

The Waiting Game

By: Doug Robbins

Due to the volatile nature of the world landscape currently, we have delayed writing our next Execu-brief until now to attempt to get a better handle on things.

In turbulent times such as we see today with the ongoing **tariff issues**, businesses have a tendency not to be transferred or sold because revenues are challenged, and future profits are literally unpredictable. Everyone starts to play “the waiting game”.

Buyers tend to withdraw to the sidelines while they **wait** for a future that's predictable. We must remember that buyers' value of a business based on that business' ability to generate profits in the future.

Banks have a tendency not to lend money when they're concerned about a questionable future and a company's ability to repay its loans. They tend to **wait** for more favourable financial conditions. This creates challenges in growing a business needing working capital or equipment to grow, and of course to those considering buying a business.

Sellers also tend to **wait** because they know the value of their business will be lower with revenues and profits being lower, along with tighter cash flow.

However, business owners can be proactive while they **wait**. Tough times don't last forever, and this can serve as a tremendous opportunity to create a business and life plan. What needs to happen during this these times is that people need to plan. They need to spend the time necessary to determine where they're going to be in three to five years. **What do you want to be doing in 5 years?**

So, times like this provide a great opportunity to take the time and do some careful planning. An advisory council (or advisory board) can be a tremendous tool to assist a business owner in creating and implementing that plan. Some questions that should be tackled by that advisory council are:

- *“What do you want to be when you grow up?”* This is a question often asked of business owners in their 50's and 60's. They usually pause and then smile as they reflect on the question, and realize they are now thinking about life after business and when that should be.
- *“What Is my business worth today?”* There are so many rules of thumb floating around that most owners do not know the real value today and how it can make more money. What can it be worth in the future?
- *“Is it structured properly to be transferred?”*
 - Have you maximized capital gains exemptions?. Restructuring to realize maximum number of exemptions takes two years after restructuring to crystalize.
 - Is the real estate held outside the company?
 - Should the next generation take over and are they trained and prepared to do it? And if not, how can you train and prepare them?

- Is it possible to improve revenue generation? For many businesses, even a 20% increase in revenue can double the profits, which will greatly improve the value of the business?
- Is it properly financed? Does the business have adequate working capital?
- Is there an opportunity to take equity off the table today?
- Is there too much cash in the company? If cash is more than 10% of the assets, then the shareholders may not qualify for capital gains exemptions.

Case Study:

A few years ago, a chap called and said, “I’d like to sell my business”. We completed a comprehensive assessment of his business.

- He was 78 years old but looked like he was only 60.
- Revenue was \$15M.
- EBITDA was \$4M.

We suggested that he may want to consider turning the business over to his daughter as she was 32-years-old with an MBA from prestigious University. Our **recommendation** was to not sell now, but to create an Advisory Council to provide some short-term guidance. We pulled together 5 specialists from the Robbinex Cooperative Network who made a dozen recommendations. Over the next 12 months, revenues increased to \$16M and the **EBITDA more than doubled**. Fast forward five years later: the business is still owned by the family through a family trust with his daughter as the CEO.

Bottom Line

The team at Robbinex has assisted many business owners over the decades achieve maximum value for their businesses by assisting them to make:

***the Right Decision at
The Right time, for
The Right reasons®***

We created the Robbinex Cooperative Network which comprises more than 125 specialists in most aspects of business and provides a resource to create that advisory council/board.

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