



BUSINESS  
TRANSITIONS  
FORUM

NOV 15, 2017  
WESTIN BAYSHORE, VANCOUVER

# TODAY'S M&A ACTIVITY AND THE BIG PICTURE



Grant Thornton

An instinct for growth™

Pierre Cl  roux

Vice President Research & Chief Economist, BDC

# Business transition – the big picture

**Pierre Cléroux,**  
Vice President Research  
and Chief Economist, BDC

Vancouver  
November 15, 2017



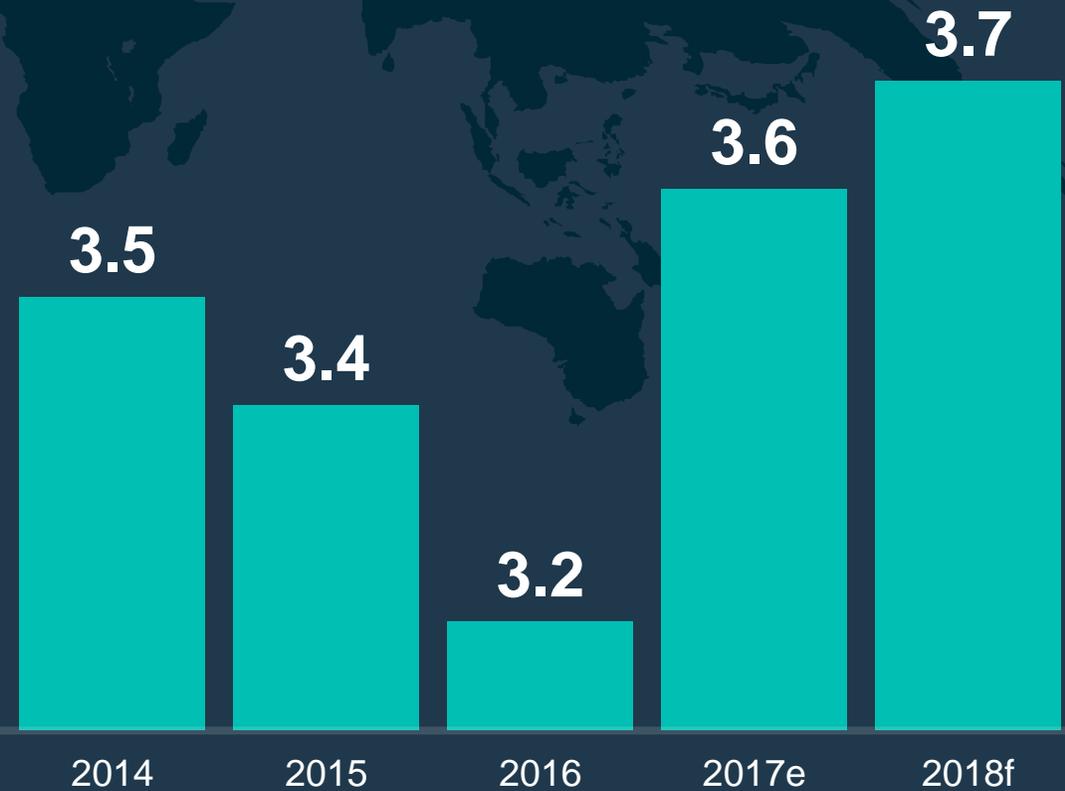
# Agenda

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



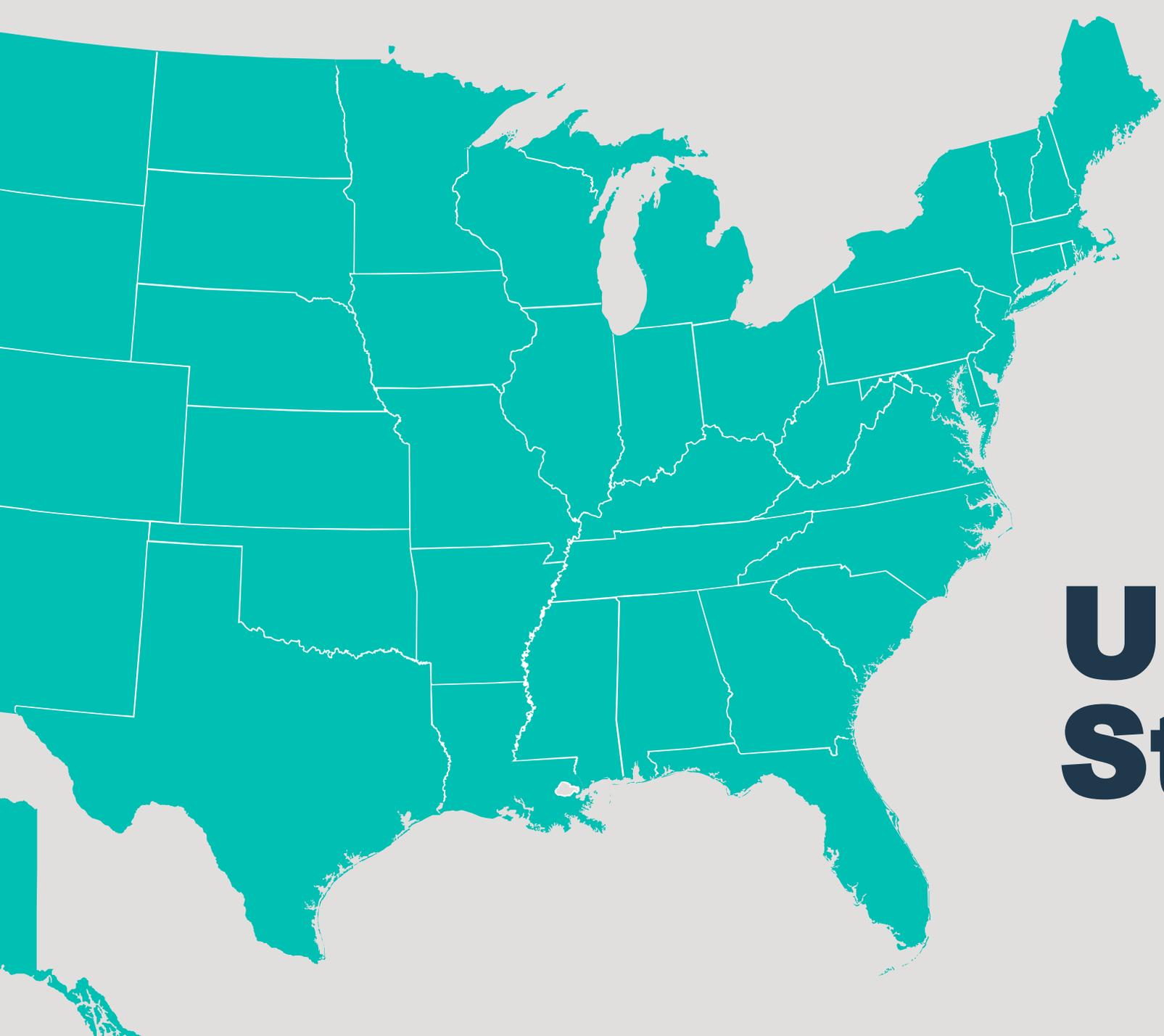
# World

## gross domestic product



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

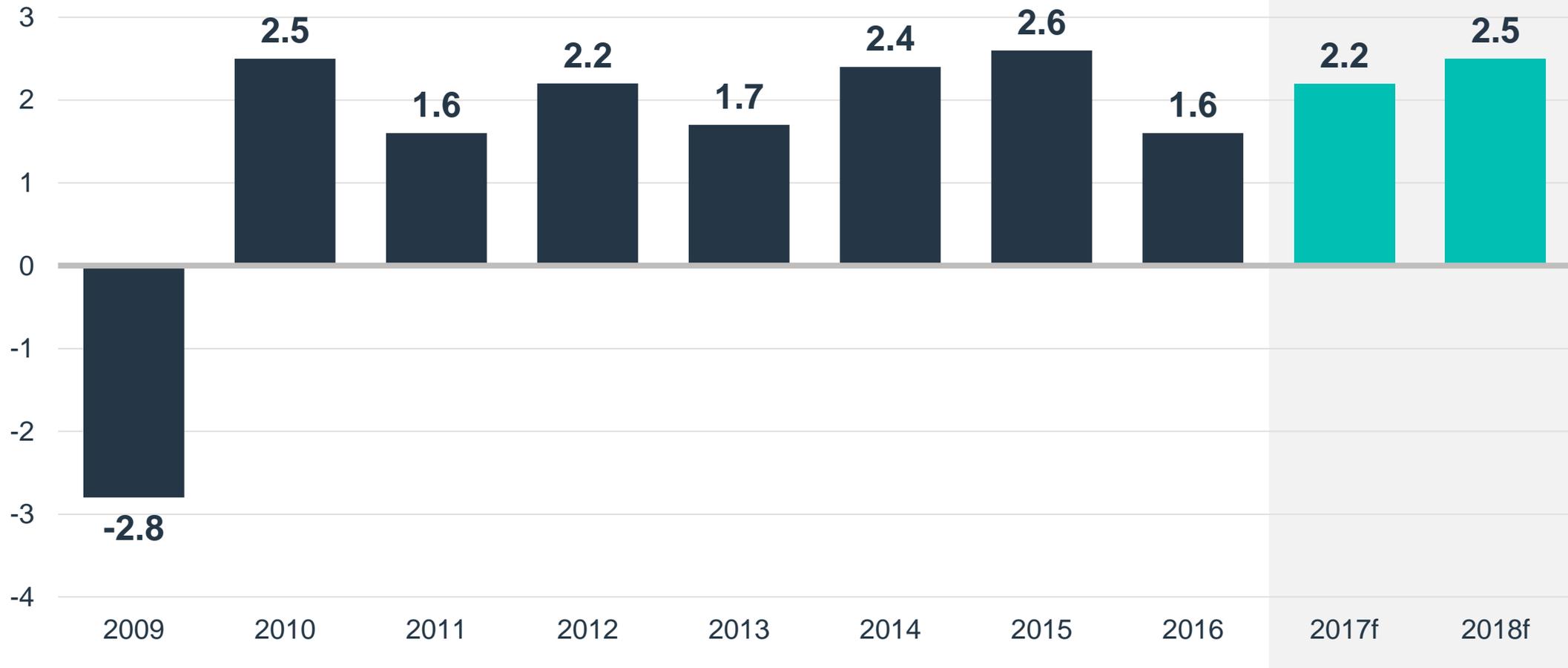
SOURCE: International Monetary Fund, *World Economic Outlook Update*, October 2017.



