



ANNUAL REVIEW
2016/17

venture  *connect*

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ABOUT VENTURE CONNECT

Venture Connect is a subsidiary of 6 Island Coastal Community Futures offices and a working partner with the remaining Community Futures offices throughout BC. With priority on rural BC, the subsidiary's focus is business retention in BC during unprecedented demographic shifting and business transitions.

While Many Focus on Labour Shortages... We Focus on Entrepreneur Shortages

With economic development as our foundation, Venture Connect occupies a very unique space within the business buy and sell marketplace. We recognize the importance of local knowledge and experience and utilize our collaborative relationships with Community Futures, Economic Development Agencies, Immigration Consultants, Real Estate Agents, Brokers and Government to achieve mutual goals.

We assist:

- Business owners to prepare for the sale of their business and understand their position in the buy/sell marketplace
- Business buyers, both local and foreign, to identify and acquire appropriate businesses
- Listing agents, business sellers and economic development agencies to expose their opportunities and connect them with buyers
- Economic development agencies and government by gathering and analyzing data and providing trends in the rural business landscape

Quality and speed of service, trust, doing the right thing, paying attention and thinking and acting innovatively all matter to achieve desired results. Our diligence resulted in at least 1,132 buyer to seller connections this year, an improvement over last year and a figure to beat next year. Congratulations to BC Community Futures for processing more succession loans for a second year in a row than their counterparts in the other western provinces - combined!



GM, Venture Connect

BOARD OF DIRECTORS

Subsidiary Office

Community Futures Alberni-Clayoquot

Community Futures Central Island

Community Futures Cowichan

Community Futures Mount Waddington

Community Futures Powell River

Community Futures Sunshine Coast

Director

Lori Camire, GM
Norm Donald

Wendy Smitka, President
Jolynn Green

Cathy Robertson
Bob Annis

David Mitchell, Secretary
Vacant

Pam Krompocker
Brian Bennett

Janice Iverson
Greg Latham

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BUSINESS SUCCESSION LANDSCAPE

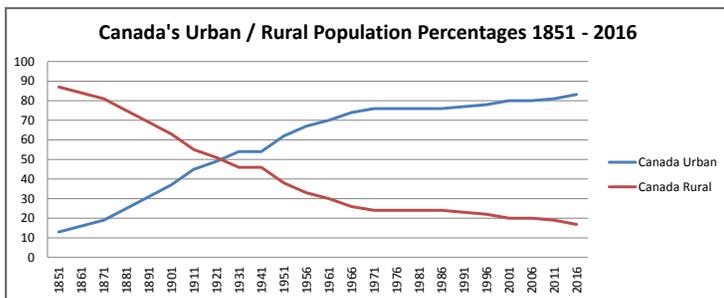
To determine what the hot sellers are in BC, one only has to look at the real estate market. Sales of residential properties in the province were at record levels over the past year. The same success did not hold true for small business sales, particularly in rural BC.

The reasons business owners face challenges when selling are many, but often it comes down to unfavourable demographic challenges. Fewer people residing in rural areas, the aging population and limited immigration are amongst BC's top contributors for this downward shift. Consumer shopping trends and increased household debt are also contributors.

POPULATION SHIFT

Reports from Census 2016 indicate in that year, 16.8 % of Canada's population lived in rural areas. That is a 2% drop from 2011, when the number was 18.8%. In 2011, BC's rural population was at 14.6%. If the downward trend remains consistent to BC, this would result in a rural population statistic of 12.6%.

First Data reports "an increasing part of rural and small urban Canada will need to plan for population declines and an aging population. Businesses will need to adjust their product offerings and governments may face challenges in maintaining emergency services, health care and social services like libraries and schools."



AGING POPULATION

BC's steady increase in its aging population poses a threat to investors looking to buy rural businesses. Why would they be attracted to a market that risks a declining consumer base? Statistics show the rural populations are aging faster than their urban neighbours.

