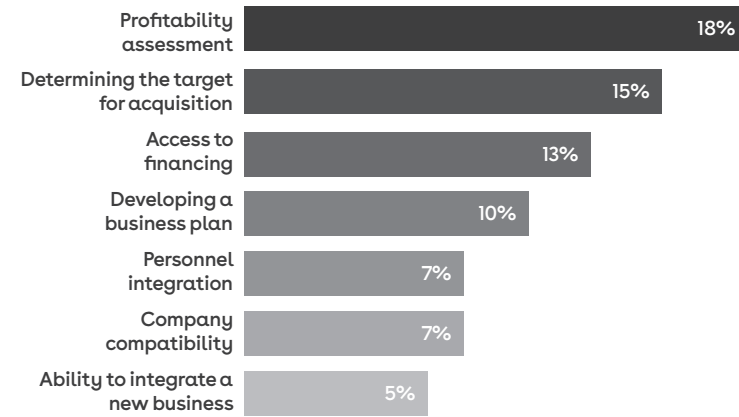


Profitability and access to financing are the main concerns...

When considering acquisition, there are many factors to consider. According to the SME leaders we surveyed, the most important factors to consider before making an acquisition are the following:



...As well as preparing for certain challenges

When asked about the main difficulties to overcome when acquiring a company, almost one in four business leaders mentioned access to financial resources as being the main challenge (23%).



TYPES OF EXPERTS THAT COMPANIES PLAN TO CONSULT REGARDING THEIR NEXT ACQUISITION⁸



48% of companies planning an acquisition intend to use an external advisor. However, only 39% of the companies who made at least one acquisition over the last few years did so.

Integrating two cultures is a big challenge. The key to success is clear and continuous communication, which will encourage the participation of those affected by the change. It is essential to remember that the employees are just as important as the shareholders during company mergers.

Ève Laurier, General Manager, Edelman

Having support from the right professional partners from the beginning of the process is crucial in order to: 1) establish the right strategy and structure; 2) negotiate the most advantageous deal that is best adapted to the objectives; 3) identify and manage risks in a pragmatic way.

François Paradis, Associate, Osler

⁸ Results from a much smaller sample.

Main initiative partners:



In collaboration with :



Acquisition: a great way to grow our companies

October 2018

Note on methodology

Telephone survey conducted from May 3 to 23, 2018, by the Léger firm with 300 leaders of SMEs in the metropolitan area of Montréal.

Maximum margin of error for a sample of 300 companies: ± 5.7%, 19 times out of 20.

To find out more about our activities:

WWW.CCMM.CA | WWW.ACCLR.CA

2018

Acquisitions: 2017, a record year

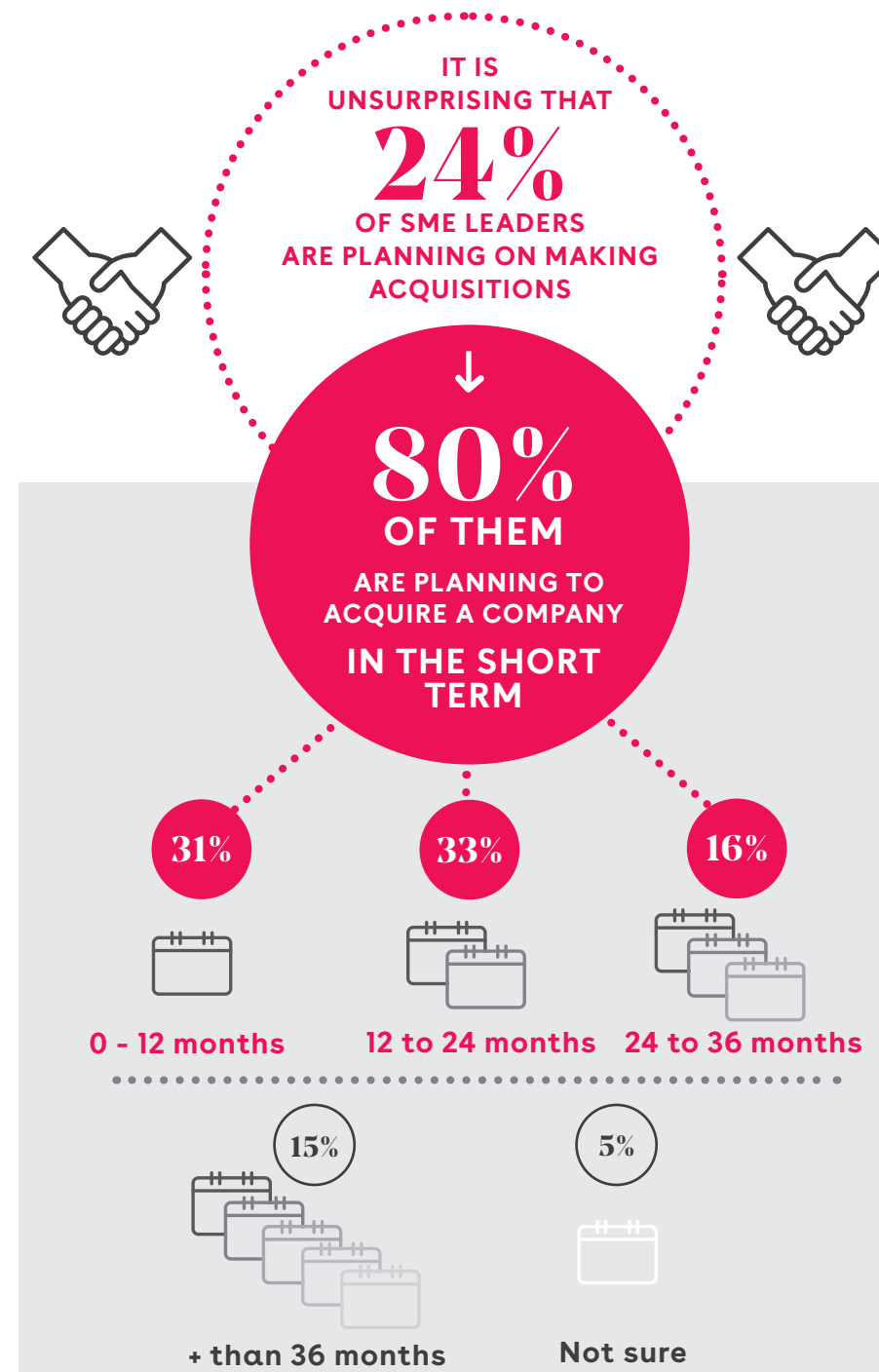
During the 2017 year, almost 50,000 transactions were recorded throughout the world¹, with over 2,000 in Canada.