# United States

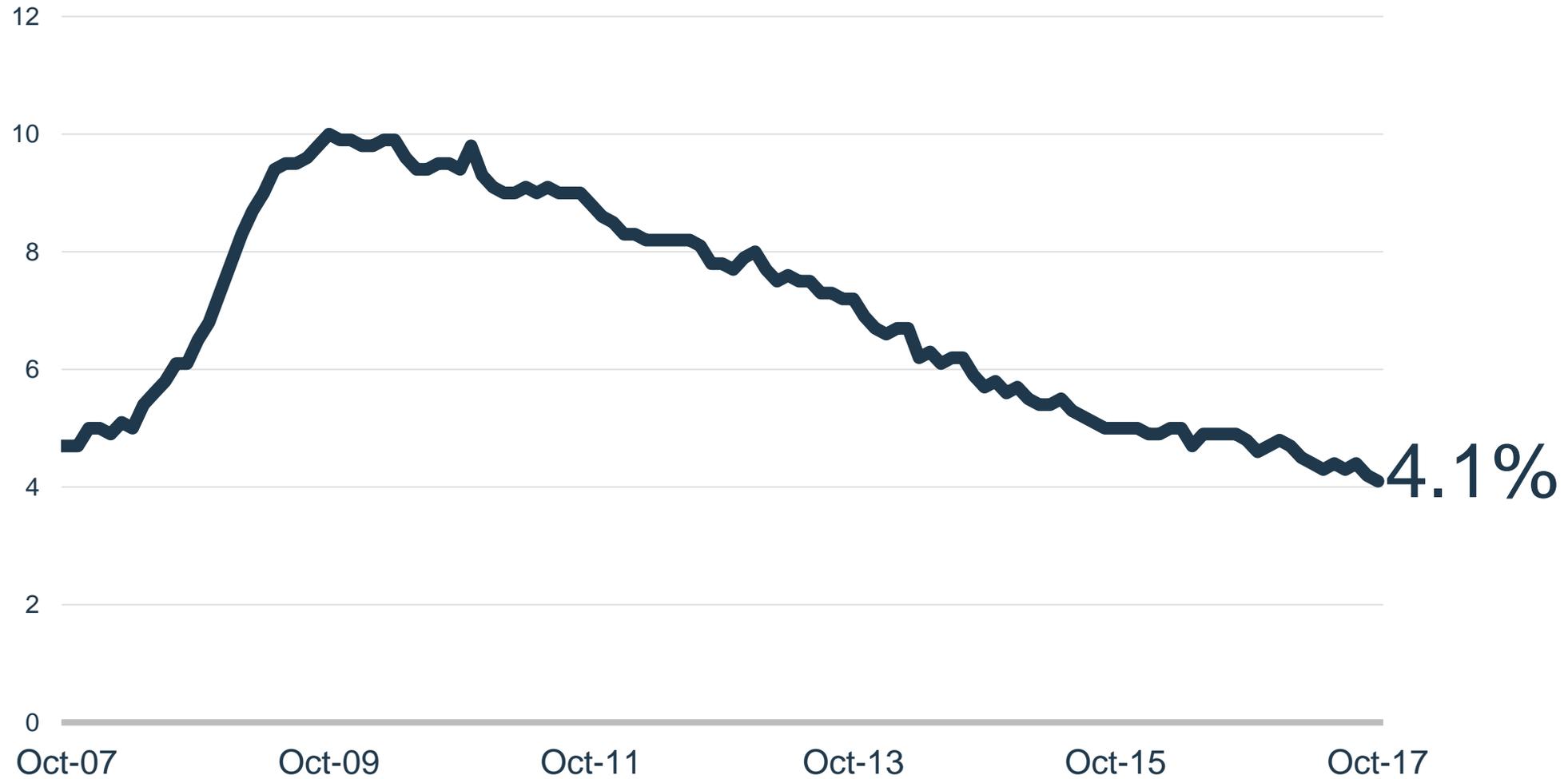
# Real GDP, United States

Annual change, %



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

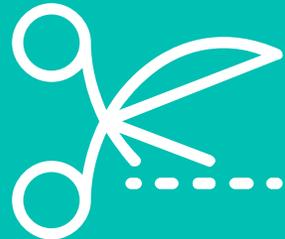
# Unemployment rate, United States



# Trump's economic agenda



**Energy sector  
deregulation**



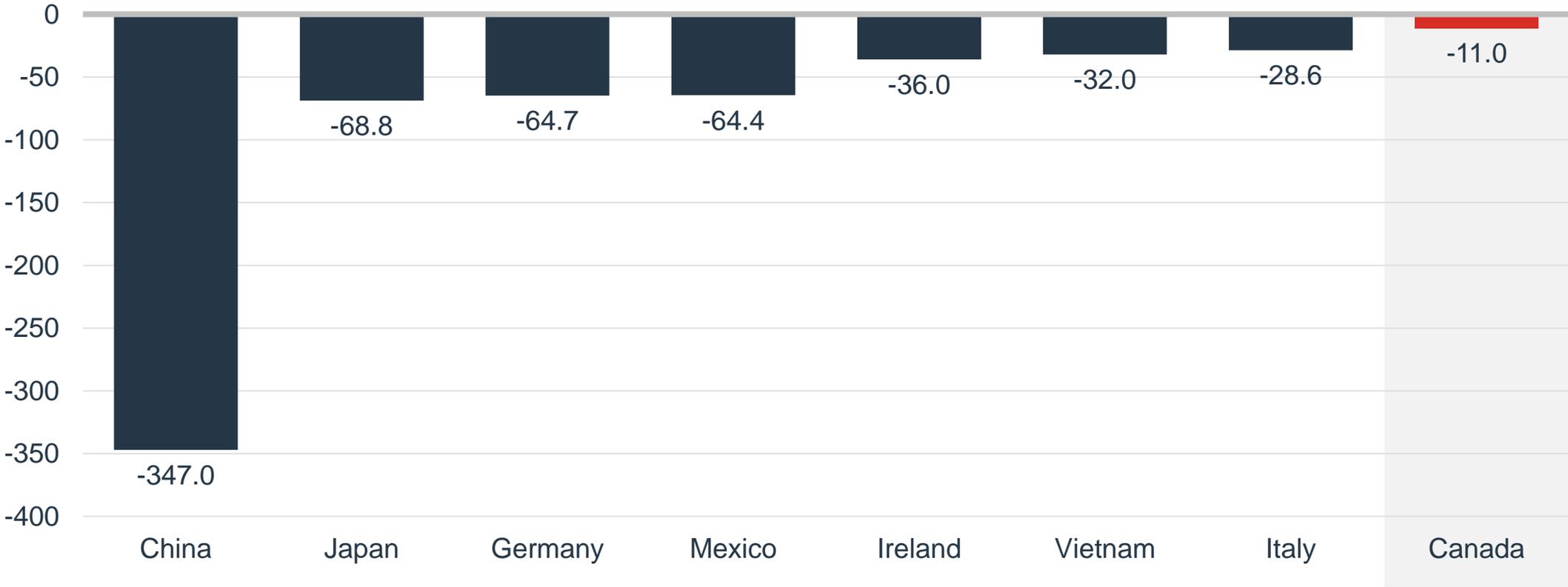
**Tax cuts**



**Infrastructure  
spending**

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

US\$ in billions



SOURCE: U.S. Census Bureau.

