



Be Prepared to Sell Your Private Business

You are the owner of a private business, and whether you are one of a few partners or the sole owner of the business, at some point the thought of exiting the business passes through your head. To avoid dragging out the sale process for longer than necessary or having unexpected outcomes post sale, it is essential to take active measures to prepare the business for a sale. Prior to selling the business, it is important to identify your needs. Is your exit from the business due to a pursuit of a new passion? A wanted change of pace in life? There are many reasons to consider retirement from your business, including:

- Being approached by prospective purchaser
- High economic and market conditions
- Industry consolidation
- Lack of a succession plan
- Irreconcilable owner disputes
- To realize cash value
- Retirement
- Poor health

Ask yourself the right questions to plan ahead

The main reason for your desire or need to sell the business will affect the timing as well. Where possible, it is important to plan the sale ahead of time to maximize the ultimate sales price as a rapid sale may lead to a lower selling price. A slow transition between you and the buyer may also minimize the impact on day-to-day operations of the business and keep the legacy going.

Once the decision for a sale has been determined, it is important to plan ahead for life post-sale. Setting personal objectives for when the ownership has been transferred is important as it will determine many things such as employment terms of the sale agreement.

- Do you want to travel the world and therefore quit the business immediately?
- If so, is there anyone within the business who is interested and capable of taking over your position, or is an external hire needed?
- Do you wish to continue to contribute to the business part-time? Or contribute full time for just a few more years?
- Do you want to retain partial ownership of the business going forward?
- Do you want to ensure management is treated properly?
- Is maximizing sale proceeds truly the main objective?

All of these questions are essential to both finding the “right buyer” and analyzing the offers during the negotiation period.

FINANCIAL	PERSONAL
Is now a good time to sell?	What do I plan to do with my free time after I sell my business?
What is the value of my business?	Do I want to stay on-board for another few years?
What deal structure and what payout am I aiming for?	What type of buyer am I looking for?
	Do I want to continue my legacy or do I want the highest price?

Other considerations in preparing to sell the business would be to understand the value of your business. It is also important to assess individuals that will be affected in the sale of the business. Who are the stakeholders? How will the management team be affected? In having thought through this, it will aid in selecting types of buyers for the business and in negotiating favourable contract terms (i.e., keep all current employment contracts).

While contemplating these questions, you should consider using Manulife Capital Markets to support you in the sale process. Our expertise and experience will not only aid you during the initial valuation of the business, but also in maximizing the ultimate selling price. We will listen to your post-sale objectives and find the most suitable buyers through a diligent sales process. For example, if you do not want to be involved in the operations of the business post sale, a competitor acquisition is more likely to favour this scenario, compared to a financial buyer, who may not wish to change the business in any way and needs incumbent leadership. Concurrent with this process, you should look to make improvements internally prior to sale, such as updating information systems, gauging the efficiency of management and employees, selling redundant assets as well as assembling corporate records to aid in the buyer's due diligence period. It is also necessary to review financials of the firm to remove expenses that are unrelated to the business, such as the existence of personal items.

Manulife Capital Markets will advise you throughout this process every step of the way. We will manage the process efficiently, find you the correct buyer for the business to fulfill your goals and objectives, minimize delays in the due diligence phase, and allow you to be more prepared not only during the sale process, but after the sale as well.

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1.877.320.5180



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