

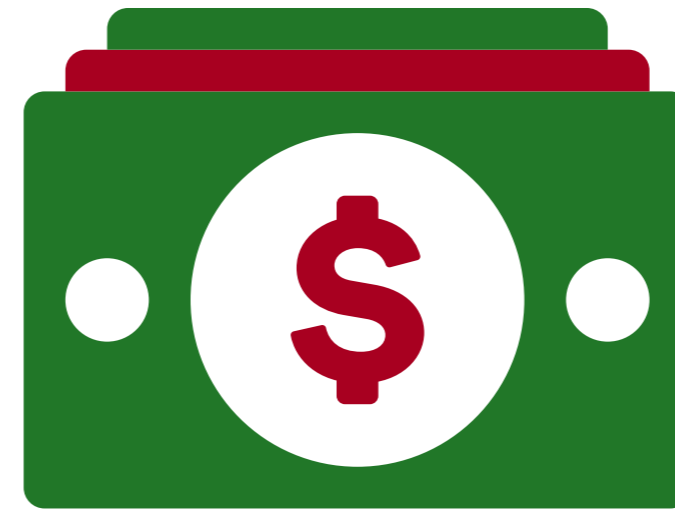
Study - January 2026

# The M&A Advantage for Canada's Entrepreneurs



# A wave of opportunity

Thousands of Canadian businesses are about to hit the market



## Companies that acquire earn four times the profits—but success takes planning

Canada's business landscape is on the brink of transformation. Thousands of companies are poised to change hands—and those who act now could fast-track their growth. Those who hesitate risk missing a once-in-a-generation opportunity. Acquirers earn four times the profits of non-acquirers, but success demands foresight and patience.

Consider this: nearly 61% of small- and medium-sized businesses (SMEs) are led by owners aged 50 or older, and almost one in five plan to exit within five years. Even more striking—one-quarter of those exits could happen in the next year.

This demographic shift represents more than \$300 billion in revenues over the next five years—a historic transfer of economic value. For buyers, an influx of businesses for sale offers a chance to scale up faster and grow their profits four times larger than those that don't. But competition is fierce: for every 10 businesses looking to buy, only seven are looking to sell—a ratio that underscores the urgency to act.

To understand what this means for Canada's economy—and for entrepreneurs on both sides of the table—let's look at the numbers behind this historic shift.