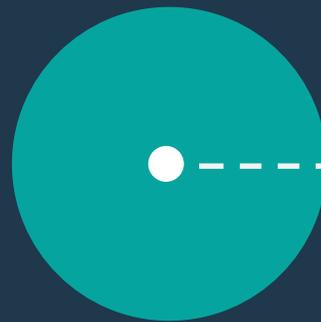


# crude oil prices

Price of West Texas Intermediate,  
US\$ per barrel

US \$105

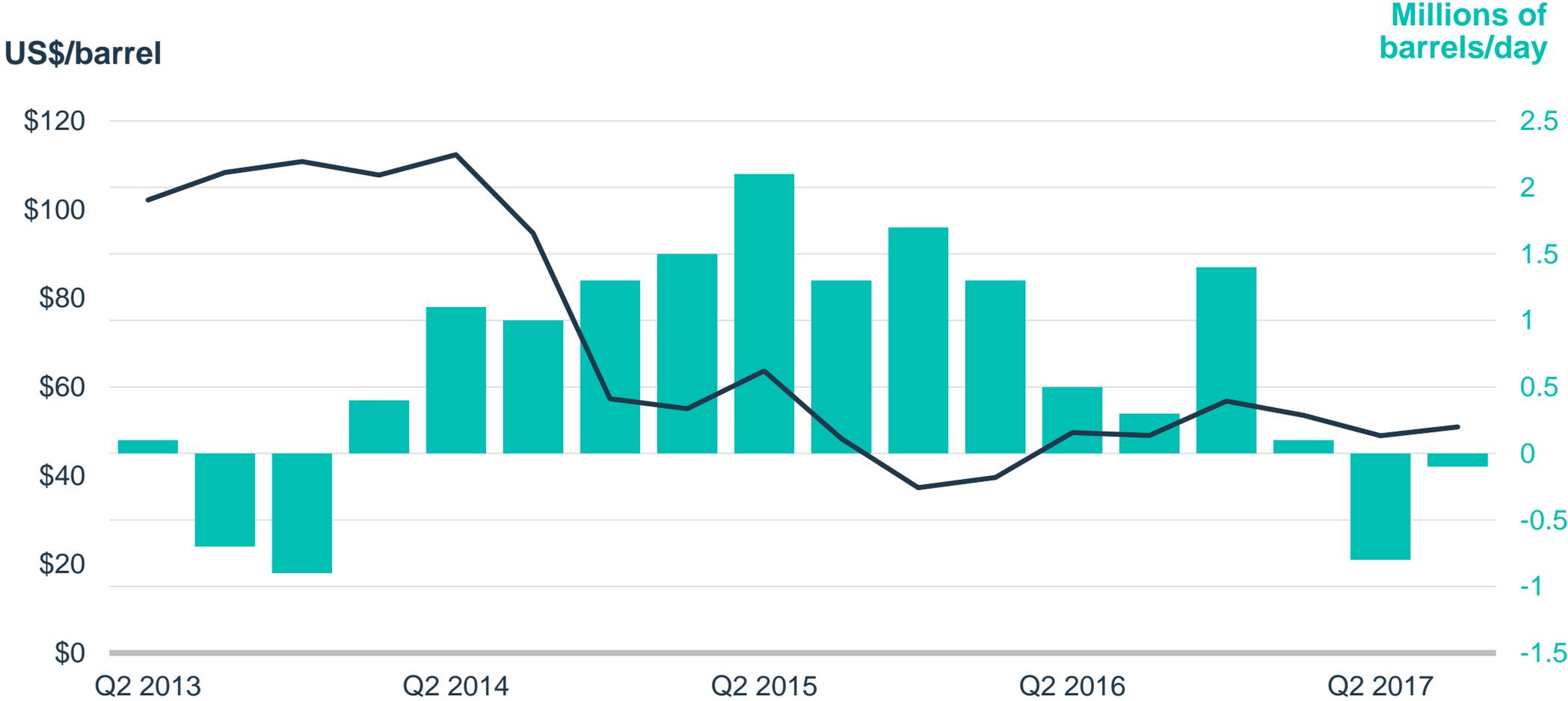
JUNE 2014



US \$51

OCTOBER 2017

# Global supply and demand of oil slowly coming into balance

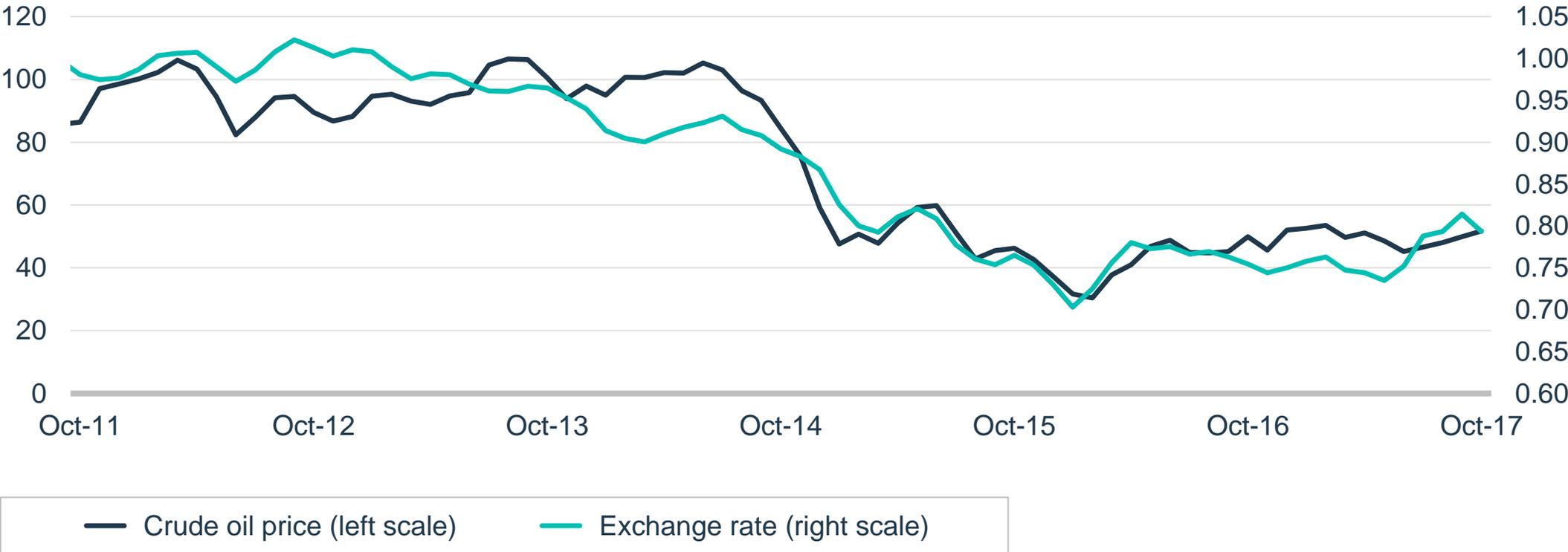


SOURCES: Thomson Reuters Eikon, International Energy Agency (IEA), BDC Economic Analysis

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

Price of West Texas Intermediate, US\$ per barrel;  
exchange rate, US\$

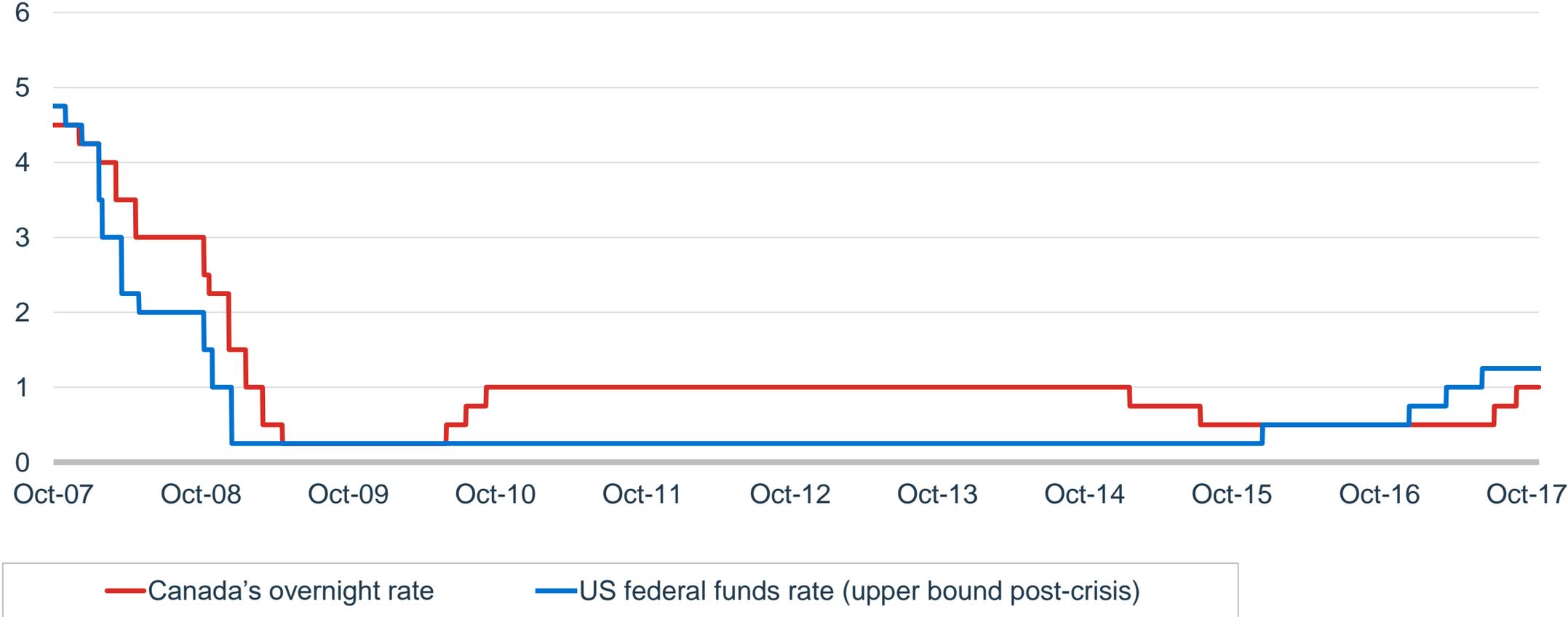
Canada/U.S.



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

# Canadian and U.S. key rates

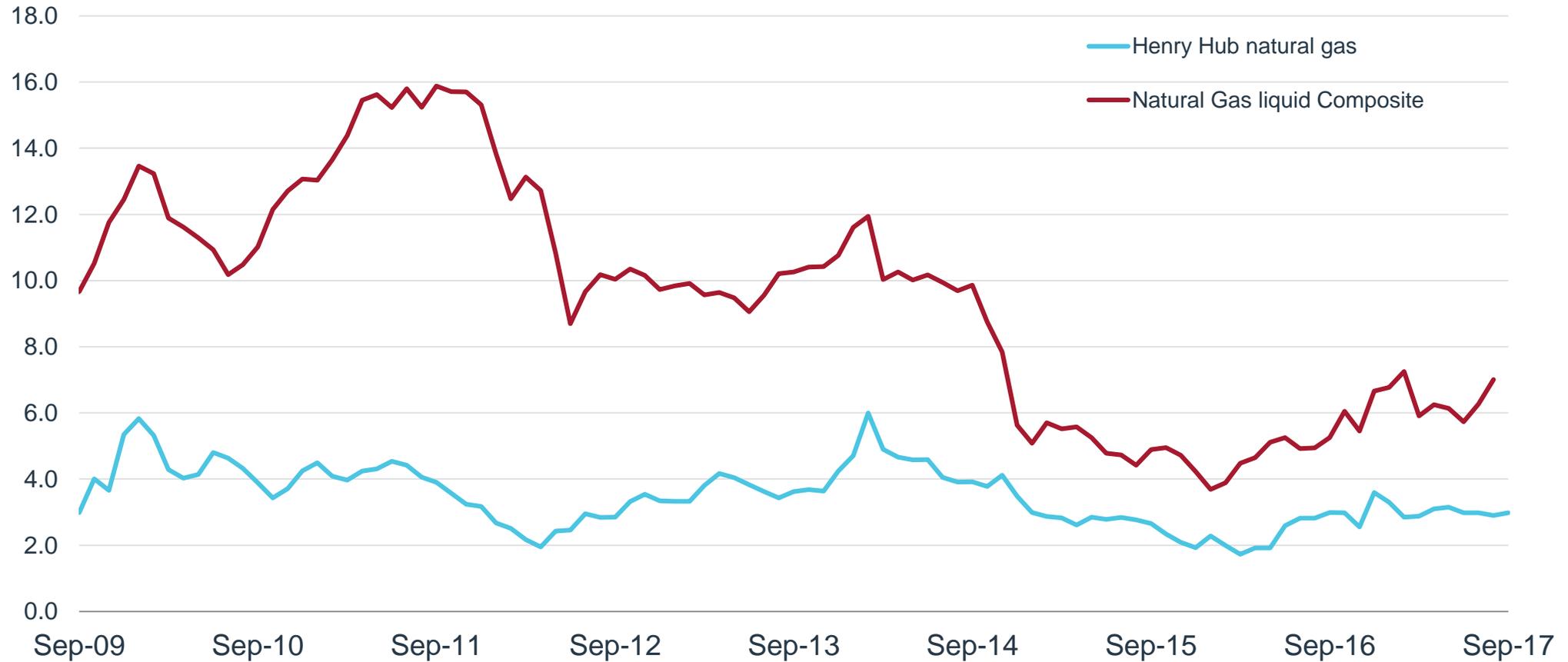
Bank of Canada's overnight rate and Federal Open Market Committee's target federal funds rate, %



SOURCES : Federal Reserve Board and Bank of Canada.

