



BUSINESS
TRANSITIONS
FORUM

NOV 15, 2017

WESTIN BAYSHORE, VANCOUVER

TODAY'S M&A ACTIVITY AND THE BIG PICTURE



Grant Thornton

An instinct for growth™

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Business transition – the big picture

Pierre Cléroux,
Vice President Research
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Vancouver
November 15, 2017



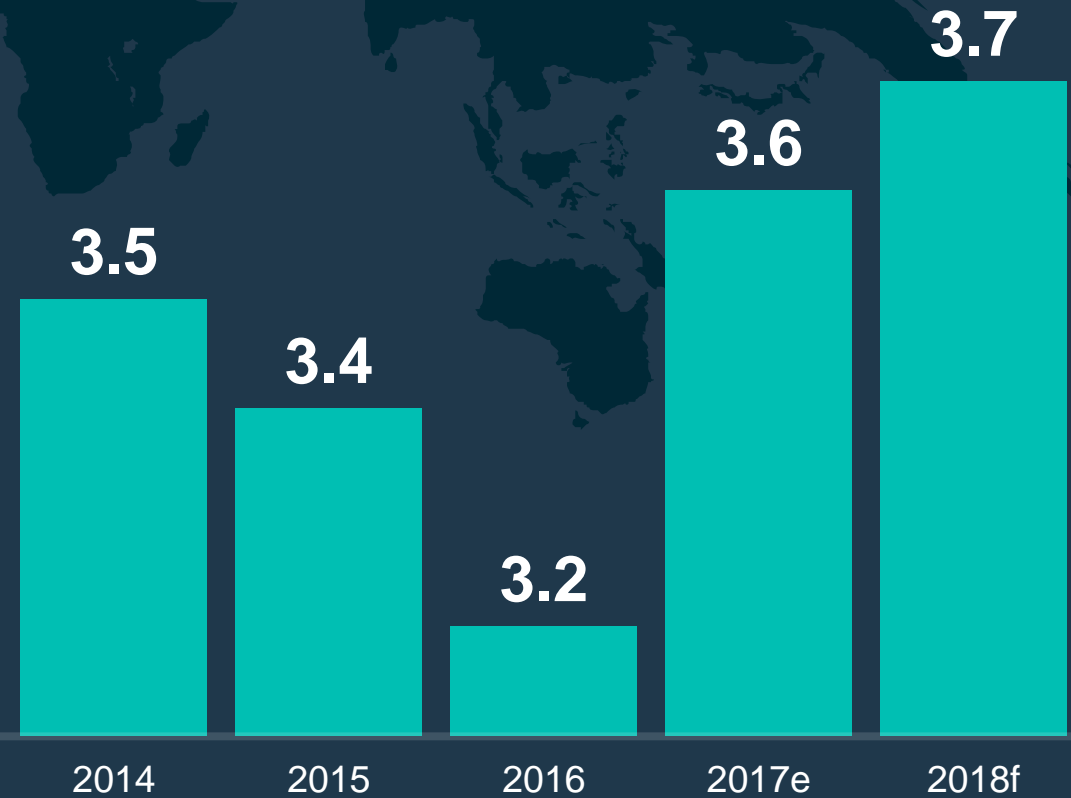
Agenda

- ① **World economic outlook**
- ② **British Columbia economic outlook**
- ③ **Business transition in Canada**



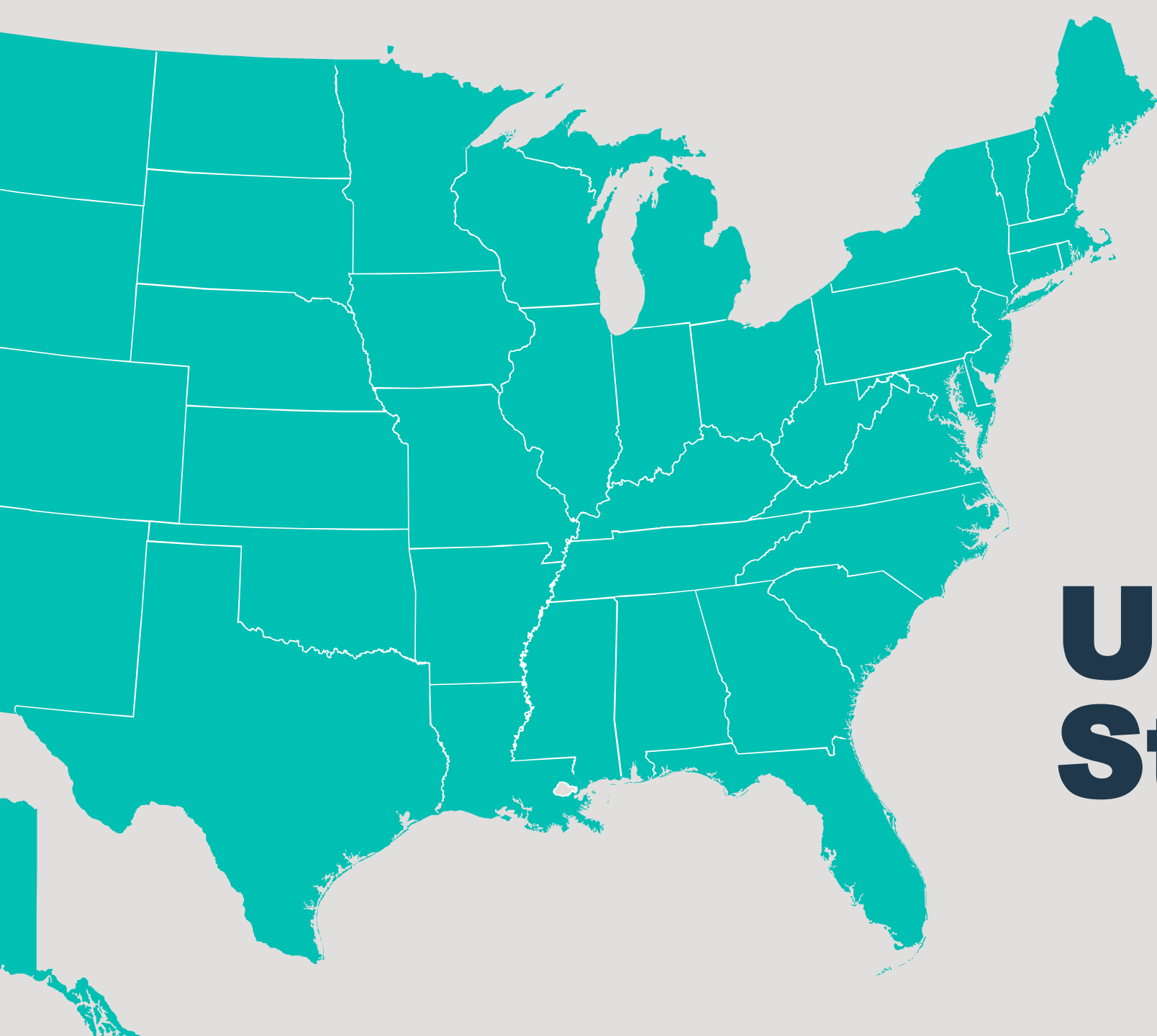
World

gross domestic product



Note: GDP 2010 constant prices, e = estimate; f = forecast

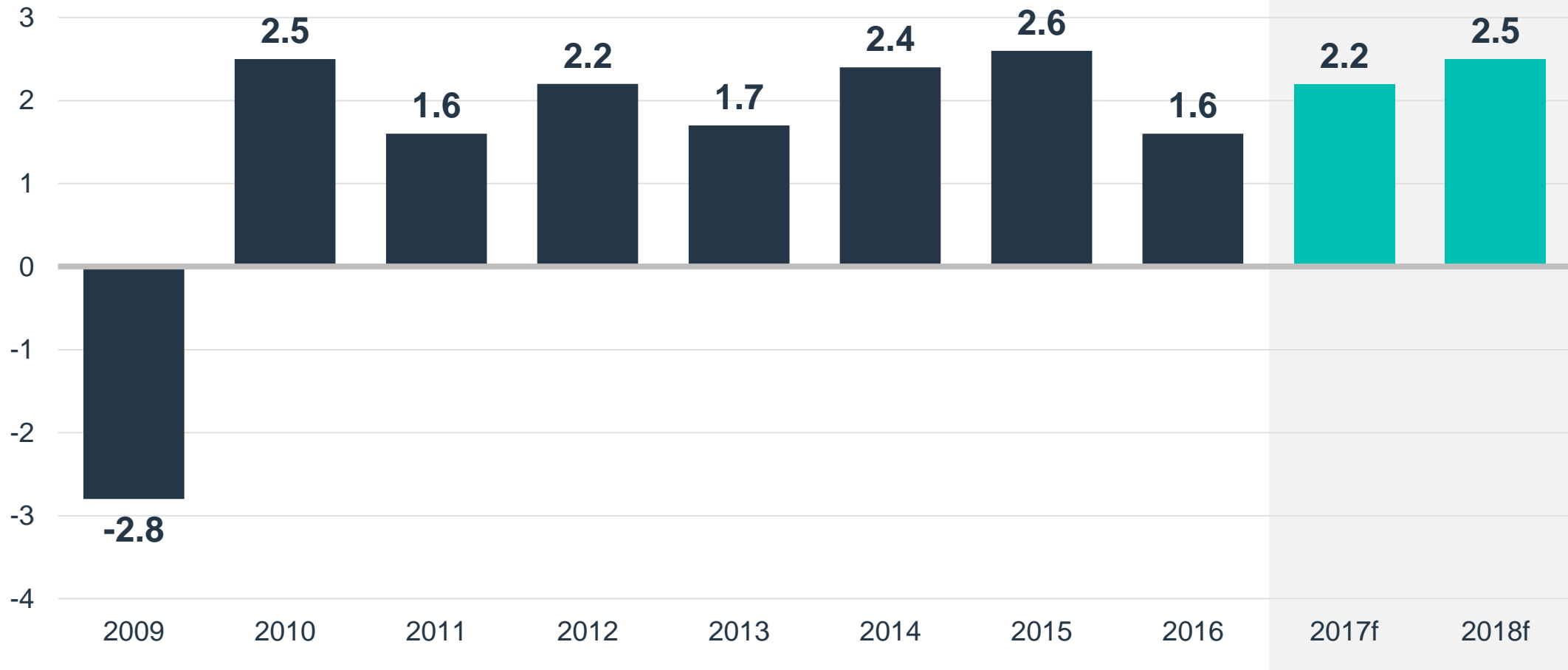
SOURCE: International Monetary Fund, *World Economic Outlook Update*, October 2017.