# Conditions are ripe for business transfers

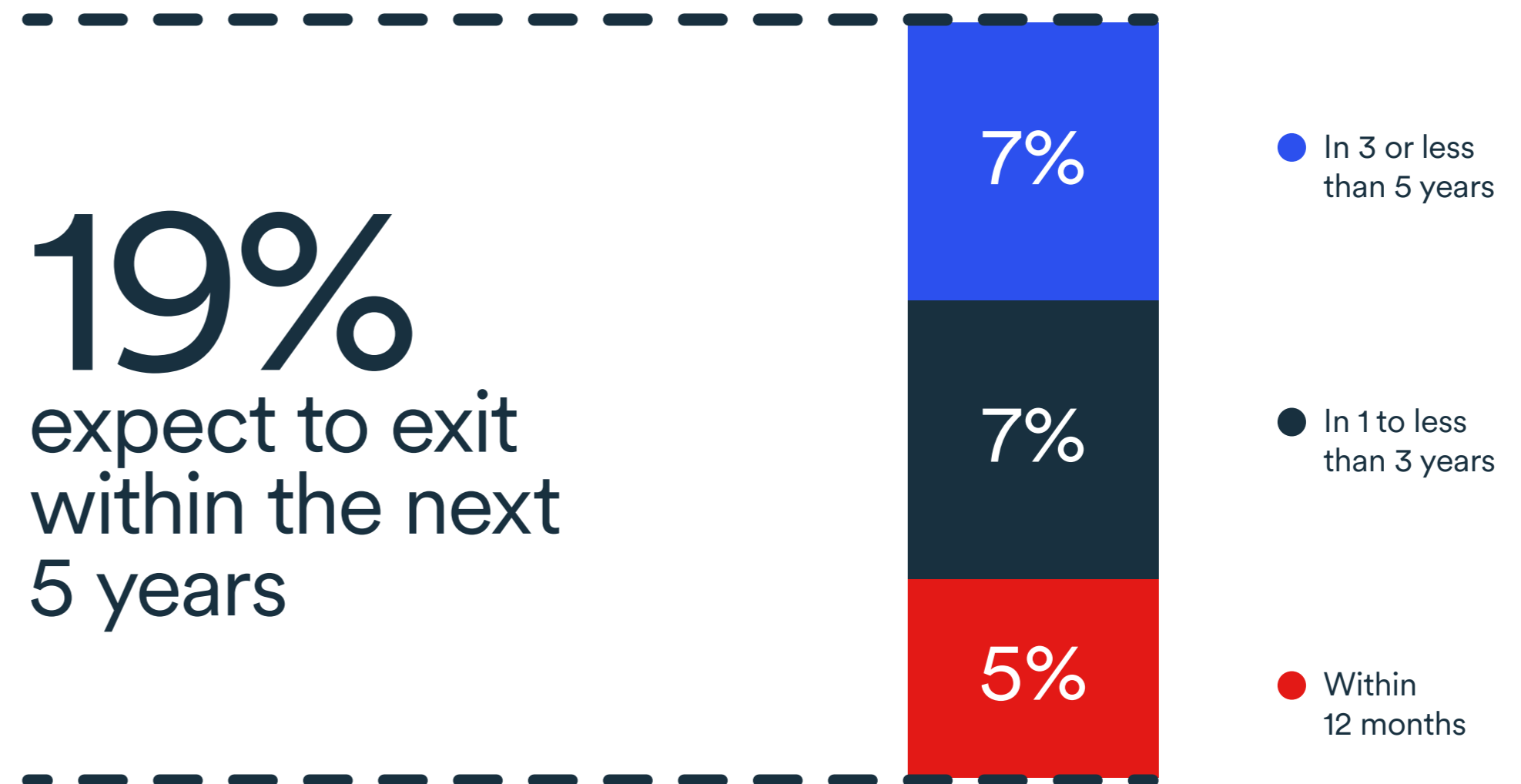


## An aging entrepreneurial landscape is opening doors

Our survey reveals that transitions will happen in nearly one out of five businesses in Canada within five years, and about one-quarter of those transitions could occur in the next 12 months (Figure 1).

The main driver? Retirement. Not surprising, given that 61% of SMEs in Canada are led by someone aged 50 or older.<sup>1</sup>

Figure 1: Business exits in the next five years by planned timeline



Includes only those very likely to exit their business

Source: BDC, Business Transition Survey, September 2025, n=2001

<sup>1</sup> Statistics Canada, [Survey on Financing and Growth of Small and Medium Enterprises](#), 2023

# \$300 billion in revenues is at stake

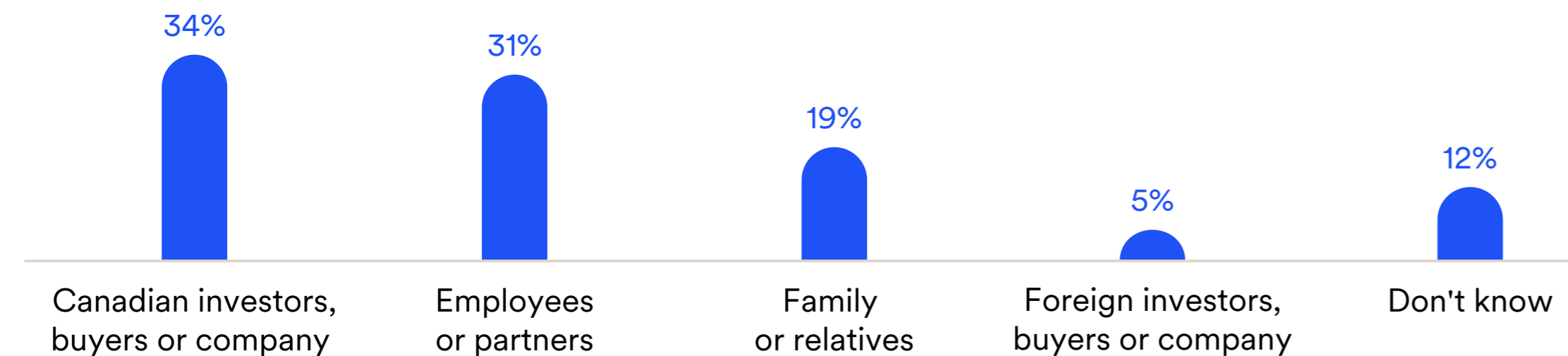
As owners prepare to exit, they are unlocking access to billions of dollars in economic value. Preserving and growing this value depends on two crucial factors:

- Finding qualified buyers for businesses coming to market
- Preparing other SMEs to absorb demand when some companies close

## Canadian buyers hold the advantage

83% of sellers expect to transition to employees, partners, relatives or Canadian buyers (Figure 2).

