



The Great Canadian Business Transition... and Opportunity

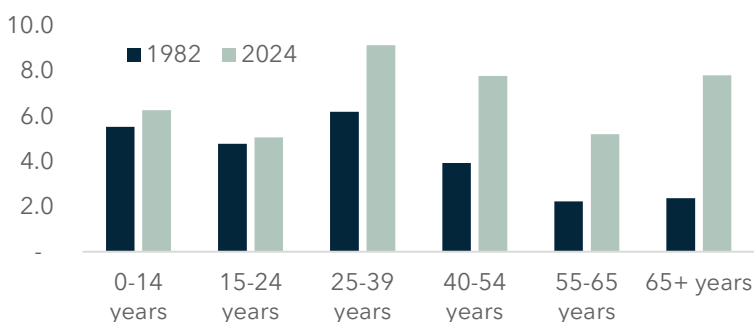
76% of Canadian Small Business Owners Plan to Retire in the Next 10 Years...

The topic of business transition has garnered significant attention over the past several years – and for good reason. Over the course of the next decade, 76% of Canada's business owners have indicated plans to exit their business, with most citing retirement as the primary reason. While Canada's aging population and the ongoing retirement of baby boomers has brought to light the importance of proactive succession planning, this environment also presents immense opportunity for both seasoned business owners and aspiring entrepreneurs alike to capitalize on a monumental generational shift of business ownership.

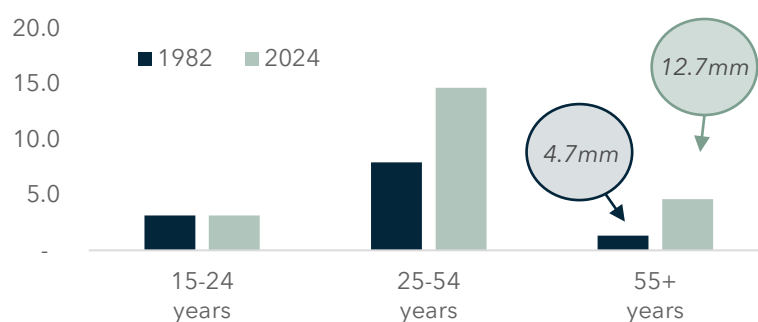
Key Takeaways this Month:

- **Small Business Dominates Canada:** The Canadian business landscape is dominated by small business. In fact, 98% of all active businesses in Canada are considered small businesses (<100 employees).
- **A Prime Environment for Acquisition:** A national survey published by the CFIB states that nearly half (49%) of business owners intend to exit their business by selling to an unrelated buyer, followed by planned sales to family members (24%) or employees (23%).
- **Get Ahead of the Transition:** Current and aspiring business owners have a unique opportunity to capitalize on succession trends. Developing a comprehensive transaction plan is essential, and identifying opportunities is only the beginning. Success depends on careful deal structuring and securing the right financing – critical steps where Diamond Willow Advisory can provide the expertise to ensure your long-term success.

Canadian Population (1982 vs. 2024) (mm)



Canadian Labour Force (1982 vs. 2024) (mm)



With over 30% of Canadians aged 55 and up, many small businesses are set for ownership transitions

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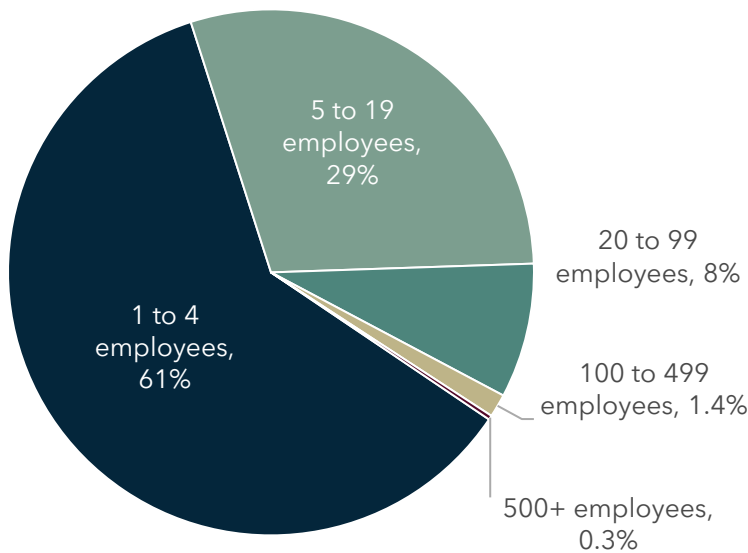
The Great Canadian Business Transition

Canadian businesses are experiencing a significant wave of transitions, with 76% of owners planning their exits in the next decade – this translates to a potential \$2 trillion of business assets that could change hands during this period. Here are some key statistics from a national survey conducted by the CFIB:

- **Retirement** is the primary reason for business exits for **75%** of owners planning to leave; **22%** of owners cited burnout as their reason for exiting, while **21%** wanted to step back from responsibilities.
- **49%** of business owners intend to **sell to an unrelated buyer**, while **24%** will sell to family members and **23%** to their employees.
- **Finding a suitable buyer** is the most common obstacle to succession planning (**54%**), followed closely by business valuation (**43%**) and the reliance on the owner for day-to-day operations (**39%**).