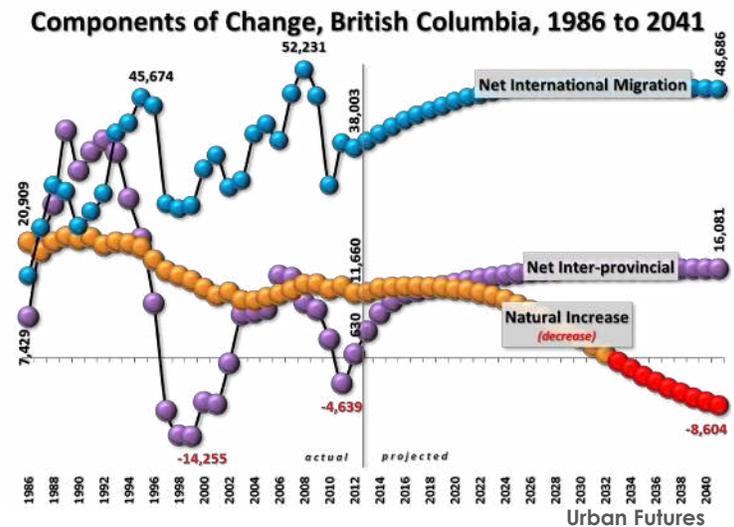
Rural BC is key to the success of BC. The multiple challenges being dealt rural areas heightens the need to act to gain outcomes that strengthen the asset that rural BC is.

THE RURAL FACTOR

Small, family-owned businesses in rural BC are key drivers of their local economies and when a business closes, the community impacts can be significant. Selling the business to new owners is the preferred option, but rural communities face challenges with this. The expertise required to determine pricing, list and market the sale and identify buyers is often not readily available in rural communities.

IMMIGRATION

Based on current trends, it is expected that more than three quarters of projected growth of the province over the next many years is expected to be through immigration.



There are many avenues supporting foreign business investment in BC. One often considered for investors planning to move to BC is the Provincial Nominee Program, a program launched in part, as a means to attract and process foreign entrepreneur applications. The program was restructured in 2015 and although the new program is well designed, the numbers are far too small to make any significant difference. The Entrepreneur Immigration Stream invited just 105 applicants in fiscal 2016/17 and numbers are expected to be similar in 2017/18.

INTER-PROVINCIAL

The challenge of Alberta's suffering labour market could be an opportunity for BC to gain an influx of younger workers and keen entrepreneurs. The Alberta labour market bottomed out in 2016 and projections indicate that while the worst is over, improvement will take the form of gradual year over year gains. Realizing this scenario, Albertans needing gainful employment in the immediate future may be lured to the BC market.

BUSINESS OWNERS

At the core of business succession is the business owners themselves who seem woefully unaware of the forces around them that will impact their likelihood of a sale. Supply of businesses for the foreseeable future will far outstrip demand. Business owners that wish or in fact need to sell will invariably have to plan, prepare and be ready to act should a buyer come along.

COMMUNITY PLANNING

While First Data noted that governments may have to face challenges with services maintenance, municipal governments may also need to consider modifying their community planning strategies. Communities may be forced to examine the volume and size of their commercial districts. At the very least some municipalities will most likely have to limit creating new commercial areas so that existing business districts can be maintained by building capacity and strength within the existing economy.

EXPORT NAVIGATOR PROGRAM

The Export Navigator Program brings hope to businesses and their communities. The program assists business owners improve their success by expanding their target market to include a broader Canadian or International market. Many businesses will have to rely on such expansion for their sustainability and in turn, support the communities where these businesses reside. The pilot program covers much of British Columbia and is showing early positive results.

- ***Between 2010 and 2015 the number of self-employed aged 55 and over increased 6.1%, while self-employment among those aged 15 – 54 fell 7.7%.***
- ***Many young people under the age of 25 may lack the skills and capital to start and operate a business.***
- ***From 2010 to 2015, the number of self-employed in British Columbia fell 3.4% which is opposite to the national trend.***
- ***Approximately 39% of small businesses are located outside the Mainland / Southwest region of BC***
- ***Between 2014 and 2015 the Cariboo region lost 900 small businesses; a drop of 7.3%***