United States

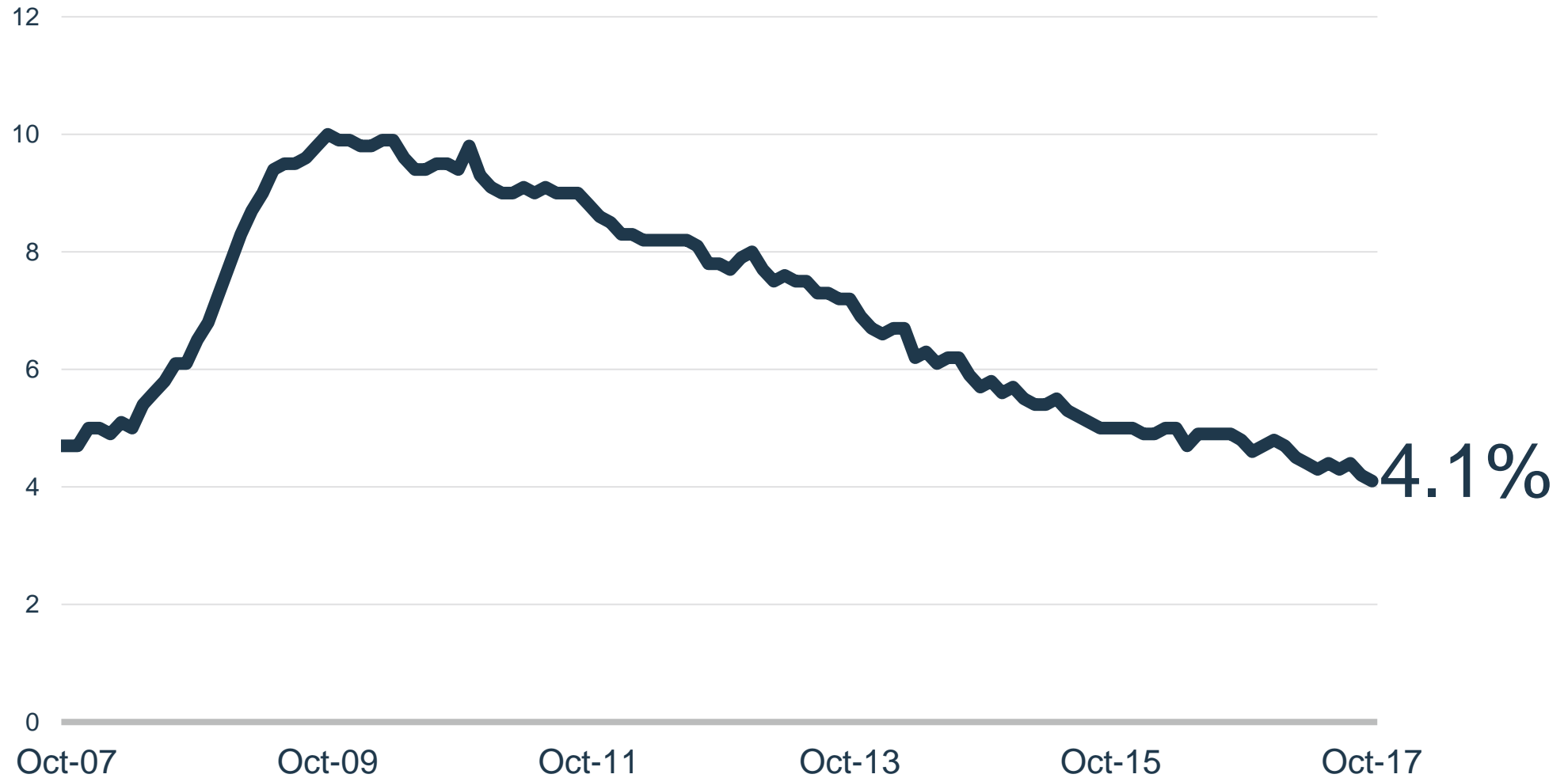
Real GDP, United States

Annual change, %



SOURCES: U.S. Bureau of Economic Analysis (historical data) and Consensus Forecasts, November 9, 2017.

Unemployment rate, United States



Trump's economic agenda



**Energy sector
deregulation**



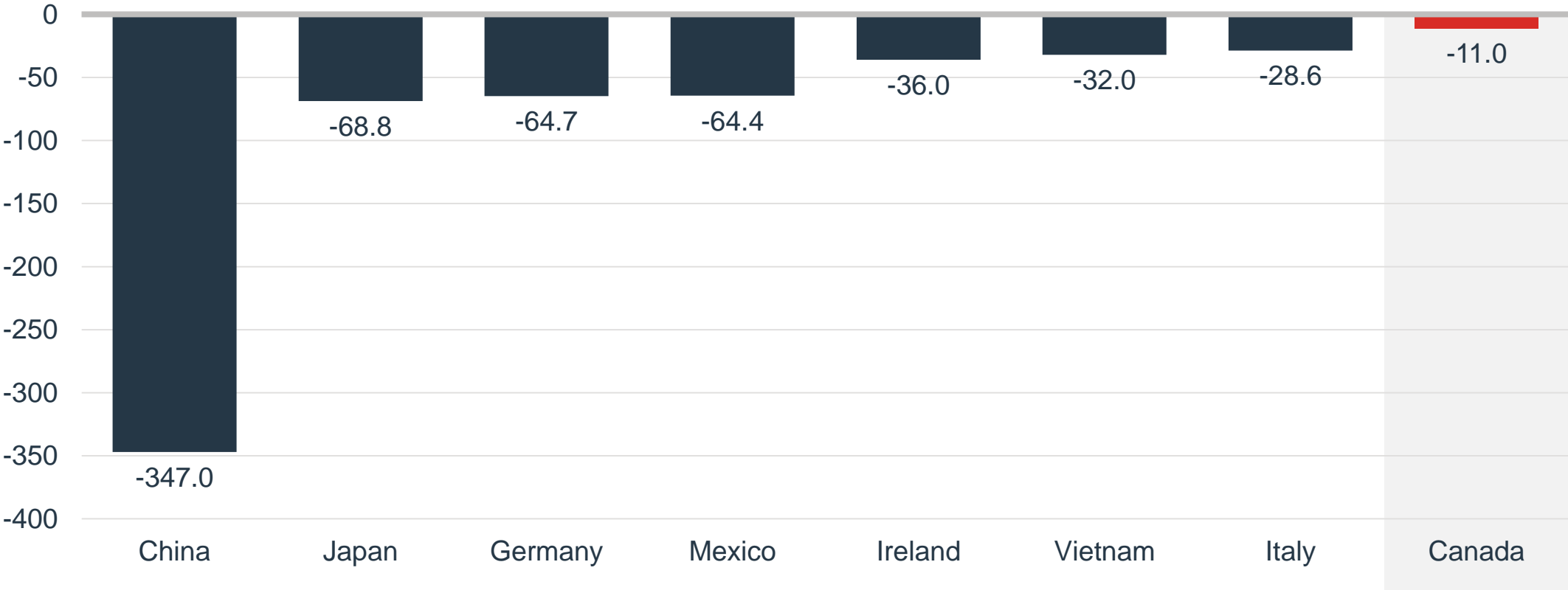
Tax cuts



**Infrastructure
spending**

U.S. merchandise trade balance in 2016, by country

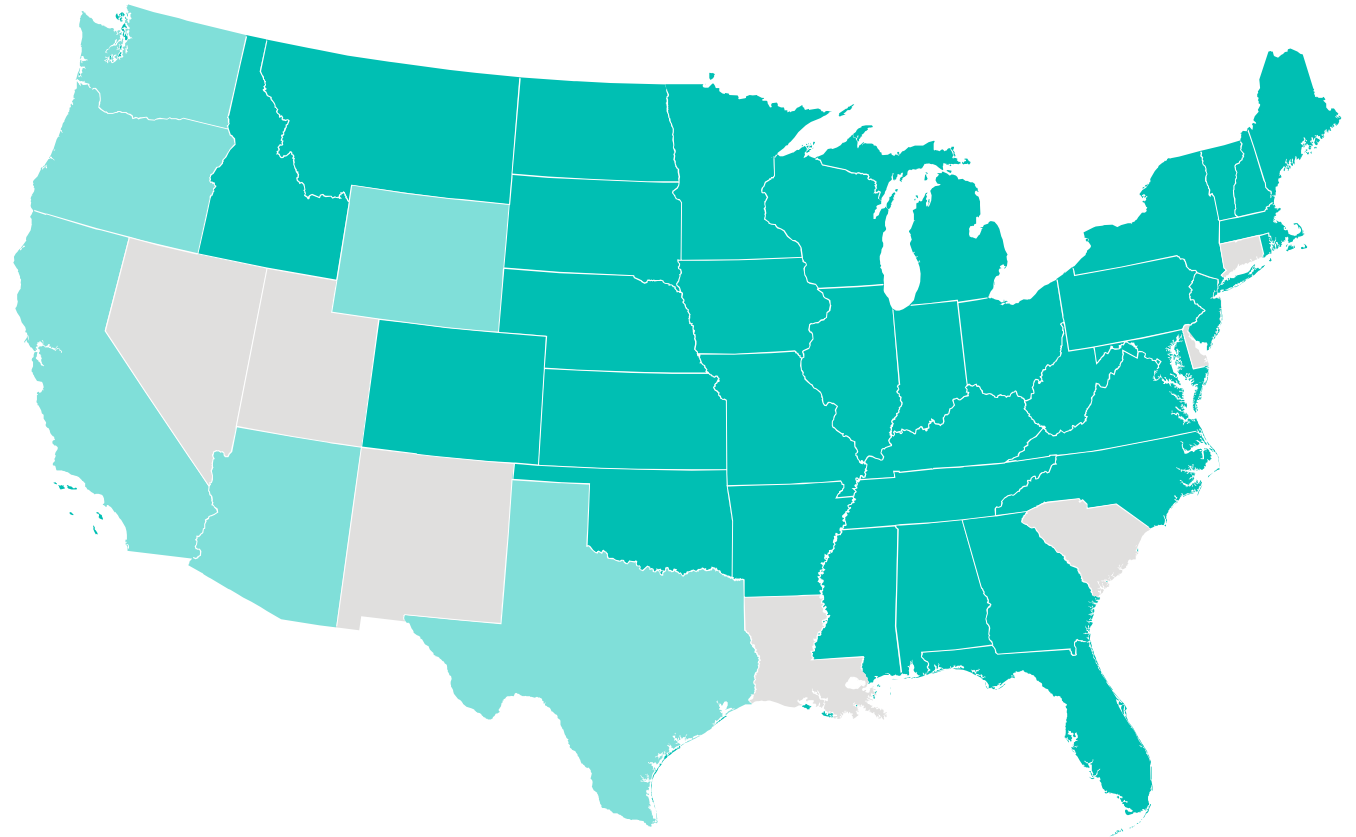
US\$ in billions



SOURCE: U.S. Census Bureau.

Canada is the largest or second-largest

export market
for 42 U.S. states



SOURCE: U.S. Census Bureau.

