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How to sell a business in Ontario

What's involved, what most owners miss, and what to do about it.



The guide at a glance

Nine questions every owner faces, each with the short answer.

01

When is the right time to sell your business?

Sell while revenue and earnings are stable or growing, not after a down year. Your own results matter far more than the economy.

02

How much is my business worth?

SDE × a multiple. Most small businesses sell for roughly 2–3x SDE, and bigger ones for more. Document every add-back. Base your multiple on size, industry and what similar businesses actually sold for.

03

How do you prepare a business for sale?

Start one to two years out. Get your books in order, reduce how much the business depends on you, and plan early for the lifetime capital gains exemption.

04

Do you need a business broker?

Not if you already have a buyer and a simple deal. If you need to find buyers, keep the sale confidential and get the best terms, a good broker usually pays for themselves. Be wary of one who simply agrees with your price.

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Who buys small businesses in Ontario?

Most often, an individual who will run the business themselves. Competitors, holding companies and private equity buy too, once a business is large enough to make a sufficient profit without you in it.

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How do buyers finance a business purchase in Canada?

Usually the buyer's own cash, a BDC or bank loan, and often some seller financing. Canadian buyers need 20–30% or more down, and lenders only lend against earnings they can verify. Both limit what a buyer can pay.

07

What's in a good offer?

The best mix of price, how and when you're paid, how the sale is structured and the buyer's ability to close. Compare offers on what you'd actually receive, when and after tax, and agree the key terms in the letter of intent.

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What do buyers check before they buy?

Everything you've told them: financials, tax returns, add-backs, customers, contracts and your lease. Disclose problems before the offer, because anything found later gets used to cut the price.

09

What happens at closing, and after?

Closing needs your landlord's consent, a clean transfer of accounts and permits, the buyer's financing in place and, in an asset sale, the HST election. After that, most sellers stay on for a handover period.

FREE VALUATION

Want to know what your business is worth?

A 30-minute call with an advisor. An honest number, and what a buyer would push back on.

Book a free valuation →

01 TIMING

When is the right time to sell your business?

SHORT ANSWER

Sell while the business is stable or growing, and start preparing well before you list. Selling after a down year costs owners heavily, even if the business is fundamentally fine. Broader market conditions matter less than most owners think.



What most owners miss

Buyers price the recent trend.

The ideal scenario is revenue and earnings both growing over the last few years. Stable revenue and earnings still fit what many buyers are looking for. If the most recent year is down, fewer buyers will look at the deal, and the chance that a bank or BDC won't finance it at all goes up.

The clock starts before you list, not when you decide to sell.

The things that raise your price, covered in How do you prepare a business for sale?, usually take one to two years to show up in your numbers. Not weeks. Most Ontario owners aren't there yet: a 2024 survey of 1,912 businesses found 73% of Ontario owners have no succession plan. Even among owners planning to exit within five years, a third have no plan or aren't working on one.

Don't try to time the economy.

Small-business multiples are relatively stable compared with valuations in the public markets, which swing far more. What does change is financing. When lending tightens, strong businesses still get financed, and sell. Weaker ones may not get financed at all, and may not sell.

How long does it take to sell a business in Ontario?

Typically 6–12 months from listing to closing. Preparation beforehand depends on the business, and doing it properly can take anywhere from a few months to a few years.

How a sale works, start to finish

- **Prepare** 3–24 months
  Clean books, less owner dependence, tax planning
- **Value** 2–6 weeks
  Valuation, marketing document
- **Market** 2–6 months
  Teaser, NDAs, buyer calls and visits
- **Offers** 2–6 weeks
  Compare offers, agree the key terms
- **Due diligence** 6–12 weeks
  Buyer's checks, lender approval
- **Close** 2–4 weeks
  Purchase agreement, inventory count
- **Hand over** Weeks to months
  Training, introductions to staff and customers

Typical timings. Every sale is different.

How much does it cost to sell a business?

Broker fees commonly run 8–12% for smaller deals, falling as the price rises. Several established Ontario brokerages use a sliding scale, for example 12% on the first $1 million, 10% on the next million and 8% on the third. Add legal and accounting costs.

What to do

- [x] Look at your last three years of revenue and earnings. If the trend is flat or down, understand why before you go to market.
- [x] If you might sell in the next few years, start preparing now, not when you list.
- [x] Don't wait for the "right" market. Focus on what you control: your numbers, your records, and how much the business depends on you.
- [x] Budget for the cost of selling: broker, legal and accounting fees, so you know what you'll actually take home.

02 VALUATION

How much is my business worth?

SHORT ANSWER

Most small businesses in Ontario are valued at a multiple of SDE (seller's discretionary earnings). A good valuation starts with your size and industry, then adjusts for what makes your business stronger or weaker. The steps below show how it works, but landing on a number you can defend takes data on what similar businesses actually sold for, and a close look at your financials.

