Business Succession Roadmap

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TRUEHELM


H.RIJKX . . .
I.P.RUIJS.


BRICKSTON
TUMBLER

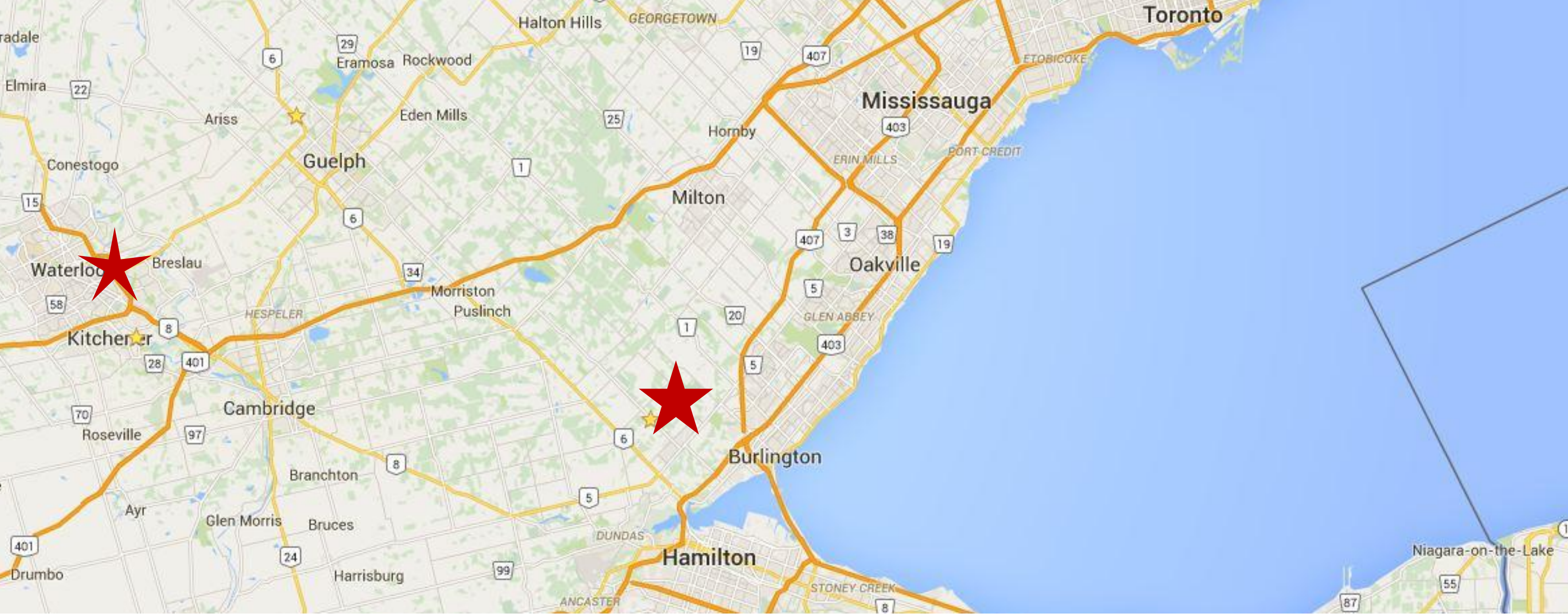
SOUTHBROOK
ACCOUNTING

ARIZONA
OUTDOOR SOLUTIONS

Gelderman
LANDSCAPE SERVICES

TRUEHELM

launchit
VENTURES



1955 – Gelderman Founded

2006 – Nathan joins Gelderman ($5M)

2010 – 2nd Location Opens

2018 – 4 Branches

2020 – Closed 2 branches

2021 – Selling Shares to Employees - ($17 M)

2024 – Sold to Schill

The average life span of a family-owned business after 18 years is 36.8% (Stats Canada, 2022)

About **40%** of U.S. family-owned businesses turn into second-generation businesses, approximately **13%** are passed down successfully to a third generation, and **3%** to a fourth or beyond (Businessweek.com, 2010).

