



Selling Your Business – The European Advantage

Over the past several years an increasing number of small to medium size enterprise (“SME”) owners have been looking to retire, either to enjoy life or simply because they no longer have the energy to continue. Sadly, for a number of reasons, passing the business on to their children has not turned out to be the option they had hoped for and many find themselves facing the difficult decision of having to sell their life’s passion to an outsider.

Selling one’s business is fraught with challenges, dilemmas and emotions such as: How am I going to sell? Who can I sell to? Can I obtain the value I need to retire? Will my company survive? What will happen to my employees? What about my customers? Should I risk trying to sell to a competitor, or will he simply pretend to be interested solely to look at my books and learn my secrets?

Unlike upper mid-to large sized companies, which are heavily courted by private equity firms, large investors and/or large companies, SME’s are not quite as sought after by these players. More worrisome perhaps, is that studies are predicting a actual decline in the number of local entrepreneurs capable of acquiring businesses. The Government of Quebec¹ estimates that the total number of entrepreneurs available to purchase existing businesses will diminish by more than 14% in Quebec (5.3% in Canada) by 2018, a shortfall of over 20,000 potential buyers in Quebec alone.

Compounding the problem is that many SME’s are only now beginning to recover from the economic downturn. Lower than usual earnings since 2008 are skewing valuations well below current owner expectations and/or requirements.

If you have been faced with the above frustrations, Cafa can help you redirect your marketing efforts to a relatively untapped basin of qualified European entrepreneurs who may very well be your ideal acquirer.

Benefits of Marketing Your Business to European Entrepreneurs

Marketing a business uniquely to European buyers has several benefits:

- European buyers come from markets with higher valuation multiples; they realize they are exploring new markets and they will be somewhat more patient for their returns on investment.
- The weakening of the Canadian Dollar affords European acquirers increased buying power; this is even more important if they plan to tap into the U.S. market earning U.S. dollars against Canadian dollar costs.
- Many European buyers will see their Canadian acquisition as a springboard to build a larger North American presence; your business may be destined to grow as opposed to be assimilated, presenting a tremendous opportunity for your employees who will be counted upon for their local expertise. A local buyer, on the other hand, would try to capitalize on synergies by cost cutting measures such as laying off employees and integrating your business with his.
- While local buyers may have preconceptions gained through years of fearful competition with you, foreign buyers will have a fresh and candid look at the opportunity.
- European entrepreneurs are intensely motivated by North America and its growth opportunities. Moreover they value stability and a solid banking system (which is getting more and more accustomed to supporting them).
- European buyers prefer acquiring existing operations rather than face the risk and costs of a start up in a foreign land. Even if the match is not perfect, an existing operation saves time and money in the long run.
- Some foreign buyers are also motivated by the fact their investment will facilitate their immigration to Canada.
- Finally, since a European buyer is probably not your direct competitor, there is less risk that he is only showing interest to gather inside information about your business.

¹ “Le renouvellement de l’entrepreneuriat au Québec: Un regard de 2013 et 2018”
Québec Minister of Finance and Economy (MFEQ)

Selling Your Business – The European Advantage (cont'd)

CaFa believes that marketing your business to Europeans will separate you from the “crowd” and give you an opportunity to maximize value while opening the opportunity for your business to continue growing.

Ways to Maximize Value When Selling to an Overseas Acquirer

There are two approaches business owners can follow when marketing its business in the overseas market:

- Informal Process:** Approach potential buyers through personal contacts, trade shows, specialty listings or even cold calls or ; or
- Formal Process:** Create a confidential competitive process by hiring an M&A firm with experience in cross-border transactions.

While the informal process can work, it requires more time and energy, does not necessarily target the right audience, it can broadcast the fact you are for sale to your competition and it can be more difficult to really know who you are dealing with.

CaFa Can be Your Solution

CaFa has been active with cross-border deals since 1986, and now with offices in Paris and Madrid, our firm is uniquely positioned to help you market your company to European acquirers. Here is how we can help:

- In addition to our foreign clients who are already looking for businesses to acquire in Canada, we will directly approach strategic European buyers.
- CaFa’s European partners can research and qualify European acquirers to ascertain you are dealing with bona fide buyers.
- The process is highly confidential; only those potential buyers you select will find out your identity.
- As an experienced business intermediaries we can help you understand and manage cultural differences during the process.

Some Recent Transactions



White River Forest Products Ltd.
has raised
\$5,000,000
of initial financing

The undersigned acted as advisor to White River Forest Products in negotiating this financing



CaFa Corporate Finance



9220-0955 Québec Inc.
has acquired
Dionde Inc.
and its subsidiaries

The undersigned acted as financial advisor to Dionde Inc. in negotiating this disposition



CaFa Corporate Finance



Scottish Woodlands Ltd.
Edinburgh, Scotland
has disposed of its
Canadian timberland holdings

The undersigned acted as advisor to Scottish Woodlands in negotiating this disposition



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