

# KNOW THE TIME TO CASH OUT

BY EXCHANGE MAGAZINE & CARSON O'NEILL

With 1,000 Canadians turning 65 every day, many business owners are looking to sell their business to adequately fund a comfortable retirement. Exchange recently spoke with Carson O'Neill, Principal of Rincroft Inc., a Kitchener-Waterloo based firm facilitating the divestiture of medium sized businesses. In this article, Exchange gets to the heart of the matter and learns that hanging on too long can undermine value.

Exchange: How did you get into this business?

*O'Neill: I was heavily involved in the sale of businesses while running a consumer products company in the late 90's and that evolved to working with owners of medium sized businesses in a variety of industries.*

Exchange: What motivates these owners?

*O'Neill: They are looking to retire without financial worry after years of hard work. Many have no succession plans in place and, even if they do, internal succession often doesn't meet their financial needs.*

Exchange: You mentioned 'internal succession often doesn't meet their financial needs'. Can you expand on that?

*O'Neill: Insufficient funds. Let's say a business is worth \$5 million. The 'management' may be in place for succession... but they frequently do not have the funds to acquire the operation at fair market value. Management buy outs can take forever and the owner usually pays a heavy price by accepting less for their business with deferral and risk to boot.*

Exchange: Can you describe a typical owner who fits with your divestiture process?

*O'Neill: The most important criteria is the business has transferable valuable to an external party. The operation should have assets (equipment, inventory, intellectual property and goodwill) generating a value of at least \$2 million for a divestiture advisor to be involved.*

Exchange: How do you match buyer and seller?

*O'Neill: In the case of our company, buyers almost always come from within the industry. Valuation tends to be higher, industry buyers are more likely to have the required funds and due diligence is easier to complete as the buyers understand the fundamentals of the industry. The valuation difference can be significant.*

Exchange: Any examples?

*O'Neill: We had a branded health care company where the business was sold for \$10 million to an industry buyer and the highest offers from financial buyers were all less than \$7 million.*

Exchange: What's the biggest challenge you face working with the owners?

*O'Neill: Regardless of financial circumstances, they are sometimes reluctant to consider divestiture as they are emotionally tied to the business - understandable - in some cases the business has been in the family for generations. The economic realities of their planned retirement therefore need to be factored into the decision.*

Exchange: How do you connect with owners?

*O'Neill: Word of mouth endorsement is huge in this business. I have calls from owners who are cottage neighbours of past clients - the dialogue starts from there. We also hold seminars for business owners explaining the divestiture process and its fundamentals.*



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