Figure 2: Most likely successor or buyer of the business



Source: BDC, Business Transition Survey, September 2025, n=426

# Sellers have an attractive profile

Compared to businesses that plan to close, those intending to sell generally stand out for having:

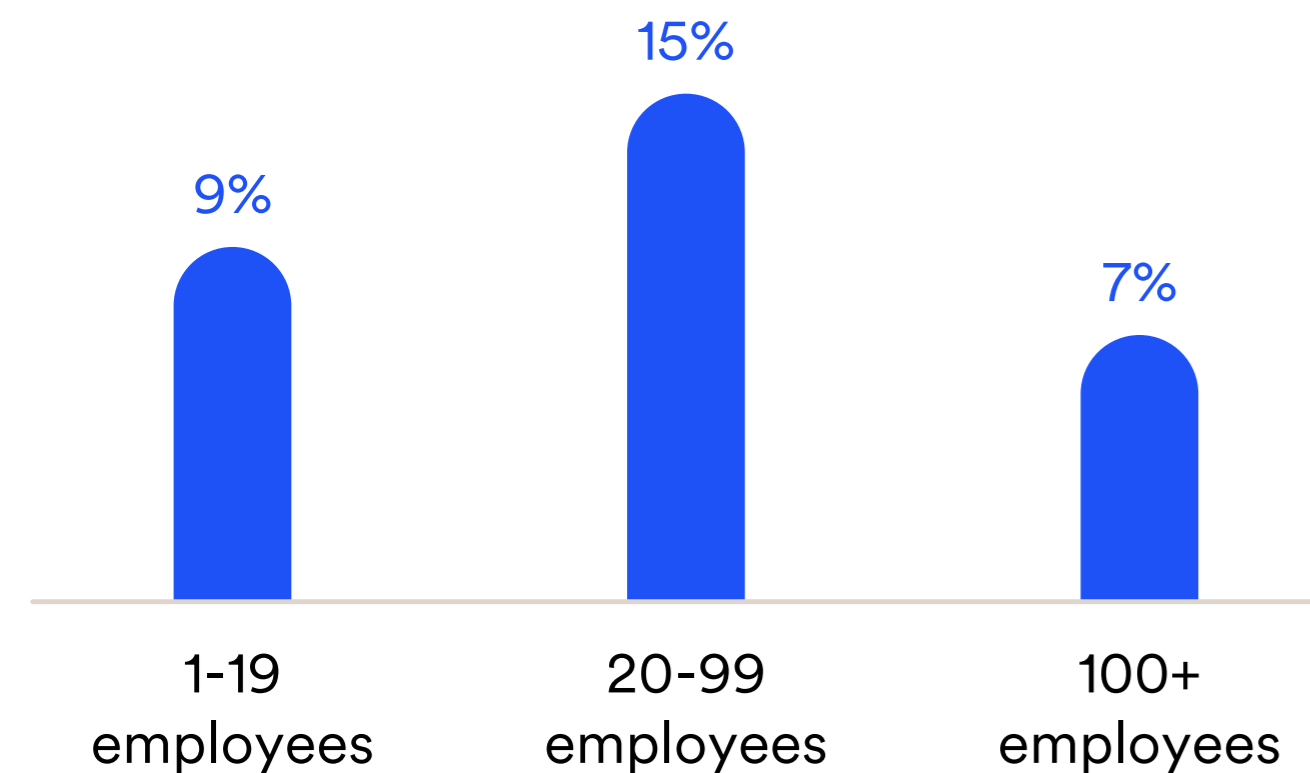
- ➔ Higher revenues
- ➔ Larger teams
- ➔ Faster sales growth
- ➔ More ambitious performance targets
- ➔ Stronger profitability

# Acquisition plans among small businesses

Business acquisition isn't only for large corporations—smaller businesses are also looking to buy other companies. This is especially true for those with 20 to 99 employees, where 15% are highly likely to pursue an acquisition (Figure 3). For these SMEs, buying another company can help them grow and reach their goals faster than growing on their own.

Ambition matters, too. Nearly 20% of Canadian companies with aggressive sales growth objectives (10% or more) say they are very likely to buy another business. By contrast, just 4% of companies with modest sales growth targets (5% or less) are likely to consider an acquisition.

**Figure 3:** Businesses planning acquisitions in the next 5 years by acquirer's size



Includes only those very likely to pursue an acquisition

Source: BDC, Business Transition Survey, September 2025, n=2001



# An opportunity to boost Canada's productivity

Smaller businesses are generally less productive and more vulnerable to economic shocks. The fact that 98% of businesses in Canada have between 1 and 99 employees<sup>2</sup> could help explain some of the country's productivity challenges. The forthcoming wave of business transitions creates a significant opportunity for Canadian SMEs to scale up, improve efficiency and realize their full potential.

## Getting everyone on the same page is key

While acquisitions can help boost productivity, the process is often lengthy and complex. One of the main challenges is that buyers and sellers typically have different expectations, which can slow things down.