# 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



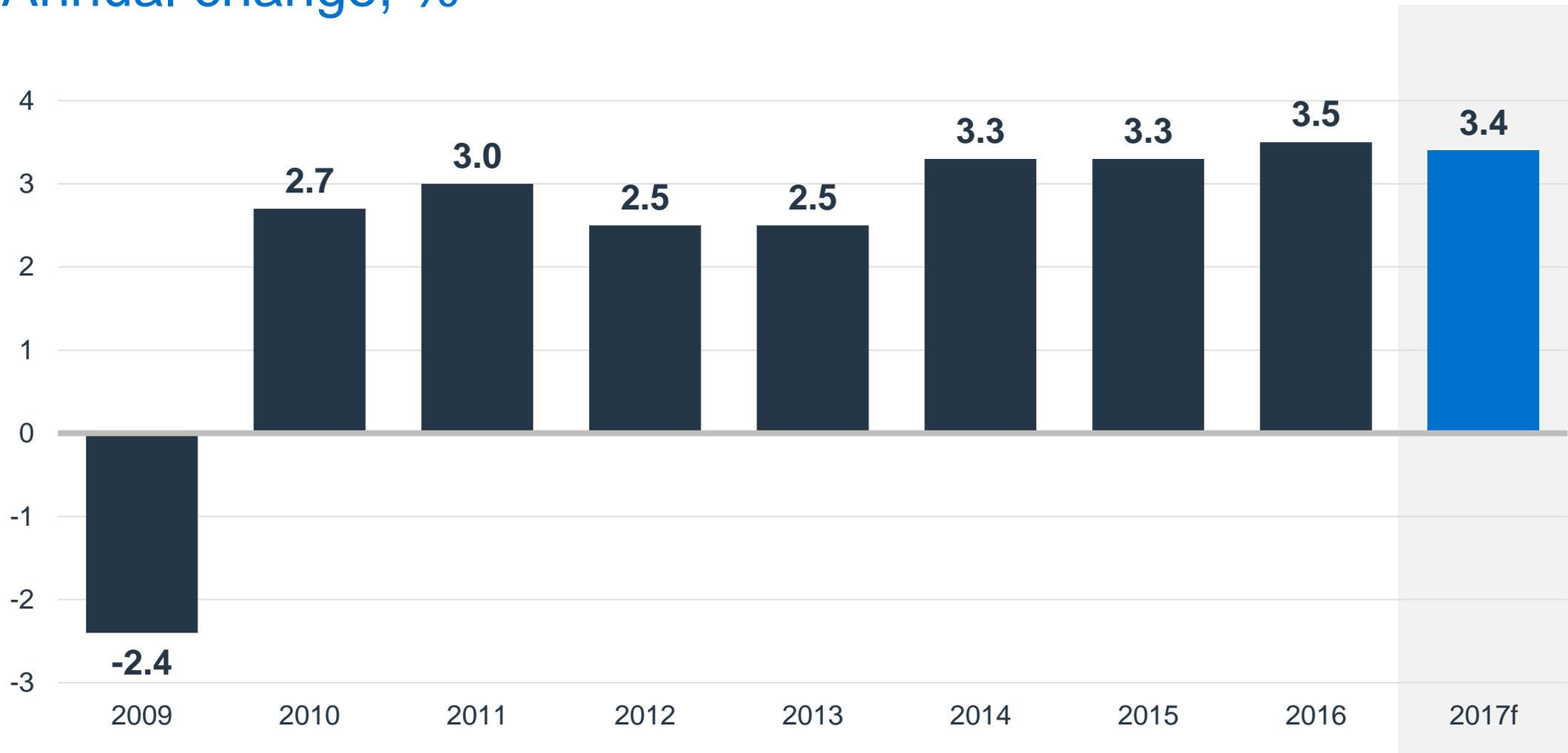
# **British Columbia**

**economic  
outlook**



# Real GDP, British Columbia

Annual change, %

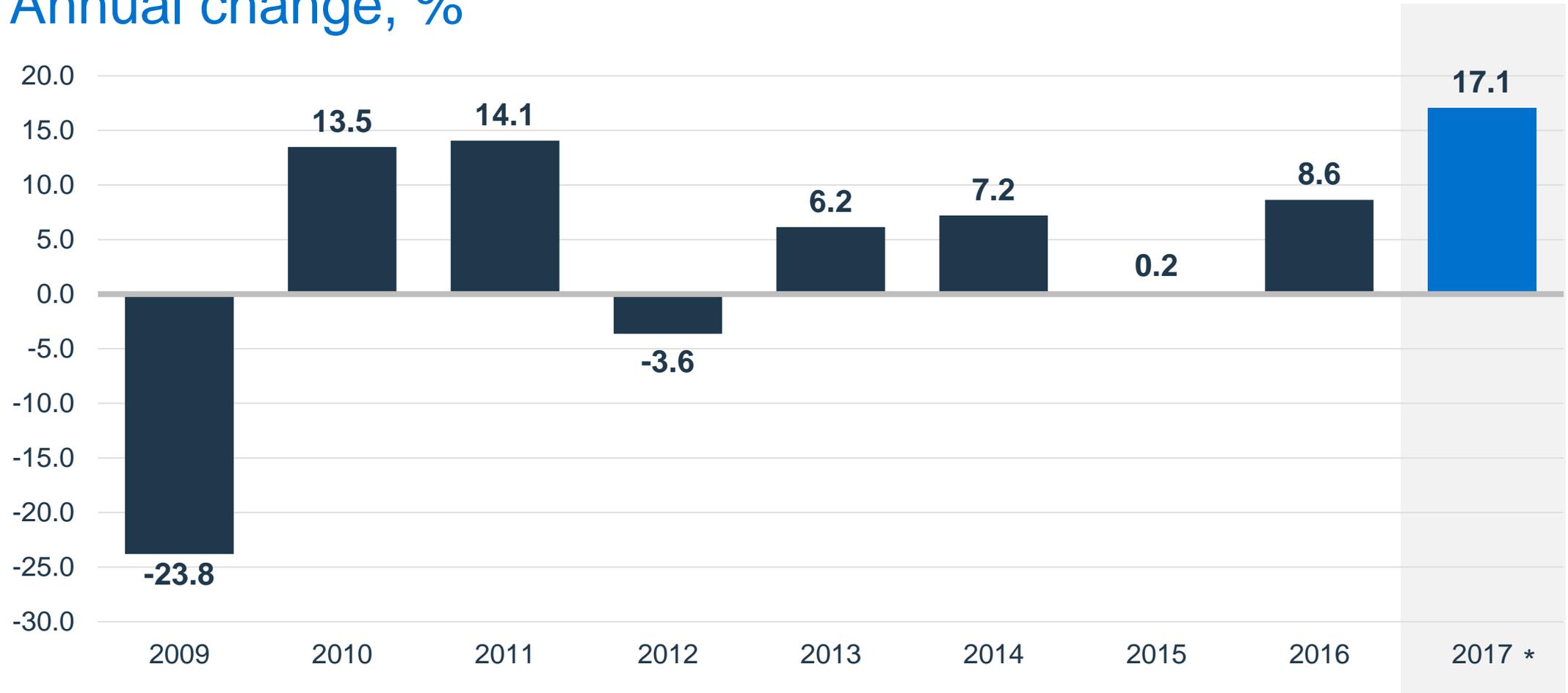


f= forecast

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

# Total exports, British Columbia

Annual change, %

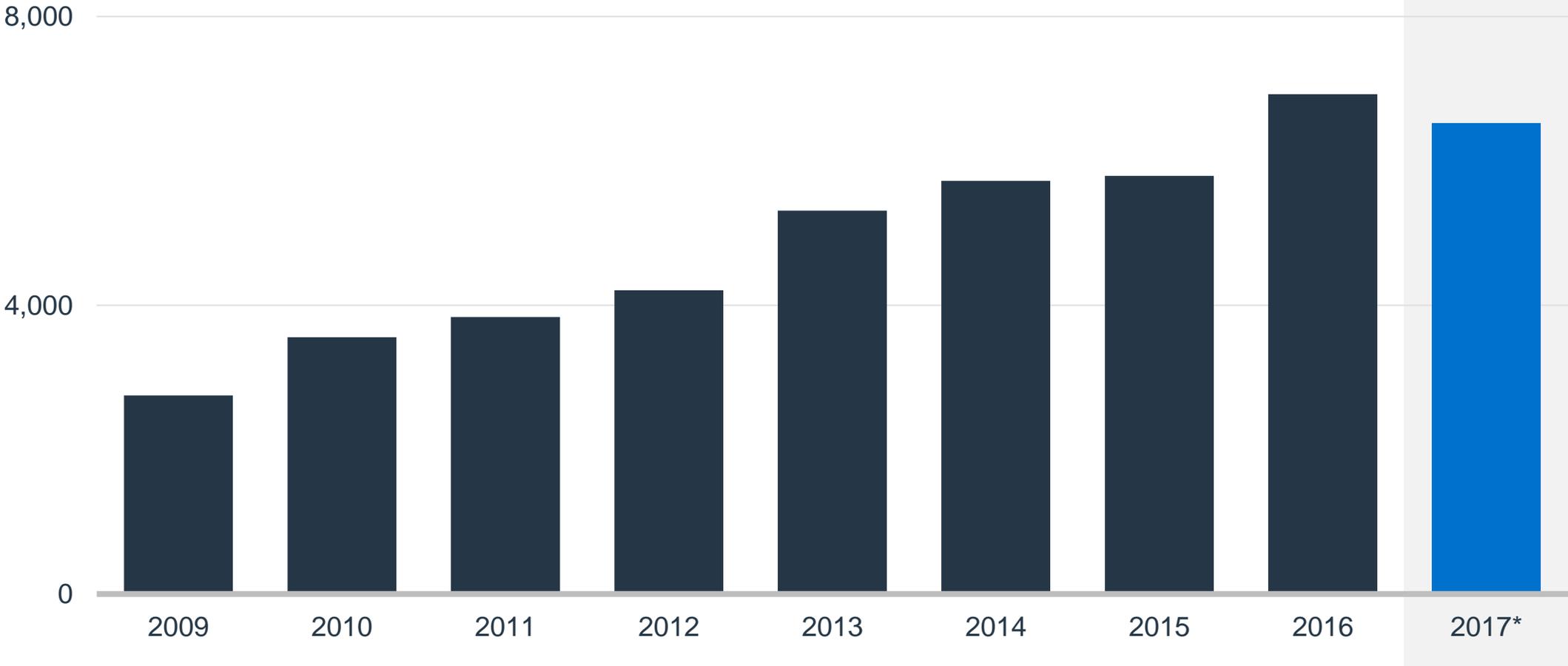


\* = year to date as available, Jan-Sept 2017 compared to same period last year

SOURCE: Statistics Canada; BDC calculations

# Lumber exports

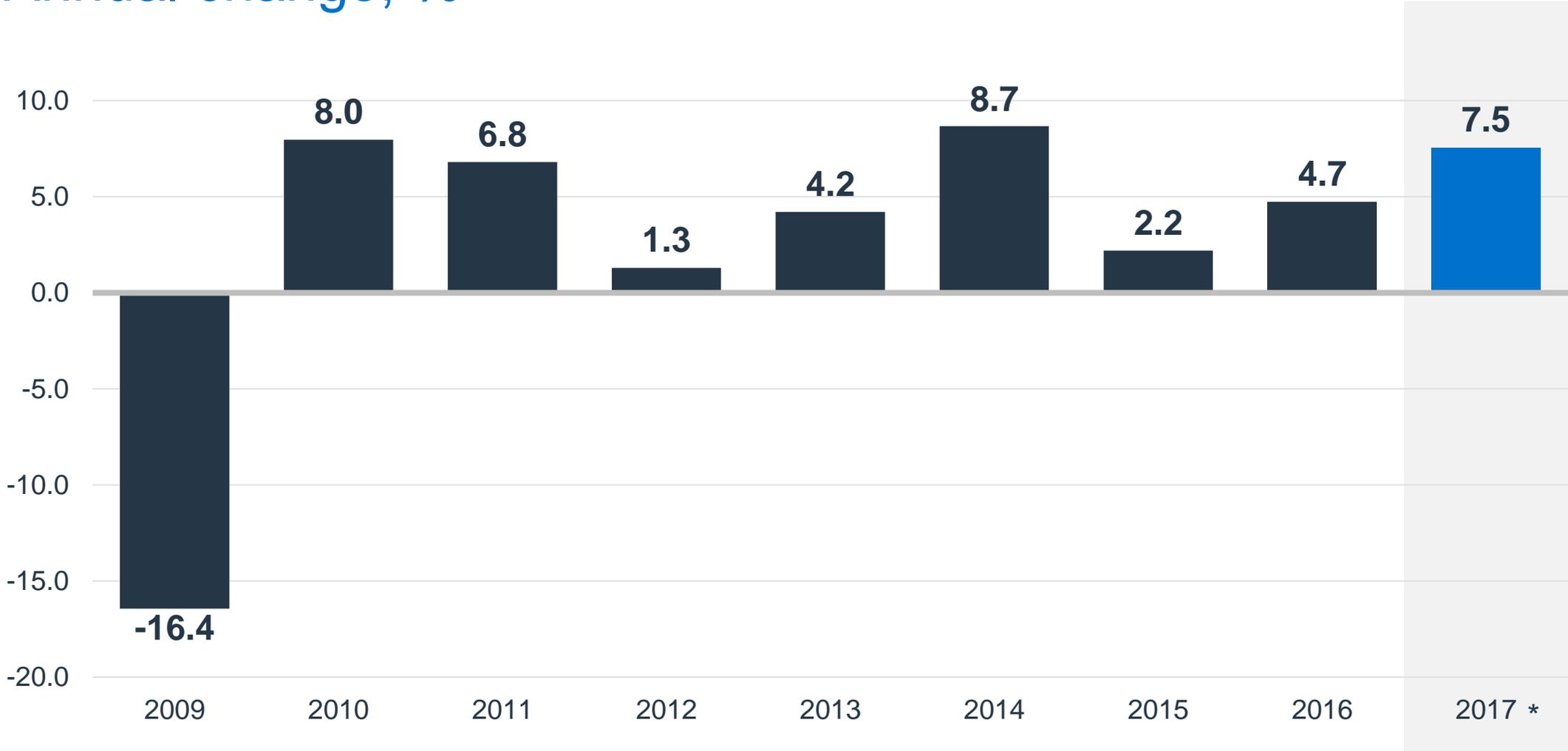