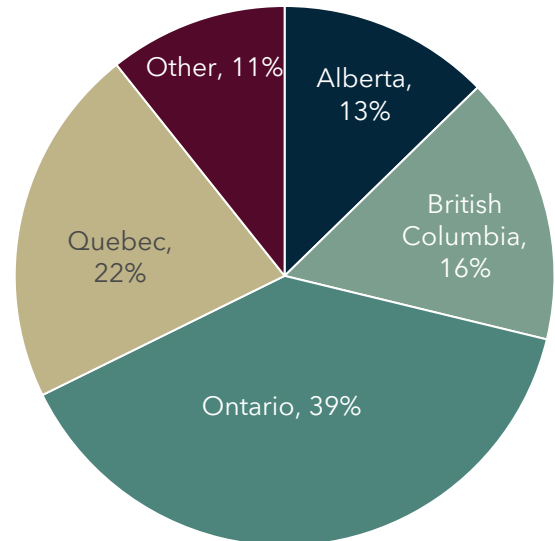
Business Composition (Q3 2024)

Active Businesses By Employee Count



Approximately 98% of active businesses in Canada are between 1-99 employees

Active Businesses by Province



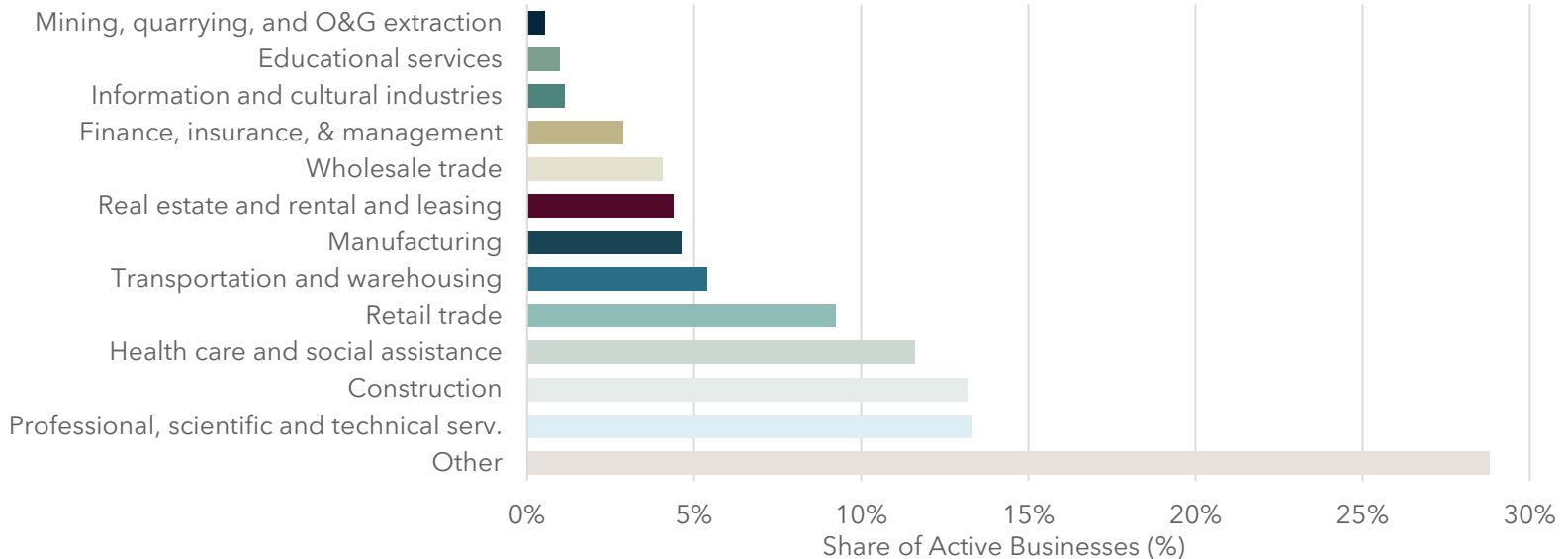
AB, BC, ON and QB account for 89% of all active businesses across Canada

Canadian Small Business Matters: Canada's business landscape is dominated by small businesses, with a significant portion being micro firms (1-4 employees). As of Q3 2024, there were ~939k active businesses in Canada, of which, 98% had less than 100 employees. Medium-sized businesses (100-499 employees) and large businesses (500+ employees) represented a mere 1.4% and 0.3% of total active businesses, respectively. This distribution highlights the critical role that small businesses play in Canada.