For example, buyers tend to see negotiations as the biggest hurdle in an acquisition, whereas sellers are more concerned with finding a suitable successor or buyer. In addition, experienced acquirers<sup>3</sup> anticipate that the transition will take over a year longer than sellers expect.

Careful planning and preparation are essential for a successful business transition. Yet, most businesses pursuing their first acquisition are underprepared: only 5% of first-time buyers have taken at least one preparatory step, compared with 19% of experienced buyers.

## Common practices of experienced acquirers

- Seek expert advice from legal, financial and operational specialists
- Conduct rigorous due diligence to avoid surprises
- Allocate dedicated resources to manage the process effectively

<sup>2</sup> [ISED, Key Small Business Statistics, 2024](#)

<sup>3</sup> Businesses likely to acquire in the next five years and that have previously completed at least one acquisition in the past 10 years.

# Business acquisitions aren't as risky for smaller firms

Acquiring a business is often (and understandably) seen as risky. Besides being a significant and uncertain financial investment, it involves an integration process that can disrupt business operations for months.

Some studies estimate that 60% to 80% of acquisitions fail to meet their objectives.<sup>4</sup> However, these studies typically focus on large public deals, which are often complex and extremely expensive. Private and smaller deals are not necessarily as risky.

Our study aims to shed light on the impact of acquisitions, including private transactions, on SMEs. Research suggests that acquisitions by SMEs can yield different results than large public deals for various reasons.

- SMEs generally acquire smaller businesses with less complex structures, making post-acquisition integration easier.
- SME acquisitions are not as costly, leading to quicker returns and less financial risk.
- The business owner and decision-maker are often the same person or work closely together, creating better deal oversight, flexibility and strategic alignment between the acquisition and business objectives.<sup>5</sup>

Using data and analysis from Statistics Canada, we sought to answer the question: Is it worth it for SMEs to pursue acquisitions?

Our analysis included the following steps:

1. tracking a cohort of companies between 2010 and 2022 that engaged in at least one business acquisition
2. comparing their key performance metrics to those of a similar group of firms that did not acquire a business
3. evaluating the acquisition's impact on the SMEs, depending on their size

Note: We define SMEs as businesses with five to 499 employees.

We present our results as ratios indicating the relative performance of acquirers to that of non-acquirers.

Ratio	Performance on a given variable
1	Acquirers = non-acquirers
Above 1	Acquirers outperformed non-acquirers
Below 1	Acquirers underperformed non-acquirers

This approach allows us to understand how acquiring firms have evolved since the acquisition. It also allows us to isolate the effects of buying a business from other influencing factors. For example, we can compare how firms that made acquisitions performed relative to similar firms that did not.

<sup>4</sup> Global PMI Partners, *Success and Failure in M&A Execution – An Empirical Study*, 2018.

<sup>5</sup> Spyros Arvanitis and Tobias Stucki, "Do Mergers and Acquisitions Among SMEs Affect the Performance of Acquiring Firms?" *International Small Business Journal* 33,7 (February 2014).

# Acquisition boosts profits for small businesses

In previous BDC surveys, nearly half of serial buyers\* mentioned increased profitability as the main benefit of a business acquisition.<sup>6</sup> Our analysis supports this finding.