SDE × **Multiple** = **Headline price**



What most owners miss

Small businesses are valued on SDE, not EBITDA.

Much of what's online talks about EBITDA multiples, but businesses are rarely valued on EBITDA until earnings reach roughly $1M. Most buyers at this size are owner-operators who will run the business themselves, so the owner's pay is part of what they're buying. SDE captures that. Make sure any multiple you compare yourself to is an SDE multiple. Applying an EBITDA multiple to SDE can overstate your value by a lot.

> ***When EBITDA applies:*** *once a business draws larger buyers, like private equity, who won't be doing your job themselves. Often a general manager already runs the day-to-day, so the cost of that role stays in the numbers.*

What SDE is, in plain terms.

SDE sounds technical, but the idea is simple, and it's worth understanding because your price is built on it. A buyer wants to know one thing: if I buy this business and run it myself, how much will it put in my pocket each year? The place to start is the bottom line of your income statement: your profit, which accountants call net income. But your profit isn't quite what a new owner would take home. It's what's left after the business pays all its costs, and some of those costs won't carry over to a new owner, like your salary, the interest on your loans, or your car. Add those back and you'll get your real answer: SDE. These costs are called "SDE add-backs", and the main ones are:

- **Your pay.** The buyer will do your job and pay themselves out of the profit. Your salary is part of what they're buying, not a cost they'll carry.
- **Interest on loans.** You pay interest because you borrowed money, whether to buy the business or to run it. A buyer who pays cash won't have that cost at all, and one who borrows will have their own loan on their own terms. Either way, your interest isn't theirs.
- **Depreciation.** Your accountant spreads the cost of equipment you bought in past years over several years. It lowers your profit on paper, but no money actually left the business this year, so that cash is still there for an owner to take out.
- **Personal and one-time costs.** Your car, your phone, a family member on payroll who doesn't work there, or a one-off lawsuit or repair. The next owner won't have them, so they shouldn't lower what the business normally earns.
- **Income tax.** How much the business pays depends on how its owner pays themselves and what they run through it. An owner who takes as much salary as the business can afford may leave little or no profit for the business to be taxed on. Since that's the next owner's choice, SDE is measured before tax.

What's left is the cash the business produces in a normal year for one full-time owner, before income tax and any loans. That's what a buyer pays a multiple of.

Get SDE right.

Every dollar of SDE gets multiplied: a $20,000 add-back you missed, at 2.5x, is $50,000 off your price. The reverse is true too. Add-backs you can't prove won't count, so document them before you go to market.

Worked example: from the income statement to SDE

A retail business with one owner working full time and $1.4 million in sales. Illustrative figures.

Net income before tax, from the income statement	**$92,000**
ADD BACK	
Owner's salary One owner-operator's pay only	+ $85,000
Interest on business loans The buyer will finance the business their own way	+ $14,000
Depreciation and amortization An accounting cost, not cash spent this year	+ $18,000
Personal vehicle and phone run through the business Counts because every dollar is documented	+ $9,500
Legal fees for a one-time lease dispute Truly one-time, not a cost that comes back every year	+ $6,000
Family member on payroll who doesn't work in the business	+ $24,000
Seller's discretionary earnings (SDE)	**$248,500**

The tax return showed $92,000. A buyer is paying for $248,500, but only for the add-backs you can prove.

The most common mistakes:

- **Adding back more than one owner's pay.** SDE is what one owner-operator would take home. If you run the business with a partner, usually only one salary is added back. The test: could one owner do both your jobs in a 40-hour week? If yes, as with two partners each working part time, both can be added back. If not, the second role still needs someone paid at market rate.
- **Ignoring rent on a building you own.** If the business pays you below-market rent, or none, subtract a market rent. The buyer will have to pay it.
- **Family on the payroll.** Family members who are paid but don't work in the business can be added back. Family working for below-market pay should be adjusted up to a market wage.
- **Personal expenses you can't document.** Vehicles, phones, travel and meals only count if you can show them.

- **"One-time" costs that happen every year.** Buyers treat recurring repairs or fees as normal costs. Add them back anyway and a good buyer will push back, which also weakens the add-backs that are real.
- **Pricing off a past peak year.** If your most recent year is your best, there's a strong case for valuing the business on it. If your best year was two or three years ago, buyers won't see it as a true picture of what they're buying. They'll use your most recent year if it's lower, or an average of the last few years if your earnings have moved around.

Size moves the multiple more than anything else.

Once you know your SDE, the next step is finding a multiple you can defend, and size is the place to start. Across all small businesses, the typical multiple rises materially with size. IBBA data shows a median of about 2.0x SDE for businesses sold under $500K, 2.8x from $500K to $1M, and 3.1x from $1M to $2M. These are medians across every industry, not what your business will get, but the pattern is consistent. One of the most reliable ways to get a higher multiple is to be a bigger business. Growing before you sell raises your SDE, and usually your multiple too.