Small Business Stats - Canada

- CFIB
  - 76% to retire, 51% have no plan
- KPMG
  - 79% – have accelerated their plans due to stress and financial setbacks
- Deloitte
  - Lack of New Emerging Leaders
- RBC Wealth Management
  - 50% of younger family have other career aspirations

When is it the right time to sell?

STRATEGIC TIMING

MARKET CONDITIONS

PERSONAL GOALS

SUCCESSION PLANNING

PEAK VALUATION

POOR HEALTH & BURNOUT

Key Drivers to Increase Value

- Decision Making Management Team
- Diverse Customer Base
- Owner Independency
- Technology
- Financial Systems & Controls
- Credible Growth/Sales
- Reputable Brand
- Scalable Systems & Processes

INDIVDUAL NAME:

BUSINESS NAME:

DATE COMPLETED: _____ / _____ / _____

Transferable Values Assessment

I. Decision-Making Management Team

A management/leadership team with a clear, proven track record of leading the company, independent of the business owner(s),enhances business value by providing strong, continuous leadership for the organization.

Never / Not at All	Sometimes/Somewhat true	Usually/Generally true	Always/Completely True (or N/A)
0 Point	1 Point	2 Points	3 Points

		Emp 1	Emp 2	Emp 3	Emp 4	Emp 5	Emp 6	Emp 7	Owner	Average	Variance
1	The company maintains a current and accurate organizational chart.									#DIV/0!	#DIV/0!
2	Biographies of key individuals exist which document their current experience, skills, and accomplishments.									#DIV/0!	#DIV/0!
3	The company documents management/leadership team members' job performance against benchmarks.									#DIV/0!	#DIV/0!
4	Management/leadership positions have documented, relevant job descriptions.									#DIV/0!	#DIV/0!
5	A back-up/successor CEO clearly exists.									#DIV/0!	#DIV/0!
6	The right people are in key management/leadership positions									#DIV/0!	#DIV/0!
7	There are no significant holes in the current management/leadership team.									#DIV/0!	#DIV/0!
8	The management/leadership team is clearly aligned to company values.									#DIV/0!	#DIV/0!
9	The management/leadership team has a track record of making sound, impactful decisions without the direct input of the current owner(s).									#DIV/0!	#DIV/0!
10	Meetings of the management/leadership team are held according to a set schedule, conducted effectively, and produce clearly defined decisions and outcomes.									#DIV/0!	#DIV/0!
11	Top employees have formal financial incentives to stay with the company for the long term, up to and beyond a change in current ownership or leadership.									#DIV/0!	#DIV/0!
		0	0	0	0	0	0	0	0	0.0	0.0

Possible: 33 Points

II. Owner Independency

A business that is dependant on its owner(s) presents risk, both today and in the long term if the dependency continues. In contrast, a business with a high level of owner independency is potentially a more stable and valuable organization.

Never / Not at All	Sometimes/Somewhat true	Usually/Generally true	Always/Completely True (or N/A)
0 Point	1 Point	2 Points	3 Points

		Emp 1	Emp 2	Emp 3	Emp 4	Emp 5	Emp 6	Emp 7	Owner	Average	Variance
1	The owner is away from the business mutltiple times each year for at least two consecutive weeks each occassion, during which time he/she fully unplugs from the business.									#DIV/0!	#DIV/0!
2	The normal daily/weekly duties held by the owner are either non-essential to the business, or could be readily filled by others if needed.									#DIV/0!	#DIV/0!
3	Sales and business development, all the way from lead generation to closing the sale, is done largely without the owner's involvement.									#DIV/0!	#DIV/0!
4	If, starting today, the owner stepped out of the business, top customers would not be seriously concerned.									#DIV/0!	#DIV/0!
5	Customer problems are resolved without the owner's direct involvement.									#DIV/0!	#DIV/0!
6	If, starting today, the owner stepped out of the business, top employees would not be seriously concerned.									#DIV/0!	#DIV/0!
7	Operational problems are resolved without the owner's direct involvement.									#DIV/0!	#DIV/0!
8	If, starting today, the owner stepped out of the business, other important external relationships (suppliers, lenders, strategic partners, investors, etc.) would not be seriously concerned.									#DIV/0!	#DIV/0!
9	The business does not rely on the owner for personal guarantees on loans or lines of credit.									#DIV/0!	#DIV/0!
10	The business does not rely on any type of preferred status such as minority ownership to gain customers or revenues that it might otherwise not secure.									#DIV/0!	#DIV/0!
		0	0	0	0	0	0	0	0	0.0	0.0
	Possible: 30 Points										