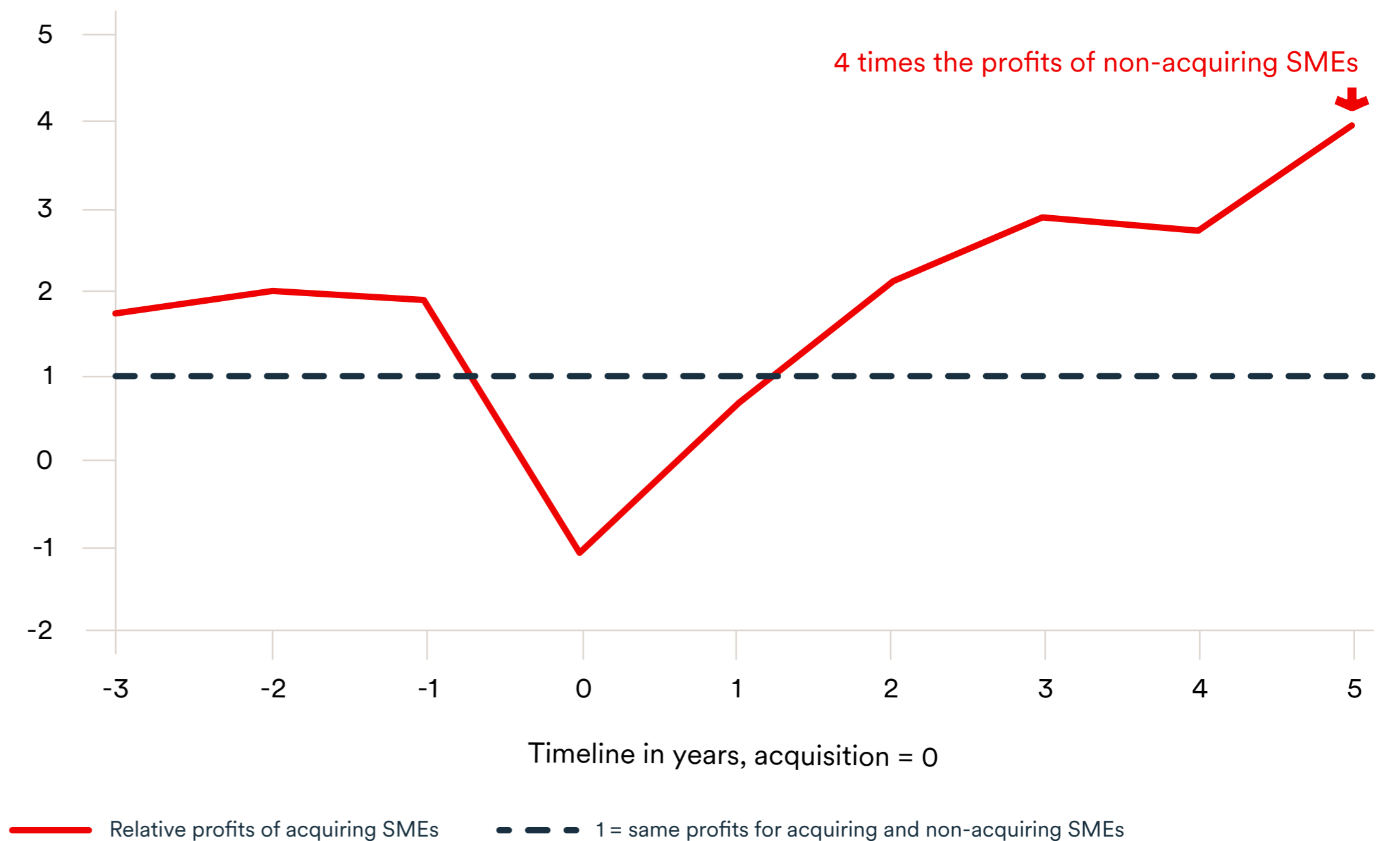
Acquiring a business is a major expense that requires a strong financial position. Although acquirers' profit position dips the year of the acquisition, it starts recovering gradually the following year. Five years after the acquisition, SMEs that had acquired other businesses reported four times the profits of similar firms that did not (Figure 4). These acquiring SMEs achieved significant synergies, gaining economies of scale and reducing costs compared with firms that grew organically.

Synergies do not materialize on their own. SMEs must plan for each acquisition phase well before the deal closes by following these steps:

- identify how the acquired business complements their existing operations
- pinpoint how this can help them cut costs and increase productivity
- plan the post-acquisition integration of the two businesses

\* Serial buyers have made more than one acquisition in the past 10 years.

Figure 4: Relative profits of acquiring versus non-acquiring SMEs over time



Source: Statistics Canada, *The Impact of Acquisition Activity on Firm Performance*, October 2024.

# SMEs in certain industries leverage acquisition to increase **market share**

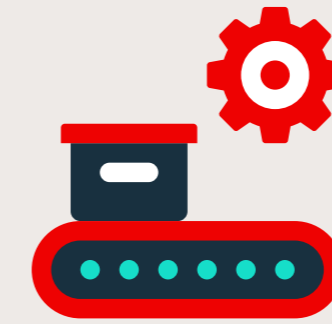
While SMEs generally pursue acquisitions to gain synergies and boost profits, businesses in certain industries are more focused on increasing their market share. Our research shows SMEs in certain industries reported higher sales five years after buying a business, hinting that they leveraged the acquisition to gain market share.

Businesses in these industries reported higher revenues five years after an acquisition than did their non-acquiring counterparts.



Wholesale trade

**1.7 times higher**



Manufacturing

**1.8 times higher**



Retail trade

**1.9 times higher**



Education and health

**2.2 times higher**

# Acquisitions deliver results, but they take patience and planning

While the long-term benefits of acquisitions are clear, achieving them takes time and a structured approach. Significant upfront costs and integration disruptions affect the acquirer's profits in the year of the acquisition.

