

The New Buyout Group

In previous editions there has been a lot of discussion around the topic of buyouts, and rightfully so, with over 20,000 businesses in Saskatchewan looking to transition ownership in the next few years. Who are the buyers for these businesses? One group not to be overlooked is our province's First Nations and Métis population.

It seems odd to call this group the “new” crop of potential business buyers, but Saskatchewan's Aboriginal population really is just emerging in terms of engagement in business partnerships. Of course, some of the most successful buyout transactions in Saskatchewan history have been completed in the past decade by First Nations and Métis ownership groups. The sawmill in Meadow Lake for example, is one of the largest undertakings in Saskatchewan's buyout history. The mill, a failing operation that was burning through cash when owned by the Province, was purchased by an employee group and the Meadow Lake Tribal Council (MLTC) and eventually transitioned full ownership to MLTC.

With renewed vision, capital investment was made to modernize the equipment and revitalize the operation to restore its multi-million dollar value. An entire industry was created across the value chain that brought prosperity to individual contractors and local communities, in addition to providing employment for several hundred people.

Another notable example is West Wind Aviation, one of the cornerstones in servicing the Saskatchewan resource industry. The Prince Albert Development Corporation (PADC) and MLTC purchased a majority interest in West Wind with a management and employee ownership group retaining significant ownership. The company evolved from a highly entrepreneurial operation to one built on a foundation of strong corporate governance policies, which, when

combined with increased capital investment, have allowed the business to expand, capture new business opportunities as the economy in Saskatchewan grows, and really become the premiere charter air service in the province. The key to both these examples is ensuring that the interests of all parties in the transaction are aligned.

There are 74 First Nations and up to 100 Métis Locals in Saskatchewan, all at differing levels of sophistication when it comes to business expertise. New and innovative programs are emerging to build capacity within these groups to create the next crop of MLTC or PADC business owners and help to ensure that investment transactions are successful.

Some of the most successful buyout transactions in Saskatchewan's history have been completed in the past decade by First Nations and Métis owners. Programs like BRIDG are working with communities to build the next generation of successful Aboriginal entrepreneurs.



Programs such as the Business Ready Investment Development Gateway (BRIDG), launched in 2009, bring together industry partners, professional service providers and investment capital to complete business transactions. BRIDG is a three-year pilot project that works closely with First Nations and Métis groups to build front-end “business ready” capacity. The premise of the BRIDG program is simple: build a foundation of policies and procedures upon which strong business decisions will be made, put the right people in place to make those decisions and ensure there is a plan in place to move forward. At the same time, BRIDG



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engages the professional community, industry and capital providers to work with First Nations and Métis communities through the due diligence process that may, in some cases, lead to their first major business transaction.

The program is driven by the motivation within these communities to become engaged in business opportunities within the province. Due to the overwhelming positive response from both the Aboriginal communities in Saskatchewan and the business community, it has recently doubled in size. BRIDG and other initiatives currently being undertaken are in place to ensure that business transactions are completed efficiently, effectively and to the benefit of all parties involved.

If you are looking to partner with this new group of business buyers, it is important to consider why buyout transactions are attractive to First Nations and Métis owners:

- **Proven business models**

Often this transaction may be one of the first undertaken by the First Nation or Métis entrepreneur. The probability of success for this transaction is greatly increased by removing some of the risk and uncertainty around the business model where, in most cases, it has already been proven.

- **Cash flow positive**

Buyout transactions most often include mature businesses that have demonstrated positive cash flow. This is important for an Aboriginal buyer as this cash flow can be used to help fund other initiatives.

- **Management transition**

The ability to maintain the expertise of existing management is important for any transition of ownership. This opportunity for management mentorship is especially valuable for new First Nation and Métis business people. If you are not ready to fully exit the business, many of these groups are interested in partnership opportunities as well.

- **Vendor take backs**

While many of the buyers in this group have the ability to access capital to fund the majority of the transaction, access to up-front equity capital remains an issue. This increases the attractiveness of a vendor take back arrangement whereby this equity capital is essentially provided by the seller of the business and in most cases will allow the seller to retain some ownership throughout the transition.

And after building your business to where it is today, you have a vested interest in watching it continue to grow. So how will these groups add value to the business going forward?

- **Focus on governance and corporate structure**

In many cases it is the entrepreneurial spirit that has made a business successful, however, the addition of strong corporate structure will help a business to effectively manage growth and capitalize on new opportunities. There is a focus within many Aboriginal groups on creating this structure and governance within their own communities, and they bring this expertise to the boardroom as well.

- **Renewed vision and access to new markets**

Many First Nations and Métis groups provide access to new contracts and markets, especially where specialized procurement strategies are in place, or in certain geographic locations. This may help to take the business in a new direction and expand future opportunities.

- **Access to a new workforce**

Saskatchewan's greatest untapped resource is its Aboriginal population. This is the fastest growing segment of our future workforce and its engagement is vital to the sustainable growth of our provincial economy.

Many entrepreneurs that have worked to build a business over their lifetime have not seen buyout transactions completed by First Nation and Métis entrepreneurs and would not have considered this group as potential buyers for their business. However, Saskatchewan's Aboriginal population is motivated to invest in businesses and is increasingly becoming equipped with business expertise and supported by capital investment to be a ready, willing and able buyer for your business.