Financial Controls

- Clean & Reconciled Accounts - QBO
- Monthly Financial Statements
- Taxes are filed on-time
- Company is profitable
- Low AR
- Company has good relationship with Bank
- Accounting systems are scalable

Issues around the Timing & Price

Reality vs Seller’s Perception

Founder’s Syndrome

Will there be a buyer?

Price

Income Approach

- Estimating future cash flows & discounting them to Present value

Market Approach

- Compared to similar companies

Asset-Based Approach

- Net asset less liabilities

EBITDA x multiple

- 3-6 Times

Family Discount

Terms

- Full Payment upon closing
- Interest Rate %
- Vendor Take Back
- Mortgage
- Length of Term
- “Mulligan”

Deal Structure

- Direct sale of Shares
- Gift or Inheritance
- Gradual Transfer of Shares
- Leveraged Buyout
- Management Buyout

Seller to Practice “What’s Next”

- New Business
- Beach
- Volunteerism
- Cottage
- Get in the way

The Right Succession Plan, for you?

Sale to Family Member(s)

Hank Gelderman to Nathan Helder - 2006

Merger & Acquisition

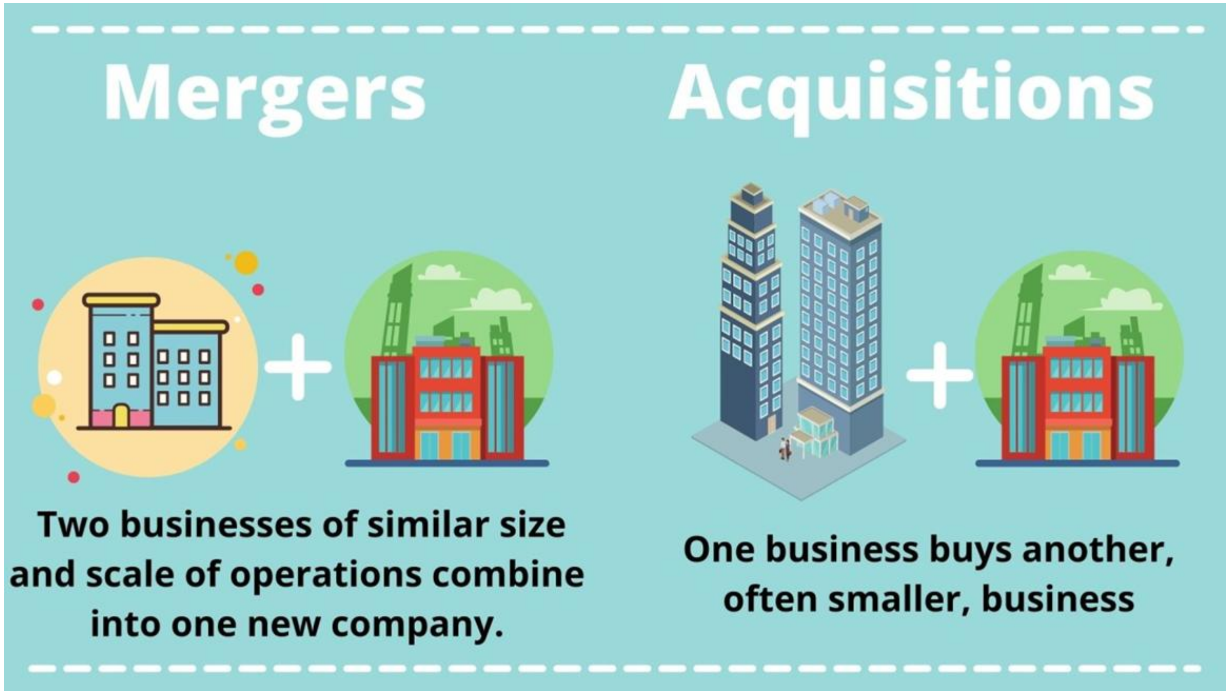
Arizona & GLS

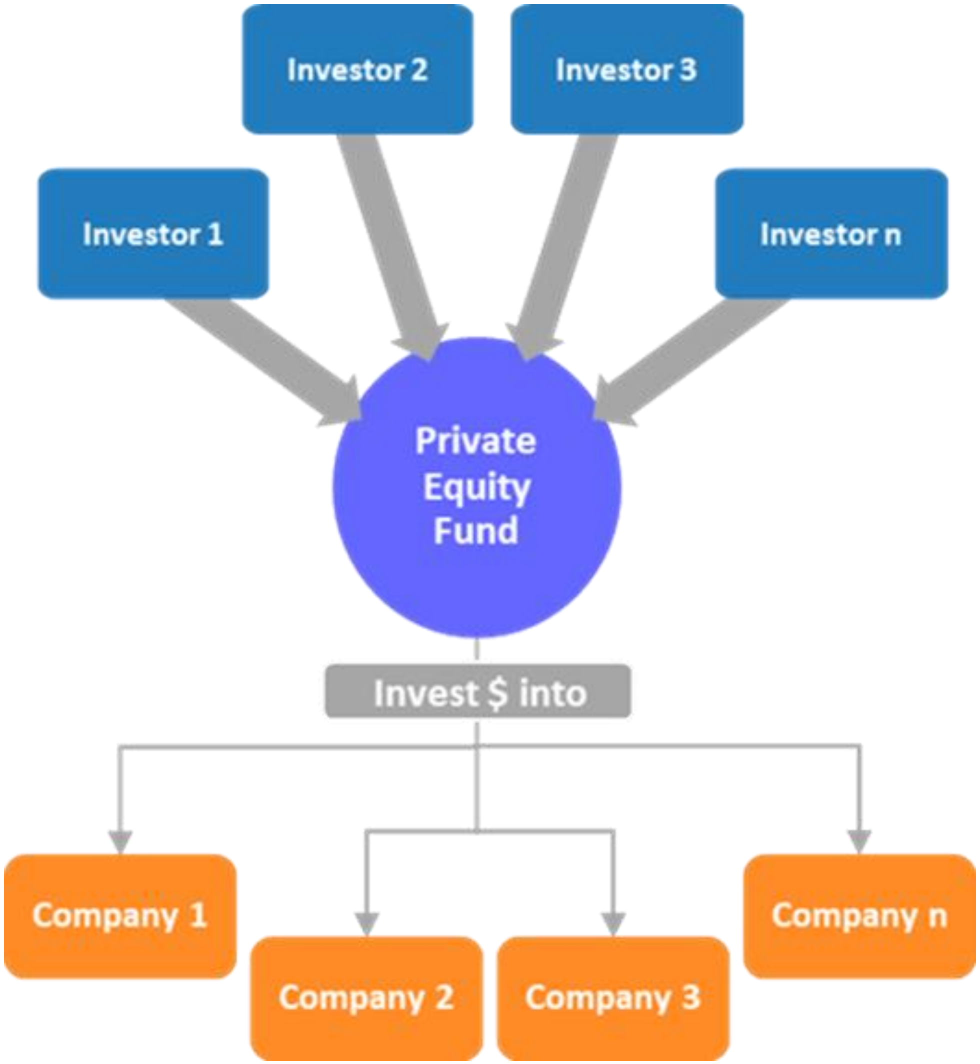
Sale to Private Equity or Strategic Buyer

Sale to Employees – Employee Share Ownership Program

Gelderman Landscape Services – 2021 to Employees

Family Succession Planning


Mergers
Acquisitions
Two businesses of similar size and scale of operations combine into one new company.
One business buys another, often smaller, business


Investor 2
Investor 3
Investor 1
Investor n
Private Equity Fund
Invest $ into
Company 1
Company n
Company 2
Company 3

EMPLOYEE STOCK OWNERSHIP PLAN

Why ESOPs?

