

GENEVA MERGER & ACQUISITION SERVICES OF CANADA (ONT.) INC.

Rush to the Exit

**M&A Article by Brian Trainor
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Challenges for BBBO's (Baby Boomer Business Owners)

We are now in the initial stages of what is expected to be the greatest wave of business ownership transition in Canadian history. At 10 million strong, baby boomers represent the single largest segment of the Canadian population and they are about to begin to retire in record numbers. Many of these baby boomers are also business owners whose retirement process will require, in most cases, the sale of their business.

According to Statistics Canada starting in 2010 approximately twice as many Canadians reached the age of 65 as did a decade ago and this trend is expected to continue over the next ten years. This demographic shift points to more than a doubling of the number of businesses that may hit the market looking for a buyer than in the previous decade. While the M&A market has recovered, simple economics and supply and demand would suggest that unless the number of buyers increases significantly, the sales process could be drawn out longer than expected and valuations could also come under pressure, especially if the seller is in a rush.

According to many family business experts another notable trend for BBBO's is that the children of baby boomers are less likely to take over the family business, and they face less pressure from their parents to do so. Thomas William Deans, a noted Canadian author and speaker on business succession (and former business owner himself) has indicated that "only one third of all family businesses make it to the second generation and less than ten percent of that one-third survives to the third generation." The scope of the succession problem becomes more apparent when one considers that:

It is estimated that approximately 80% of Canadian businesses are private and family owned

A CIBC survey indicated that approximately half of Canada's business owners expect to retire over the next 15 years

Observers estimate that baby boomers control between 70% - 80% of the privately owned businesses in Canada

Many business owners in their 40s and early 50s are re-evaluating their lifestyles choosing to sell much earlier that they might have in the past

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Given this backdrop, what is a business owner contemplating retirement and a sale of his or her business to do? Our advice – if the business is performing well don't wait to start the sales process. Give yourself as much runway as possible to complete a successful transaction and transition. Too many business owners view the sale of their business and retirement as a simultaneous event and delay the sale of the business until the day they want to stop working which simply is not the case. Most transitions post-transaction take a minimum of 12 - 18 months to complete and with a minimum transition of 1 year that puts retirement 2 to 3 years into the future. And for those that do not want to stop working many buyers are amenable to an even longer transition post-transaction, so the desire to continue to work should not delay your decision to sell the business.

For BBBO's, now is the time to Act.

