



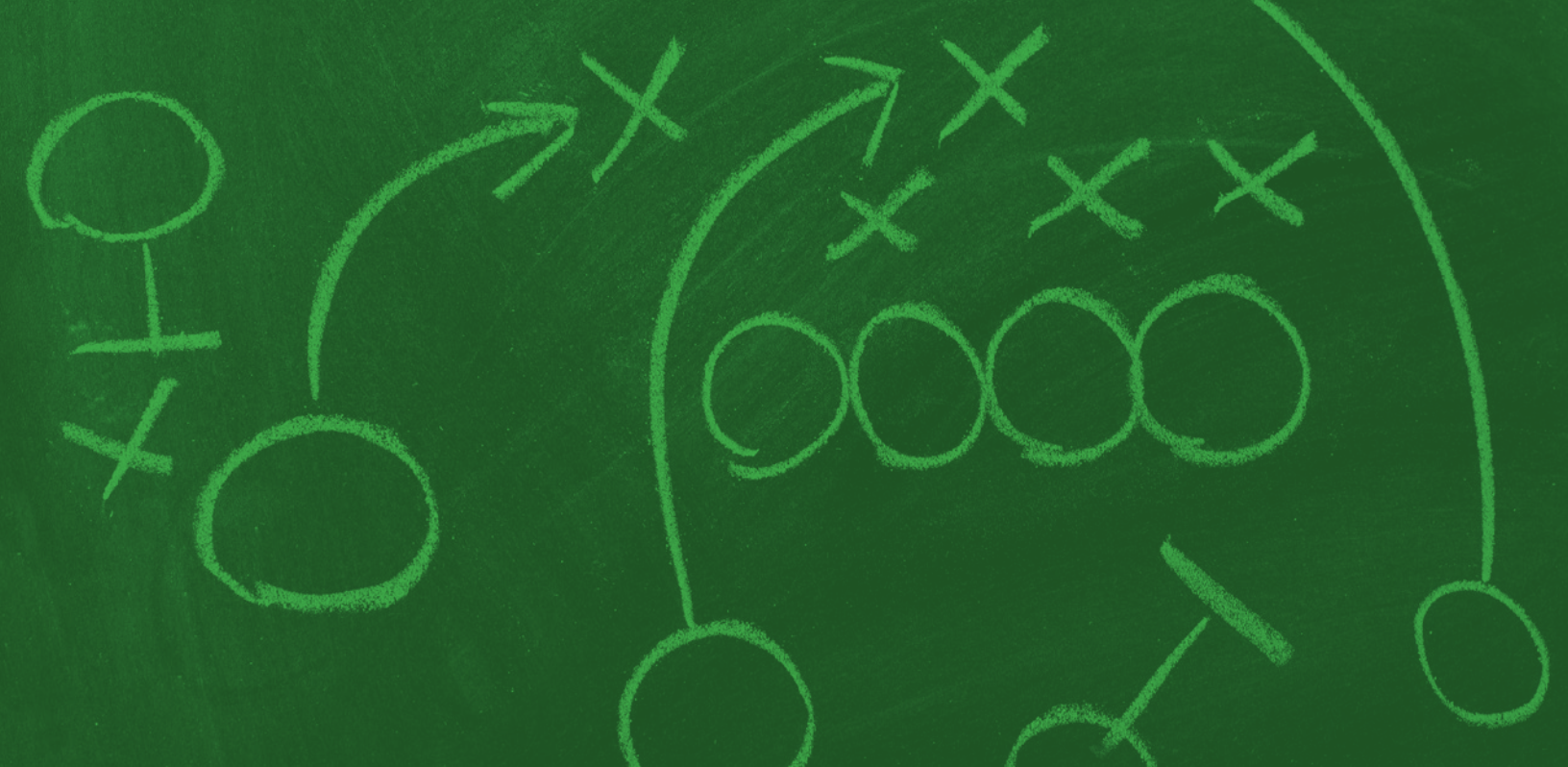
# Selling Your Business

**WHITE PAPER:**

Preparation Drives Results—Getting Ready  
For Game Day

BY INCITE AND SEQUEIRA





Mergers and acquisitions. Divestitures. Corporate finance. Exit strategies. These terms feel intimidating and inaccessible to many business owners. However, these infrequent game-changing deals are critical for most mid market companies to monetize your life's work, here in Alberta and around the world. **Here's the trick: how do you do something well when you've never done it before (and may never do it again)?**

Look at any high performer on or off the field and they will tell you that diligent preparation and practice produce results like personal bests and podium finishes. If you are an elite athlete training for a specific event, you will test yourself with smaller competitions along the way and adjust based on your performance in preparation to peak at the right time for the main event.