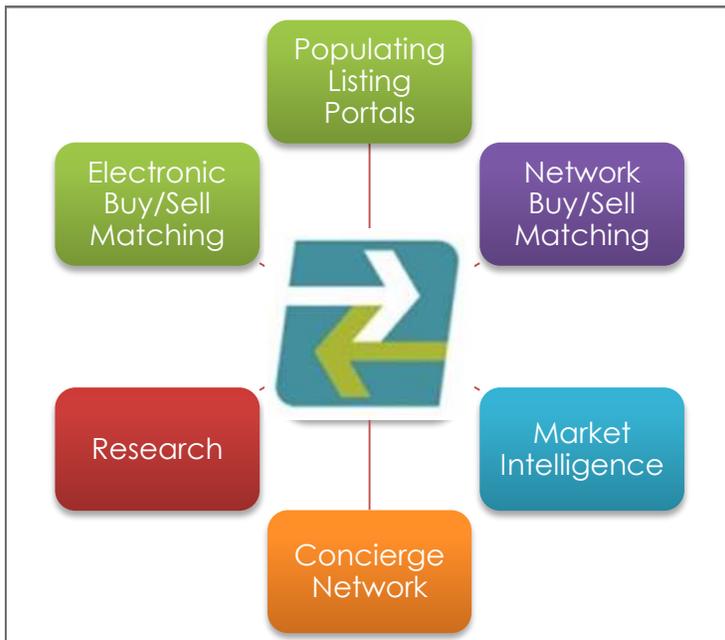
SERVICES

VENTURE CONNECT MODEL

Venture Connect is a small organization with a large impact. Our model works collaboratively with a network of individuals, agencies and government throughout British Columbia to achieve important business retention and succession results. The model provides effective and efficient delivery of services to business sellers and investors at every stage through the buying and/or selling process, regardless of the location within the province.

NEW SERVICES

Venture Connect introduced two new services to support investors last year; the business search Fan-Out (Network Buy/Sell Matching) and Investor Concierge services.



FAN-OUT SERVICE

Through our experience, we know that many investors are focused more on business potential than location. This provides an opening to present business opportunities from communities throughout the province. The fan-out works by inviting our network partners to provide business opportunities specific to our investor's profile. We, in turn present the opportunities to the investor for consideration. It's interesting to note two key results; our fan-out responses have influenced potential buyers and most opportunities provided by the network came as a result of local area knowledge where the businesses were not listed for sale.

CONCIERGE SERVICE

Venture Connect launched the concierge service as a result of two foreign investors performing research on businesses in BC. They sought transportation as they travelled to various areas and Venture Connect relied on and contracted network partners to assist. The investors were impressed with and appreciative of the level of service provided and continue to keep in contact with Venture Connect.

POPULAR SERVICES • Business Sellers

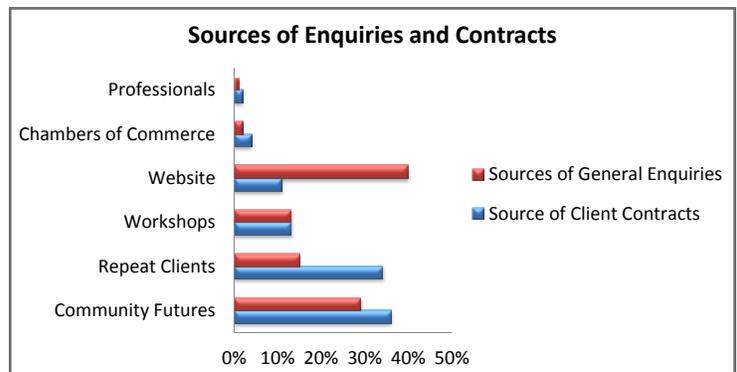
Many business owners and rural real estate agents seek Venture Connect services to support their business sale efforts. Most popular services for sellers are:

- ✓ website listings
- ✓ price determinations providing realistic business values
- ✓ business fact sheets providing summary sales tools
- ✓ sale mediation assisting sale completions

REPUTATION & BRAND BUILD RESULTS

Venture Connect's brand and reputation strengthened in the past year resulting in increased network referrals. Appropriateness of these referrals is supported by the percentage of subsequent contracts attained. In contrast the website activity is the exact opposite.

BC Community Futures loan results prove the heightened awareness of business transition where for a second year in a row, BC offices wrote more succession loans than their 3 western counterparts.