crude oil prices

Price of West Texas Intermediate,
US\$ per barrel

US \$105

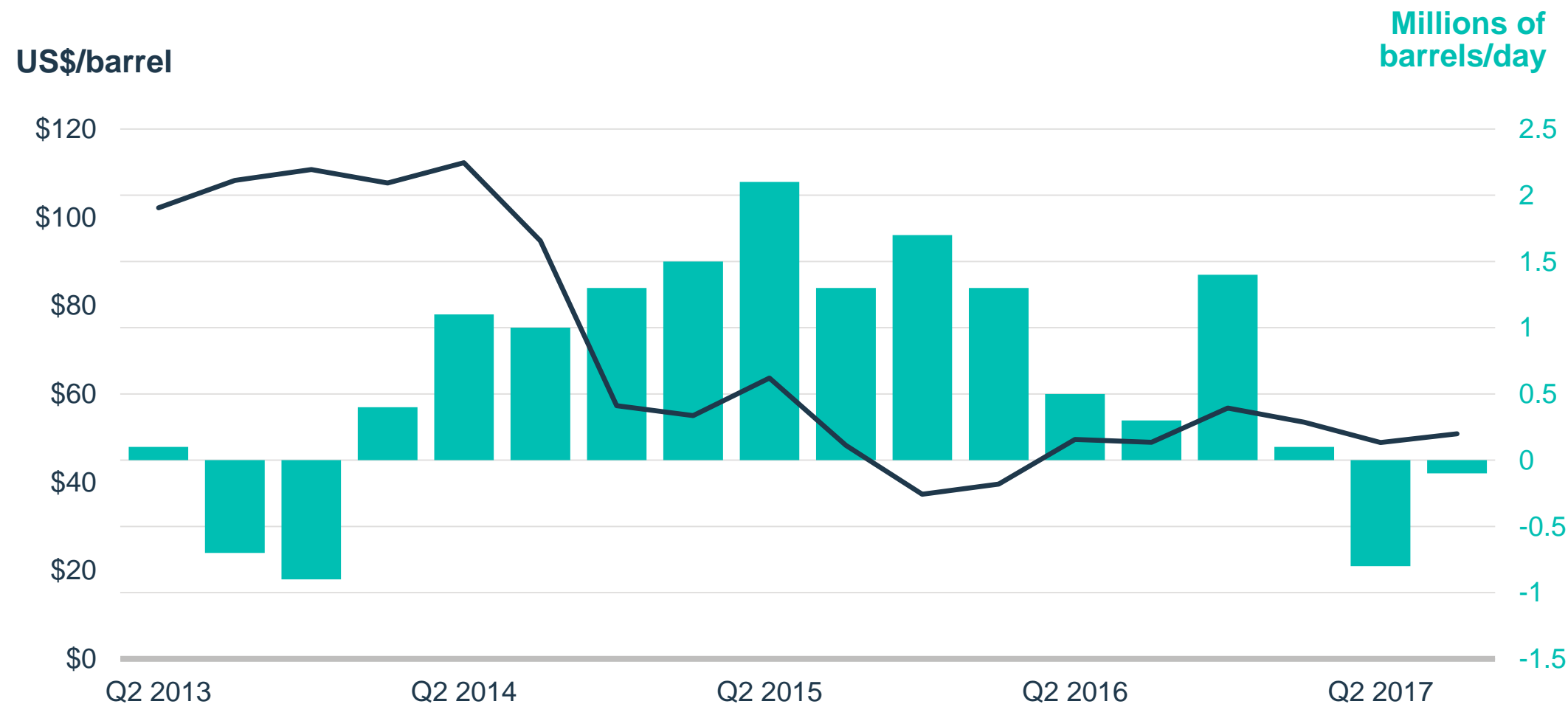
JUNE 2014



US \$51

OCTOBER 2017

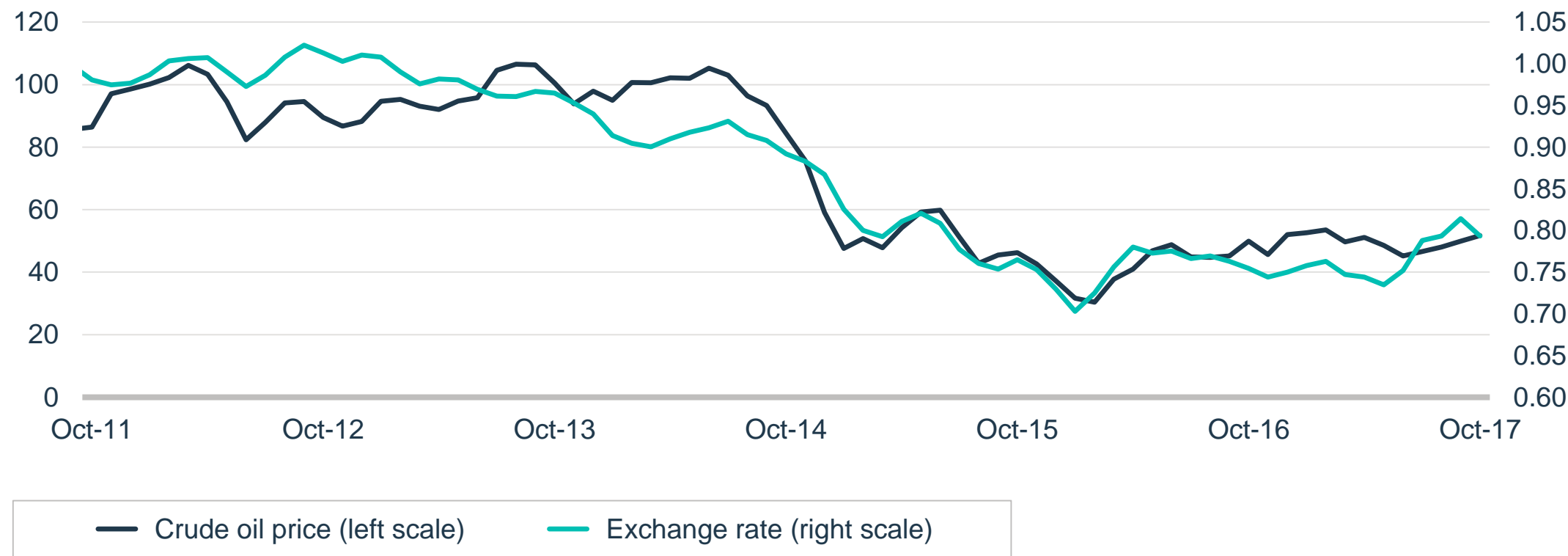
Global supply and demand of oil slowly coming into balance



SOURCES: Thomson Reuters Eikon, International Energy Agency (IEA), BDC Economic Analysis

Crude oil price and Canada/U.S. exchange rate

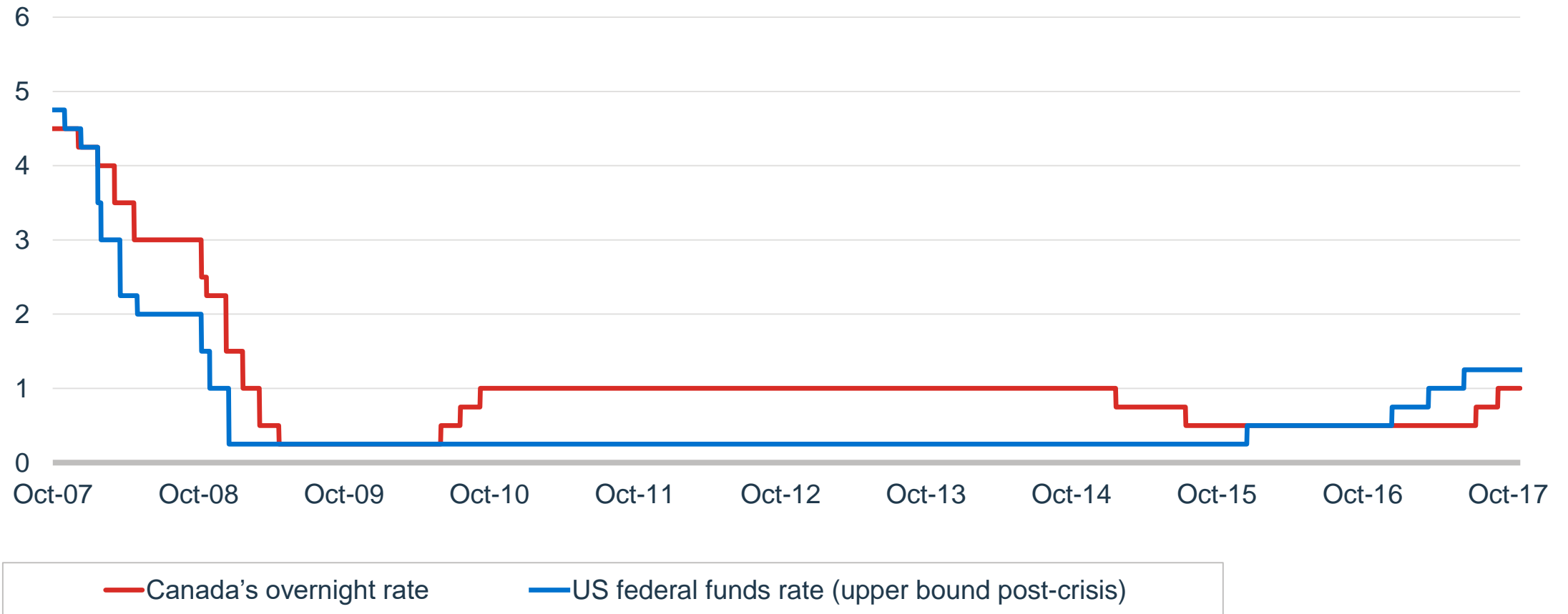
Price of West Texas Intermediate, US\$ per barrel; Canada/U.S.
exchange rate, US\$



SOURCES: U.S. Energy Information Association (spot crude oil price) and Bank of Canada (exchange rate).

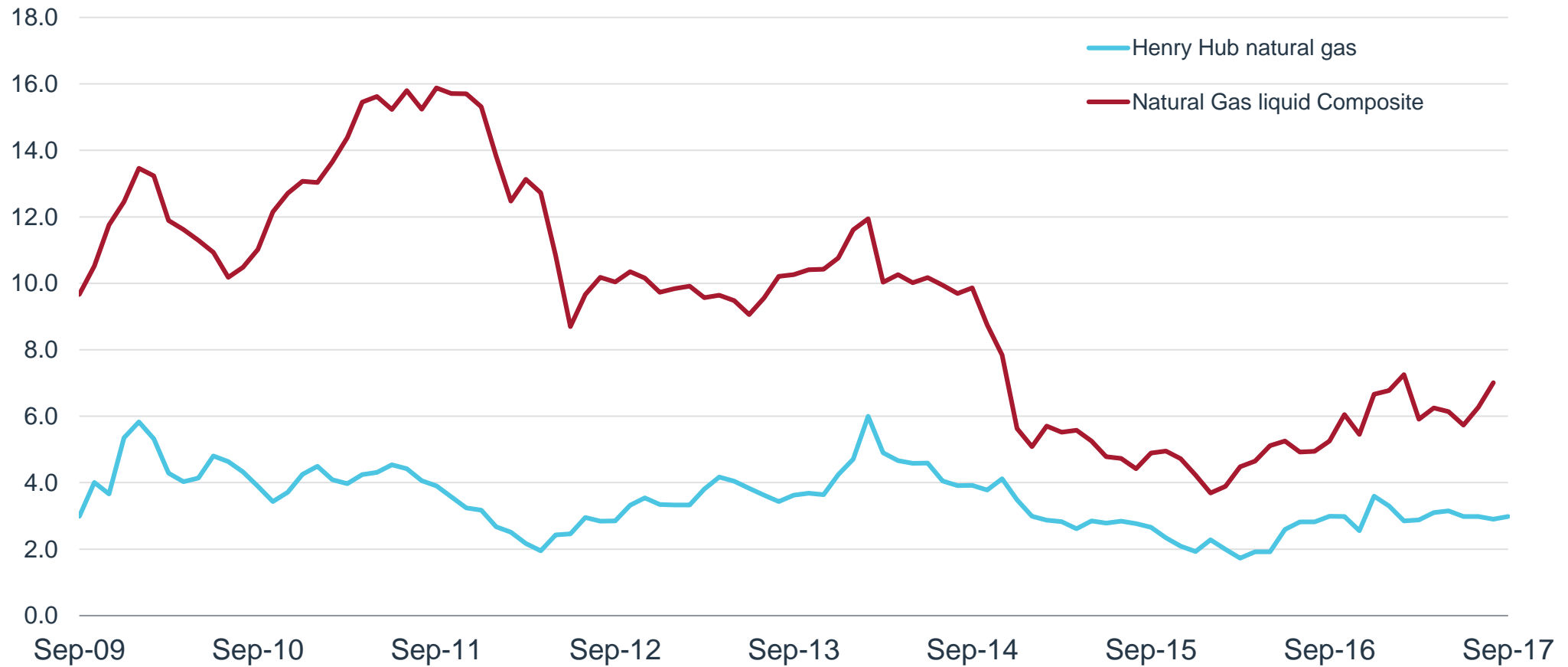
Canadian and U.S. key rates

Bank of Canada's overnight rate and Federal Open Market Committee's target federal funds rate, %