If you are a founder, business owner or senior executive, how can you prepare for the biggest deal of your life in a way that ensures you reap maximum value for all your hard work, time, and commitment? Not unlike athletes, dedicated preparation and offseason training are the keys to success that deliver results both on and off the field.

More than half of business owners try to sell their business themselves; many fail. Juggling day-to-day operations while trying to navigate the sale process is not only extremely challenging but also distracts time and attention (at a critical juncture) from the asset you are trying to sell in the first place.

While most mergers or acquisitions take less than 12 months once the process formally begins, the reality is that it takes years to be ready for the deal. Greater preparation drives pre-exit growth and value creation. Investing the time upfront generates greater returns in the long run.

M&A activity is on the rise in recent years, soaring in 2021 to reach near-historic highs and surpass \$3.6 trillion in total value exchanged. No wonder. The process can be an exciting opportunity to grow a business and expand opportunities. In 2022 more than half of business leaders said they were looking to M&A deals to diversify their commercial portfolios, and 60 per cent were considering M&A opportunities to expand access to new products, services and technologies.<sup>2</sup> While the global market for M&A value is down in the first half of 2023, buyers still want to get deals done and sellers still believe in their businesses so are biding their time for the right moment to sell.<sup>3</sup>


*Greater  
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## OFF-SEASON TRAINING

Surveys indicate that somewhere between 20 to 40 per cent of businesses listed actually sell.<sup>4</sup> Reasons for this include the company being overpriced either due to unrealistic owner expectations or inaccurate valuation, the organization is losing money, or fundamental flaws exist in the business or business model.<sup>5</sup> Becoming one of those businesses that does sell increases exponentially when sellers tackle the exit process right the first time. So how do you effectively prepare your business to sell?


### Build your team



Like any serious athlete, surround yourself with a support team that is dedicated to your success. For an athlete that includes trainers, coaches, nutritionists, dietitians, massage therapists, physiotherapists, sport psychologists and more. For an owner or founder considering selling their business that includes lawyers, accountants, brokers, investment bankers, commercial realtors, strategic and specialized advisors, depending on the business and goals.

Having the right people on your team can help right the wrongs prior to the transaction so you sell the business for the maximum amount possible. It can make a significant difference in selling price if owners work closely with their deal team in advance of going to market to ensure alignment and to tackle in advance all the low hanging challenges that can erode deal value. Your team should be in place and have taken reps working with you well before the big game.

### Get a formal valuation



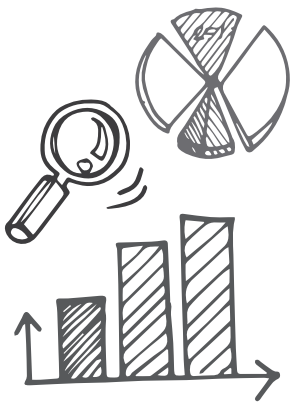
Once your trusted team is in place, get a fair valuation on the company that reflects all the blood, sweat and tears devoted to your business, and accurately establishes market value. This is complex and often very challenging so beware of rules of thumb or what you've heard in the locker room. Take your time, consult knowledgeable professionals, and start early.

Even starting with a fair value, the reality is that most businesses sell for about 87 per cent of their asking price.<sup>6</sup> This difference between what sellers want and what the market will accept underlies the fact that it is the market, not the seller, that determines the correct

selling price of a business for sale. If no one is willing to pay a certain price, the business is overpriced in the market for that moment in time.

This gap of roughly 15 per cent speaks volumes to proactively considering your options years ahead of when you might want to sell.<sup>7</sup> An early evaluation will identify what can be done to capture full value and allows ample time for those preparations to be undertaken. Taking a proactive approach to the transition indicates both readiness for sale and adds value to the organization long-term, regardless of when you ultimately decide to go to market.

*Surround yourself with a support team  
that is dedicated to your success.*



## Assess market conditions and understand value drivers

Whether or not you are considering selling your company, focusing on a few key indicators to increase value is a good idea. Start by looking at your company's earnings before interest, taxes, depreciation and amortization (EBITDA). This measure will be used by potential purchasers as an indication of the organization's financial health and expected profitability underpinning its valuation. This, combined with other key metrics, can be used to benchmark the company's position within your industry to help assess the company's value and how the market is valuing comparable companies.