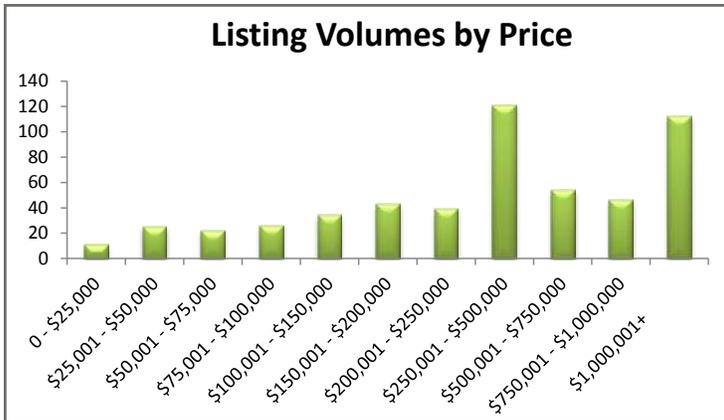
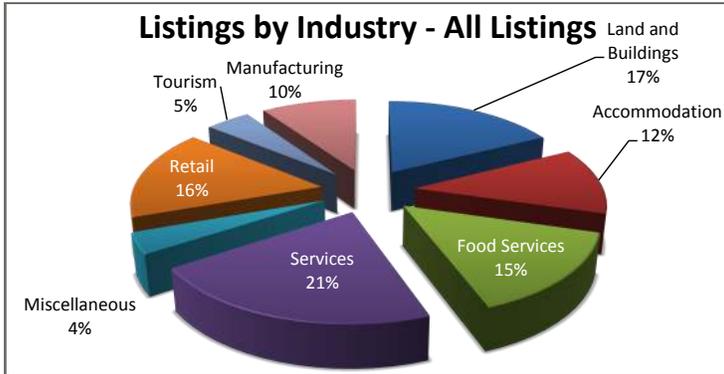


Buyer referrals went from 10% of total referrals in 2015 to 32% in 2016.

BUSINESS INVENTORY

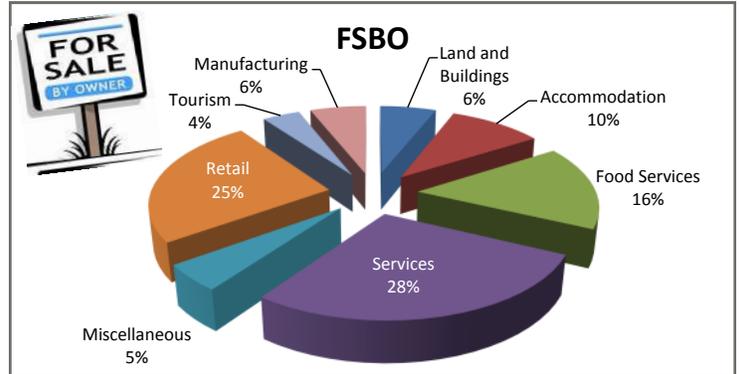
THE INVENTORY

Inventory, or business listings, is added to the website from 3 sources: business owners, REALTORS^(R) and economic development agencies. Listings are consistently updated and each year the number of listings increases. Investors can view opportunities from around the province, in most industries and at various price points.



FOR SALE BY OWNER

Last year just under 27% of listings were in the For Sale by Owner (FSBO) category, up from 19% the previous year. Cost saving is the number one reason to choose the DIY route. FSBO industry offerings differ somewhat to that of the full listing complement and it's not just the owners of small business that believe this is the correct sales strategy; many are over a million dollars.



40% of listings are priced in excess of \$500,000.

INVENTORY EXPOSURE

Through a partnership agreement with the Province of BC, listings placed on ventureconnect.ca are cross promoted on two of their websites providing additional exposure.

- ✓ Britishcolumbia.ca
- ✓ gov.bc.ca/economicatlas.ca

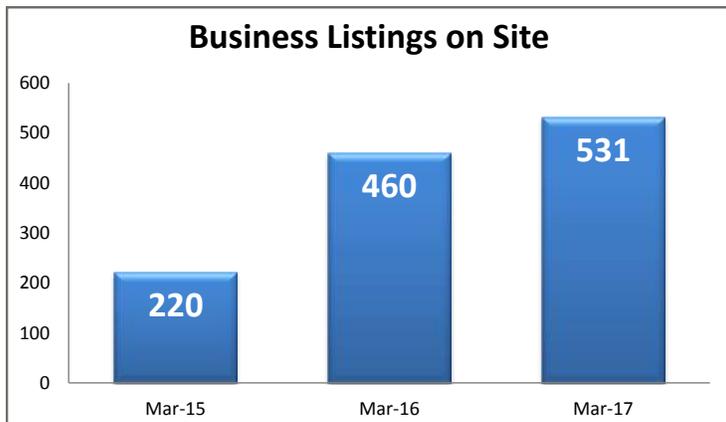
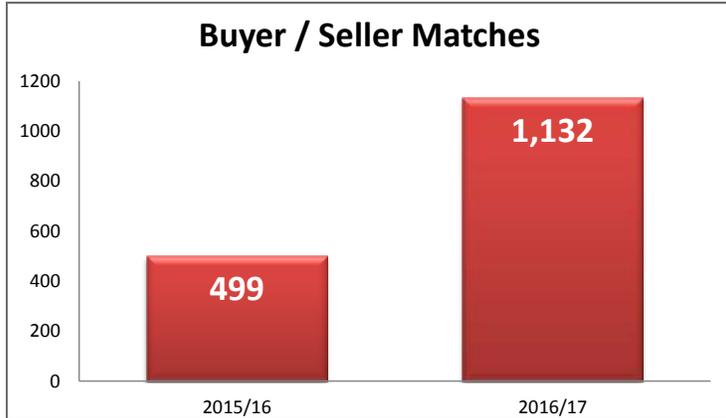