Value in millions



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, %

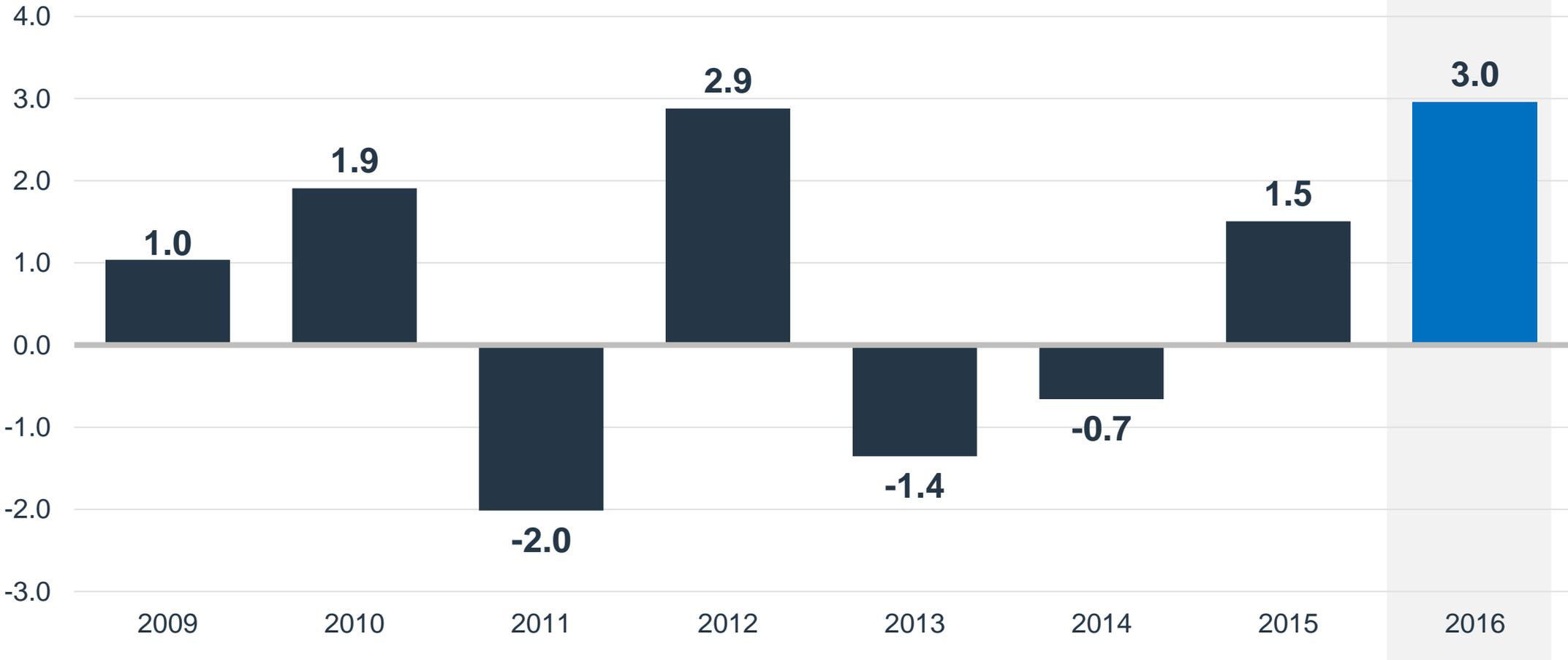


\*= year to date as available, Jan-Aug compared to same period last year

SOURCE: Statistics Canada; BDC calculations

# Gouvernement expenditures, British Columbia

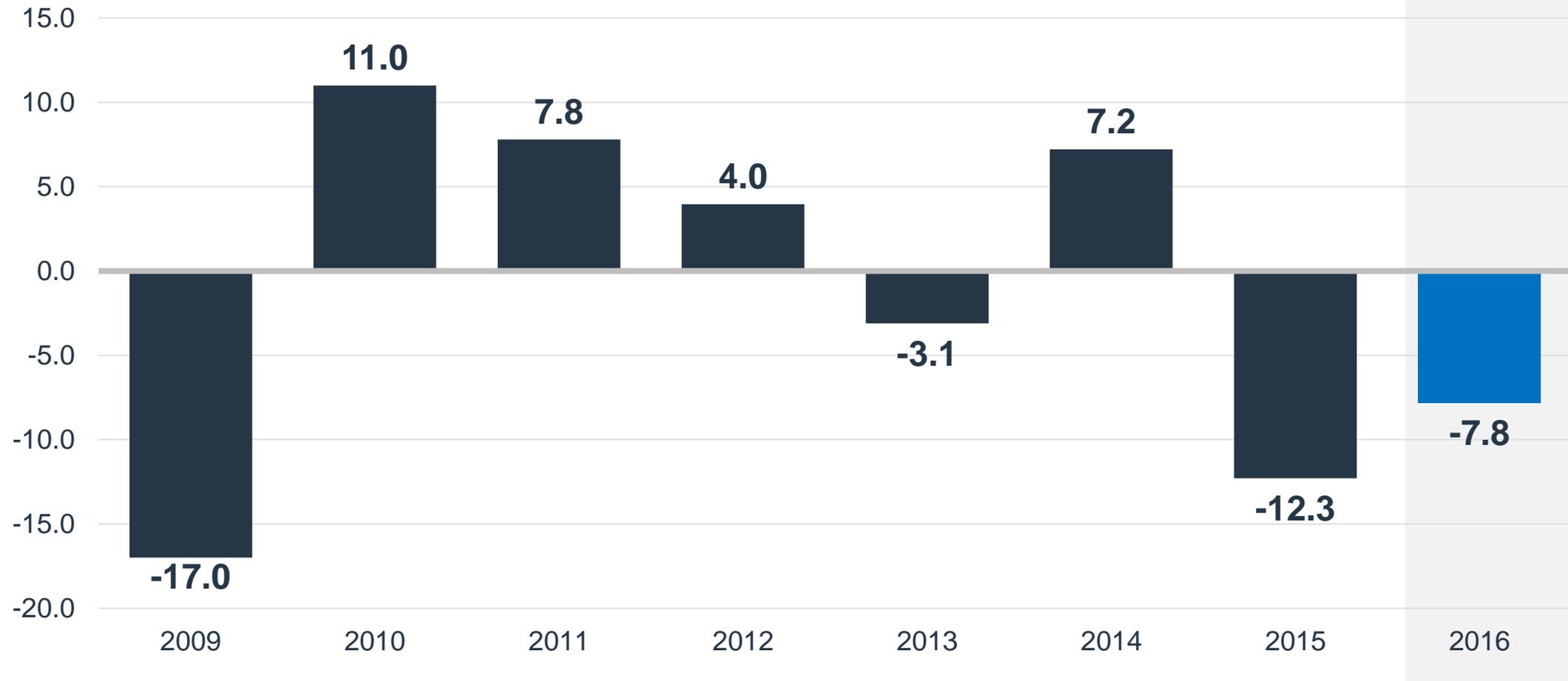
Chained dollars (2007), annual change, %



SOURCE: Statistics Canada; BDC calculations

# Business investment, British Columbia

Chained dollars (2007), annual change, %



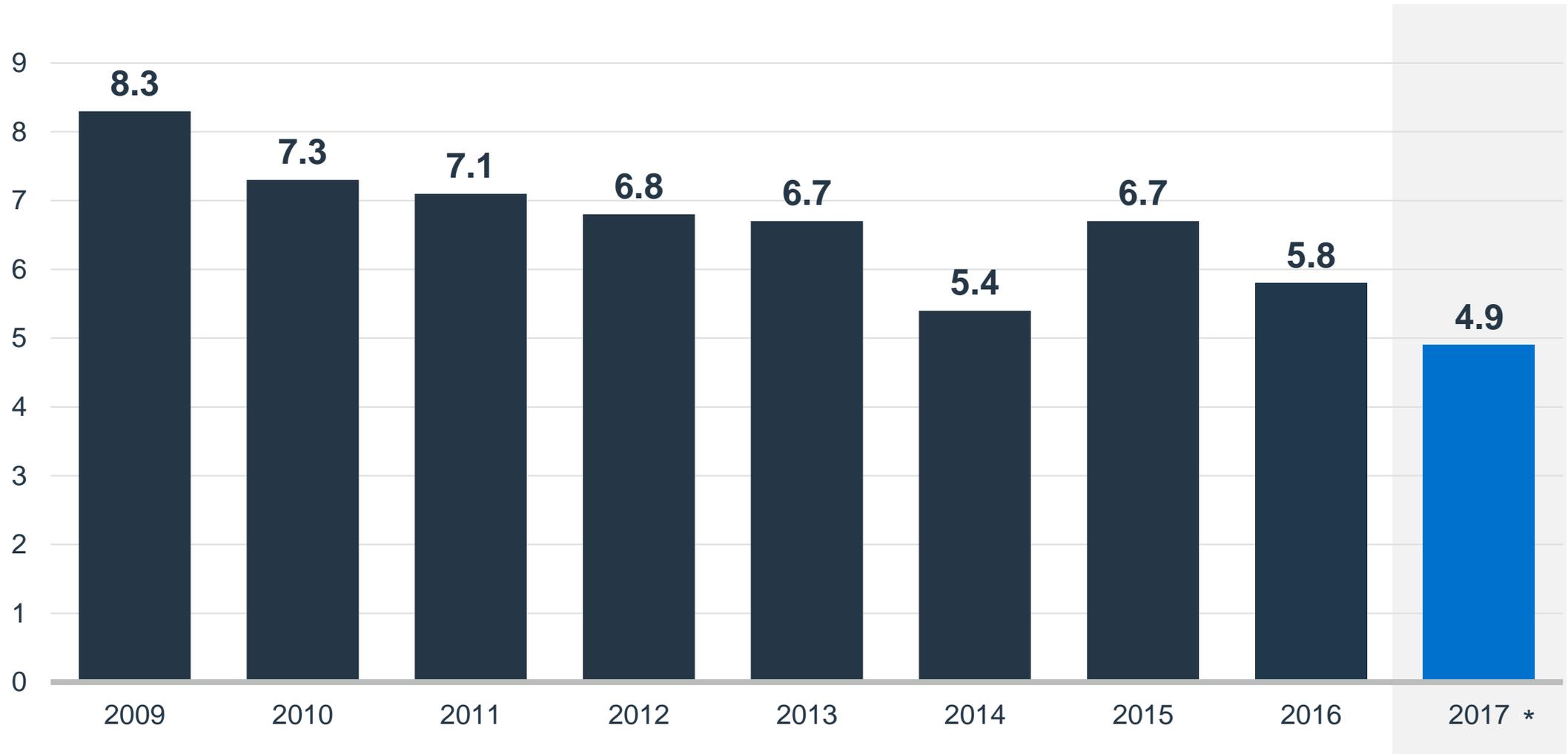
SOURCE: Statistics Canada; BDC calculations