"Mid-market companies considering selling are wise to assess their organization as early as possible. Evaluating strengths and weaknesses and how those may impact EBITDA that a potential purchaser may be able to realize is important when it comes to analyzing exit options and determining timelines for their succession plan," explains Mark McRae, partner with Sequeira Partners, one of western Canada's leading advisory firms for sell-side transactions.

Despite having a deal in principle already struck, approximately half of all deals fall apart post-Letter of Intent during the formal due diligence stage.

One of the most common reasons this happens is due to the buyers uncovering issues that the sellers did not disclose. This is another important piece that validates early preparation and the team approach. Trusted advisors work with the seller to ensure they are prepared for every aspect of the deal, navigate the transaction successfully and avoid any unpleasant surprises late in the game.

McRae adds, "preparation is key for successful and proactive exits. In-depth, up-to-date knowledge of the trends and transactions driving each sector allow companies to find the right partner and achieve the collective goals for a transaction."

Selling your business may be one of the hardest decisions any entrepreneur has to make. It's not surprising many business owners don't want to contemplate selling. But even if you don't plan to sell any time soon, it's still important to think about an eventual exit as it prepares you, your family and your organization for the future.

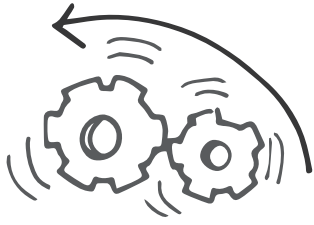
If you do think a transition is on the horizon, it's time to dig in and start thinking like a buyer.

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- Mark McRae

## PRE-GAME PREP



It makes sense that your company is worth more (to you and anyone else) if your valuation is higher. So, if we are playing the long game, how do we increase that value? What makes your company an attractive investment for buyers? How do you get game-ready?

Self assessment is essential as buyers are looking for some or all the following elements when considering an acquisition:

- profitability
- recurring revenue
- growth potential and exposure to growing markets
- committed and capable management team
- documented business systems and processes
- diversity in revenue streams, customers, and employees

Being sale-ready means evaluating operations and identifying areas that, with improvements, can increase deal value. Putting in the time to assess and enhance aspects of the business greatly increases the odds of the seller's expectations aligning with the market value for the organization. Starting with basic systems and processes and then moving deeper to elements like brand, people, business development, sales, leadership, marketing and communications.

*The following checklist outlines some key factors to review and consider to ensure your business is positioned to sell for maximum value:*

### Brand

- ☐ Strong name and visual identity that reflect desired market position and brand experience
- ☐ Documented brand guidelines and consistent use
- ☐ Minimal risk of brand tied to one key person

### Business Development and Sales

- ☐ Defined customer relationship management process and systems
- ☐ Formalized business development process and training
- ☐ Reoccurring revenue streams or repeatable processes
- ☐ Defined sales strategy and process with metrics for each sales representative and or distribution partner
- ☐ Growth plan that supports revenue diversification

### Marketing and Communications

- ☐ Market strategy that defines unique value, positioning and target audiences
- ☐ Consistent use of key messages in internal and external materials
- ☐ Strategic communications plan that links to strategic plan
- ☐ Tactical marketing and communications plans for short-term objectives
- ☐ Annual audits and updates of materials, channels and tools

### People

- ☐ Defined mission, vision and core values
- ☐ Environment supports diversity, equity and inclusion for all employees
- ☐ Employee engagement plan
- ☐ Regular coaching and professional development plans for employees

### Management Team and Leadership

- ☐ Strategic plan to guide high-level decision making
- ☐ Management team contributions versus owner or founder
- ☐ Initiative and investment in achieving corporate vision
- ☐ Commitment to employee engagement and communications

### General Operations

- ☐ Clean and well-documented financial statements and business tax returns (minimum three years) that account for all income
- ☐ Clear operational business plans that link to strategic plan
- ☐ Measuring and reporting to track efforts in each business area
- ☐ Documented systems and processes for all operations
- ☐ Effective and efficient use of technology and operating systems
- ☐ Defined employee recruitment, onboarding, performance and retention processes





## GET YOUR GAME FACE ON

Once you have analysed your company and made any beneficial improvements, it is time to polish up and present your business to the market in a way that drives maximum value. Can you articulate your unique value to the market and to a prospective buyer?

Your brand is one example of where an organization can target efforts to increase long term value in preparation for a potential sale. Look at your brand with fresh eyes: is it outdated and stale? Does it capture who your company is? Does your brand and market position resonate with your customers and is it attractive to buyers? Does the visual align with how you communicate your value?