The 'Big 4' Provinces Dominate Canadian Business: On a combined basis, Alberta, B.C., Ontario and Quebec represent 89% of all active businesses in Canada. This is unsurprising considering 87% of Canada's population is domiciled in these regions. Alberta, B.C., and Ontario grew their active business base in 2024 by 0.5%, 0.3% and 0.2%, respectively, while Quebec had a decline of 0.2%.

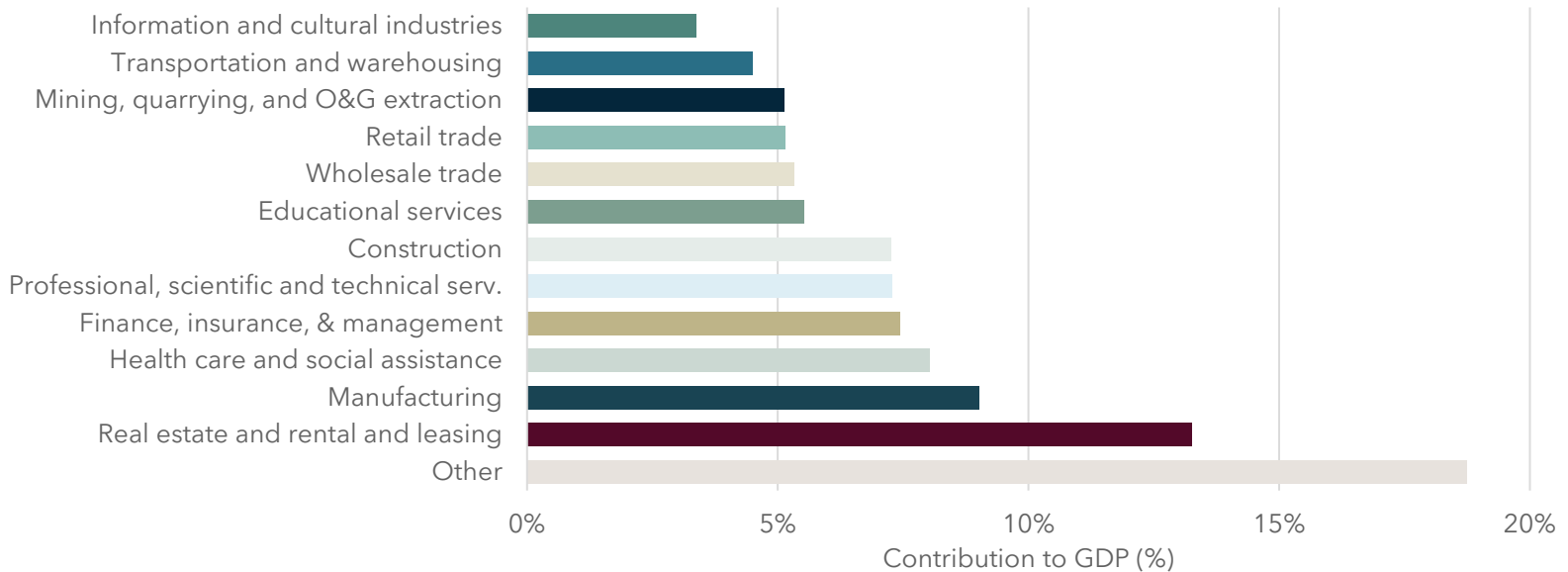


Share Of Canadian Active Businesses By Industry (Q3 2024)



Professional services, construction and retail trade accounted for ~36% of active businesses in Canada with a ~20% contribution to GDP

Contribution To GDP By Canadian Industry (Q3 2024)



Real estate/leasing, manufacturing and finance/insurance accounted for ~12% of active businesses in Canada with a ~30% contribution to GDP

Business Density vs. Economic Contribution: Certain industries, such as real estate, manufacturing, and finance show higher GDP contributions compared to a relatively small share of active businesses. A likely factor is the capital intensity of certain sectors, and environments where higher-value transactions are driven by a smaller number of industry participants. Conversely, sectors like professional services, construction, and retail trade show high fragmentation. While all industries arguably had a mixture of headwinds and tailwinds in the past few years that may distort these figures, these trends highlight the concentration of economic output in certain industries and more pronounced fragmentation in others.



