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Small Business Resource Centre

Sale just par for the course

Jeff J Mitchell, Getty Images

When you've built a good company, it should be easy to sell, letting you can head for the golf course.

Mary Teresa Bitti, Financial Post · Monday, Jun. 28, 2010

Doug Davis is getting ready to join a few of his friends for a golfing vacation in Ireland. Such is life since selling Pollock National Lease in 2007, a truck leasing company with a head office in Strathroy, Ont., and six locations across two provinces.

Mr. Davis, who had helped the owners with an acquisition and strategic planning, was invited to join the second-generation family owned company as a vice-president in 1997 to execute the plan.

"The company had flat-lined for a half-dozen years or so," he says. "Within a couple of years, I became president and chief executive and bought into the company. The previous owner moved into the role of chairman. We then enacted a growth plan."

From 2000 to 2005, the company tripled in size to 420 employees and sales rose to $60-million, from $20-million.

"We brought in a whole new management team. We put in new information systems. We went from a decentralized management structure to a centralized structure. We made an acquisition and had a lot of organic growth," he says.

When his business partner neared age 60, Mr. Davis realized he didn't have an exit plan and started examining his options. Selling to a big multinational turned out to be the solution. "We started the process of getting the business ready for sale in 2006 and it took about a year, selling it in 2007 to Ryder Truck Leasing, a giant in the industry.

"Everything we did to grow the business helped us maximize value and positioned us for the sale," he says.

"We didn't make those changes because we knew we were going to sell in three to five years, we did it because it was good business practices. In the end, if you increase revenues and earnings, you've also increased the value of your business. Whenever you can, you have to get to the upper end of the multiple your business's value will be determined by. To do that, you have to minimize risk to maximize the chance of success for the buyer."

That is the best way to maximize the value of your business, says Brad Cherniak, a partner in Sapient Capital Partners in Toronto. "Companies should not look at a sale as a discreet event or something they have to do. The goal should be to build a quality company. That is the starting point."

Mr. Cherniak outlines a few key steps to do just that:

-Put systems in place to track performance and value. It doesn't have to be complicated but you should always understand what your value is. One of the biggest mistakes companies make when they do consider a sale is to presume a value.

-Create a short-and long-term forecast and document the variances. This creates a track record should you go down the sales path. All the metrics for preparing for a sale are the same as those needed to raise capital or just be a healthy company.

-On a regular basis undertake a cost-benefit analysis of selling, raising capital, staying the course or closing down. This will tie back to tracking value and help you decide whether selling is right for you.

Read more: http://www.financialpost.com/Sale+just+course/3209654/story.html#ixzz0s9baCIMe