Natural gas price

USD/million Btu



SOURCE: U.S. Energy Information Administration

Forestry Price Index

Pulp, Lumber and Newsprint



Base: January 1st 1972 = 100

SOURCE : Bank of Canada

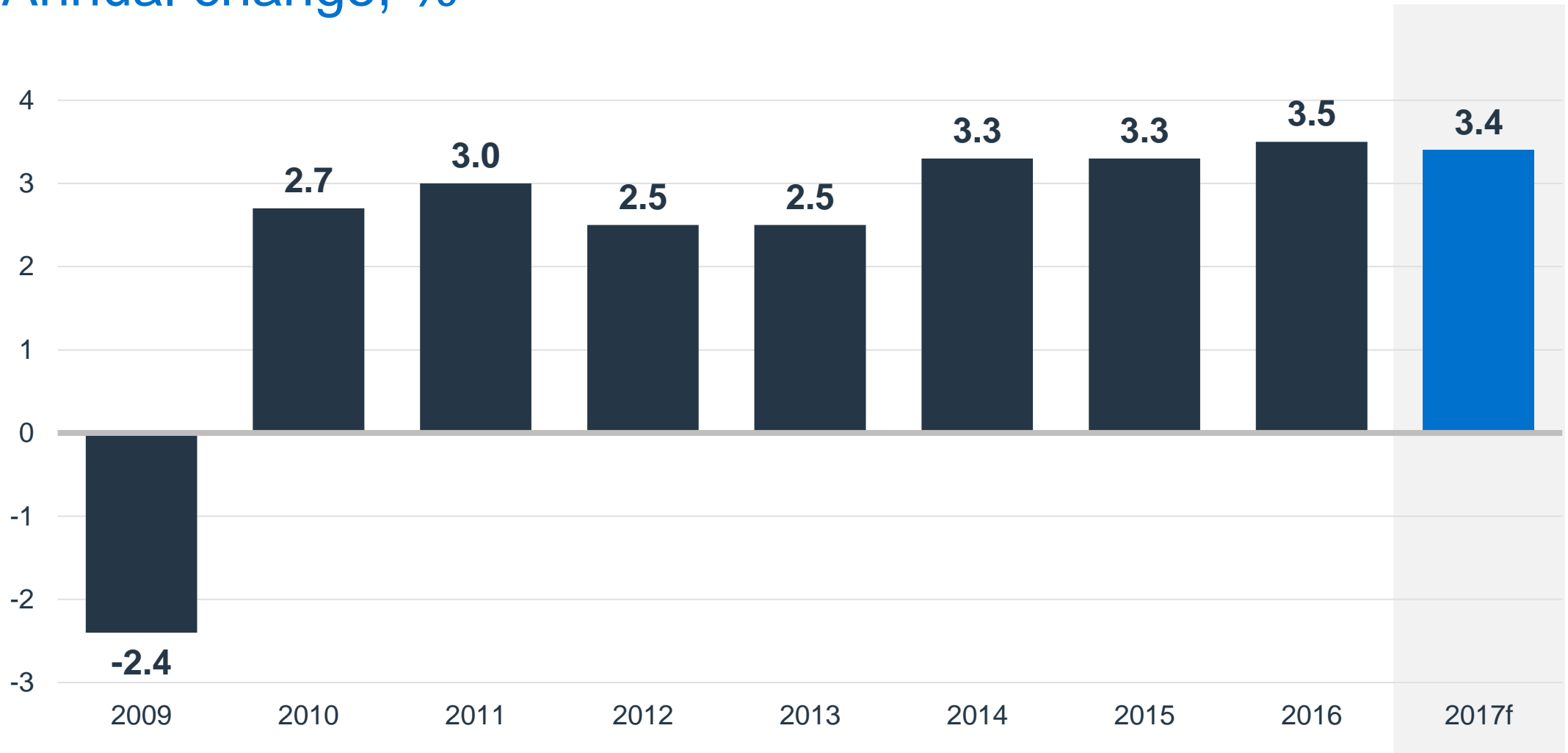
A stylized map of British Columbia is shown in solid blue on the left side of the image. The map includes the main landmass and several islands, including the Gulf Islands and the Vancouver Island group. The background is a light gray with faint, thin white lines suggesting a map grid or geographical features.

British Columbia

**economic
outlook**

Real GDP, British Columbia

Annual change, %

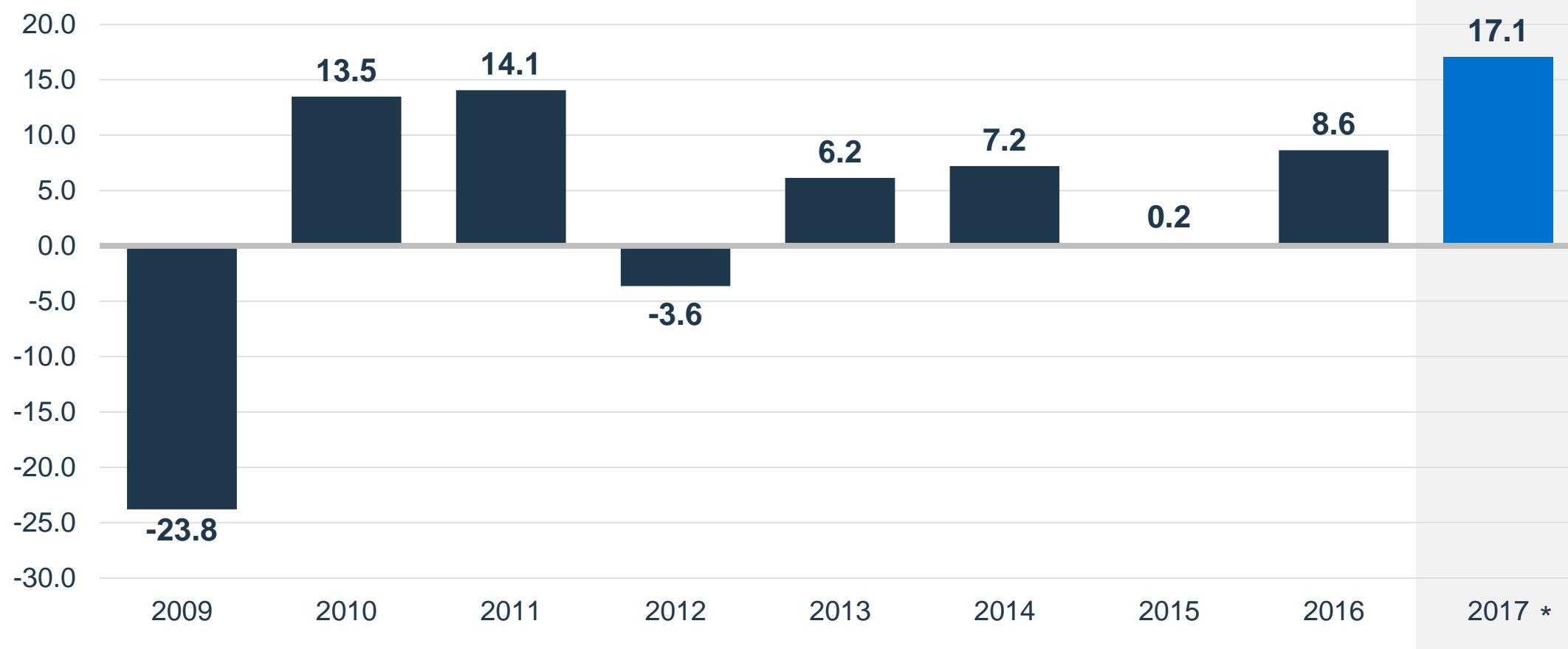


f= forecast

SOURCES: Statistics Canada (historical data) and average of chartered banks forecasts (estimate)