Watch for new listing & buyer / seller matching services in 2017/18.

WEBSITE ACTIVITY

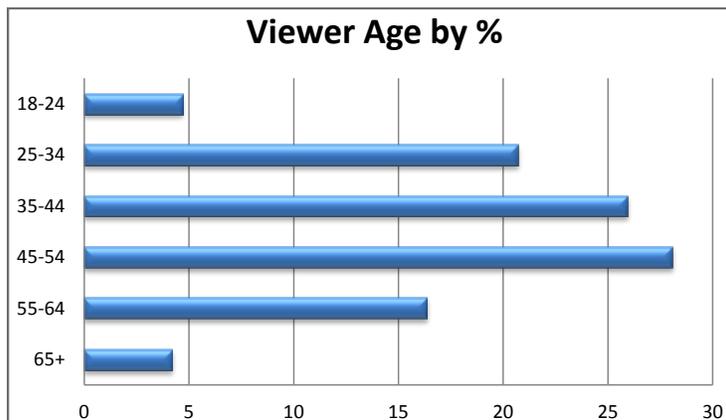
ANOTHER YEAR OF SUCCESS

Our goal is to match buyers and sellers, leaving the deal closing with REALTORS® and private sellers. Impossible to count all matches, we can confirm 1,132 matches were made during 2016/17; a year over year increase of 227%.



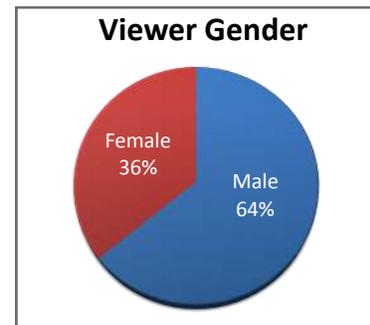
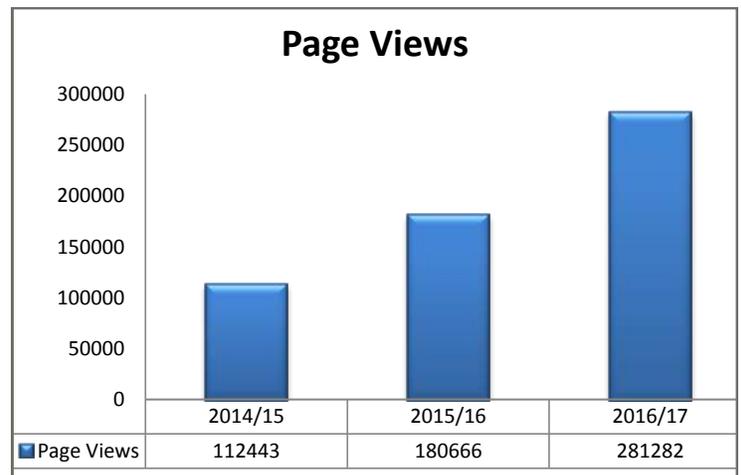
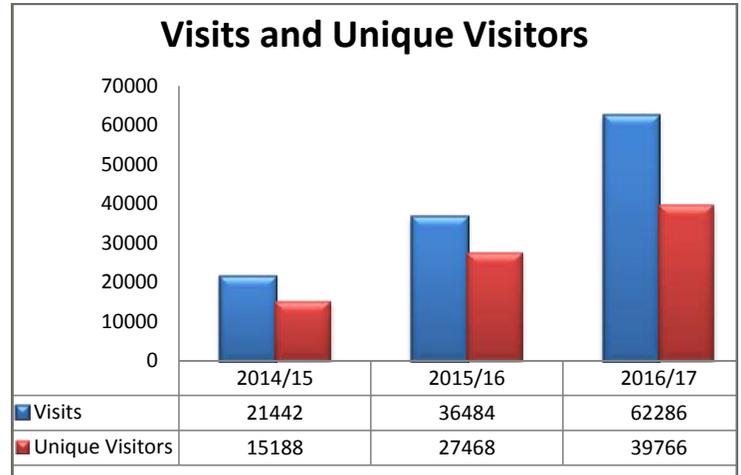
VIEWER AGE

With the majority of viewers in the 25 - 54 age grouping, our website is attracting the best age demographic for business transitions.