Quebec is following suit. Quebec companies and small and medium enterprises (SMEs) from different sectors of the economy are clearly succeeding on the acquisitions market.

A growth strategy with many advantages

Montréal entrepreneurs are ambitious: **85% of the companies surveyed have a growth plan!**

The strategy of acquisition is one of the ways a business can grow.

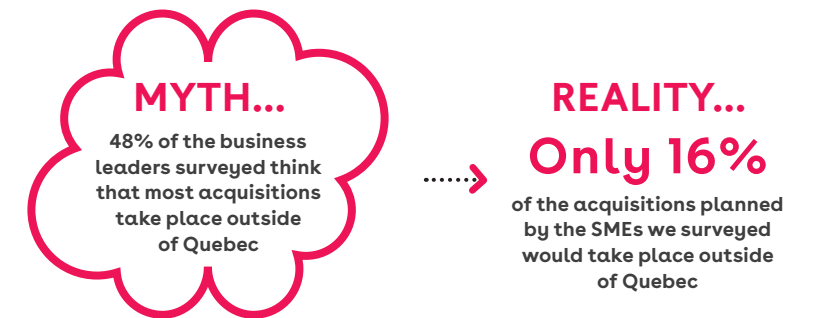


The economic environment is favourable and there are numerous opportunities for acquisition

The current economic context is conducive to acquisitions: Quebec's economy is booming, financing costs are low, and there is no lack of investor or company confidence. Furthermore, Quebec's financial ecosystem is performing well: banks and investment funds have enough capital to support entrepreneurs in the next step of their growth.

Quebec's SMEs³, which are mostly family-run, are responsible for 92%⁴ of the province's employment. However, only 30% of these companies remain in the family past the first generation and only 10% past the second generation⁵.

28% OF COMPANIES SURVEYED HAVE ALREADY ACQUIRED ONE (15%) OR MULTIPLE (13%) COMPANIES.



A study conducted by the Chamber in 2014⁶ revealed that between 5,700 and 10,000 Quebec companies will need to find a new owner by 2024 due to a lack of people to take over. However, our current survey has revealed that 11% of SME leaders are planning to sell their business in the next five years. The increase in retiring business leaders and the lack of people to replace them are generating opportunities for entrepreneurs who are considering business acquisition as a growth strategy.

THE MYTH...

7 OUT OF 10 BUSINESS LEADERS

think that more Quebec companies are being bought by foreign companies than the other way around.

AND YET...

From 2010 to 2018...



102

Quebec companies have been bought, in part or in full, by foreign organizations



375

foreign companies have been acquired by Quebec Inc.²



28%

of the business leaders surveyed by the Chamber have made an acquisition over the last 5 years

The Chamber of Commerce of Metropolitan Montreal (CCMM) gave the Leger firm the mandate to conduct a survey of 300 leaders of SMEs in order to get a sense of their companies' intentions regarding acquisitions and to determine the challenges SMEs face with this type of transaction.

In terms of acquisitions, Quebec companies are more often predators than prey. However, there are still plenty of challenges for SMEs that are looking to accelerate their growth through acquisition. This survey clearly identifies these challenges, which will help us better support entrepreneurs through the process.

Gaëtan Morin, President and CEO, Fonds de solidarité FTQ

We decided to turn to acquisition in order to accelerate our growth and expand our services to new markets. Our recent acquisition of a Brazilian company allowed us to become an international company and gave us access to a new client base. This market diversification required us to standardize our technological infrastructure and improve the efficiency of our operations.

Charles Lesperance, CEO, OXO

Acquisitions offer access to local markets and talented people who understand the challenges of their city and can help us become operational right from day 1.

Martin Blanchard, President, Expert'ease Productions

Acquisition should be considered in order to retain talent and keep innovation in Canada. That's the challenge we set ourselves in order to accelerate our capacity to develop AI solutions for healthcare. After just 18 months, our commercial projects are being carried out by one unified team!

Alexandre Le Bouthillier, Co-founder and Chief Operating Officer, Imagia

¹ Thomson Reuters, *Mergers & Acquisitions Review*, 2017.
[Online: <https://www.thomsonreuters.co.jp/content/dam/openweb/documents/pdf/japan/market-review/2017/ma-4q-2017-e.pdf>]
² MESI data provided at the request of the Chamber of Commerce of Metropolitan Montreal, July 2018.

³ Size of companies considered SMEs (< 500)
⁴ Government of Canada, *Key Small Business Statistics*, June 2016.
⁵ Chamber of Commerce of Metropolitan Montreal, *Transferring businesses to the succession: a major issue for the Québec economy and the sustainability of SMEs*, 2014. [Online: http://www.ccm.ca/en/news/etude_transfert_des_entreprises/]
⁶ Idem.