# Employment, British Columbia

Thousands of people



# Unemployment rate, British Columbia



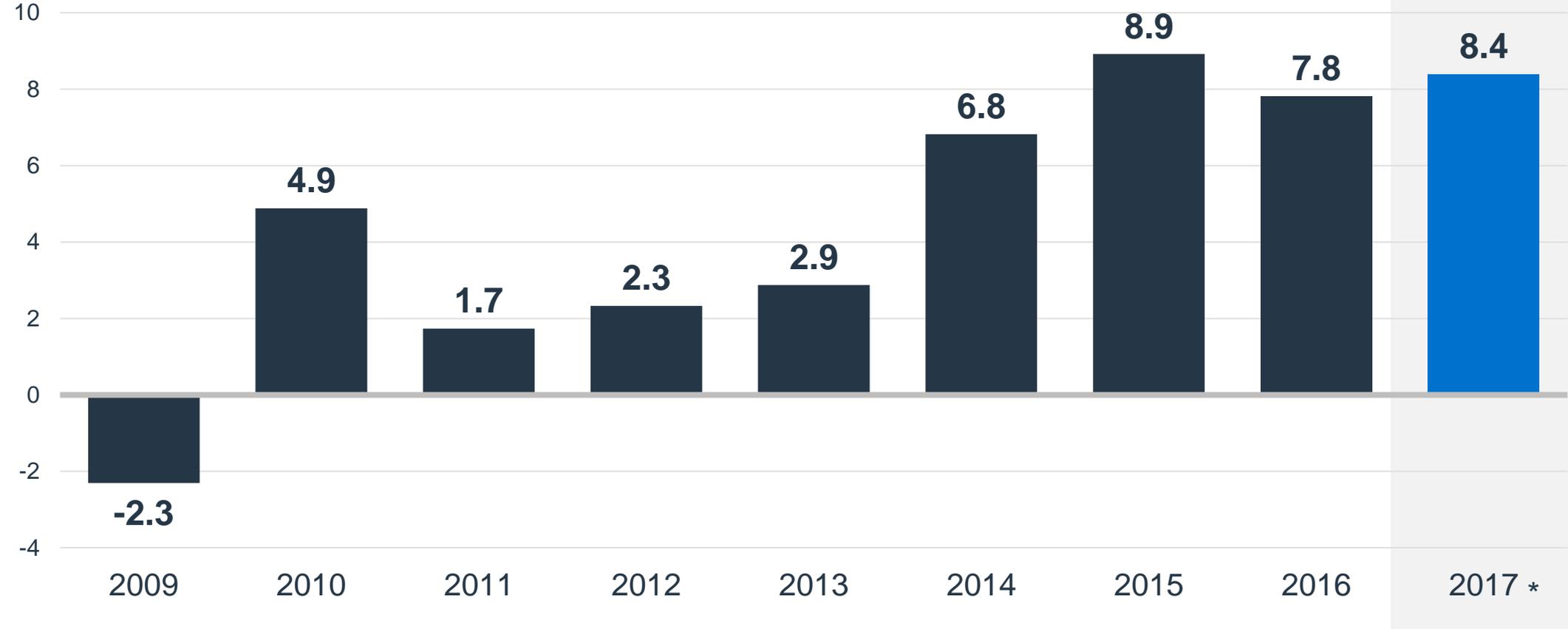
Latest data available.

\*October 2017

SOURCE: Statistics Canada

# Retail sales, gasoline stations excluded, British Columbia

Annual change, %

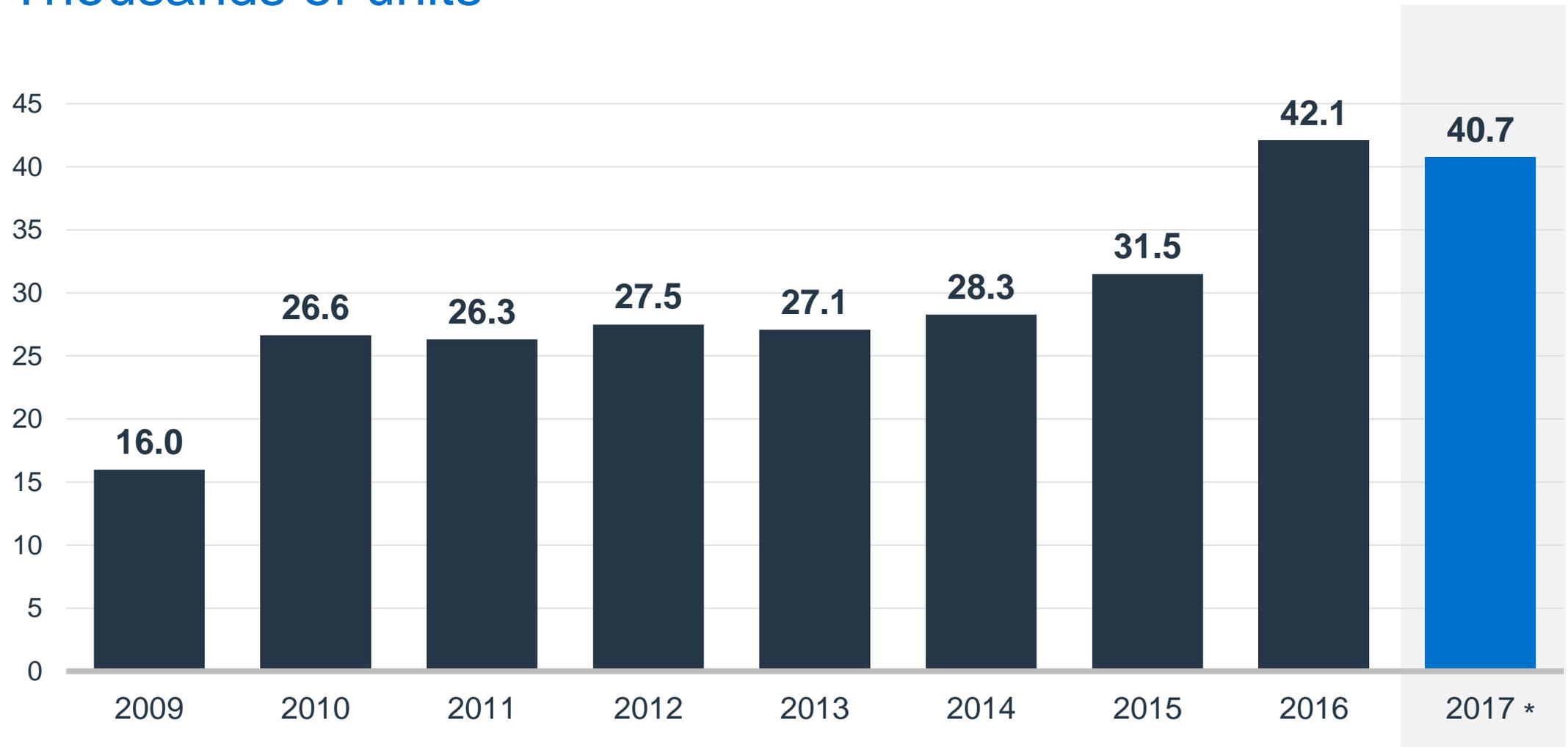


\* \*= year to date as available, Jan-Aug 2017 compared to same period last year

SOURCE: Statistics Canada; BDC calculations

# Housing Starts, British Columbia

Thousands of units

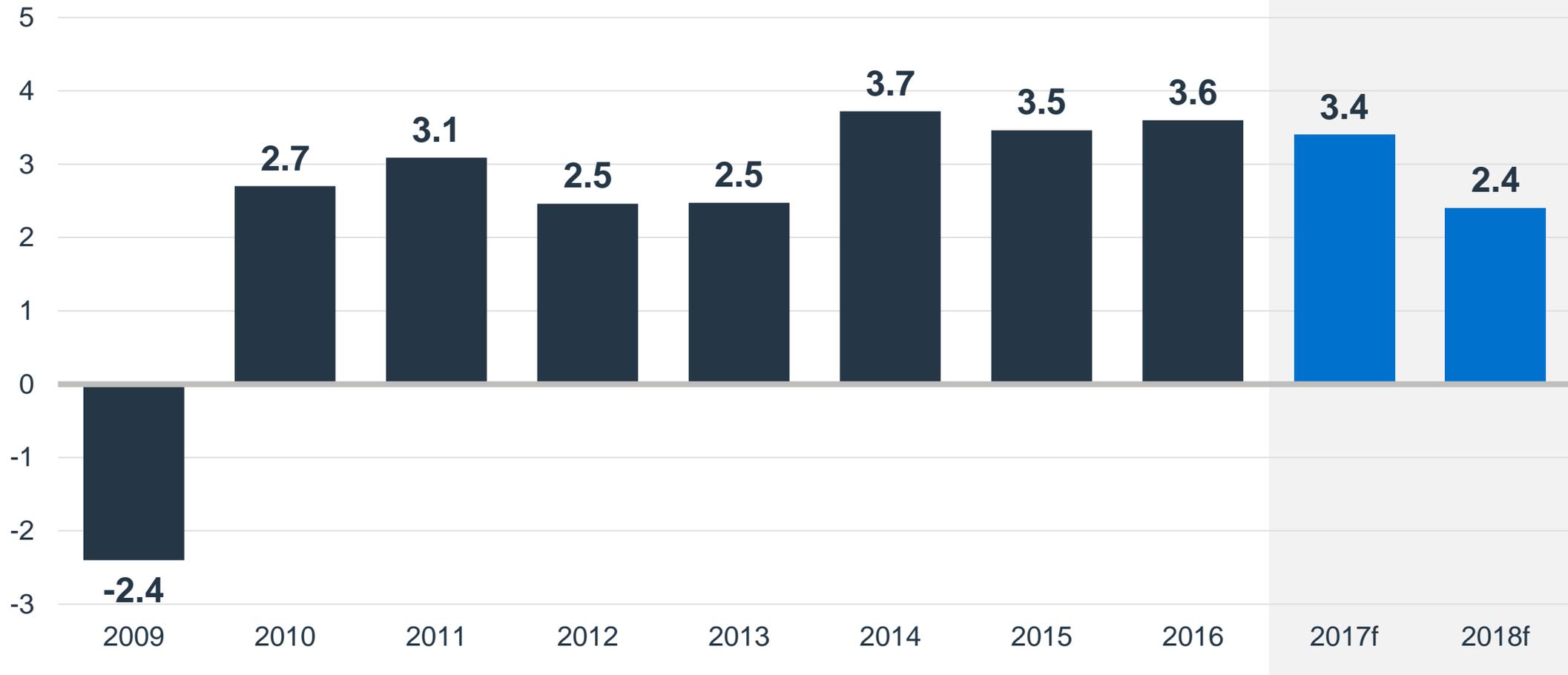


\*Estimates based on data from Jan-Sept 2017

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

A photograph of two men in business attire walking through a warehouse. The man on the left is younger, wearing a dark blazer, light blue shirt, and jeans, holding a black clipboard. The man on the right is older, wearing a dark blazer, light blue shirt, and brown trousers, holding a silver tablet and pointing towards it. They are walking on a concrete floor with yellow safety lines. In the background, there are stacks of cardboard boxes on wooden pallets and blue metal shelving units.

