

Meet Your Facilitator



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- **Succession specialist and leader of MNP's ExitSMART Service**
- **30+ Years experience working with business owners to implement business transitions**
- **Doug successfully transitioned two family owned businesses himself**
- **Experience working with privately held companies, implementing transitions to family or management and employee buyouts**
- **CFP, TEP, ICD.D, FCPA**

What is your Personal Vision?

- Short term (next 2 – 5 years)
- Long term (next 10 years)



Quantifiable Benefits of Succession Planning

- **Value Optimization**
- **Effective Tax Structuring (Minimize Taxes)**
- **Financial Security & Independence for Owner / Manager**
- **Short-Term and Long-Term Success of the Business**

② Options for Exit



Close down and liquidate assets?



Sell to an arm's length party today?



Sell to an arm's length party in the future?



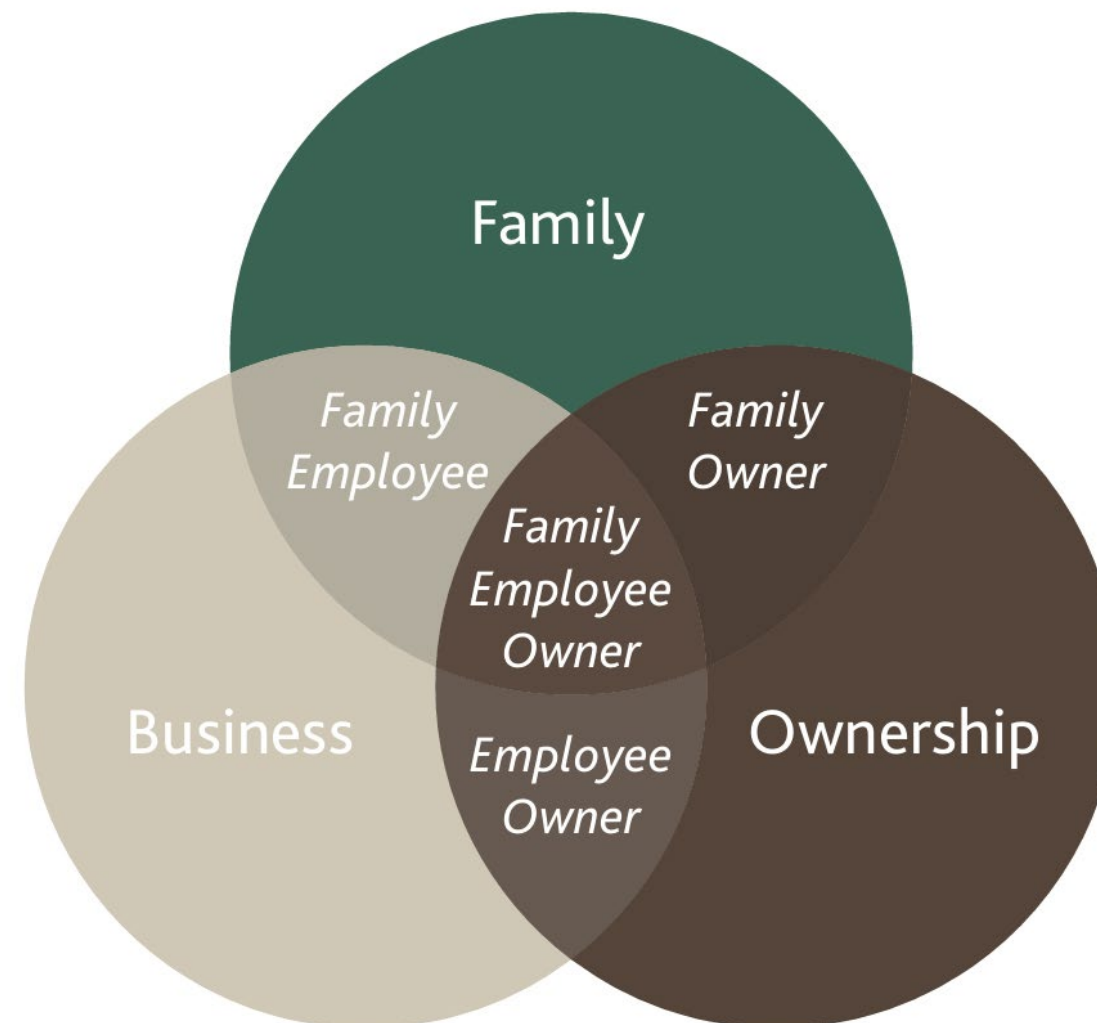
Sell to management / employees?