Total exports, British Columbia

Annual change, %

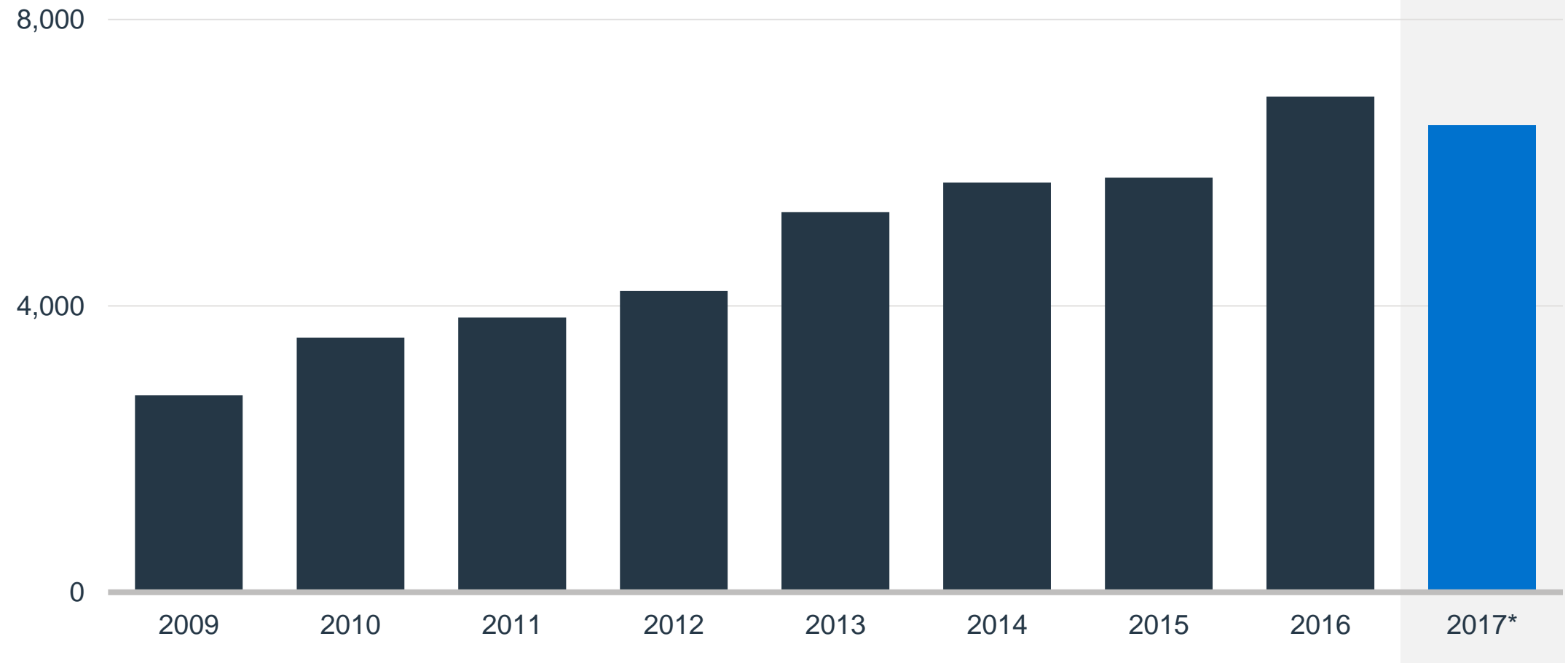


* = year to date as available, Jan-Sept 2017 compared to same period last year

SOURCE: Statistics Canada; BDC calculations

Lumber exports

Value in millions

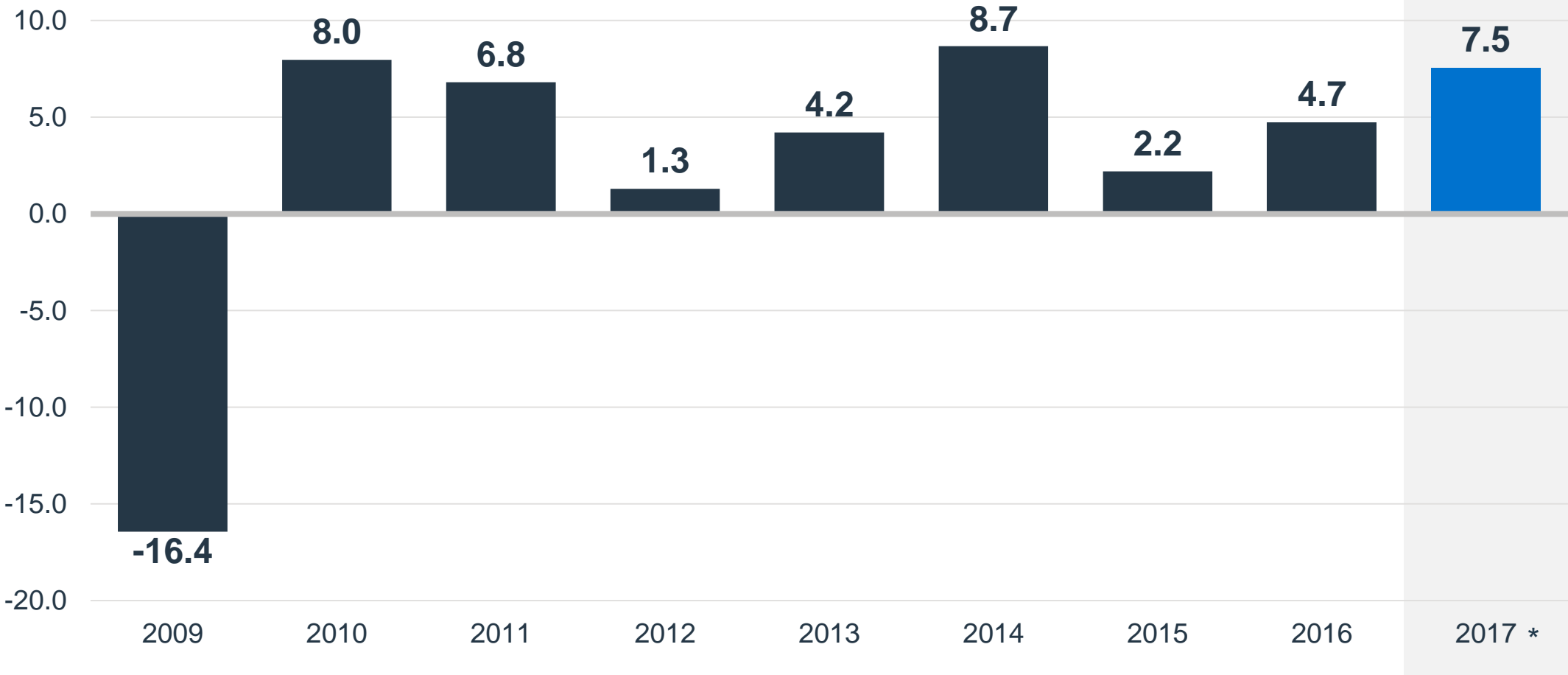


e= estimates based on year to date as available, Jan-Sept 2017

SOURCE: Innovation, Science and Economic Development Canada

Manufacturing sales, British Columbia

Annual change, %

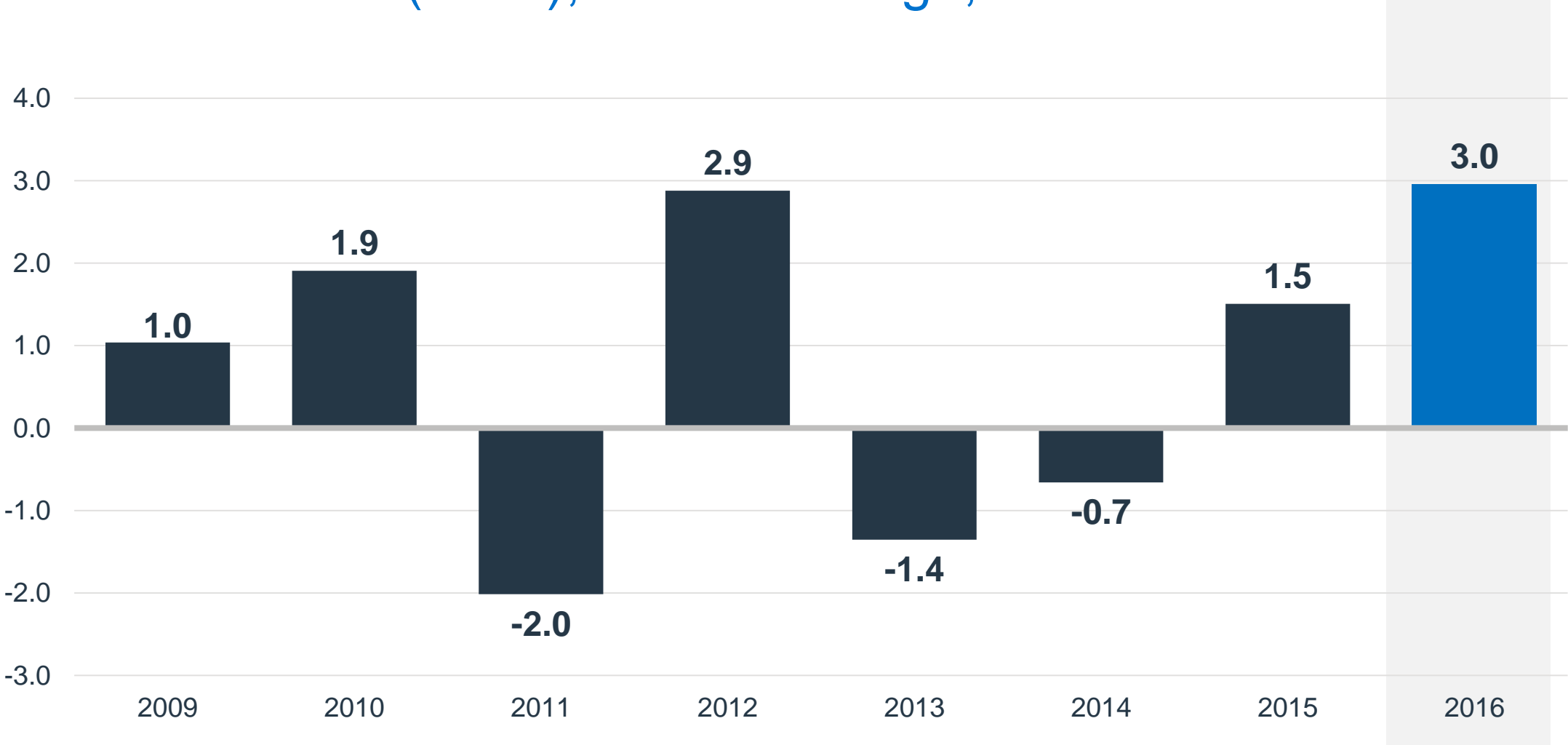


*= year to date as available, Jan-Aug compared to same period last year

SOURCE: Statistics Canada; BDC calculations

Gouvernement expenditures, British Columbia

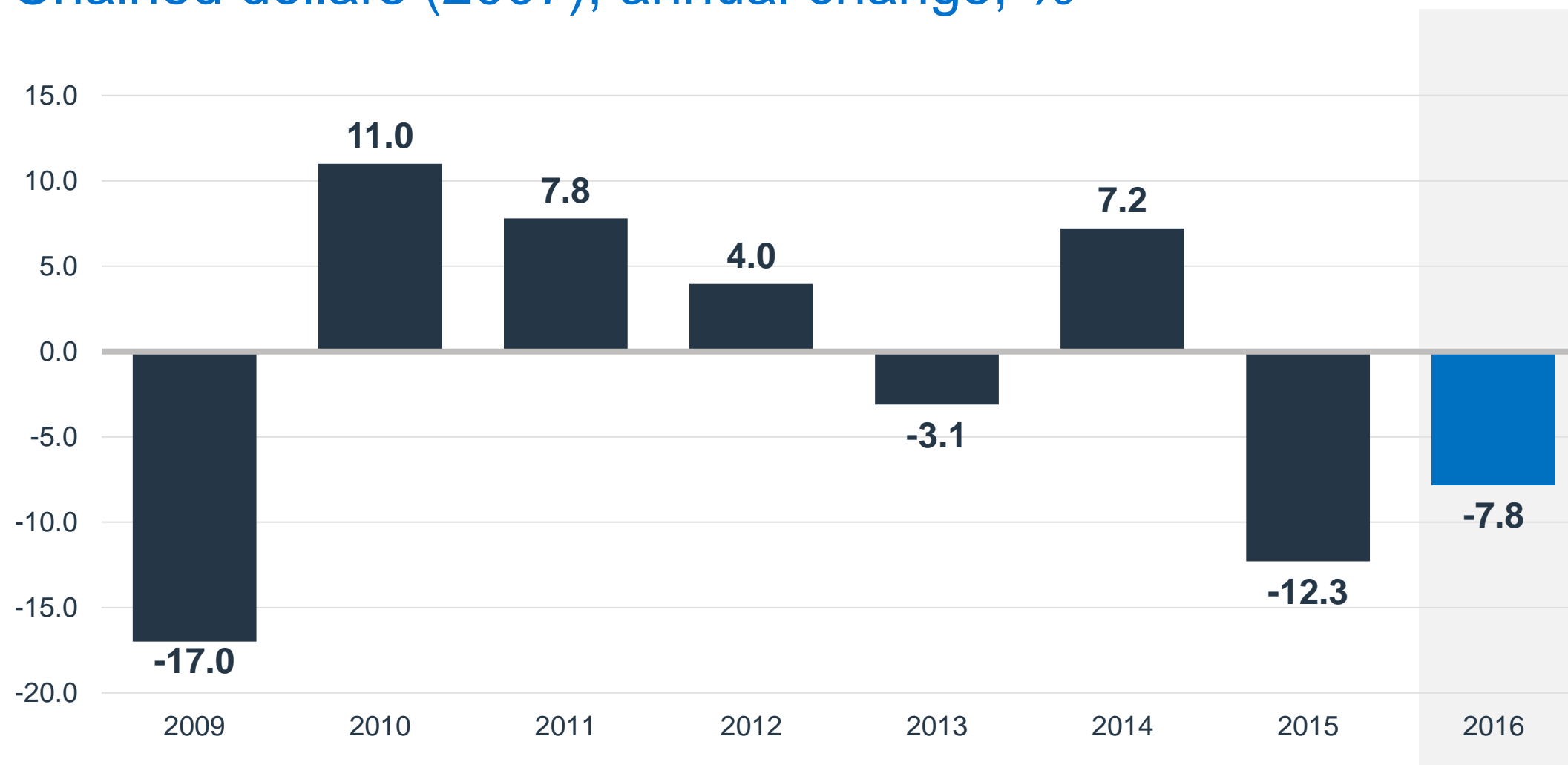
Chained dollars (2007), annual change, %



SOURCE: Statistics Canada; BDC calculations

Business investment, British Columbia

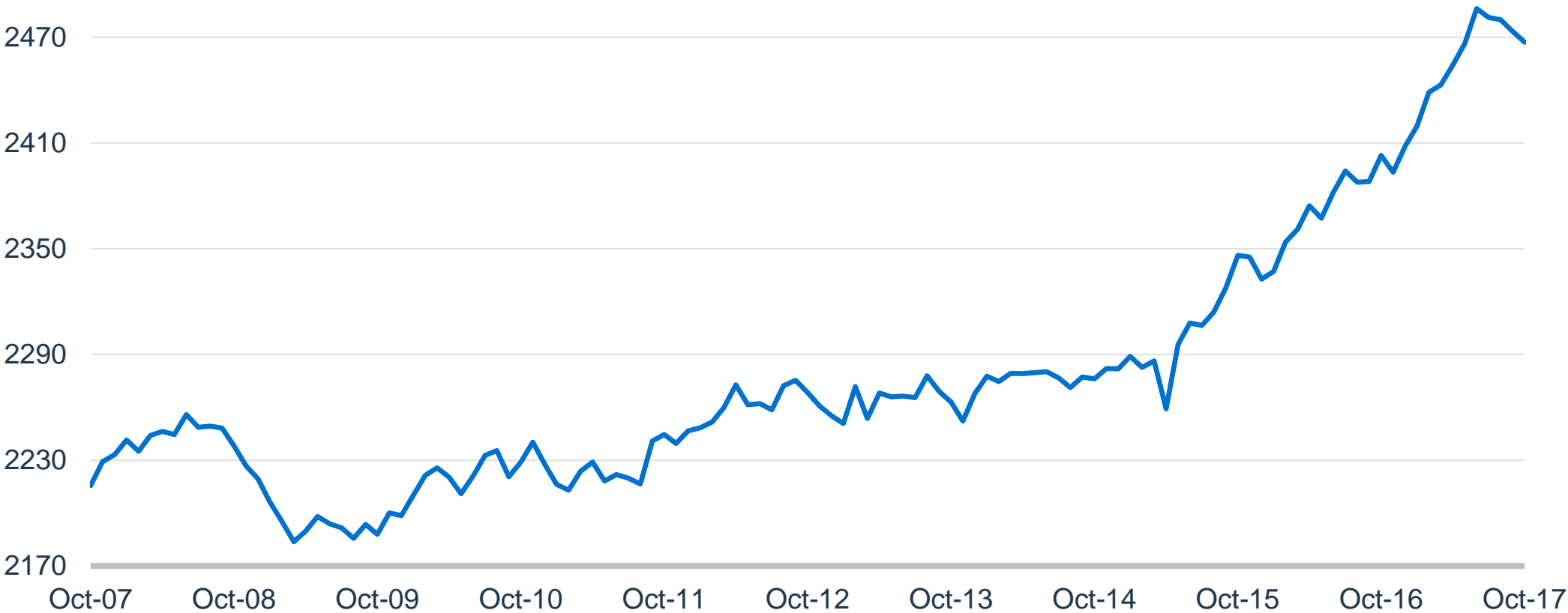
Chained dollars (2007), annual change, %



