



# Mid-Market Capital Advisors

Overview of Business Succession Options



## WHAT IS THE BEST STRATEGY?

*“The most appropriate succession strategy for a business owner is dependant on their goals and objectives”*

**\$\$ VALUE MAXIMIZATION**

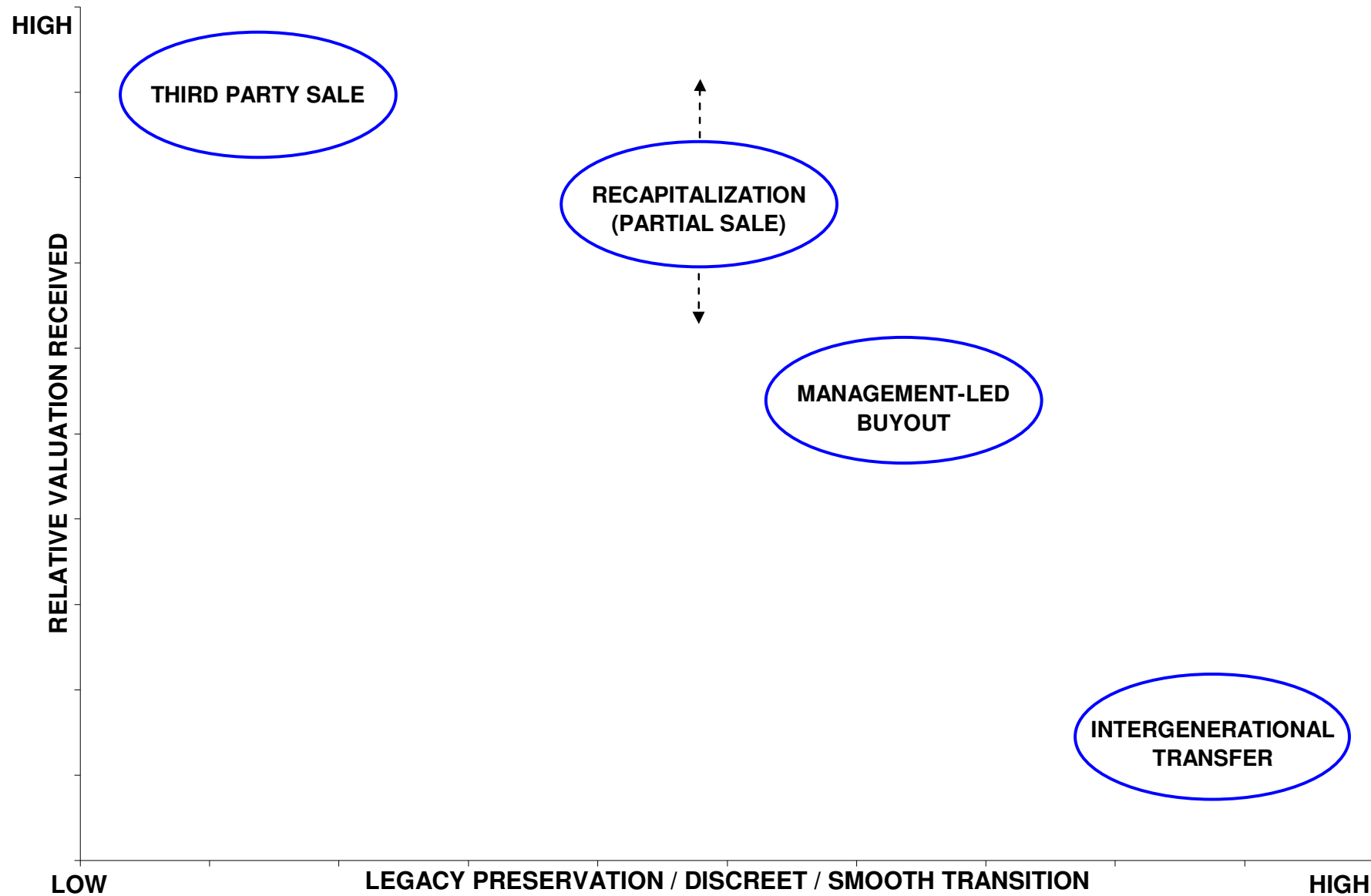
**PRESERVING THE FAMILY LEGACY**

**DISCRETION**

**SMOOTH TRANSITION**



# A SPECTRUM OF OPTIONS





# PRO'S AND CON'S

- The most appropriate choice for a business owner is dependant on their goals or objectives