# 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

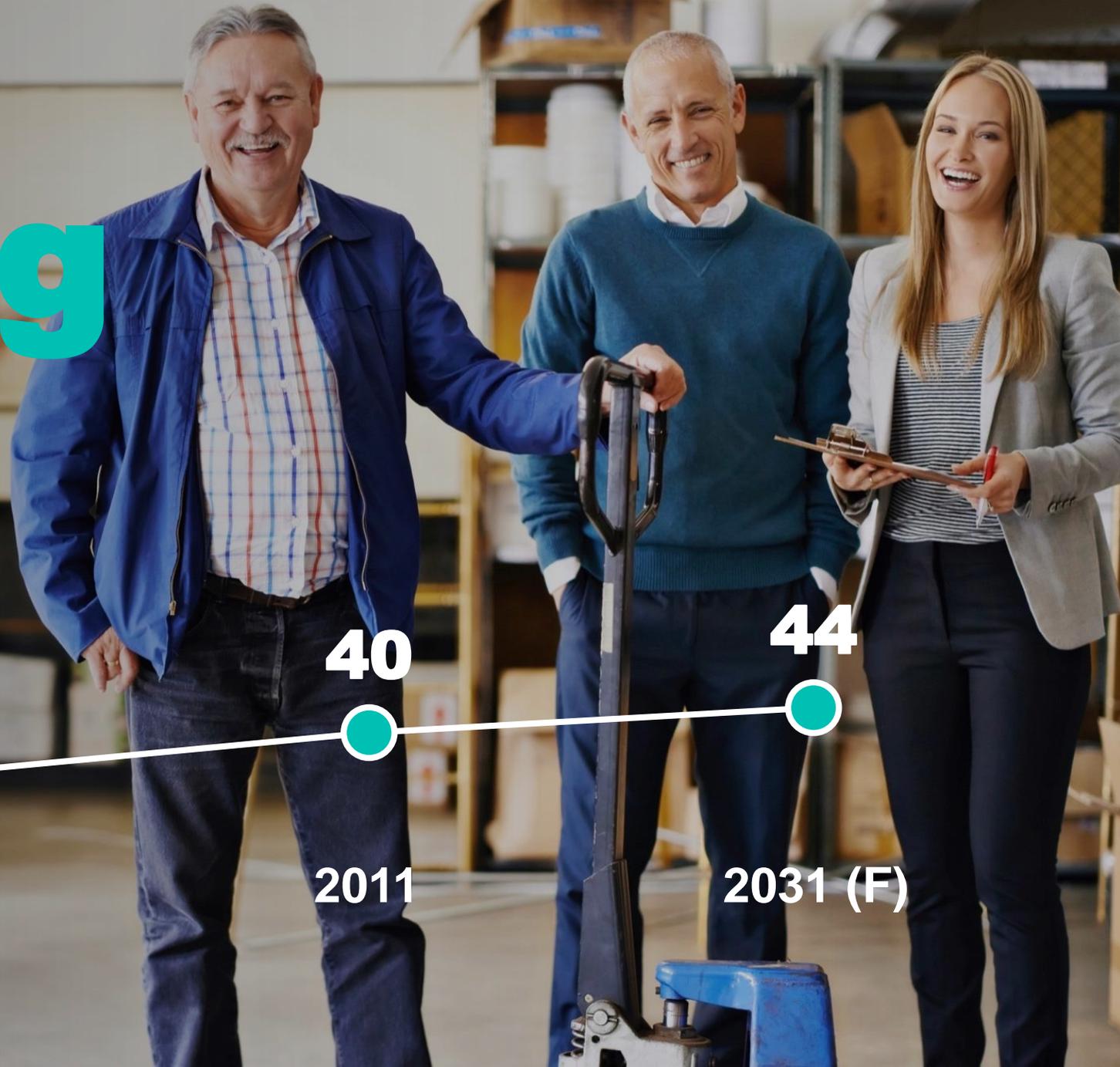
40

2011

44

2031 (F)

SOURCE: Statistics Canada

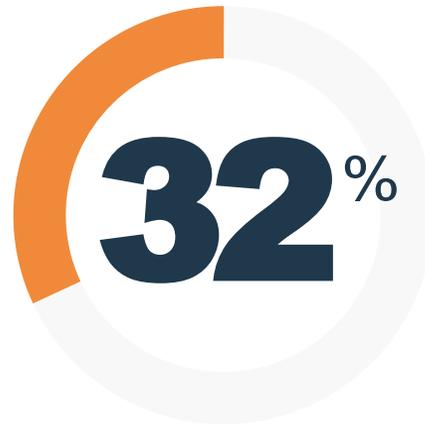




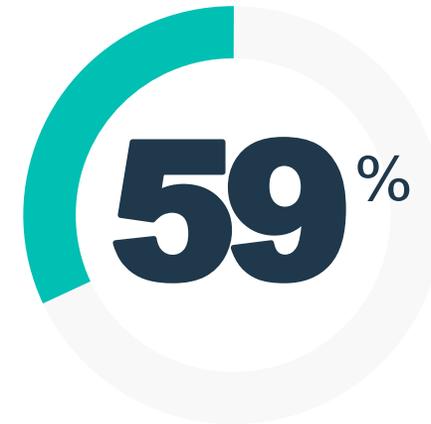
# Entrepreneurs are older than the Canadian workforce



**50 years-old  
or older**



Canadian workforce



Canadian entrepreneurs

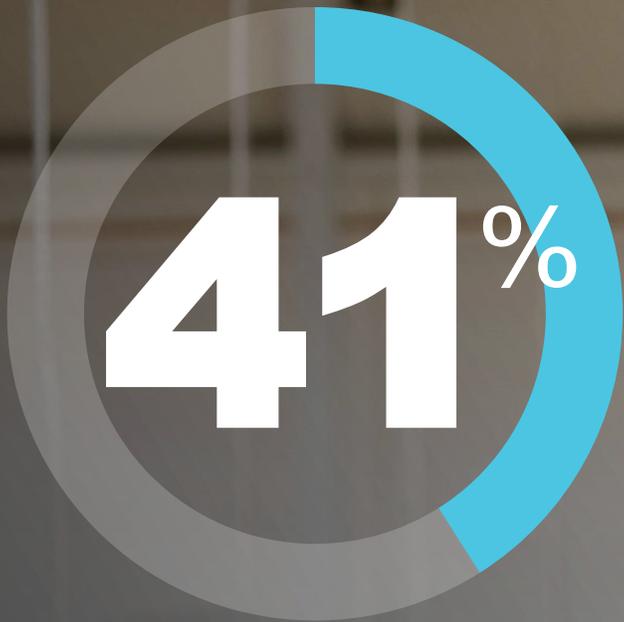
# 2,500+

**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



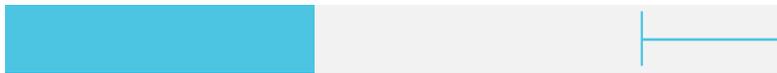
Prairies



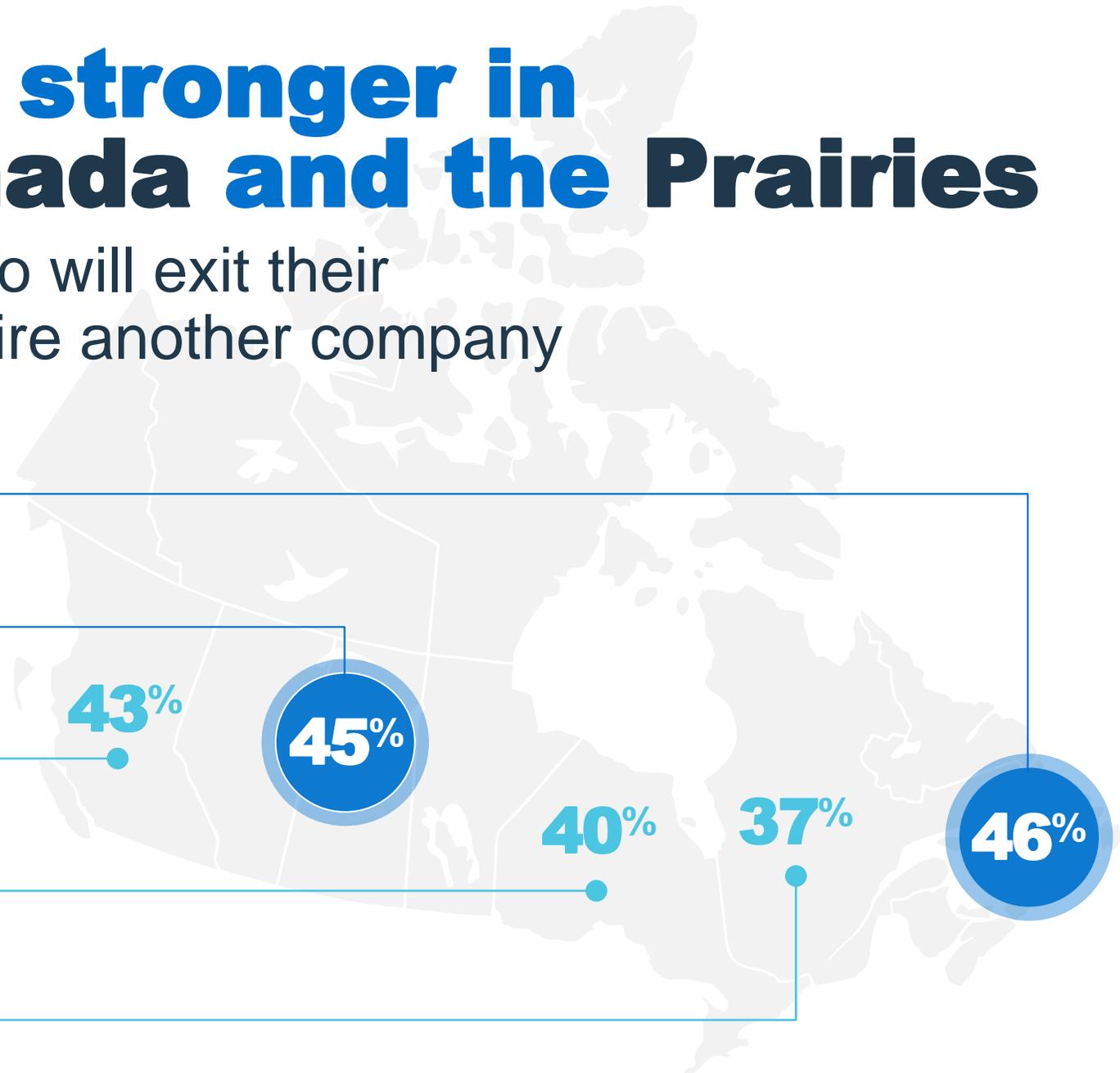
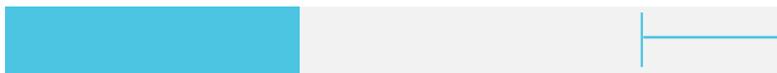
BC and Territories