Sell to family?

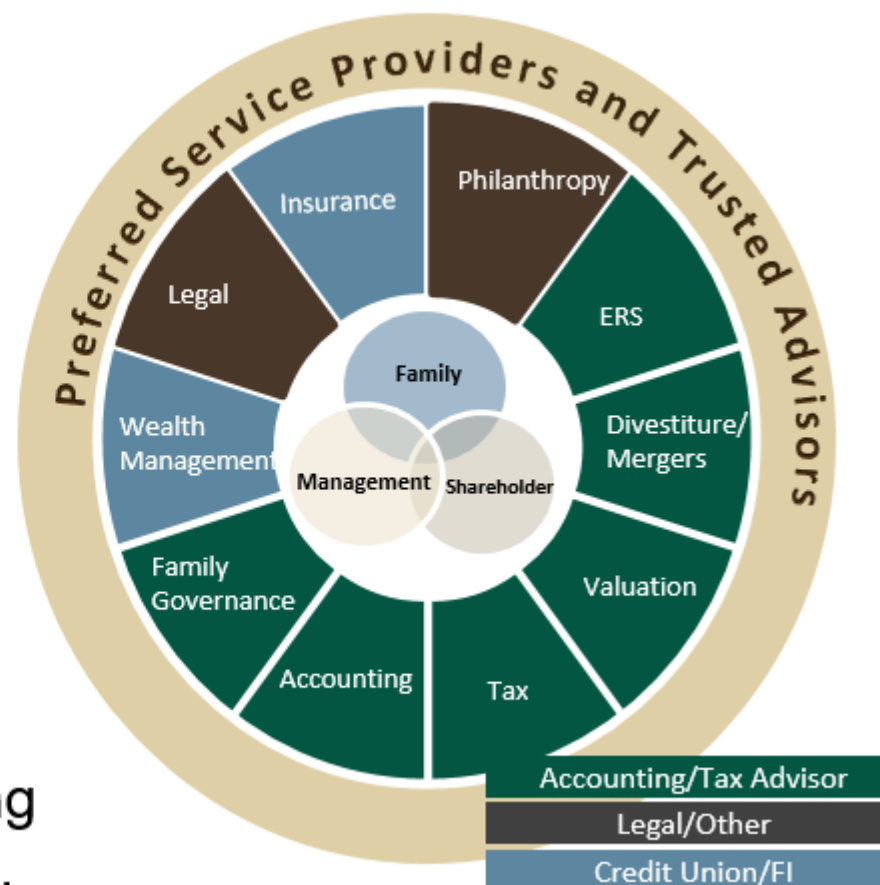


The Three Circle Model

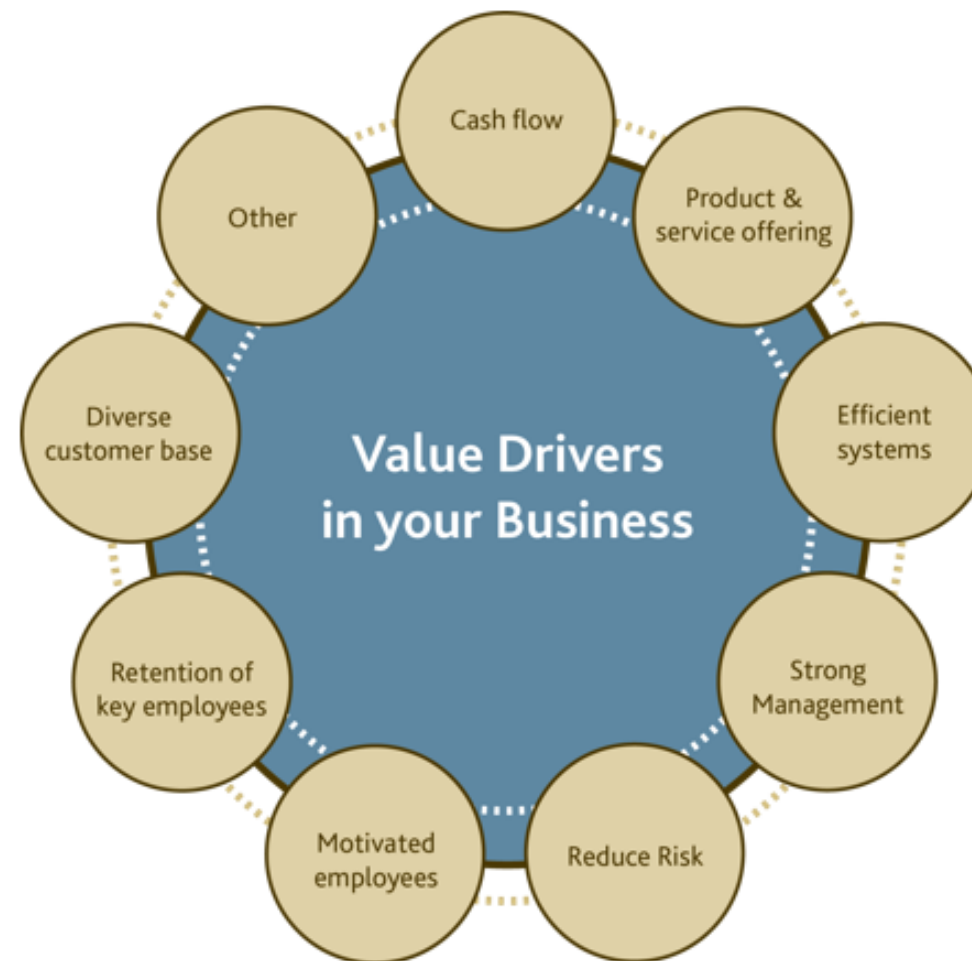


The Succession Process

- MNP's **ExitSMART™** program was created to help owner-managers develop a comprehensive succession plan that contemplates all aspects of the transition process.
- Should include your accountant, asset and wealth management advisors, insurance brokers and investors in the process during the development of your plan.



What do you believe to be the key value drivers in your business?





- Substantial involvement in the day-to-day business operations by the owner;
- Less stable historical financial performance including cash flow and results from operations;
- Limited opportunities for the purchaser to realize operating and financial synergies subsequent to an acquisition;
- A stable market for the company's products and services with limited opportunity for growth in the near future;
- Lack of willingness of the business owner to remain active in the business following the acquisition;
- Low barriers to entry into the market; and,
- High revenue concentration with non-diversified client base.

- A strong management team that operates the business without much reliance on the owner. That is, the continuing success and future growth of the business is not dependent on the involvement of the owner;
- Willingness of key management personnel to remain employed with the company subsequent to the acquisition;
- A history of solid growth and a strong financial position that indicates the opportunity for significant future growth and favourable returns on investment;