	Goals	Potential Risks	Complexity
Preserve Legacy, Discreet	<b>Sale to family members (children/relatives)</b> <ul style="list-style-type: none"> <li>• Preserve family legacy</li> <li>• Value maximization is <u>not</u> a key objective</li> <li>• Discreet and quick transaction</li> </ul>	<ul style="list-style-type: none"> <li>• Family members may not be competent or experienced enough to lead the business</li> <li>• Infighting may result if shares are distributed equitably</li> <li>• Family members may not want the business</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure that sufficient evidence exists regarding the competence of the family members, their leadership qualities and their desire to manage and grow the business</li> </ul>
	<b>Sale to management team (MBO)</b> <ul style="list-style-type: none"> <li>• Receive reasonable value (but not the "last nickel") for the business</li> <li>• Reward management team</li> <li>• Ensure a smooth transition of business and employees</li> <li>• Discreet transaction</li> </ul>	<ul style="list-style-type: none"> <li>• Management is not able to raise the requisite financing to fund the transaction</li> <li>• Management is distracted from the operations during the transaction</li> </ul>	<ul style="list-style-type: none"> <li>• Fairly complex as a significant amount of diligence will be done on both the existing and future business plan.</li> <li>• Typically need to manage three groups – seller, management and the capital providers</li> </ul>
	<b>Recapitalization / partial sale (control or minority sale)</b> <ul style="list-style-type: none"> <li>• Owner desires some liquidity now, however, remains committed to the growth of the company</li> <li>• Participate in the future growth of the business</li> <li>• Discreet transaction</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of chemistry or alignment of vision with the new partner</li> <li>• Owner may be debt averse whereas private equity investors require debt to partially fund both the transaction and the business operations</li> </ul>	<ul style="list-style-type: none"> <li>• Mid-level complexity as required to build and sell a comprehensive business plan and growth strategy, however, willingness of shareholder to remain in business provides a level of support and comfort towards the transaction.</li> </ul>
Value Maximization	<b>Sale to a third party</b> <ul style="list-style-type: none"> <li>• Maximize value / proceeds received</li> <li>• Family legacy is <u>not</u> a key objective</li> </ul>	<ul style="list-style-type: none"> <li>• Industry players should be approached as they are probably the most motivated acquirers, however, rumours may start</li> <li>• Risk of losing customers or employees due to rumours that the business is for sale</li> </ul>	<ul style="list-style-type: none"> <li>• Fairly straightforward. Does not require a detailed growth plan or complex financial model because buyer is knowledgeable and typically have their own plans</li> </ul>



## CONTACT US – WE CAN HELP

### **Darren J. Williams, Co-Head**

- over 15 years in mid-market investment banking
- previously: founding Partner at Solaris Capital Advisors Inc. (2005-10), Vice President at Ernst & Young Orenda Corporate Finance Inc. (2004-05), Partner with Orenda Corporate Finance Ltd. (1996-2004), Senior Accountant, Ernst & Young (1992-1996) and Associate Director, Bramalea Ltd./Kerr Watt Group (1989-1992)
- Honours BBA from Wilfrid Laurier University and Honours MBA from the University of Toronto
- Chartered Accountant
- holds a Corporate Finance designation from The Canadian Institute of Chartered Accountants

### **Taranjit (T.J.) Sekhon, Director**

- over 12 years servicing mid-market clients
- formerly: Vice President with AON Reed Stenhouse's M&A Transaction Advisory Group (2008 – 2010), Vice President with Ernst & Young Orenda Corporate Finance Inc. (2000 – 2008) and Associate with Price Waterhouse Coopers Securities (1998 – 2000)
- Chartered Accountant, Chartered Financial Analyst, Masters of Accounting and Bachelor of Arts degrees

### **Ross G. Fletcher, Co-Head**

- over 20 years in mid-market investment banking
- previously: Partner at Solaris Capital Advisors Inc. (2005-11), Senior Vice President at Ernst & Young Orenda Corporate Finance Inc. (2004-05), Partner with Orenda Corporate Finance Ltd. (1992-2004), Senior Manager with KPMG Corporate Finance (1989-1992)
- HBA from the Richard Ivey School of Business at The University of Western Ontario
- Chartered Accountant, Chartered Business Valuator
- holds a Corporate Finance designation and is a former member of the Corporate Finance Working Group of The Canadian Institute of Chartered Accountants and past Chair of the CF Qualification Board

### **Jonathan Kay, Director**

- over 12 years servicing mid-market clients
- formerly: Director with FTI Consulting Canada (2009 - 2010), Vice President and Director with TD Capital Mezzanine Partners (2000 - 2009) and Associate at Scotia Capital (1997 – 2000)
- Chartered Financial Analyst, Honours BA in Business Administration

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