Industry gives you a second multiple range.

Size gives you one range of multiples; your industry gives you another, and a good valuation looks at both. Businesses in the same industry share many of the same strengths and risks, which makes your industry's multiple range a better guide than the range for all businesses. Even then, the gap between the weakest and strongest businesses in an industry is wide.

Selling a pet store, a grocery store or an e-commerce business? Our page for each covers typical multiples and what drives them.

What 20 common small businesses sold for

Industry	Lower quartile	Median multiple	Upper quartile	Median SDE	Median price
Trucking companies	2.29x	**2.96x**	3.56x	$400,000	$1,137,500
Machine shops and tooling	2.32x	**3.08x**	4.23x	$269,438	$840,000
Websites and e-commerce	2.63x	**3.28x**	3.99x	$269,961	$825,000
Durable goods wholesale and distribution	2.20x	**2.88x**	3.51x	$322,000	$800,000
HVAC	1.99x	**2.58x**	3.33x	$304,309	$750,000
Plumbing	1.66x	**2.24x**	3.15x	$311,598	$638,730
Insurance agencies	1.88x	**2.70x**	3.44x	$180,000	$497,500
Landscaping and yard services	1.70x	**2.30x**	3.01x	$187,716	$425,000
Accounting and tax practices	1.61x	**2.04x**	2.66x	$208,303	$425,000
Auto repair and service	1.70x	**2.31x**	3.26x	$182,133	$410,000
Grocery stores and supermarkets	1.60x	**2.25x**	3.15x	$192,408	$390,000
Pet stores and supplies	2.01x	**2.49x**	3.03x	$143,381	$372,400
Cleaning and janitorial	1.57x	**2.07x**	2.66x	$136,326	$260,000
Laundromats	2.72x	**3.50x**	4.50x	$76,560	$250,000
Restaurants	1.34x	**1.85x**	2.53x	$120,355	$220,000
Gyms and fitness centres	1.72x	**2.42x**	3.00x	$99,389	$210,500
Convenience stores	1.32x	**1.82x**	2.77x	$119,495	$210,000
Coffee shops and cafés	1.50x	**2.00x**	2.55x	$78,780	$150,000
Pet grooming	1.38x	**1.89x**	2.51x	$81,687	$150,000
Hair salons and barbershops	1.25x	**1.77x**	2.34x	$70,225	$115,500

Seller's discretionary earnings (SDE) multiples and medians for businesses sold on BizBuySell, 2021–2025, mostly in the US. Figures in US dollars. The middle 50% of sales fell between the lower and upper quartile. Medians are calculated separately, so they won't divide exactly. BizBuySell tracks more than 100 industries; these 20 include the 10 most commonly sold, plus others common in Ontario. Industries with fewer sales have less reliable ranges.

What makes your multiple defensible.

- **Trend:** growing, stable or declining. This is the most important.
- **Owner dependence:** how much of the sales would walk out the door with you. Buyers want to know that customers, suppliers and staff will stay after you leave, because they're tied to the business, not just to you.
- **Industry specifics,** such as licences that don't transfer, a key supplier or distribution agreement, required trade certifications, or a location that would be hard to replace.

Some buyers can pay more than others.

A competitor or a company in a related business is often what's called a strategic buyer. They can sometimes pay more, because your business is worth more to them than to anyone else.

Example

A cleaning company earns $250,000 a year for its owner. To an individual buyer, it's worth a multiple of that $250,000. A larger cleaning company already has an office, a manager, a bookkeeper and its own marketing. If it buys your business, it doesn't need to pay for those twice, and it may get better prices from suppliers. To that buyer, your business might add $350,000 a year in profit, so it can afford to pay more and still come out ahead. (Illustrative figures.)

Strategic buyers don't exist in every industry, and they usually only look at businesses past a certain size. But where they exist, they're often the buyer who pays the most.

Inventory and working capital can change what you're paid.

The multiple gives you the headline price. Depending on the deal, two more things can be added or adjusted at closing.



Headline price = SDE × multiple. Whether inventory and a working capital adjustment apply depends on the deal.

Inventory. In smaller deals, it's often paid on top of the headline price, at what you paid for it, based on a count done just before closing. Only stock a buyer can sell counts: expired, damaged or slow-moving stock is usually discounted or left out. In these deals, you usually also keep your cash and the money customers owe you, and pay off the bills you owe.

Working capital. Some offers also set a working capital target: the normal amount of inventory, receivables, payables and other day-to-day items the business should be left with at closing, usually based on its average over the past 12 months. It's more common in larger deals. The adjustment works both ways. Leave more than the target and you're paid more; leave less and the price goes down. It isn't a penalty, just an agreement to leave the normal amount in the business.

