

Divestiture Preparations in Today's Economy

*In Today's Upside Down Economy,
What Priorities rise to the top for your Divestiture Preparation plans?*

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It is November 1, 2008. We have just experienced the worst 60 day period of economic chaos in nearly 80 years. And many would say we have only just entered the eye of the storm. The global recession is under way. How bad will it be? Time will tell.

You may have been planning a Divestiture for some time. However, the recent decline and fall of the stock markets is now forcing new priorities to the top of the agenda, such as improving the financial health of your company, and in some cases survival.

But here is some good news: Many of the same strategies used to prevail in the current economic chaos will also help you be successful with an eventual Exit. Here are a few ideas to consider:

1. **Cash is King.** Today's doorway to bank debt is frozen shut. Most companies will need to de-lever – and otherwise adjust – quickly.
2. **Revenues and Margins are likely headed lower.** Customer demand may be shrinking. Prices of imported components are rising. A host of brainstorming ideas – and all the related budget revisions – will need to be generated in a hurry.
3. **Diversification of Markets.** What new markets can you pursue? Perhaps there is continuing business in the government or infrastructure sector. Are there markets for you in China or India – now the #2 and #4 markets in the world – both of which are expected to maintain good growth rates through the recession?
4. **The Commodities Markets & the Canadian Dollar are way down.** What opportunities are there to match your revenues and expenses re: their currency?
5. **Is it a good time to set up an Employee Share Ownership Plan (ESOP)?** One benefit of an ESOP is a marked improvement in retention and productivity – something that will be crucially important during the recession.
6. **A Sounding Board.** Consider an outside source to help chart your course.
7. **Merger Opportunities.** If this makes sense, pursue them diligently.
8. **Don't rule out a Divestiture in Today's Economy.** The buyers are out there. Deals can be done today. Just as in the stock market where smart money is buying back into the US banks, there are cash rich prospective purchasers available.
9. **Life after the Recession.** The recession will pass. Once your company has addressed these priorities, it will likely be much better poised for a Divestiture.

Brian Hamilton is the CEO of Corplan Advisors Inc, a Calgary-based firm dedicated to helping Owners and CEOs of mid-size companies in Western Canada cross the finish line smiling with their Divestitures, Acquisitions & Succession Plans.