WEBSITE VIEWS AND VIEWER GROWTH

Website visits, unique visitors and page views grew year over year by 171%, 145% and 156% respectively.



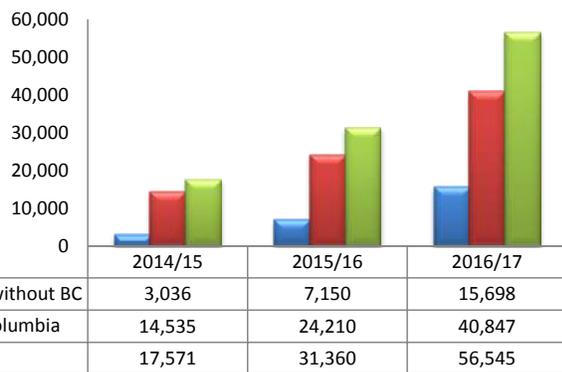
With Real Estate & For Sale by Owner listings from all regions of BC, investors advise Venture Connect is a first choice for business searches.

WEBSITE VIEWERS • CANADA

CANADA

Canada far and away leads in numbers when it comes to viewers logging on to the website. BC viewers that account for Canadian views will have varied reasons for their visits. They will be buyers, sellers, agents placing business listings and to some degree, Venture Connect employees accessing the site. Numbers from all other provinces and countries will nearly always be from the business buyer cohort.

Canadian Viewer Growth



All provinces in Canada increased viewership. With an overall view increase of 180%, Quebec had the lowest growth at 136% and the Northwest Territories had the largest viewer increase at 416%.

Canadian Web Views	2014/15	2015/16	2016/17
British Columbia	14,535	24,210	40,847
Alberta	1,533	4,454	10,869
Saskatchewan	288	831	1,502
Manitoba	182	312	457
Ontario	807	1,079	1,976
Quebec	132	340	463
Nova Scotia	24	44	134
New Brunswick	35	26	53
Newfoundland Labrador	7	9	37
Prince Edward Island	3	7	19
Yukon	13	27	105
Northwest Territories	12	19	79
Nunavut	0	2	4
TOTALS	17,571	31,360	56,545

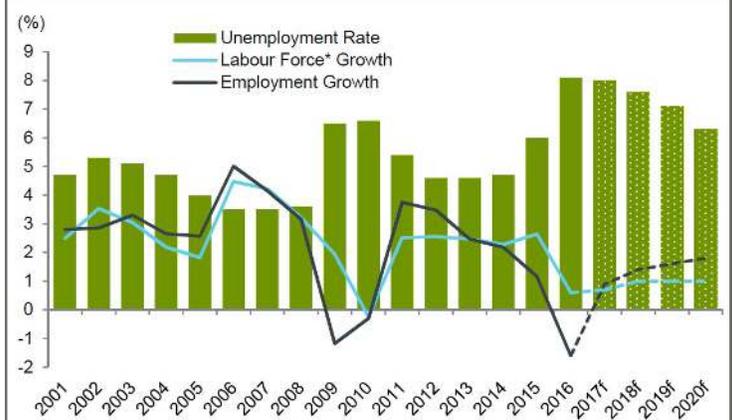
Residency, language, an understanding of how business operates along with knowledge of tax systems in Canada are attributes that make Canadian investors attractive to BC business sellers.

ALBERTA

The Alberta labour market bottomed out in 2016, leaving a large pool of qualified workers and entrepreneurs seeking opportunities. Projections indicate the worst is over in Alberta but unlike the sharp rebound between 2009 and 2011, economic improvement this time is expected to be much more gradual. Many Albertans are not prepared to wait to find secure employment. This current scenario creates a ripe market for BC to attract their much needed labour force and entrepreneurs.