Don't count inventory twice. If inventory is paid on top and the offer also sets a working capital target, the target has to exclude inventory. Otherwise the same stock is counted in both, and you'll be arguing about it at closing. Make sure the letter of intent and the purchase agreement are clear on it.

Reality checks before you settle on a number

- **Financing sets a real limit.** If a bank or BDC won't finance the deal at your price, you've hit a ceiling on your multiple. Above it, the buyer can only close if you lend them part of the price yourself, which means you take on the risk and wait to be paid.
- **Listing prices tell you little.** Some listings are priced where the market will pay; others are listed at double what they'll ever sell for. A competitor's listing price says nothing about what your business is worth. Look at what businesses actually sold for.
- **Most published ranges come from US sales.** They're a reasonable starting point, but local sold comparables are better when available. Ask your broker whether they have Canadian or Ontario data for your industry.

These steps get you a realistic range. Where you land within it depends on the details a buyer will test, and on how effectively your business's story is presented. That's what a proper valuation and sale process pin down. **Book a free valuation →**

What to do

- [x] Recast your last three years of financials into SDE, and document every add-back before you go to market.
- [x] Compare yourself to SDE multiples, not EBITDA multiples, for businesses of your size and in your industry.
- [x] Look at what similar businesses actually sold for, not what they're listed at.
- [x] Check whether a lender would finance a buyer at the price you have in mind.
- [x] Clear out dead stock, keep inventory at a normal level, and check how each offer handles inventory and working capital.

03 PREPARATION

How do you prepare a business for sale?

SHORT ANSWER

Some businesses are ready for market today, but most aren't. For most, start one to two years before you plan to sell. The changes that raise your price take time to show up in your numbers, and some tax planning only works if it's in place well before the sale.



What most owners miss

Buyers pay for what they can see in detail, not just what's on your tax return.

Knowing how much revenue each product line or service brings in, which customers buy what, and where your margins are lets you tell an accurate story about your business. A buyer who can see that one part of the business is growing fast with strong margins will pay for it. Without that detail, they only see one blended number.

Being organized also helps the buyer get financed. Lenders work from your tax returns and financial statements, and as the loan gets larger, they may ask for more. Some lenders ask for a compilation engagement, prepared by an accountant, on loans as low as $300,000. Requirements vary from lender to lender. Buyers usually want at least two to three years of history, so every year you track this properly adds to the record you can show.

A business that depends on you is worth less, and paid out later.

If customers buy because of you, staff bring you every decision, and key knowledge lives in your head, a buyer can't be sure the business will work without you. That lowers your multiple. It also changes the terms: buyers protect themselves with a longer handover period, or by tying part of your price to future results. That means less money at closing, paid later, with risk attached.

Many smaller businesses can't afford to hand all of the owner's responsibilities to a general manager, and that's fine. Just know it's part of what sets your multiple. Once a business is large enough to support one, a general manager does two things:

- **It reassures buyers** that the business will get through the change in ownership without losing profit.
- **It opens the business to a new group of buyers:** people who don't want to run it day to day, and want to own it as an investment or as part of a larger plan.

Both mean a higher multiple. Building that takes time, because buyers want to see the business has actually run without you.

Plan now so a share sale stays an option.

A share sale is usually better for you than an asset sale, mainly because the lifetime capital gains exemption may shelter up to $1.25 million of your gain. But your shares have to qualify, and that isn't automatic.

The tests look back over the two years before the sale. For example, large amounts of excess cash or investments held in the company can disqualify it, and fixing that takes time. The exemption is per person, so family members who own shares may each be able to claim one, but ownership changes also need to be in place well ahead. If you're not incorporated, there are no shares to sell, and incorporating just before a sale won't qualify. Talk to your accountant now, so you keep the option. For how the two compare, see What's in a good offer?

$1.25M in capital gains you may be able to shelter in a share sale, per qualifying person, through the lifetime capital gains exemption.

Your lease can stop a sale.

Buyers and their lenders are wary of a short lease, and they value renewal options. Your landlord also has to agree to the transfer. It's worth knowing where your lease stands well before you sell.

A few large customers make buyers nervous.

If one or two customers make up a large share of your revenue, a buyer sees the risk of losing them after the sale. Spreading your revenue across more customers takes time, so it belongs in your preparation.

What to do

- [x] Track revenue and margins by product line or service. Keep personal spending out of the business, or document every dollar of it, so you can defend it later as an add-back.
- [x] Identify what only you handle and start handing it over. If the business can support a general manager, consider building toward one.
- [x] Talk to your accountant about the lifetime capital gains exemption at least two years before you plan to sell.
- [x] Check how many years are left on your lease, and whether it includes renewal options.
- [x] If one or two customers make up a large share of your revenue, start spreading it across more customers now.
- [x] Get a realistic valuation early. Knowing the gap between what you want and what the market will pay tells you what to fix in the time you have.

04 BROKERS

Do you need a business broker?

