most transparent and tax efficient for succession.





How Much is Your Business Worth?

➤ Assets or Shares

- Asset or Share sale is usually one of the first questions in Succession
- Asset Sale: Any of the 3 business structures can have an Asset Sale
 - Preferred by the Buyer
- Share Sale: Only a Corporation can have a Share Sale
 - Preferred by the Seller





How Much is Your Business Worth?

➤ Basic Math Behind the Sale - 5 Numbers to Look at

1. Multiple of Earnings Before Interest Depreciation and Amortization (EBITDA)
2. Growth in Revenue
3. EBITDA Margin
4. Amount of Leverage
5. Ownership





How to Prepare your Company for an External Sale

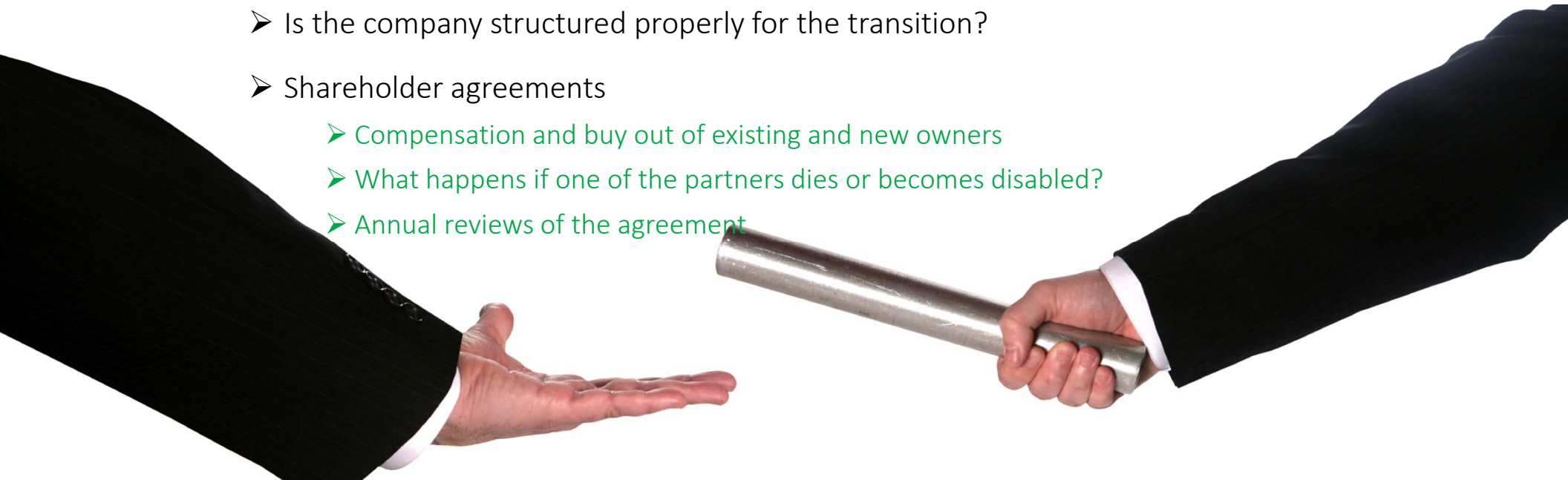
- Profits and ongoing investment are crucial
- Lower expenses and boost sales
- Create or update your strategic plan
- Develop repeatable processes and empower your people
- Stand out from the crowd
- Take the time to do it right
- Seek advice
- Consider your tax liability





How to Prepare for a Family or Key Person Transition

- Building your Retirement and Estate Plan
- What do I want my Business Legacy to be? Family or Key Employee?
- What is for sale? When am I leaving?
- Is the company structured properly for the transition?
- Shareholder agreements
 - Compensation and buy out of existing and new owners
 - What happens if one of the partners dies or becomes disabled?
 - Annual reviews of the agreement





Financing the Transition

- Financing is crucial
- Financing options:
 - Buyer equity
 - Vendor Financing
 - Secured debt
 - Mezzanine financing
 - Outside equity
- Seek flexible financing





Bonnie & Bert Smith

Case Study





Case Study - The Smith's



Bert (58) & Bonnie(56) Smith



The Smith Sons
Aaron (22), Kyle (28), Kevin (26)



Case Study - The Smith's

Bert and Bonnie would like to retire at 63 and 65 years.

- Succession Plan Goals
 - Include the transfer of the farm
 - Protection of their past growth
 - A comfortable retirement plan
 - Protecting the farm in marriage
 - Equalizing estate





Case Study - The Smith's

Review the farm assets, debts and income





Case Study - The Smith's

Review the current farm ownership

- The farm is a corporation
- Who are the share holders now and in the future





Case Study - The Smith's

Equalization of the estate

- Start the conversation with the kids
- What do they need to decide and plan for?
 - Determine “fair market value” of the farm
 - Determine the intentions of the family members
 - Determine the tax situation of the parents and the balance of their capital gains exemption
 - Determine their financial needs for retirement
 - Balancing of the estate: Fair is not necessarily equal
 - What happens if Kyle dies or divorces?
 - How do we protect our investment in the farm?

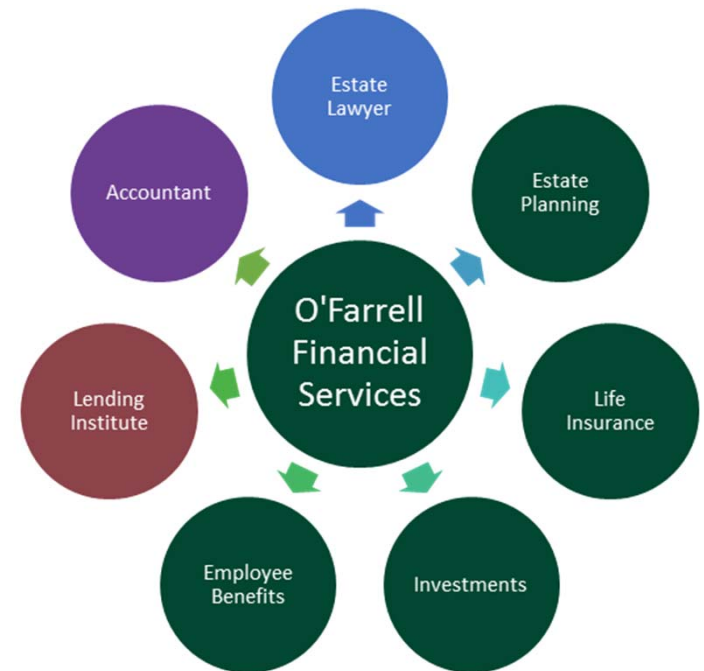




Case Study - The Smith's

How we helped:

- THREE discovery meetings with the clients and our Wealth Management Team.
 - Let the clients talk. WRITE DOWN EVERYTHING.
 - Included every asset, property... etc. Where it came from and where it was going.
- Once the discovery is complete, compare goals with the client's existing position.
 - The Smith's were not positioned at all to meet their goals
- Work with the client's team of trusted professionals (Lawyer, accountant, lending institution) to prepare and detailed succession plan.





Thank you!



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Questions?