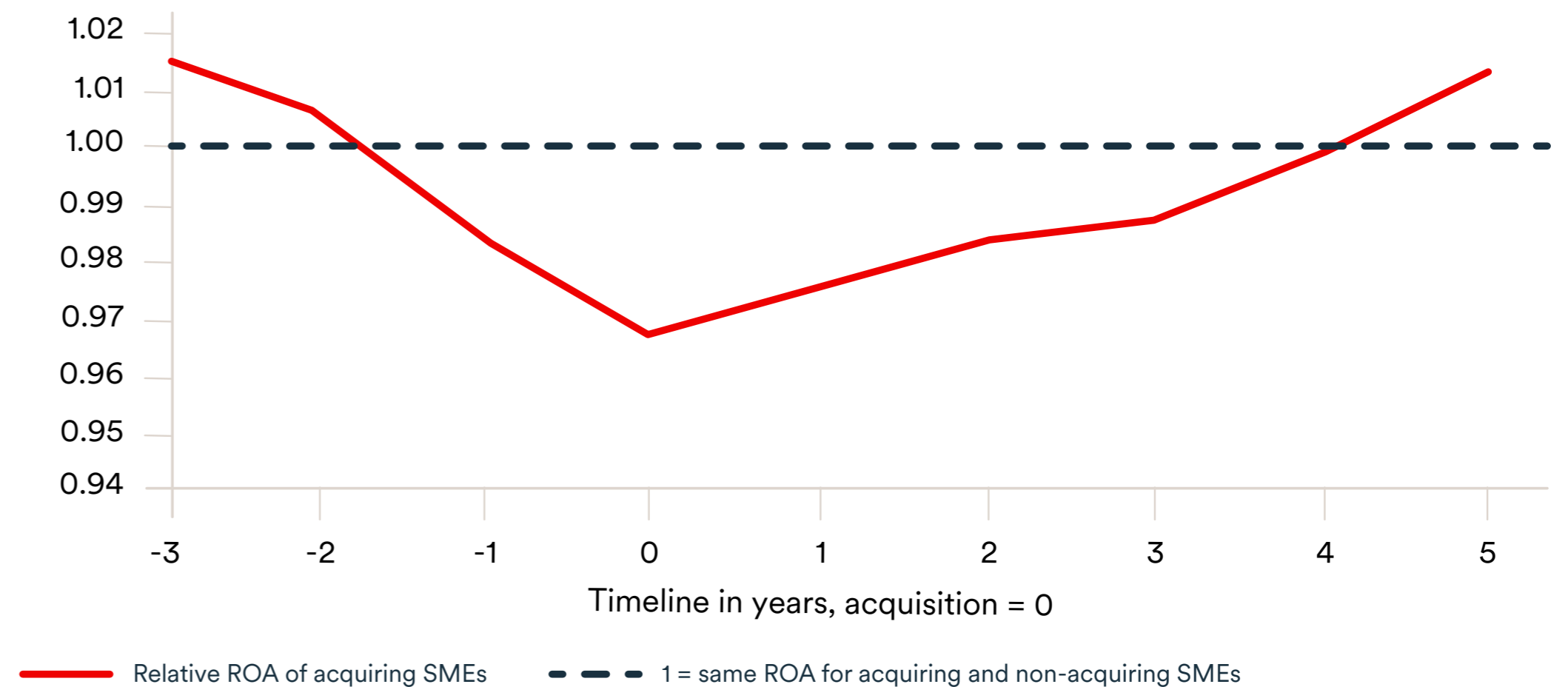
Variables affecting profits in the first year:

- transaction costs, including interest, if the deal is made with debt financing
- acquisition expenses related to legal, advisory and other services
- integration costs, such as information technology (IT) system upgrades, employee training and restructuring
- operational disruptions that affect efficiency during the post-acquisition integration period

Although acquirers generally recover the following year, it typically takes time to fully realize the benefits of the acquisition.

Return on assets (ROA) indicates how efficiently a company can generate profits based on its assets. As Figure 5 shows, the relative ROA of acquirers compared with non-acquirers takes five years to return to its pre-acquisition level.

Figure 5: Relative ROA of acquiring versus non-acquiring SMEs over time



Source: Statistics Canada, *The Impact of Acquisition Activity on Firm Performance*, October 2024

Although acquiring businesses may not generate a higher ROA after the acquisition, they still report significantly higher profits than non-acquirers. They are likely more diversified, too. As a result, shareholders of acquiring businesses should eventually earn a higher return, because investors are more interested in businesses with higher profits and will pay more for them, since purchase price is generally based on a multiple of the firm's profits. Investors will also find it easier to get financing to invest in such businesses, rather than in less profitable, less diversified firms.

# Plan early, integrate wisely

Merging two businesses with their own unique processes, tools and cultures can be challenging and time-consuming. You may need more resources—money, time and people—than initially expected. Building flexibility into your plan and preparing for contingencies will help you mitigate unexpected issues.