SHORT ANSWER

Not always. If you already have a buyer and a simple deal, a good lawyer and accountant may be enough. If you need to find buyers, keep the sale confidential and get the strongest price and terms, a good broker usually pays for themselves. The hard part is telling a good one from an average one, because the way brokers are paid works against you at the start.



What most owners miss

Brokers are paid when deals close, so the first goal is winning your listing.

This isn't about dishonest brokers. It's how the business works, and it shows up in three predictable ways:

- **Agreeing with your price.** Telling you what you hope to hear helps win the listing. Most small businesses don't sell for more than 3x SDE, and very few sell for more than 4x. If a broker says yours can, ask exactly why.
- **Overstating the buyer network.** "We have tens of thousands of buyers on our list" sounds impressive. But unless your business is on the larger side, most buyers will find it through a listing site, and most will be new, not names from anyone's list.
- **Hinting at private equity.** Private equity firms set minimum earnings requirements, commonly $1 million or more a year and rarely below $500,000. If your business earns less, ask why it would meet their requirements.

The highest price pitch is rarely the best outcome.

When the starting price isn't real, owners make decisions based on it. They turn down good early offers, wait for buyers who never show up, and often end up with less than a realistic price would have gotten them from day one. Meanwhile the listing goes stale, and buyers start wondering what's wrong with the business.

> **The market sets your valuation range; how the sale is run decides where you land in it.**

A good broker thinks about financing before finding a buyer.

One of the worst outcomes for everyone is a buyer who agrees to your price, and a lender who then says no. Months of work are lost, the buyer walks away, and the business has to go back on the market. A good broker checks whether the price can be financed before going to market, and builds the package around what a lender needs to see.

Finding a buyer isn't the hard part. Making the business easy to buy is.

Buyers aren't just pricing your numbers. They're pricing how confident they are that they understand your business. Two similar businesses, presented differently, sell for different prices. The one that tells a clear story, answers concerns before they come up, and makes financing straightforward lands at the top of its range.

The agreement matters as much as the broker.

Before you sign, check:

- **Length of exclusivity:** how long you're locked in, and how you can get out.
- **Upfront fees:** what you pay whether or not the business sells, and what it covers.
- **Who does the work:** the person pitching you, or someone junior.

When you may not need a broker.

If a buyer has already approached you (an employee, a family member, a competitor) and the deal is simple, you may only need a lawyer and accountant. Still get an independent valuation and advice on terms, since a buyer you already know isn't negotiating for your benefit.

Selling a business isn't selling property.

Many real estate agents will list a business, but a business sale is a different job. The price is based on earnings, not square footage. The buyer needs financing that depends on cash flow. Confidentiality matters, because staff, customers and suppliers can't find out too early. And the deal terms (asset or share sale, inventory, handover period) can matter as much as the price. If the business comes with real estate, you may need both. But for the business itself, you want someone who understands where its value lies, and knows how to get a buyer to pay for it.

What to do

Questions to ask any broker, including us

- [x] **How will you defend my valuation when a buyer pushes back?** You want an answer built on closed sales and your financials, not "the market will decide."
- [x] **Who could finance a buyer at the price you're suggesting?** If they haven't thought about it, the price may not hold.
- [x] **Can I see a past marketing package?** Check whether it tells the business's story, or just lists numbers.
- [x] **Who will handle my file day to day?** The person pitching you isn't always the one doing the work.

05 BUYERS

Who buys small businesses in Ontario?

SHORT ANSWER

For most small businesses, the buyer is an individual who plans to run the business themselves. Competitors, holding companies and private equity also buy, but they generally need a business that's large enough and makes money without the owner working in it.



What most owners miss

Most buyers are individuals, and they come from all kinds of backgrounds.

Some have worked in your industry; many haven't. Some are leaving a corporate career, some already own a business, some are buying with family. What they have in common is that they'll be running the business day to day, so they're buying the income as much as the business. They look for the same things that set your price: a size that makes sense, a healthy trend in profit, and a business that doesn't depend entirely on you.

Other buyers need the business to work without you.

Holding companies (individuals or firms that own several businesses), competitors and private equity are involved in running the businesses they buy, but they usually can't spend 40 hours a week doing the job you do today. So the business has to make a sufficient profit after paying someone else to cover your role. If it doesn't, the numbers don't work for these buyers, however good the business is.

Private equity shows up at larger sizes, and pays more when it does.

Private equity firms often have written rules about what they buy, for example "companies in this industry with at least $X in earnings." Below those minimums, they won't look. Above them, more competition between buyers tends to mean higher multiples.

Most buyers will find you through listing sites, not a broker's buyer list.

At this size, most buyers find businesses through listing sites. The listing describes the business without naming it. Serious buyers sign a confidentiality agreement before they see the name or the financials.

Confidentiality protects the value you're selling.