Unemployment rate to ease

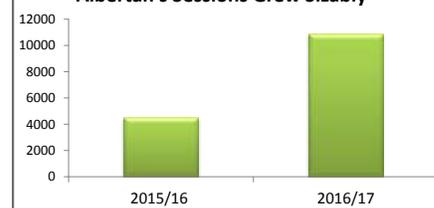
Alberta Labour Market Indicators



Government of Alberta Economic Outlook 2017- 2020

Don't think Albertans aren't looking west, they are. Our website views from Alberta jumped 244% over the previous year. Albertans now count for close to one fifth of our website views, up from 14% just a year ago. Website views from key locations in Alberta showed a year over year increase of 133%. Similar to last year, Alberta viewers generally browsed more pages and spent more time on the site than the average viewer.

Albertan's Sessions Grew Sizable



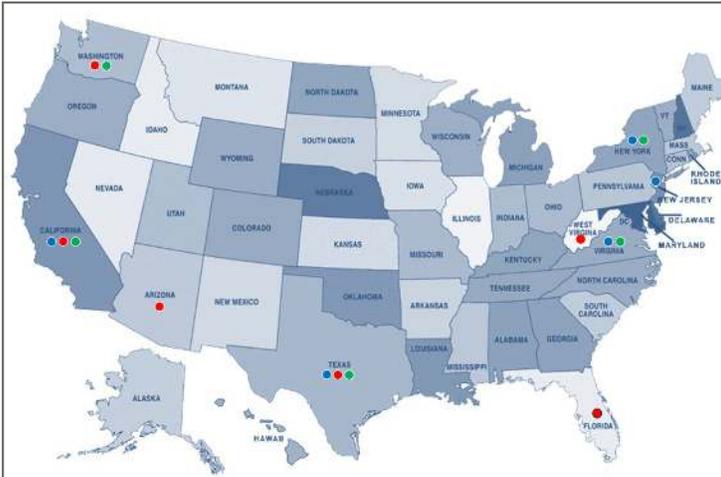
Albertans Spend More Time Viewing



WEBSITE VIEWERS • INTERNATIONAL

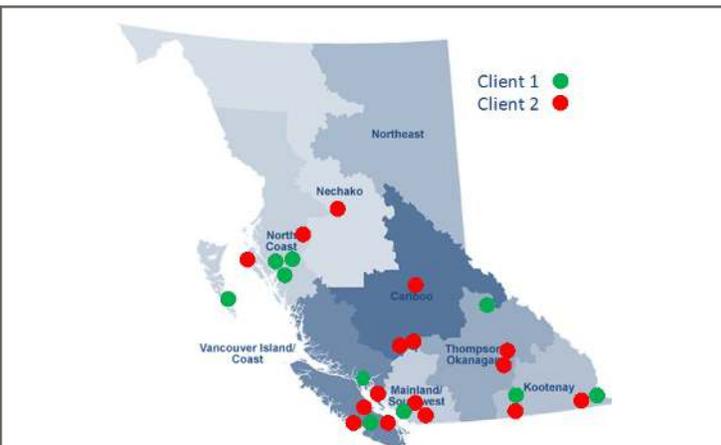
AMERICAN

Next to Canada, viewer volume from the United States came second. Although the numbers from south of the border are increasing, they are not large enough to support any degree of analysis. Interesting to note is that for the second consecutive year the most activity is derived from states on the perimeter of the country.



2014/15	Sessions	2015/16	Sessions	2016/17	Sessions
New Jersey	224	California	220	California	302
Texas	109	Washington	75	Washington	117
California	86	Texas	55	New York	110
Virginia	52	Florida	53	Texas	108
New York	43	Arizona	51	Virginia	72

Location is often a secondary consideration for foreign investors.

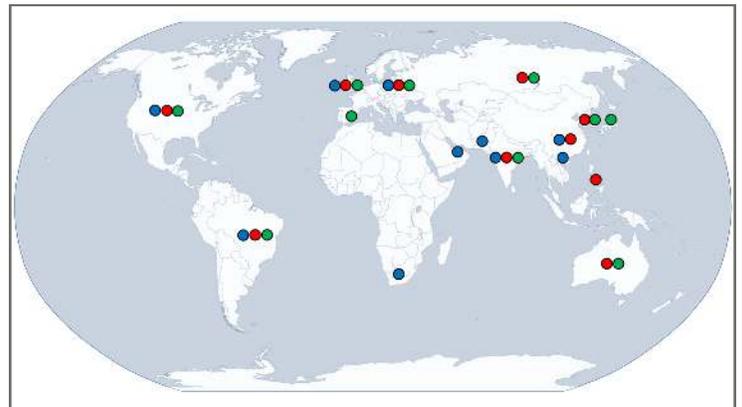


Recent business buyer clients gave consideration to a number of businesses. The business opportunities decorated the province and none was kept on or taken off their list solely due to location; rather the potential of the business was the determining factor.

