

Wave of SME Ownership Change

Most owners of medium sized business in Canada are now in their fifties. 40% of them have indicated they plan to sell their business in the next 5 years to fund retirement.

Many of these owners have a substantial amount of their money tied up in the business and some in need of bolstering retirement savings. I call this the 'Owner Cash Trap'

Managing the sale of their company will put many business owners in a position they have never been before, in many cases, with big stakes - their ability to comfortably retire.



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Carson O'Neill is the Founder and Principal of Rincroft Inc., a Waterloo Region firm which facilitates the divestiture of medium sized businesses. Rincroft has been in business more than 15 years and has completed more than 50 transactions in a variety of industries.

Start the planning process early.

The divestiture process can take 9-12 months and, to ensure a smooth transition, most purchasers want the current owner to remain involved for 6-12 months post ownership change. The entire process can take several years.

Come to grips with valuation.

Most going concern businesses are valued on an EBITDA multiple - the healthier the business, the higher the multiple. Owners should understand, within a reasonable range, the estimated value of their business before proceeding with the sale process.

Recognize the upside of going to market.

For owners prepared to approach companies in the immediate or a related industry, the benefits can be significant. Valuations are higher, less problems arranging financing and due diligence is easier.

Selling a business is a complex and intense task. Owners realize the most value for their business when the divestiture process is well managed in an orderly fashion with a priority on confidentiality.



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