If staff, customers, suppliers or competitors find out too early, you can lose people and sales before the deal closes, and that lowers the price. Decide in advance who needs to know and when. For most businesses, staff are told close to or after closing.

What to do

- [x] Ask yourself honestly: would this business make a sufficient profit if you paid someone else to run it? The answer tells you which buyers you can realistically attract.
- [x] If it wouldn't, that's fine. Your buyer is most likely an owner-operator, and you should price and present the business for them.
- [x] If you want those larger buyers, build a management layer before you sell, so the business can run without you.
- [x] Decide who needs to know about the sale, and when, before you start.

06 FINANCING

How do buyers finance a business purchase in Canada?

SHORT ANSWER

Most buyers combine their own cash, a loan from BDC or a bank, and often some financing from the seller. In Canada, buyers typically need much more cash up front than in the US, and loans are shorter. That limits what a buyer can pay, so it shapes your price.



What most owners miss

Canadian buyers need a lot more cash than US buyers.

BDC's rule of thumb is a down payment of 20–30% of the price. Commercial banks vary, and based on our conversations with lenders, some ask for as much as 45%. In the US, the SBA program lets buyers put down as little as 10%. The more cash a buyer needs, the fewer buyers can afford your business. And fewer buyers competing can sometimes mean a lower multiple.

20–30%
BDC's rule-of-thumb down payment in Canada

10%
minimum down payment under the US SBA program

BDC is a good starting point for most small-business purchases.

BDC, the Business Development Bank of Canada, is a federal Crown corporation set up to complement the other banks. In its own words, it takes on more risk and offers more flexible financing. For most small acquisitions, it's where a buyer's financing conversation starts.

As deals get bigger, the commercial banks become real options. Once a loan reaches roughly $1 million, commercial banks often start looking at it under their commercial lending programs. The buyer may get a better rate, but usually less flexibility than with BDC.

Shorter loans can mean a lower price.

BDC acquisition loans often run seven years, while many commercial banks default to five. Longer terms are possible, but harder to get. The shorter the loan, the bigger each payment, and the less the business can afford to borrow. That can lower the price a buyer is able to pay.

Lenders only lend against earnings they can verify.

A lender sizes the loan from your tax returns and financial statements. Earnings that aren't clearly shown there, or add-backs you can't document, don't count. That means a smaller loan, which means the buyer can pay less, or you finance the difference. This is one of the most direct ways that organized books turn into a higher price.

Seller financing often closes the gap.

When the buyer's cash and the loan don't add up to your price, the difference often comes from you: you agree to be paid part of the price over time. According to BDC, seller financing is typically 10–15% of the price, repaid over three to five years, with payments often deferred for the first year. It usually ranks behind the lender, so you're paid after them. But it also reassures lenders: a seller willing to wait for part of the money signals confidence in the business, and that can make the loan easier to get.

What to do

- [x] Before you settle on a price, ask: **who could realistically finance this deal?** If the answer is no one, including BDC, expect to finance a good portion of the price yourself.
- [x] Make sure your earnings are verifiable in your tax returns and financial statements, and document every add-back. That's what the loan is sized on.
- [x] Decide in advance how much of the price you'd be willing to finance yourself, and on what terms.

07 OFFERS

What's in a good offer?

SHORT ANSWER

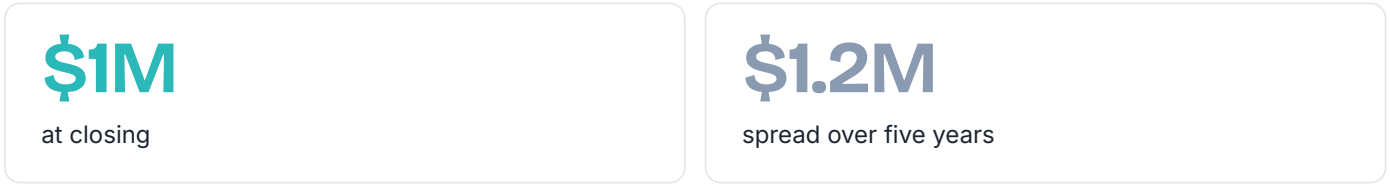
A good offer isn't just the highest price. It's the best combination of price, how and when you're paid, how the sale is structured, and how likely the buyer is to actually close. Almost every part of an offer can be negotiated.



What most owners miss

Every part of the offer is a point of negotiation.

The headline price is only one piece. How much is paid at closing, how much later, and on what conditions can matter just as much. Would you rather have $1 million at closing, or $1.2 million spread over five years? The second sounds bigger, but money paid later is worth less, and it depends on the buyer continuing to pay. If part of it is seller financing, you're also paid after the lender. Compare offers on what you'd actually receive, and when, not on the headline number.



The second sounds bigger, but money paid later is worth less.

The letter of intent is where most terms get locked in.

