

Preparing for a Divestiture – Are You Ready?

At Corplan we have connected with hundreds of owners of mid-size companies in Western Canada with regard to their divestiture, succession and exit plans.

This summer we met the owners of a mid-size company who would like to sell as soon as possible. They have a solid business, the revenue trend is positive and there was a “window of opportunity” with the buyer prospects in the marketplace. Everything looked promising, except – a few essential items of advance preparation were missing, of which some can take months or even years to establish.

As you make plans for your own exit and divestiture, consider the following reminders:

Allow Enough Time. Don't put it off. If you're considering a sale within three to five years, set a priority now to initiate the actions to prepare your company for sale. In addition, many of these preparation steps can help you get a better price for your business.

Successors. It may not be possible to sell your company if you don't have a succession plan in place for you and your other leaders. Keep in mind this doesn't mean you need to have a single individual replace you. Your successor or team of successors should have a track record demonstrating their ability to manage all key functional areas.

Business Development. Buyer prospects frequently have an interest in growing the companies they buy. If you have in place a good process for ongoing business development, this will make your company more attractive to a broader range of buyers.

Tax & Estate Plan. Talk to a tax expert who has a focus on corporate re-organizations and transactions to prepare for your divestiture. This is an easy step to take, but getting this work done well in advance will provide the most value.

Audit or Review Engagement. Many buyer prospects want to see audited financial statements for at least three years. In many circumstances a “Review Engagement” will be sufficient.

Choose an Advisor. A good Advisor firm will work with you to set a disciplined approach, strategy and criteria for the best buyer prospects. Then they will conduct a discreet, but exhaustive, search on your behalf, short-listing a hundred or more prospects.