## 5 key steps for acquisition success

### 1. Choose the right partners

Financial partners and advisors are critical in any acquisition. Don't just focus on financing—work with partners who can help you stay realistic about the quality, value and expected benefits of the assets you acquire, so you can avoid problems later.

[The right financing package can help you remain on solid ground](#) throughout the integration process until you realize the full benefit of the acquisition. Having reliable financial partners, flexible terms and a comfortable liquidity margin can help you navigate any turbulence resulting from the transaction.

### 2. Clarify the “Why” and expected synergies

Make sure teams understand the rationale behind the acquisition and the synergies you aim to achieve. Remember, your leaders may not have participated in the decision-making process, and the acquired team definitely did not. Clearly communicating expectations upfront can prevent misalignment later on.

### 3. Develop a Target Operating Model (TOM) and integration plan

Your TOM should reflect strategic objectives and the cultural considerations. Pair it with a detailed integration playbook that includes milestones, responsibilities and retention strategies for key leaders.

### 4. Monitor the integrated business's performance

Optimizing the synergies between the acquiring and acquired businesses is crucial to achieving the full benefits of the deal. Synergies yield cost savings, larger market share and enhanced capabilities.

Monitoring and evaluating the integrated business's performance is critical to ensure it meets your objectives. Establish clear metrics and key performance indicators (KPIs), implement a robust monitoring system, and review performance regularly. Foster a culture of continuous improvement to keep things on the right track.

### 5. Use the right spokespeople for communication

Build a communication plan that uses credible leaders from both businesses to inform and reassure their clients, suppliers and employees. Address cultural differences openly to maintain trust, including practical steps like cultural workshops, leadership alignment sessions and early engagement with employees.

For more useful tips and practical resources, access BDC's free [Business acquisition toolkit](#).

# This IT business is boosting its profits thanks to an acquisition

How can an SME grow its revenue by 40% in one year? With an acquisition. This is what Rhesus did, an IT services and solutions firm in Victoriaville, Quebec. The company bought Québecom, a Sherbrooke-based business operating in the same sector.

“Our annual growth is typically around 13 to 15% because we always hire some new talent. But with the acquisition, we got 12 experts all at once who were already busy with their clients. Plus, with the two teams joining forces, we’re able to go after more business,” says Vicky Beaudoin, Vice-President and General Manager of Rhesus.



# Choosing the right business to acquire

Rhesus management was well acquainted with the Québecom team prior to the acquisition. “We’re part of the same professional body,” explains Beaudoin. After agreeing on the idea of an acquisition, the Rhesus management team carried out due diligence to ensure that Québecom was not in financial difficulty.

When discussions were first initiated in May 2023, Rhesus laid its cards on the table: the goal of the transaction was not to eliminate jobs but to keep the entire team and continue to grow together. Next, Rhesus management wanted to meet with Québecom’s key employees. “I needed to speak with these people to see if they adhered to Rhesus’ values and very people-focused culture,” explains Beaudoin. “I wanted to make sure they were willing to stay in their jobs. We were ready to invest a few million dollars to acquire the company, but if the staff wanted to leave when the transaction was done, the project would have lost all its added value.”

# Managing employee expectations

The next step was to invite the whole team to a cocktail reception at Rhesus to build relationships. “We wanted these people brimming with expertise to talk to each other about how they worked so that we could preserve the best of both approaches.” This major alignment phase lasted about a year. “We had said from the get-go that the first year would involve lots of ups and downs,” says Beaudoin. “I had also mentioned that it would take a lot of listening and that we had to have the mindset that everyone was well-intentioned and working for the good of the organization.”

“Managing emotions was definitely difficult at times, but the employees felt heard, and we didn’t lose anyone in the process.”

Vicky Beaudoin,  
Vice-President and  
General Manager, Rhesus



# Collaboration that’s paying off

The transaction has also enabled Rhesus to do more with less. Two accounting employees left the company at the time of the acquisition.

“We didn’t replace them because our team was able to handle their work,” says Beaudoin. “So, we’re saving two salaries.”

Rhesus is also now benefiting from a larger volume of business, enabling it to get better prices and improved support from its suppliers.

The productivity gain in accounting and the better prices from suppliers partly account for the increased profit margin.

Plus, the combined strength of the two companies has made it possible to develop new markets. With its team of around 10 people, Québecom used to refuse contracts. For instance, the company wasn’t accepting jobs with manufacturing businesses. But Rhesus is highly active in this sector and has developed expertise in it.

“Now we search out many new manufacturing companies in the Sherbrooke area. We’ve also set up an office in Mirabel, a region with a lot of manufacturers.”

So, Rhesus’s 40% growth in one year isn’t solely due to additional revenue from Québecom.

With the first year of alignment now behind them, Rhesus plans to focus on getting its various teams working together more efficiently.