Most deals start with a letter of intent: a short document setting out the price and key terms, usually with a period, often a few months depending on how complex the business is, in which you agree not to talk to other buyers. It's mostly non-binding, but once you sign, your leverage drops, and you're off the market while the buyer does their checks. Get the important terms agreed in the letter: payment structure, any working capital target, asset or share sale, and the handover period. Don't leave them for later.

The price is more likely to go down after the letter of intent than up.

Due diligence turns up whatever wasn't shared. An offer made with all the relevant information, good and bad, is the one most likely to hold. An offer built on a story that isn't quite true usually doesn't survive due diligence.

Check whether the offer includes a working capital target.

If it does, the price can move up or down at closing. Before you sign the letter of intent, make sure you understand how the target is calculated, and whether inventory is inside it or paid separately. How it works is covered in How much is my business worth?

Share sale or asset sale: which is better for you?

In a share sale, the buyer buys the shares of your corporation, and the business carries on inside it. In an asset sale, your corporation sells the business's assets, like equipment, inventory and goodwill, and you keep the company itself.

A share sale is usually better for you, mainly because of tax. An asset sale is usually better for the buyer. So structure often trades against price: a lower price in a share sale can leave you with more after tax than a higher price in an asset sale. If your business isn't incorporated, it will be an asset sale. If it is, plan early so your shares qualify, and ask your accountant what each offer would leave you with after tax.

	Share sale	Asset sale
What the buyer gets	Your shares. The company carries on.	The business's assets. You keep the company.
Usually preferred by	**Sellers**	Buyers
Tax for you	Capital gain, taxed to you personally	Taxed in the company, then again when you take the money out
Lifetime capital gains exemption	**May apply, up to $1.25M per qualifying person**	Doesn't apply
Liabilities from before the sale Old debts, lawsuits, tax reassessments	Go to the buyer with the company. In return, buyers ask you for guarantees or hold back part of the price, so you can still be on the hook.	Stay with your company, so with you. The buyer starts clean.
Lease, contracts and permits	Stay in place. Some leases still need the landlord's consent	Have to be transferred, often with consent
HST	Doesn't apply	Can apply, unless you and the buyer make the joint election (Form GST44)

A general comparison, not tax advice.

Earnouts can bridge the gap between your price and the buyer's.

You may value your business on where it's headed. The buyer will usually want to pay for what it earns today. An earnout bridges that gap: part of the price is paid later, only if the business hits agreed targets. The risk is shared. If your growth story holds up, you're paid a higher multiple; if it doesn't, the buyer hasn't overpaid. Because the buyer runs the business after the sale, targets need to be clear, measurable, and based on things the buyer can't easily manipulate.

The rest of the terms are straightforward, but they matter a great deal.

The handover period (how long you stay to help), the non-compete (how long you agree not to start a competing business), and the guarantees you give about the business's history are easy to understand. They're also extremely important. Each one sets out what you're committing to after the sale, and what happens if something goes wrong. Make sure every one is covered properly. A lawyer typically drafts these into the final purchase agreement.

An offer is only as good as the buyer's ability to close.

You can have the best offer in the world. It means nothing if the buyer can't finish the deal. Before accepting, find out: does the buyer have the cash for the down payment? Have they spoken to a lender? Do they have experience that a lender will accept?

> **A slightly lower offer from a buyer who can clearly close is often worth more than a higher one from a buyer who can't.**

What to do

- [x] Compare offers on what you'd receive, when, and after tax. Not on the headline price.
- [x] Get the key terms into the letter of intent, before you agree to stop talking to other buyers.
- [x] If an offer includes a working capital target, understand how it's calculated, and whether inventory is inside it, before you agree.
- [x] Check the buyer's ability to close before you accept: down payment, lender conversations, experience.
- [x] Have a lawyer draft and review the final agreement.

08 DUE DILIGENCE

What do buyers check before they buy?

SHORT ANSWER

After you sign a letter of intent, the buyer checks everything you've told them, and often more: your financials, tax returns, add-backs, customers, contracts, lease, staff and anything else that affects the business. This is due diligence. It usually runs alongside the buyer's financing application, because the lender needs much of the same information. It's also where deals most often get repriced or fall apart.



What most owners miss

The buyer is checking whether your story holds up.

By this stage, the buyer has spoken with you, reviewed your marketing package, and made an offer based on what they were told. Now they're looking under the hood, and they're actively looking for where the story doesn't hold up. If you said growth is coming from a particular product or customer group, the numbers need to show it. If you claimed $40,000 in add-backs, each one needs support. That's why the marketing package should tell the best story about your business, **as long as every part of it is accurate.**

Anything they learn after the offer becomes leverage.

You're in a much stronger position if the buyer agreed to a price already knowing about your weaknesses. Anything they find out afterwards that hurts your story gives them a clear reason to lower the price. If you lost a large customer last month and the buyer finds out in due diligence, it's no longer the business they agreed to buy. The same issue, disclosed before the offer, usually costs far less.

