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It is Never too Soon to Start Planning Your Exit

By Doug Robbins

Private business owners often wait too long to develop a succession plan. At Robbinex®, we encourage business owners to start succession planning at least three to five years in advance. Transitioning a business is a long process that may take anywhere from nine to 36 months to complete, sometimes longer.

Business Valuation

Any succession planning should start with a business review and valuation. The significant features of the Robbinex® COSATA® (Comprehensive Strategic Analysis of Transition Alternatives) report is that it is a tool providing the owner of a business an opportunity to see their business value as potential buyers/investors see it. It also provides an opportunity for the owner to pause and reflect to ensure they are making “the right decision, at the right time, for the right reasons.”™

Value Enhancements

Many clients use a COSATA® as a tool to enhance the profitability and the value of their business, and to implement any recommendations that may be made. Other times, there may be a way to improve profitability or significantly enhance the strategic opportunities available to the company.

Removing any impediments to sale

The COSATA® identifies any impediments to sale and discusses how to reduce or remove any obstacles. For example, some businesses literally are not saleable because the value lies solely in the personal knowledge, skills, reputation and contacts of the owner. The owner must train, delegate and support key em-

ployees in taking lead roles in the company. (See Case Studies)

Some of the alternatives to selling are reviewed:

- Value enhancements
- Refinancing
- Hybrid financing
- Infuse new equity into the business
- Merge with a strategic partner
- Strategic alliance
- Intergenerational transfer
- Hire a manager/CEO
- Empower your staff
- Buyout a partner
- Create an advisory board
- Buy a competitor
- Cure the burnout
- Liquidate part or all of the business' assets

After careful review of the various alternatives that may apply, other than selling the business, the client will be provided with recommendations and the guidance necessary for implementation.

Maximise Return

Oftentimes, one of the recommendations may be to restructure the business prior to selling in order to maximise the ultimate price, to plan for the transfer to the next generation and/or to minimise taxation.

The SWOT Analysis section of the COSATA® is designed to learn as much as possible about the owner, the business, employees,

market, products, services, technology, new competition, customers etc., and how these will impact the business in the near future. It also takes into consideration their personal situation vis-à-vis health, age, capacity, next generation and desire to continue the business along with any personal legacy objectives.

Quite often, initial success brings complacency and boredom, and the recommendations may provide new challenges and opportunities.

It is paramount to remember that the most important result Robbinex® can provide to a business owner is the information necessary for them to make “the right decision, at the right time, for the right reasons.”™

Case Study #1:

A client came to us with revenue of approximately \$10 million wanting to sell their business. The COSATA® indicated the business was not saleable, the principal reason being they had no corporate structure. If he exited the business there would be no one to maintain the relationship with the subcontractors who do most of the work.

While the client was upset that he paid us a fee to tell him his business was not saleable, we did advise him what he needed to do to make it saleable. Fast-forward eight years, he called to ask if I was still mad at him and I laughed and suggested it may be the other way around. He had followed our advice, created a corporate structure and revenue was now \$35 million. He wanted to know if we could sell his business now. We sold the business eight months later.

Case Study #2:

We met a potential client who was running a millwright operation from a barn. Revenue was approximately \$3.75 million, showing a modest profit but the facilities were terrible.

He was aware the building was dreadful to work in and asked whether or not he would be in difficulty with the Department of Labour and if he would be fined. I told him I did not think he would be fined but they may put him in jail!

We created a small Advisory Board to support him, arranged 125% financing to purchase and equip a new building and created a new management team. Fast-forward five years, revenue was \$11 million; we had restructured the business to minimise taxes with the new building placed into a separate corporation. When the sale was completed for more than \$4 million there was no income tax paid because of the proper structuring plus, he still owned the building, which was now mortgage-free and generated rental income of approximately \$150,000 a year for his retirement.

About Robbinex®

Robbinex® has specialised in helping owners of mid-sized companies with business transitions since 1974. They are members of M&A Worldwide (a global network of 39 M&A advisory firms in 40 countries) plus several M&A organisations in North America, with access to “feet on the ground” in most major cities.

The COSATA® is the first phase of the certified ISO 9001-2015 Robbinex® Three-Phase Process.™ This process was developed to help business owners analyse exit options, and then help execute whatever option is most appropriate.

In order to assist clients, Robbinex® works with a network of experts in such fields as finance, legal, wealth management, accounting, tax planning, and even psychology (for example, the [psychology of retirement](#), or determining whether the children of a business owner are prepared to take over a business).

Doug is an internationally renowned Canadian Business Intermediary and Business Broker. He leads a highly competent team who have completed more than 1,000 assignments relating to advising clients on M&A; valuations; next generation transfers; partnership resolutions; refinancing; along with numerous other consulting activities.

The team has managed the sale of over 400 businesses. Robbinex® actively supports the M&A profession through investing significant time and energy by way of memberships, lecturing, and presenting workshops for numerous worldwide M&A organisations.