- An opportunity to realize immediate cost savings, operating synergies and substantial revenue increases subsequent to the acquisition; and,
- A niche market that is defensible with lots of potential for growth and no sign of market saturation or intense price competition.

The following are general factors that may lead to a higher or lower EBITDA multiple a purchaser will be willing to pay for the Company.

Traps to Avoid

1. Assuming that people (Family Members / Employees) are interested or not
2. Starting with the technical pieces (Buy – Sell, Tax Planning, Insurance)
3. Picking the wrong successors
4. Inviting people to the table without providing appropriate information
5. Assuming that equal is the same as fair
6. Assuming that everyone sees the future of the business the same way
7. Starting too late
 - Losing key people
 - Losing tax advantages
8. Establishing a price without a clear basis for value
9. Putting all your eggs in one basket
10. Not involving advisors

Blind Spots



- In-Laws
- Optics in family transitions
- Being fair
- Managers as potential buyers
- Clarity around roles and graduation dates/strong prospects on the lookout for new opportunities
- Not having a “next stage” plan

Final Thoughts

- **Succession is a process, not an event**
- **Deal openly with the family dynamic**
- **Involve professionals in the process**
- **Ensure you have options**
- **Consider all stakeholders**
- **Start early**
- **Plan not just for sale / transition but “what comes next”**

Next ExitSMART™ Steps