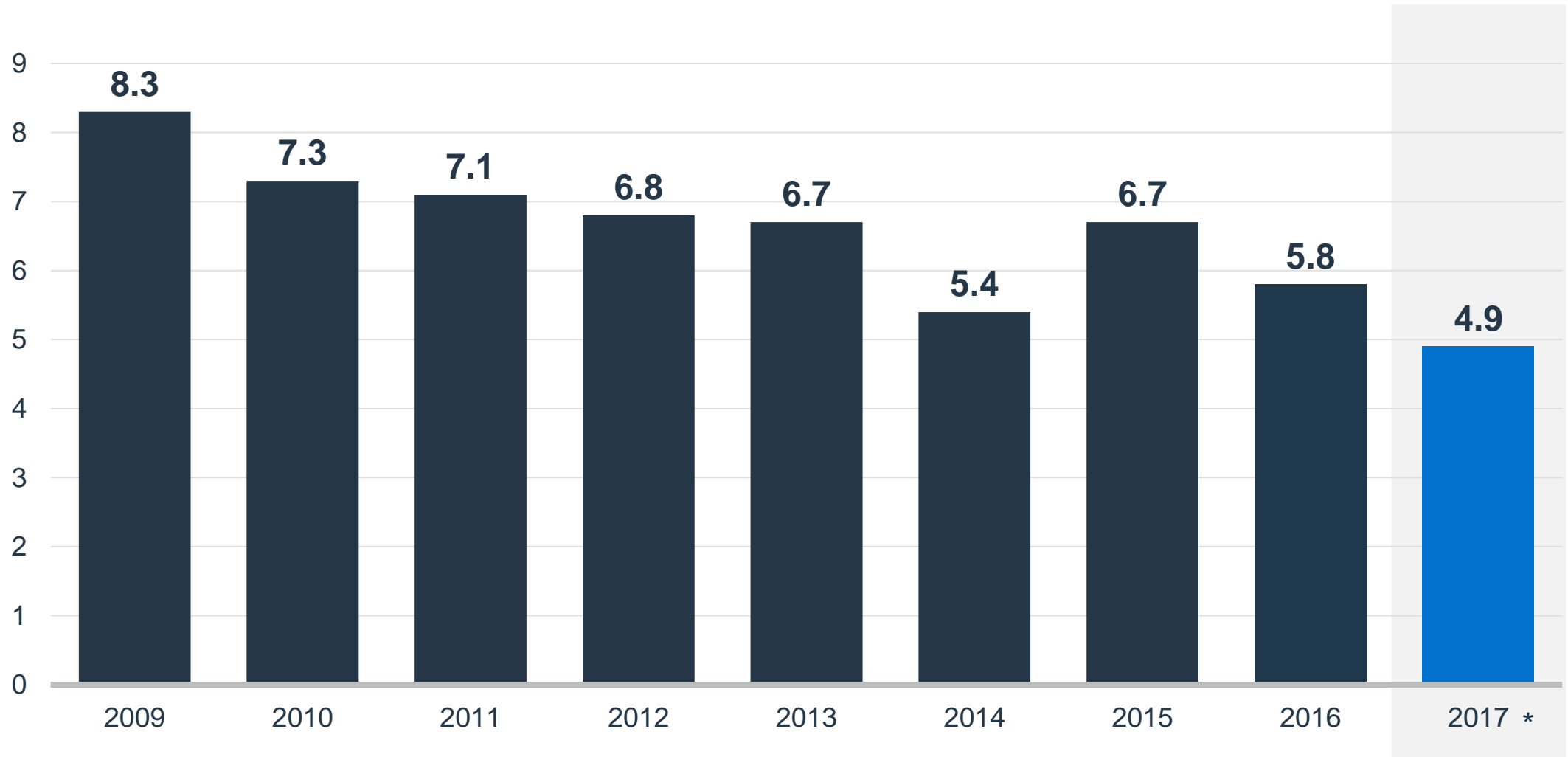
SOURCE: Statistics Canada; BDC calculations

Employment, British Columbia

Thousands of people



Unemployment rate, British Columbia



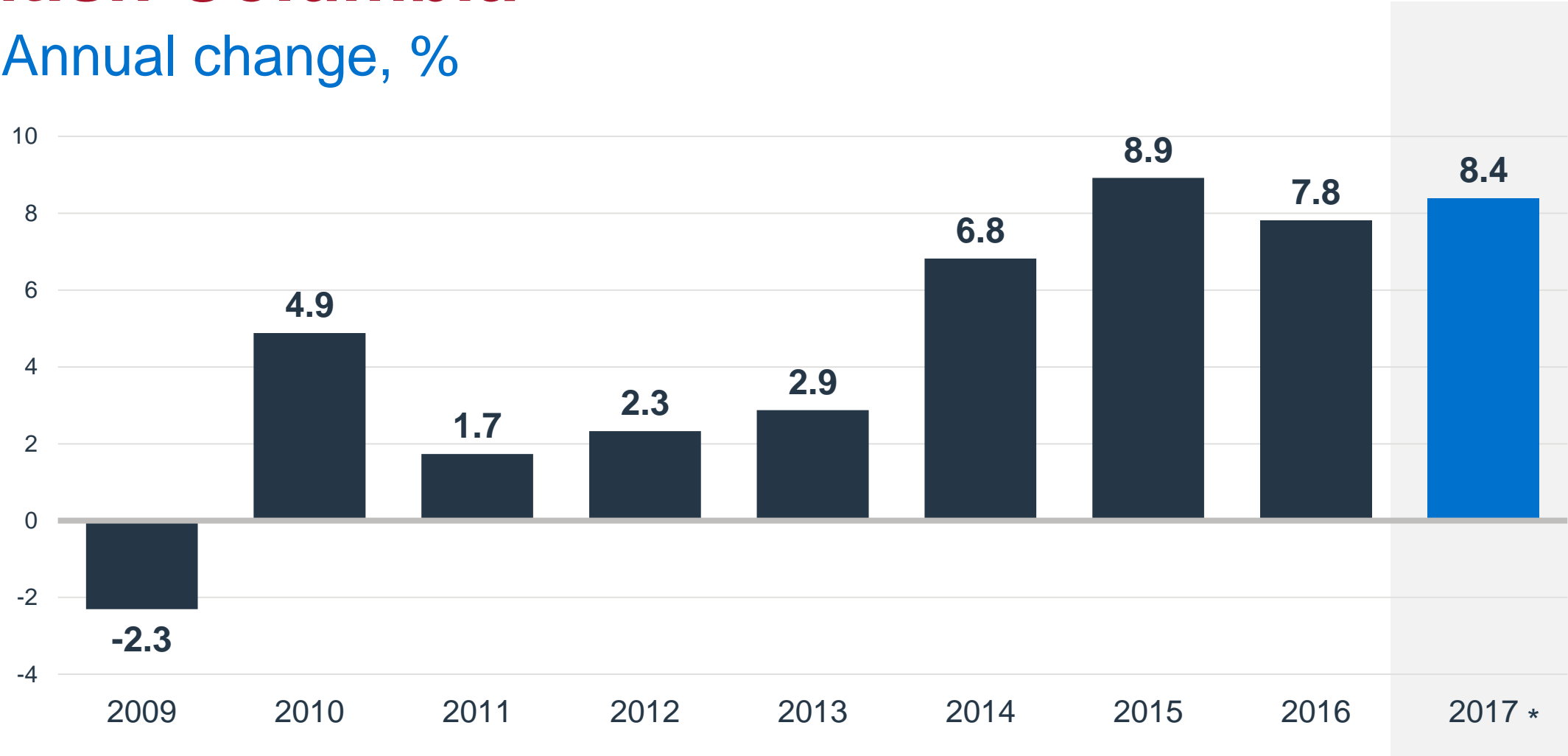
Latest data available.

