Manulife Securities

MANULIFE CAPITAL MARKETS

Identifying potential barriers to selling a private business

Success happens when opportunity meets preparation

Be prepared when the ideal opportunity arises

Selling your business should never be an impulse decision, and the process leading up to the sale can take years. It is critical for a business owner to have a realistic understanding of the steps involved to prepare for a potential or eventual sale, even if there are no current plans to sell in the next few months. A well-prepared business strengthens its owner's position to command the best selling price and terms that are beneficial both personally and professionally. In order to have a successful outcome, there are a number of factors that require thought and consideration. Manulife M&A professionals can offer an experienced, objective view of your business and your needs, providing valuable insight at each stage of the process.

Why do I need an M&A professional?

It takes time to properly position a business for sale and it also takes considerable time and effort to find a suitable purchaser or investor. The key to maximizing the selling price is to ensure that a business is an attractive acquisition for prospective buyers. A seasoned M&A professional can provide this guidance as well as:

- Help maintain confidentiality
- Assist with identifying potential buyers, including strategic and financial buyers
- Create an auction process that shifts the onus onto buyers to maximize their offers
- Negotiate the offers objectively
- Assist with the due diligence process that buyers will require
- Assist with legal, tax and financial advisors with the documentation
- Close the transaction

Knowing the value of your business even during uncertain times

Although there is some correlation between the market price of a public company and the price of a private business, private capital markets are much less efficient and far less volatile. This simply means that for better or worse, valuations for private businesses are generally more stable during bullish or bearish times than those in the public markets. Manulife M&A professionals perform an in-depth analysis of the business, including a preliminary indication of value, to qualify the feasibility of each potential opportunity – at no cost or obligation to you. We are expert mid-market specialists and can quickly and accurately assess the value of your business.

Stay involved – selling off partial ownership of the business

Perhaps retirement is not in your near future, or even in your vocabulary. Regardless, it is likely that the business is not only the largest asset in your portfolio, but also the most illiquid. Diversifying this asset mix should be an ongoing consideration for a business owner. As the business grows, an entrepreneur often has conflicting needs and desires – to retain control of the business and to achieve liquidity. There are many flexible and creative private capital market solutions available that allow an entrepreneur to reduce ownership risk, while maintaining an active role in the business and meeting shareholder objectives. Developing a partnership with a well-suited private equity group (PEG) can be one way to balance a business owner's opposing needs and objectives.

Our deal team would be happy to discuss these solutions with you as you explore your options.

Ensuring the future of your family and the business

The family legacy of a company is important to many business owners, and sometimes vital to its success. It is not uncommon for a financial buyer to retain key personnel that are important to the growth of the business that they are acquiring. Ultimately, it comes down to culture and fit, and devising a strategy that makes sense for both sides. Selling your business without your children or family involved is also common strategy, if the strategic buyer has similar personnel or access to human capital.

Funding for current management to purchase equity in the business

An owner may want to reward his management team by providing equity in the company, but this is in conflict with wanting to monetize the business. If the business is performing well and a quality management team is already in place, then a creative financial solution exists. Management does not need to have the money to purchase the business – instead, Manulife M&A professionals will source the required capital to enact the sale and negotiate, on behalf of management, for a respectable equity position and a favourable incentive package going forward. This is called a management-led buyout and it fulfills a complement of needs: a fair selling price, proceeds to the owner, management equity, and a financial partner to help grow the business.

Discreetly attracting the right buyer

Concerns around maintaining a high level of discretion and confidentiality are valid and not uncommon amongst business owners who want to minimize the information outflow to companies that they routinely compete with in the marketplace. A mutual strategy that assesses the benefits and limitations will be developed in advance of any communication with potential buyers. While this is a tricky balancing act, because the aim is to expand the universe of potential buyers in order to attract the right buyer who will pay the most on the best terms, it is one that can be properly managed by our experienced deal team. Selling a business is as much an art as it is a science. Testimonials from our past clients about how Manulife M&A professionals mitigated these risks will calm any concerns you may have about these risks.

What does it mean to me to sell to a Private Equity Group (PEG)?

This is an open-ended question as the North American Private Equity industry is a multi-trillion dollar industry that is populated with thousands of funds, each with different goals and objectives. However, there are many funds dedicated to the private mid-market.

These funds will purchase anywhere from a minority position to a significant majority position of a business, depending on the circumstances. A common characteristic is that the funds' managers will focus on identifying successful founder- and family-owned businesses to partner with and invest in. They specifically seek out businesses owned by highly skilled and motivated entrepreneurs. They believe that, by partnering with these dynamic individuals, together they can accelerate growth and bring a company to its full potential.

We realize that each business is unique and each transaction has shareholders with varied needs and goals. We pride ourselves on sourcing the proper PEG to create a true partnership with the business owner and management, providing them creative and flexible equity solutions that are tailored to fit each situation.

Involving your own trusted legal and accounting team

We strongly recommend that your team of experts should include an experienced tax advisor to ensure you have planned your sale in the most tax-efficient manner and a qualified legal professional to prepare legal documentation. Your Manulife M&A professional will work closely with your existing team and manage the process to ensure all stated objectives are met, notwithstanding maximizing the selling price.

What is a VTB?

A Vendor Take Back (VTB) is a non-cash instrument, usually a note, accepted by the sellers of a company as partial payment for the sale of their business. Generally, a VTB will bridge the price gap between what a seller wants and what a buyer will pay. The lowest price that any business will ever command is an all-cash price. This is where the negotiations begin and our experienced deal team will help guide you through the process, focusing on the aspects that are most important to you.

Why should I choose Manulife?

Our goal is to create shareholder value for business owners, while achieving their objectives. We are not driven by the need to invest capital. Rather, we create a competitive environment – whether to raise capital or to sell a business – in order to obtain the optimal transaction terms. This is our mission statement and we firmly believe in it. By taking considerable time to understand the needs and objectives of our prospective clients, we will not engage or agree to move forward until we have a mutually agreed upon strategy in place.

Being experienced entrepreneurs ourselves who have founded, grown, and sold our own businesses as well as hundreds of others, we have walked in your shoes. We have a commitment to closing a transaction, whereby our incentives are aligned with the business and tied to its success. Our collective experience, diligent sales process, and expert negotiating skills will generally result in higher selling prices and optimal structure, terms and conditions for our clients. Our past clients are our best advocates and we welcome the opportunity to introduce you to them.

MANULIFE CAPITAL MARKETS | Private Company Advisory

CONTACT INFORMATION:

David Turnbull, CFA | Managing Director
416.601.3502 (direct) | 416.219.3707 (cell)
David.turnbull@manulifecapitalmarkets.com

Jeff Pocock, MBA, CA, CBV | Managing Director
416.601.3270 (direct) | 416.473.1970 (cell)
Jeff.pocock@manulifecapitalmarkets.com

Sean Robitaille, CFA | Managing Director
416.601.3500 (direct) | 416.710.6029 (cell)
Sean.robitaille@manulifecapitalmarkets.com

Emily Zhan | Analyst
416.601.3507 (direct) | 416.458.5117 (cell)
Emily.zhan@manulifecapitalmarkets.com

TD Waterhouse Tower, TD Centre
79 Wellington Street West, Suite 2402
Toronto, ON M5K 1K2
T: 1.877.320.5180 | F: 416.360.3910

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