Family Succession Planning

- Start the conversation
- Don’t let it get personal
- Your Kids may have a different vision
- Say “No” to a family discount
- Respect the new family “CEO”

Common Problems in Family Succession

- Entitlement
- Scarcity Mindset
- Failure to Address Historical Issues
- Lack of Ability of the Next Generation
- Emotional Dynamics & Resistance to Change

Potential Roadblocks

- Lack of Clarity & Communication
- Overreliance on Key Individuals
- Resistance to Change – Founder’s Syndrome
- Lack of Preparedness & Options
- Stopping Development of Senior Staff

Seller

Be 100% committed

Pick a date – draw a line in the sand

Speak to your CPA/CA – tax advice

Understand that the process will take longer than expected

The Deal

Lawyer and Accountant

Both Seller and Buyer need their own

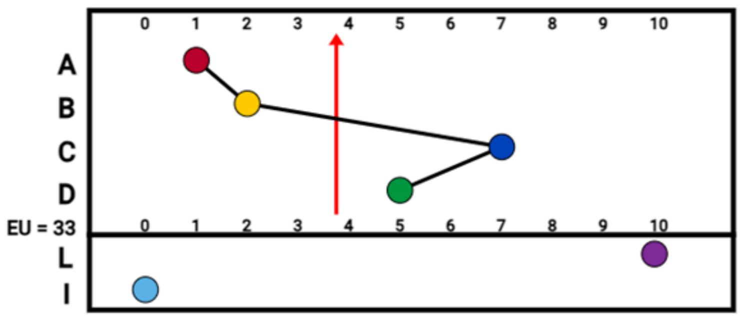
Step down

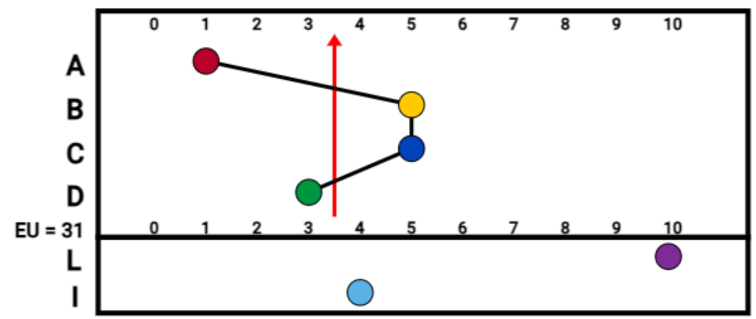
Stepping Down

IS THE SELLER COMMITTED IN STEPPING DOWN?

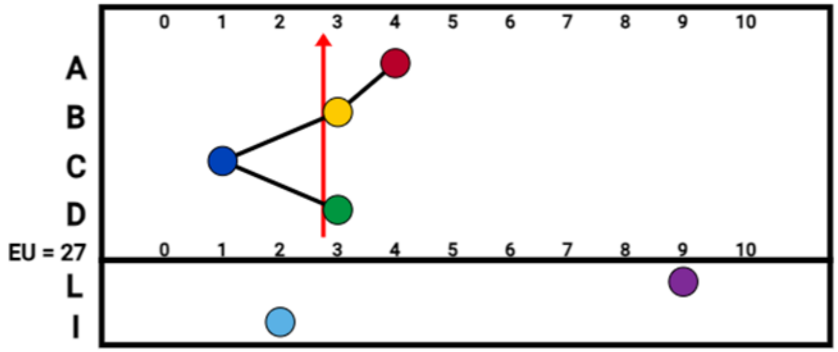
IS THE SELLER 100% COMMITTED TO THE PROCESS?