*October 2017

SOURCE: Statistics Canada

Retail sales, gasoline stations excluded, British Columbia

Annual change, %

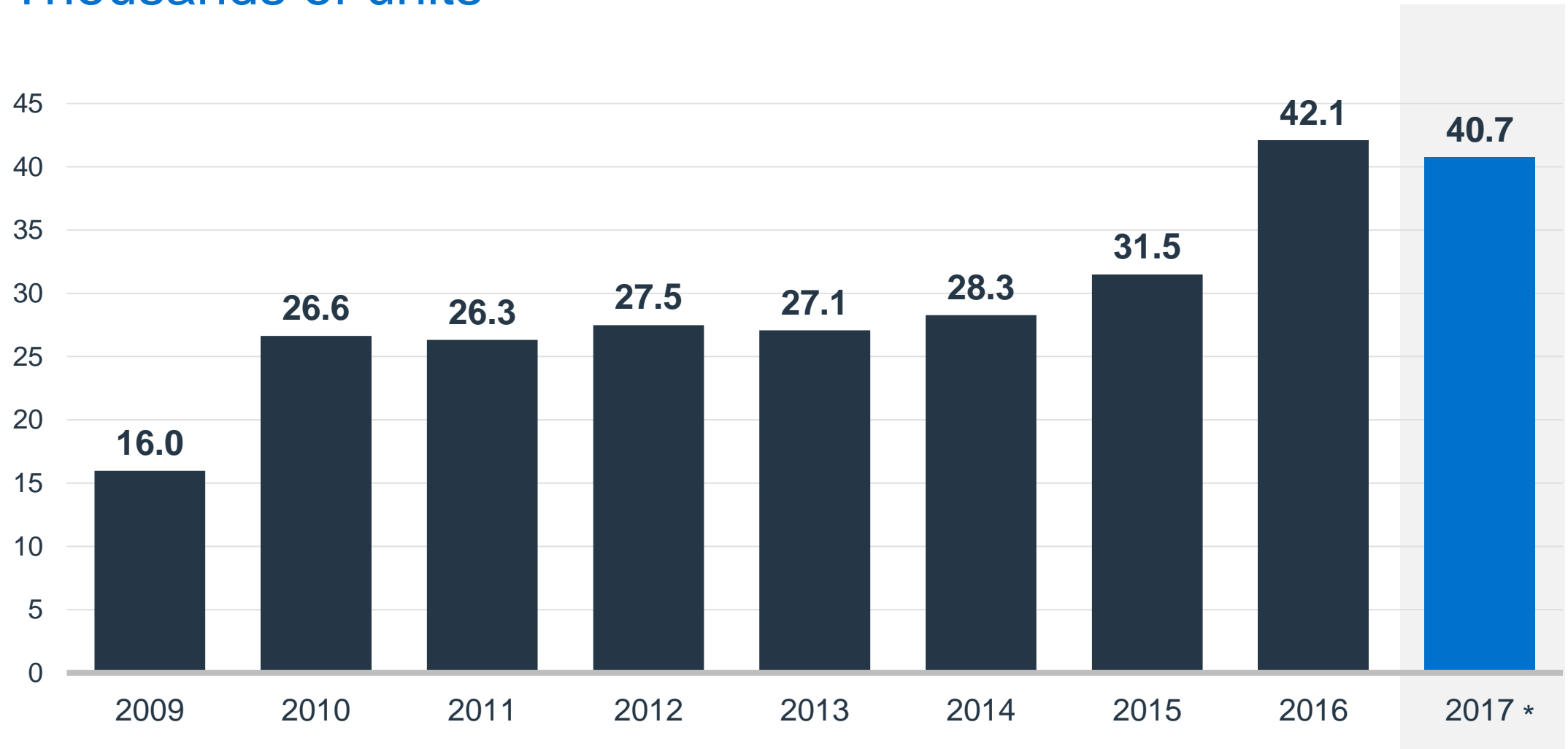


* * = year to date as available, Jan-Aug 2017 compared to same period last year

SOURCE: Statistics Canada; BDC calculations

Housing Starts, British Columbia

Thousands of units

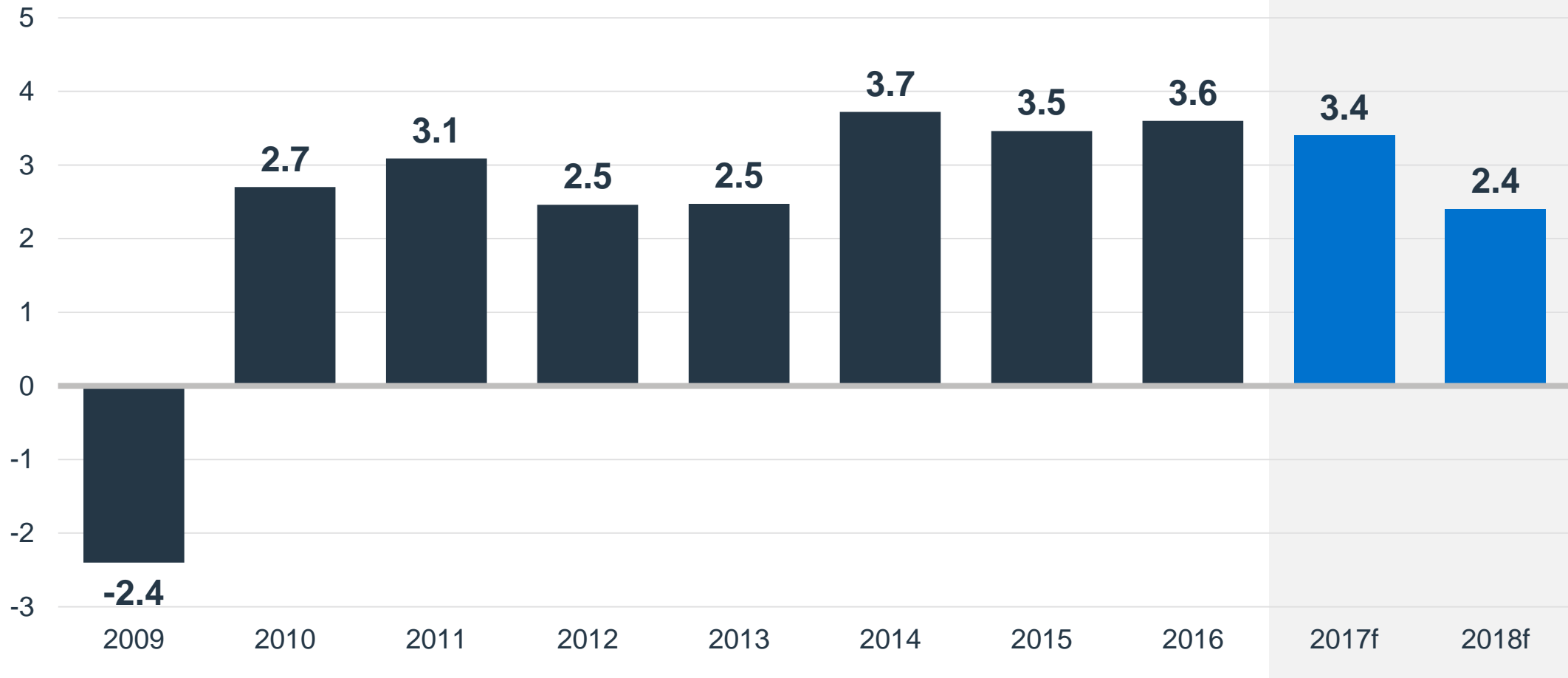


*Estimates based on data from Jan-Sept 2017

SOURCE: Statistics Canada, Canada Mortgage and Housing Corporation

Real GDP, British Columbia

Annual change, %



f= forecast

SOURCES: Statistics Canada (historical data) and average of chartered banks forecasts



business **transition**

**Understanding the Canadian
market to successfully buy
or sell a company**

The Canadian
population is

**getting
older**

Median age

26

1971

33

1991

40

2011

44

2031 (F)

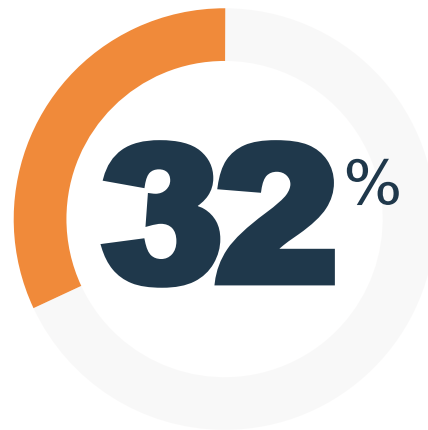
SOURCE: Statistics Canada



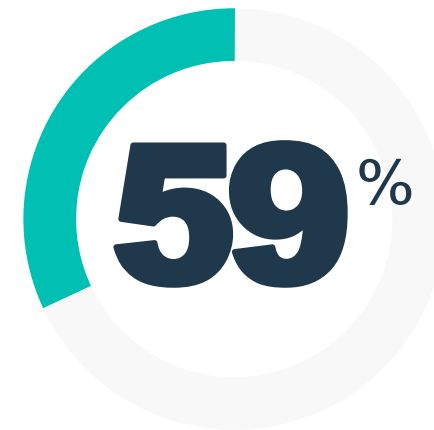
Entrepreneurs are older than the Canadian workforce



**50 years-old
or older**



Canadian workforce



Canadian entrepreneurs

SOURCE: Statistics Canada, CANSIM Table 282-0001 and Statistics Canada, Survey on Financing and Growth of SMEs, 2014.

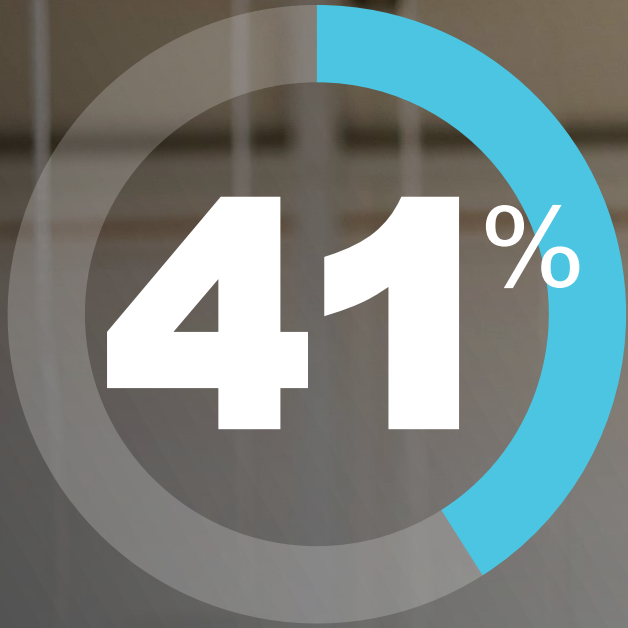
2,500+

**Owners of Canadian small and
medium-sized businesses surveyed**



**Who are
the sellers?**





of entrepreneurs
**plan to exit their
business and not
acquire another**



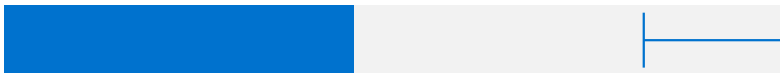
The trend is stronger in Atlantic Canada and the Prairies

% of entrepreneurs who will exit their business and not acquire another company

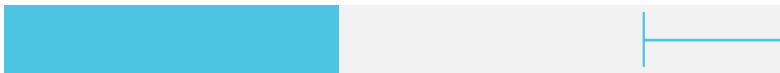
Atlantic



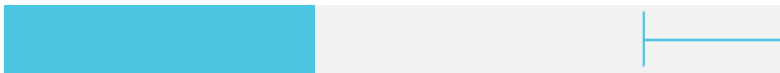
Prairies



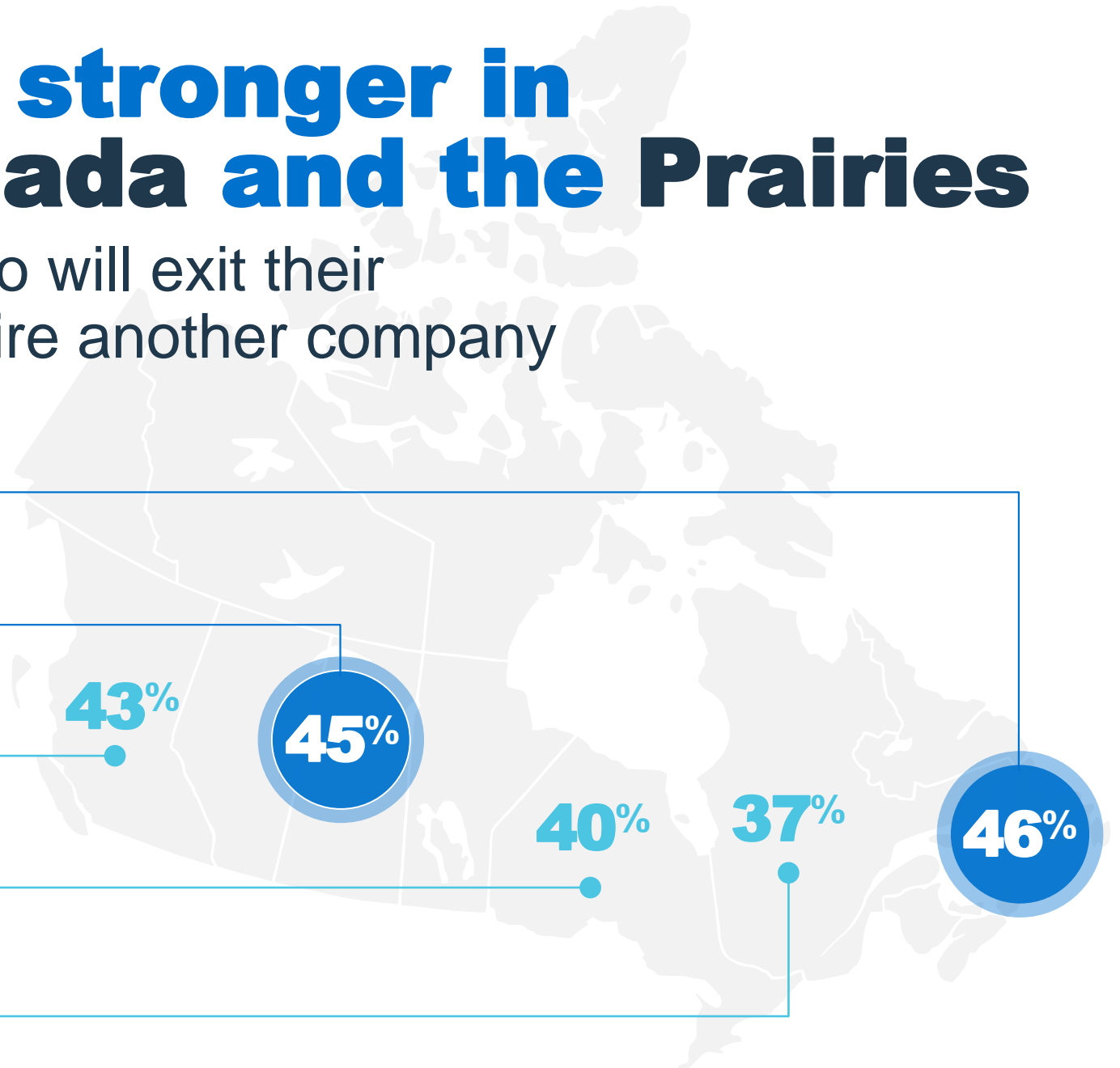
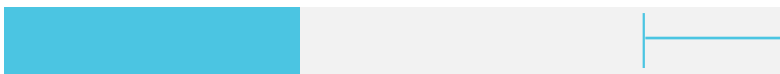
BC and Territories