An existing brand that is relevant, genuine and impactful strengthens the organization and increases the value of the company. The brand should tell the story of the company; it should provide insights to the company's culture and personality. A well-articulated brand clearly communicates the value proposition of the company, making it easier to see its strengths and weaknesses, as well as areas that might be complementary to or overlap with a potential buyer. Ideally the brand has established goodwill among customers.

Brands are significant financial assets for organizations that can generate up to a third of market value. Experience shows that the right brand strategy decision can add more than 23 per cent to the expected post-M&A shareholder value of a corporation, while the value-at-risk from the wrong

decision could be as high as 19 per cent. This potential 42 per cent swing in value merits long and thoughtful consideration at the outset for any organization considering selling.<sup>8</sup>

Ted Kouri, Incite's founder and president, explains, "your brand speaks to how the market will view your company. A business that reflects its value externally in a consistent and compelling way is more likely to command full price in a competitive market."

Brand plays an integral role in augmenting the value of a merger or acquisition, whether it is driving monetary valuation, improving negotiating position, providing insights that support alignment, unifying people or streamlining integration. Incite works with clients to benchmark current brand value and brand equity, while identifying the appropriate levers that can build goodwill, brand equity and market fit. Evaluating and maximizing brand value contributes positively to the long-term success of the new organization.

But don't worry, it isn't too late to build up your brand in a way that maximizes overall value and drives long-term success. Think about what most of us do when considering selling our homes. We want to put our best face forward, so we walk around and scrutinize everything the same way that a potential buyer might. Is there anything that requires repairs or updates? We all want to maximize our investment so we declutter and spruce up the house so its true potential shines through for interested buyers. The same process applies to selling your company.



## READY FOR GAME DAY

Back to the athletes of the world. Leaning into their dedication and commitment to preparation and training, we know that applying similar approaches to selling your greatest asset generates results in the long term. Incite and Sequeira Partners work collaboratively to help clients assess organizational readiness and recommend tactics to achieve greatest deal value. Practise does make perfect; putting in the time and resources to ensure your company is performing at its peak before you start looking for your ideal buyer is just smart business.



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## ABOUT INCITE

Incite is western Canada's growth strategy firm specializing in M&A communications and integration services. We work with owner-managed companies, private equity firms, and other leading industry, professional and non-profit organizations to solve complex problems, make informed decisions, and build actionable plans that unlock new opportunities for growth.



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## ABOUT SEQUEIRA PARTNERS

Sequeira Partners was founded in 2010, recognizing a need for an independent transaction advisory firm to assist clients with their life's most important transactions. After establishing the first office in Edmonton, the firm grew to include offices in Vancouver and Calgary. Today, Sequeira Partners is one of Western Canada's largest boutique advisory firms focused on sell-side M&A and business valuation for private companies. Sequeira Partners has completed more than 200 mid-market transactions in Canada, the United States and countries around the world.

<sup>1</sup> Benchmark International, "9 Surprising Stats About Buying or Selling a Business," [blog.benchmarkcorporate.com](https://blog.benchmarkcorporate.com), May 31, 2019.

<sup>2</sup> Kathy Floam-Greenspan, "How To Master M&A Marketing," [Forbes.com](https://www.forbes.com), July 8, 2022.

<sup>3</sup> David Harding, Dale Stafford and Suzanne Kumar, "M&A Midyear Report 2023: It Takes Two to Make a Market," Bain & Company, July 11, 2023.

<sup>4</sup> Mary Ellen Biery, "Study Shows Why Many Business Owners Can't Sell When They Want To", [Forbes.com](https://www.forbes.com), February 5, 2017.

<sup>5</sup> Nate Nead, "Only 30-40% of Businesses Actually Ever Sell", [InvestmentBank.com](https://www.investmentbank.com), December 2, 2012.

<sup>6</sup> Mike Handelsman, "What's Your Right Asking Price", [inc.com](https://www.inc.com), May 9, 2012

<sup>7</sup> M&A Business Advisors, "Does Your Asking Price Truly Matter When You Sell a Business?", [mabusinessadvisors.com](https://www.mabusinessadvisors.com), February 20, 2017.

<sup>8</sup> Nikhil Gharekhan, "Mergers & Acquisitions are Rising—Branding in M&A Will Be Critical," [amanewyork.org](https://www.amanewyork.org), December 3, 2020.