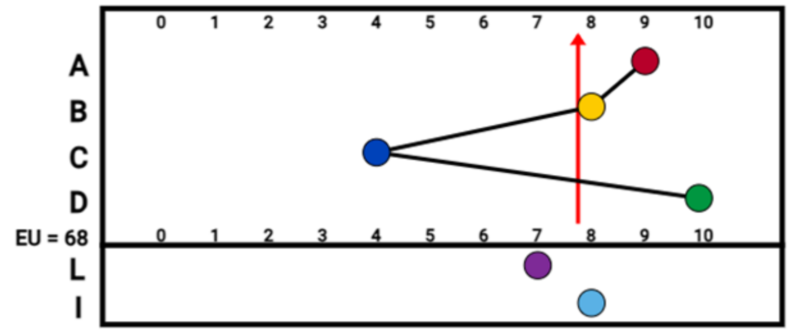
Next Generation – Culture Index





verses





Transition of Roles

Transition of Roles

For family members/employees

Get clarity and accountability

Onboard of the Buyer

Command Respect, not demand respect

Company 2.0

Respect

Respect the past, but move forward

Ask

Ask questions, peel the onion, understand “why” & “how”

Growth

Sales, People, Profit

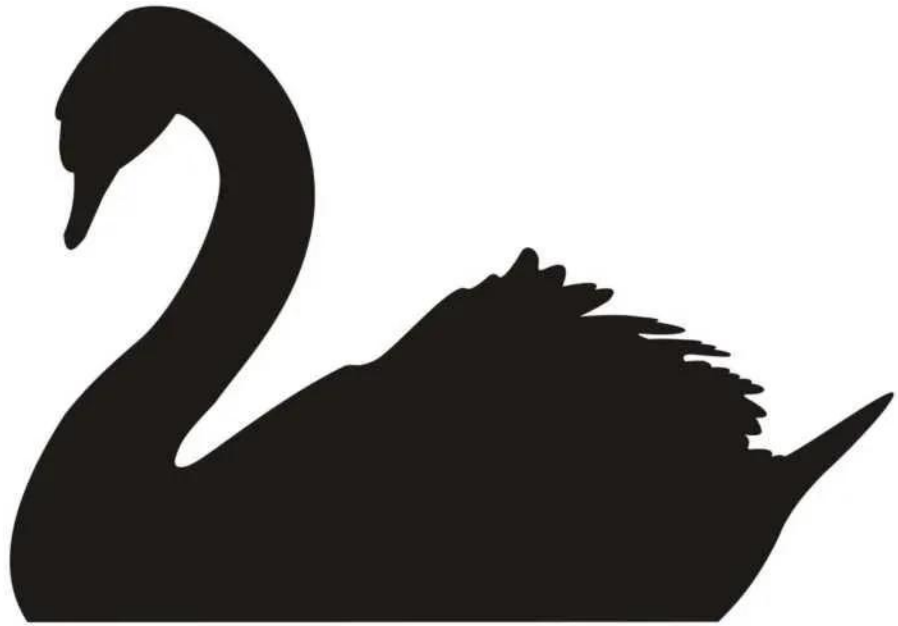
New Path Forward

Change is the Price of Progress

New Path Forward

- It’s the way we have always done it”
- Don’t mistakenly adopt the prior generation’s strategy and way of running the business!
- Complete a SWOT & Strategic Plan
  - What to do
  - Communicate the future direction

Strategic Plan



Potential Risks

LOSS OF KEY SUPPLIER

LOSS OF KEY CUSTOMERS

LOSS OF EMPLOYEES

BANKS & STAKEHOLDERS

Focus

COMPANY 1^{ST}

POSITIVE CASH FLOW!

Summary - Seller

POLISH THE "APPLE"

SET THE DATE

PRACTICE "WHAT'S NEXT"