Ontario

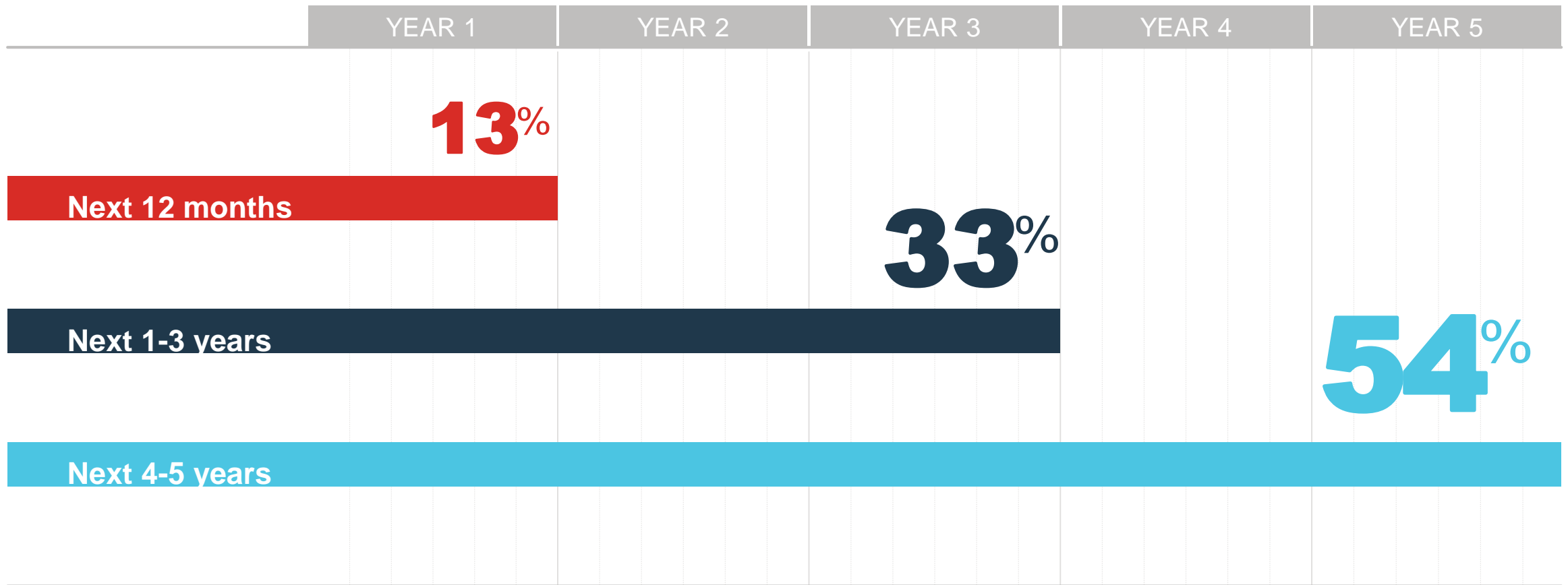


Quebec



A boom in transitions coming up

When do they expect to leave?



A photograph of three business professionals (two men and one woman) sitting around a table in a modern office setting, engaged in a meeting. A laptop and a small potted plant are on the table. Large white text is overlaid on the image.

Are entrepreneurs leaving money on the table?

ONLY...

48%

plan to expand
their business

49%

have sound
financial reporting

37%

have taken action
to maximize profits

**Who are
the buyers?**

A large, solid orange shape occupies the bottom right portion of the image. It has a rounded top-left corner and a straight vertical edge on the right, while the bottom-left corner is cut off by a diagonal line extending towards the center of the frame.



19%

of entrepreneurs
**intend to make
an acquisition**



44%

of leaders of
larger businesses
**intend to make
an acquisition**

The buyers, among the most dynamic businesses in Canada



84%

Eager
to grow



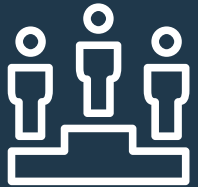
63%

Willing
to take risks

No.1 motivation is **buying a competitor**

36%

Horizontal integration
(acquire a competitor)



27%

Expand geographic
presence



23%

Acquire a known brand
to increase reputation

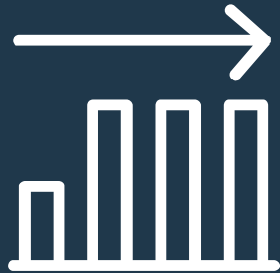


23%

Vertical integration
(acquire a supplier/client)



Stable, profitable businesses – **most sought-after**



61%

of buyers are looking
for a **stable, profitable business**



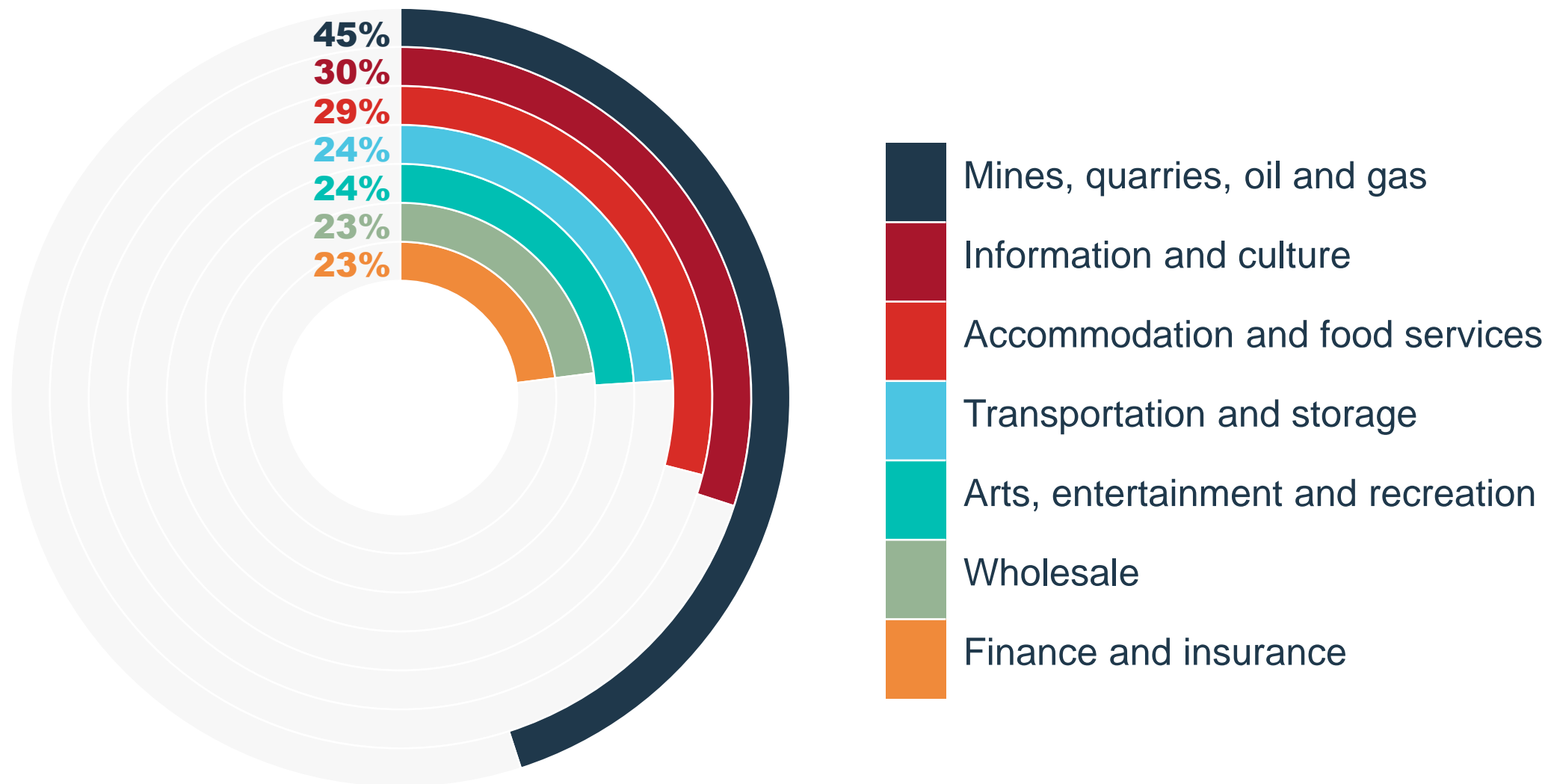
31%

of buyers are looking
for a **growing, profitable business**

62%

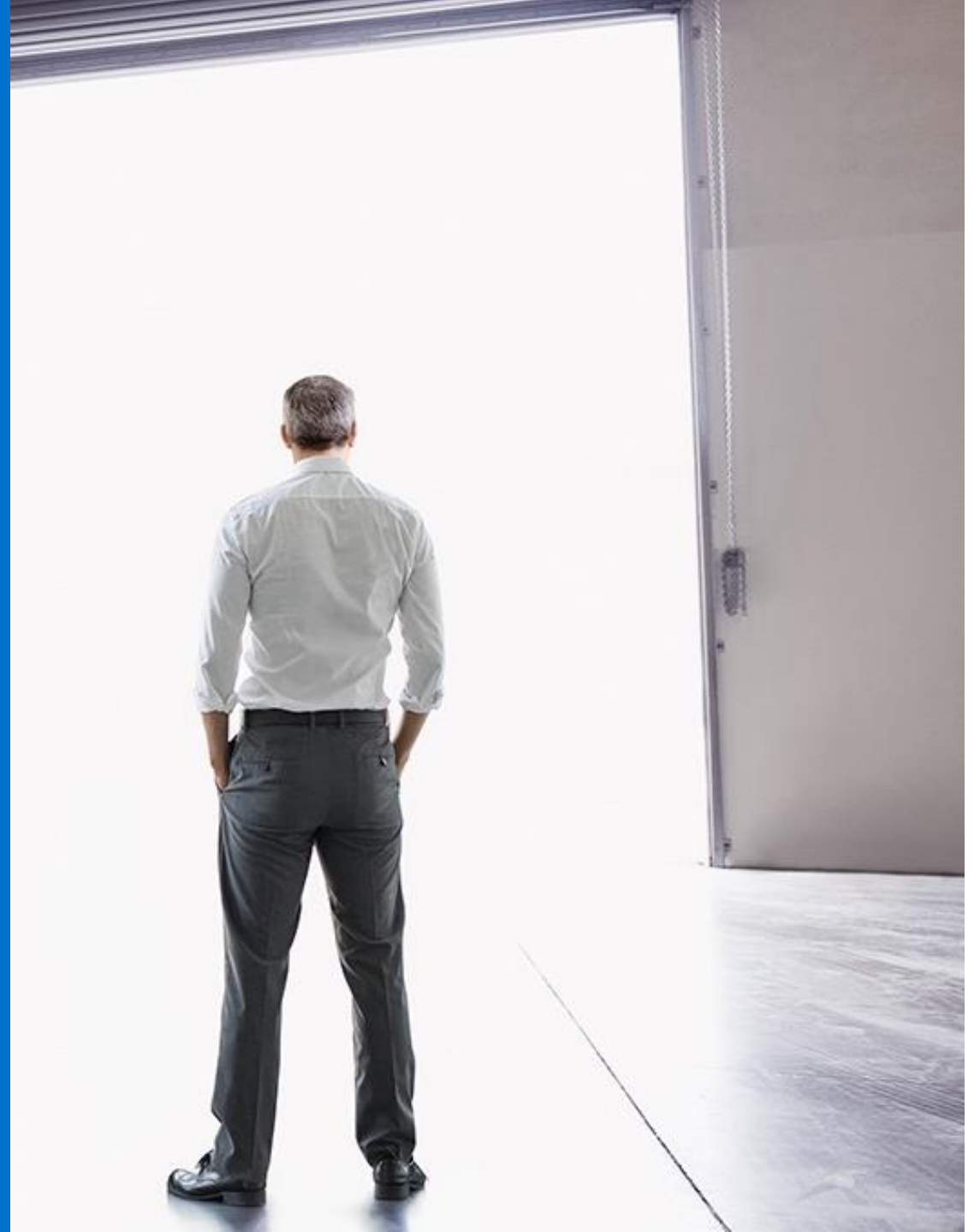
**of potential buyers
want a business the
same size or
smaller than
their own**

Breakdown of buyers by industry



A boom
in transitions
coming up

Significant
opportunities
for consolidation
and expansion



In summary

Global economic growth has gained momentum in 2017 and it is expected to continue in 2018.

British Columbia has the highest share of small businesses per capita in Canada and a vibrant, well diversified economy.

Entrepreneurs in British Columbia are above the national average in willingness to buy another company. This will no doubt contribute the continuing dynamism of the province's economy.



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business transition,
visit bdc.ca/transitionbuyer

bdc.ca

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