Guidelines for Prospective Buyers

Leveraged buyouts can be a powerful strategy for acquisitions, but buyers must look beyond simply minimizing upfront investment. Key considerations include: “What level of debt is sustainable for the business?” and “How robust are the cash flows against economic fluctuations and external shocks?” Addressing these questions is essential to selecting the right acquisition structure and ensuring the long-term success of the business.

Whether buyer or seller, seasoned entrepreneur or aspiring business owner, all participants can mitigate deal risks and optimize outcomes by leveraging the expertise of financing specialists, skilled legal counsel and accounting professionals, and other trusted advisors. These professionals help navigate the complexities of acquisitions, ensure legal and financial soundness, and position the business for long-term success. Below, we explore several potential mechanisms for structuring and financing an acquisition.

Mechanism	Benefits	Considerations
Vendor Take Back (VTB) <i>The seller finances part of the purchase price through a loan with the vendor</i>	Reduces upfront cost; simplifies financing; demonstrates seller confidence; potentially favorable interest terms	Seller assumes repayment risk; may involve complex repayment terms; potential conflicts if business underperforms
Earn-Outs <i>A portion of the purchase price is contingent on future milestones or financial performance targets</i>	Effective tool to bridge valuation gaps; aligns seller incentives with business success; lowers buyer risk	Complex to structure; presents risk of disputes; seller is exposed to business performance risk and buyer management
Equity Roll <i>The seller retains partial equity in the business post-transaction</i>	Retains seller commitment and expertise; alignment of risk sharing and interests	Retained stake reduces buyer control; potential future valuation disputes; shared decision making
Leveraged Buyouts (LBOs) <i>Acquisition is primarily financed with debt</i>	Minimizes equity requirement; higher returns for buyers	High debt burden and risk; requires strength and resiliency of CFs; potential equity value disputes
Deferred Payment <i>Buyer pays part of the purchase price upfront and the rest over an agreed schedule</i>	Eases buyer's cash flow; flexible structuring; reduces initial cost	Seller bears repayment risk; potential disputes; requires negotiation of terms
Asset Purchase <i>Buyer acquires specific assets and liabilities rather than the entire entity</i>	Selective liability assumption; potential tax advantages; reduces exposure to unknown liabilities	Legal complexity; contracts or licenses may need approval
Share Purchase <i>Buyer purchases all shares of the business, acquiring the entire entity</i>	Simpler transfer of ownership; retains existing contracts and employees	Assumption of all liabilities; higher due diligence costs; may be less tax efficient for buyers



We facilitate corporate debt transactions for companies looking to grow, acquire, turnaround, or in special situations

Typical DWA Client Profile

Company size: **\$8+ million in revenue**

Financing size: **\$2+ million in debt**

Situation: growth, acquisition, turnarounds, optimization, niche industries and more

Profitable or clear path to profitability

Any sector and with a **Canadian presence**

Exclusions: DWA does not broker equity/securities and does not directly source mortgage-related debt instruments

Types of Loans Across All Industries

We secure debt financing for corporate borrowers and ensure our clients' businesses are positioned to obtain the most attractive debt capital available both now and in the future.

Our experience allows us to solve the most complex financial situations and we are committed to upholding the highest ethical standards in the industry.

- | | |
|------------------------------|-----------------------------------|
| ✓ Term loans | ✓ Trade financing |
| ✓ Acquisition financing | ✓ Factoring receivables |
| ✓ Operating lines | ✓ Equipment loans/leasing |
| ✓ Refinancing | ✓ Revolving acquisition lines |
| ✓ Bridge financing | ✓ Working capital/lines of credit |
| ✓ Asset-based lending | |
| ✓ PO financing/WIP financing | |

DWA Value Proposition



Network

- ✓ Vast lender network (~450)
- ✓ Network of trusted ancillary service providers



Accelerated Timeline

- ✓ Expedite timeline via professional process and deep lender relationships
- ✓ Create competitive tension and never get a "maybe"



Expertise & Execution

- ✓ Customized process and lender-focused materials (financial model, CIM, etc.)
- ✓ 65+ years combined experience in capital markets



Resource Allocation

- ✓ Allow business owners to focus on operations while delegating capital raising efforts



Aligned Structure

- ✓ Heavily weighted success fee creates strong alignment with the borrower
- ✓ Preference for clients with similar values of integrity, accountability, communication and execution