SET THE PRICE & TERMS

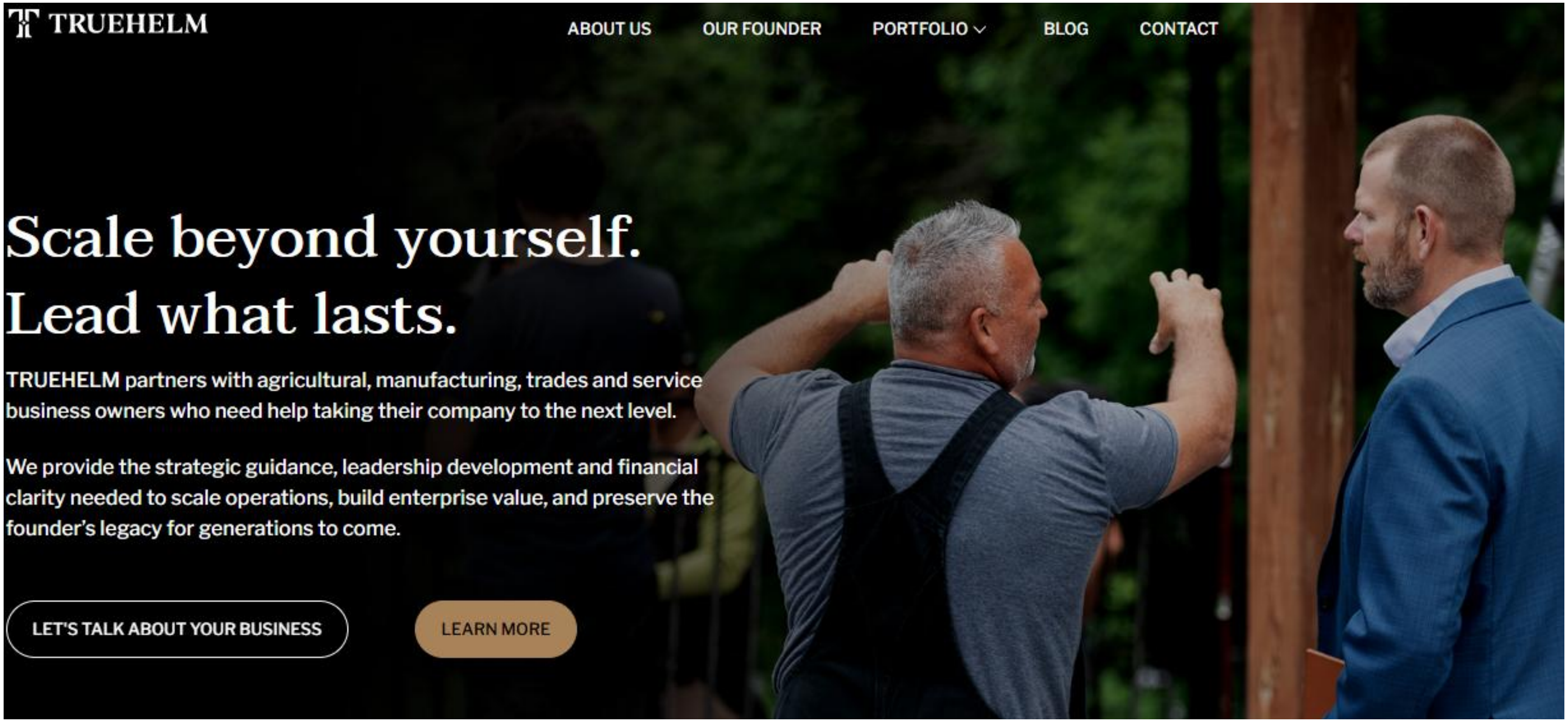
BE 100% COMMITTED

Summary - Buyer

Skin	Have skin in the game
Grab	Grab the baton
Transition	Transition into the role
Black	Be prepared for a Black Swan
Identify	Identify potential risks
Focus on	Focus on Culture & Profits

Resources

1. **Family Enterprise Canada -** https://familyenterprise.ca/
2. **Covenant Family Wealth Advisors –** www.covenant.ca
3. **Southbrook Lite - $99/month**
    1. Webinar Recordings
    2. Tools & Templates
        1. Transferability Assessment Spreadsheet
        2. Multiple Determination Template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Scale beyond yourself.
Lead what lasts.
TRUEHELM partners with agricultural, manufacturing, trades and service business owners who need help taking their company to the next level.
We provide the strategic guidance, leadership development and financial clarity needed to scale operations, build enterprise value, and preserve the founder's legacy for generations to come.
LET'S TALK ABOUT YOUR BUSINESS
LEARN MORE

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