Ontario

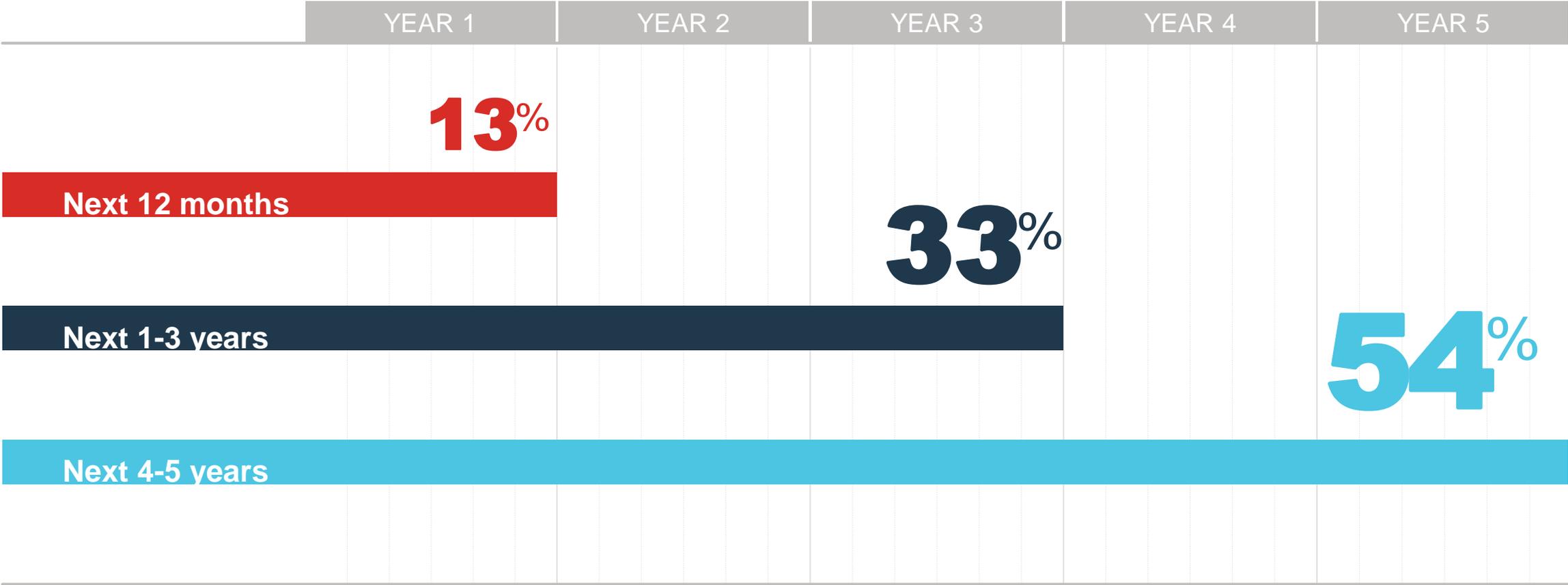


Quebec



# 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. The background shows a window with a view of a city.

# 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?**





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**



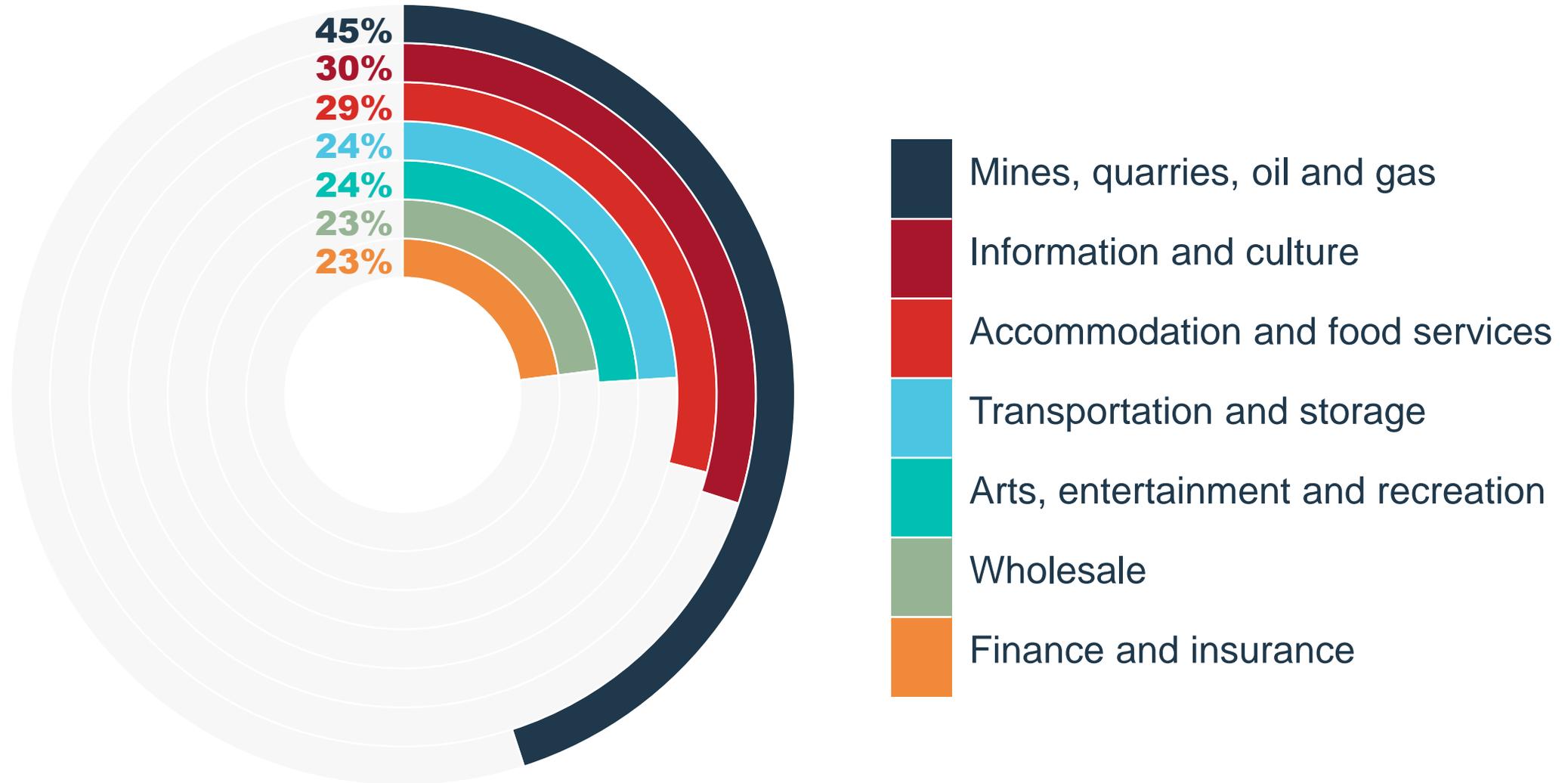
**31**%

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

**62%**

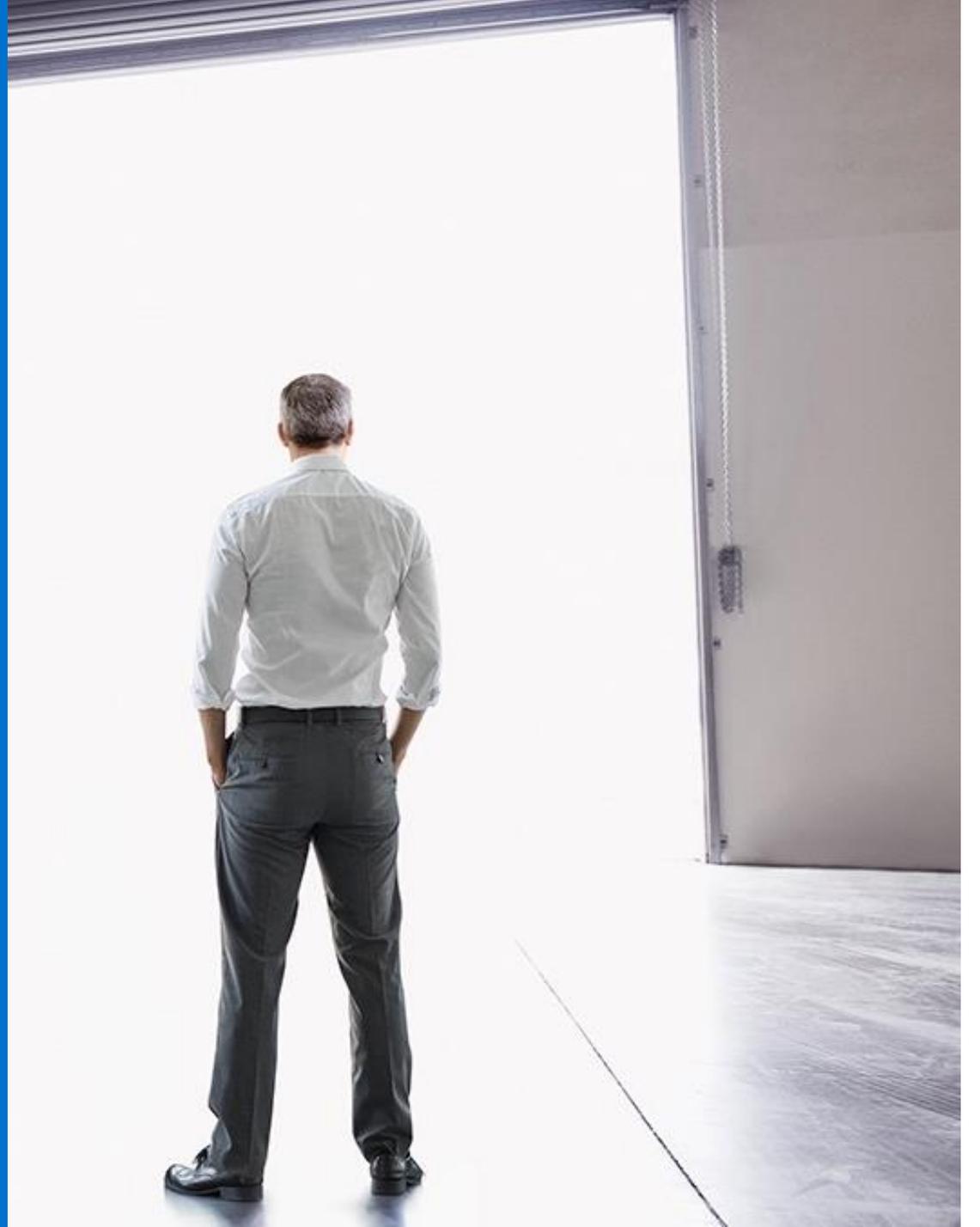
**of potential buyers  
want a business the  
same size or  
smaller than  
their own**

# 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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To read the full report on  
business transition,  
visit [bdc.ca/transitionbuyer](https://www.bdc.ca/transitionbuyer)

**bdc.ca**  
**1-888-INFO-BDC**