INTERNATIONAL

International investors find Canada, and BC in particular, a truly desirable location. Contracts from International clients have become a solid revenue source for Venture Connect.

The colour coded dots indicate the top 10 countries with views to our site for the past three years.



This year for the first time, Japan reached our Top 10 view volume from a foreign country. Viewers from Japan visited an average of 10 pages and spent just under 13 minutes per visit indicating interest in our products and services.

2014 / 15	Sessions	2015 / 16	Sessions	2016 / 17	Sessions
United States	825	United States	1,059	United States	1,418
China	419	Germany	618	India	619
India	507	India	464	United Kingdom	417
Brazil	327	United Kingdom	163	Spain	245
United Kingdom	73	Brazil	160	Russia	173
South Africa	107	China	129	Australia	138
Hong Kong	68	Australia	120	Brazil	131
Germany	186	Russia	106	South Korea	128
Pakistan	104	South Korea	102	Germany	127
U. A. Emirates	59	Philippines	76	Japan	126

2016/17	Sessions	Pages	Duration
	Site Ave.	4.52	5.46
United States	1,418	3.18	3.41
India	619	3.77	6.02
United Kingdom	417	3.34	4.45
Spain	245	1.59	0.15
Russia	173	2.54	5.38
Australia	138	3.13	4.11
Brazil	131	2.08	2.43
South Korea	128	4.38	6.22
Germany	127	3.23	2.18
Japan	126	9.97	12.49

FINAL THOUGHTS

ECONOMIC SUCCESS OVER LOCATION BUYER PERSPECTIVE

Business buyers have one main goal; economic success. While that will encompass many facets, buyers rely heavily on their skills and knowledge and tend to search out businesses that match those attributes. Location, while important is nearly always trumped by the best business match and the need for economic success. The logic is clear, especially for investors from afar. When moving to a new country practically everything will be new. A buyer's confidence and comfort with his/her skills and industry provides a solid foundation for their business search.

ESTABLISHING A SELLING PRICE

Contrary to a common thought that business owners are unrealistically high on the price they perceive their business is worth, our experience is showing that most of the time our price determination confirms what business owners are already thinking. When Venture Connect determines a selling price for a client, factors that tend to dampen and heighten the risk to a potential buyer are provided. These factors along with our process helps owners understand how value is perceived and calculated. Venture Connect provides unbiased price determinations which are used by real estate agents and private sellers.

INTERNATIONAL BACCALAUREATE

When hearing from International clients, it frequently and quickly becomes apparent that the future for their children is paramount and weighs heavily on their decision making. While working with an International client recently, the importance of education and in particular the desire for International Baccalaureate became evident. Currently this program is not readily available outside of urban BC regions but may be a worthwhile consideration for communities targeting foreign investors.

ECONOMIC SUCCESS OVER LOCATION SELLER PERSPECTIVE

Our experience tells us that many business sellers believe their competition for buyers is with other business in or near their location. While often true for local buyers it becomes less true of distant and foreign buyers; the larger percentage of buyers. These buyers are first attracted to profitable business opportunities followed by location. To attract interest from the largest volume of buyers, business sellers are encouraged to measure their business against similar business opportunities located elsewhere in the province.

ESTABLISHING A BUYING PRICE

Obtaining a price determination is valuable for buyers as explained by a client. "I had worked for 27 years in retail management and wanted to buy a small retail business, but had no idea how to determine fair value for an existing business. The business valuation support and sale mediation services from the Venture Connect Advisor, gave me the knowledge and support needed to confidently proceed with this acquisition." The decision to move forward was a win for the seller and the buyer. But it's also a win for community locals and visitors who can continue to enjoy a retail institution that is part of the town's charm and vitality.

STALE INVENTORY

It's human nature to want to test the market to see if there's a buyer willing to pay top dollar or higher but there are risks to this practice. Like any inventory business listings can become stale, losing potential buyer enquiries, wasting buyer and seller time and providing an opportunity for potentially interested prospects to ask "what's wrong with the business?"

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