> **"I was willing to pay this, until I found out that."**

Expect a lot of requests, all at once.

The buyer wants to know everything, and much of it is also required by their lender. You'll be asked for years of financial statements and tax returns, sales by customer and product, supplier and customer contracts, your lease, staff details, permits and more. Get organized before you go to market, so most of it is ready when the requests come.

Slow answers can kill a deal.

Momentum matters. If it takes you two weeks to answer each request, the buyer starts to lose confidence, the lender's approval gets delayed while it waits on your documents, and the deal can stall or fall apart. Fast, complete answers keep the deal moving and signal that the business is well run.

Keep running the business well until closing.

Due diligence and financing can take months, and it's a lot of work packed into a tight period. All the while, the buyer keeps watching your results. If sales slip because you're distracted by the sale, that gives the buyer the same kind of leverage as a surprise. The business still needs your full attention until the day it changes hands.

What to do

- [x] Disclose known problems before the offer, not after.
- [x] Make sure every claim in your marketing package, including every add-back, can be backed up with documents.
- [x] Prepare the documents buyers and lenders will ask for before you list.
- [x] Answer requests quickly and completely.
- [x] Keep your focus on running the business until closing.

09 CLOSING

What happens at closing, and after?

SHORT ANSWER

Closing is when the final purchase agreement is signed, the money is paid and the business changes hands. Getting there usually means getting your landlord's consent, making sure everything transfers cleanly, and waiting for the buyer's financing to be finalized. Closing isn't the end, either: most sellers stay on for a period to help the new owner take over.



What most owners miss

Landlords can kill deals.

Your landlord usually has to agree to transfer the lease to the buyer. For retail and other businesses that depend on their location, the landlord has real leverage: moving would hurt the business, and everyone knows it. That leverage is smaller for a business that could easily relocate. In Ontario, the Commercial Tenancies Act generally means a landlord can't unreasonably refuse to transfer your lease, unless your lease expressly says otherwise. But "unreasonable" is a high bar: a landlord can refuse if the buyer looks financially risky, and many leases set their own terms. Read your lease's transfer clause, and engage your landlord early, so you know they'll cooperate before you're relying on them to close.

In an asset sale, make sure HST doesn't apply.

Unless you and the buyer make a joint election with the CRA (Form GST44), HST can apply to the purchase price. The election is generally available when the buyer takes over at least 90% of what's needed to run the business. A share sale doesn't raise this issue. Because the buyer files the form, make sure it's covered in the purchase agreement and raise it with your accountant before closing.

Everything needs to transfer cleanly on day one.

Bank accounts, supplier accounts, utilities, software, phone numbers and permits all need to move to the new owner on the day of closing. It's a balancing act: some suppliers need to know in advance so there's no interruption, while others don't need to know until after the sale. Also check your licences and permits early. Some don't transfer, and the buyer has to apply for new ones, which can take time.

Plan how you'll tell staff and customers.

Decide in advance who will tell them, when, and what you'll say. Staff usually hear it from you, often with the new owner present, close to or right after closing. Key customers usually hear it from you, too, with an introduction to the new owner. A clear, confident message helps keep both.

Your employees' years of service carry over.

In Ontario, if the buyer keeps your employees, their years of service carry over to the new owner under the Employment Standards Act. That affects notice and severance, so buyers will factor it into the deal.

Buyers often underestimate how long financing takes.

Sometimes everything else is done (due diligence, the purchase agreement, the landlord) and the only thing left is waiting on the buyer's financing. Buyers often underestimate how long that can take. It's another reason to make sure the buyer is talking to a lender early in the process, not once everything else is finished.

The buyer needs you, and that gives you leverage.

After closing, the buyer relies on you for introductions to customers and suppliers, training, and answers only you know. They know it, so they're unlikely to push hard on last-minute terms and risk your goodwill right before they take over. Use that leverage carefully, and keep the relationship good on both sides, especially if part of your price is still to be paid through seller financing or an earnout.

What to do

- [x] Talk to your landlord early about transferring the lease.
- [x] Check which licences and permits transfer, and which the buyer will need to apply for.
- [x] Make a list of every account, contract and service that needs to change hands, and decide who needs to know before closing.
- [x] Plan how staff and customers will hear the news.
- [x] Agree who does the inventory count, and when.
- [x] In an asset sale, make sure the HST election (Form GST44) is covered in the purchase agreement.
- [x] Remember the buyer needs your help after closing. Keep the relationship good, and use that leverage carefully when final terms are negotiated.

WHITEROCK

FREE VALUATION

Thinking about selling your business?

A free 30-minute call. We'll explain what your business is likely worth and what the path to a sale looks like, honestly and in plain language.

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Phone	289-809-0709
Email	info@whiterockbrokerage.ca
Online guide	whiterockbrokerage.ca/how-to-sell-a-business-ontario

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