“We want people who are in similar roles in the different offices to work in small committees, talk to each other and find ways to collaborate more effectively to better meet clients’ needs,” says Beaudoin. “There’s definitely room to increase our combined strength.”

# Telephone answering service doubles company, boosts profit after acquisition

In its early days, Telelink, a telephone answering service company headquartered in St. John's NL, operated out of Sydney Ryan's family home. Co-CEO Cindy Roma joined in 1996, bringing expertise in staffing call centres that served companies like Purolator and UPS.

As Telelink approaches its 60th anniversary, it still aims to provide stellar call-answering service, but with a more modern approach. Technology has allowed them to provide business process outsourcing, including serving as front-end communications for over a thousand companies across North America.



Sydney Ryan and Cindy Roma,  
Co-CEO and Partners,  
Telelink

# Acquiring another business to speed growth

Over the past 25 years, Ryan and Roma have grown the business from 12 to 150 employees across two provinces. Many staff work in the Calgary office that once belonged to Big Sky Call Centers. In 2022, Telelink acquired that company and began folding it into their existing operations.

“We’re big in the oil and gas and energy sector in Newfoundland and we also have clients in Alberta. We wanted to acquire a business in Alberta to serve those customers and grow that business,” says Roma.

They chose Big Sky because it had similar clients and 25 experienced employees. “They’d been operating for 30 years and had [...] a really good group of people. They were knowledgeable and had a good reputation locally, a good lifetime value with customers and low churn,” adds Ryan.

# Lessons learned from the acquisition process

## → It takes time to transition

“We intentionally left 6 months where we let [Big Sky] exist as it was so we could learn how they operated and how we could integrate it into Telelink,” says Roma, adding that they underestimated the timeframe. “Earning that trust and creating that bond from an employee perspective took time, and it’s still ongoing. An established company with an in-house team takes a long time to integrate.”

## → Customer relationships require trust-building

“We also underestimated the time it would take to earn the trust of Big Sky’s customers. There are cultural differences between companies and provinces, and people’s expectations differ,” says Ryan, adding that it’s important to be aware of the disruption an acquisition can cause them.

## → Centralizing work takes time

One of the ultimate benefits of an acquisition is eliminating redundancies. Roma and Ryan say that didn’t happen until two years into the integration with Big Sky. “We earned less money than we could have in the first couple of years, but you can’t rush becoming one culture, one process, one technology,” says Ryan.

## → Transferring knowledge is a challenge

“The new team had a lot of information about processes and customers in their heads,” says Roma. “It took time to get that knowledge into systems that would allow us to build on it, not to lose it via natural attrition.”

## → An acquisition can take a toll on existing staff

Throughout the acquisition process, members of Telelink’s core administrative team were drafted from their daily responsibilities, which was demanding on them. Ryan says they had underestimated the ask, but were lucky that their team understood the importance of the acquisition and were committed to growth.

# Benefits of the acquisition

While it took some time, Roma and Ryan say 2024 was their strongest year yet in revenue and profit. “Big Sky brought us from 500 to 800 clients. This is growth we couldn’t have achieved without an acquisition,” says Roma. “And in the years since, we’ve grown to over 1,000 customers, effectively doubling in size since 2022.”

Other advantages include deepening their knowledge of specific verticals. With more volume in one type of business, they can better understand what those customers value the most.

They’ve also found synergies in customer service by consolidating and centralizing that function.

“We have much more robust service now because we [...] had to figure out a way that was the most efficient for everybody. We took the best from both [teams] and consolidated so there’s one stream.”

And with account managers located in Calgary, Telelink is better positioned to sell and service throughout Alberta in a way they couldn’t from Newfoundland.

**“We’ve definitely increased our footprint. We’ve earned business we otherwise would not have. Having a physical presence has made a big difference.”**

Cindy Roma,  
Co-CEO and Partner,  
Telelink



# Methodology

The results presented in this report were estimated by a trusted third party, Statistics Canada. The estimates provide an independent and reliable assessment of business acquisition impacts on Canadian firms.

Statistics Canada used the National Account Longitudinal Microdata File from 2010 to 2020 to create the treated (acquirers) and control (non-acquirers) groups, but tracked their financial performance until 2022. This administrative database incorporates business tax records with information from the Business Register, and the Survey of Employment, Payrolls and Hours. Statistics Canada used this database to retrieve information on the variables of interest for the study (revenues, sales, employment, productivity, profitability, return on assets (ROA) and exports).

Statistics Canada used a matching method to create a control group similar to the treated group before the acquisition. This method used propensity scores based on the means of key firms’ characteristics: age, revenues, profits, ROA, number of employees, productivity, total debt, profit margin, total expenditure, industry and region. The means were computed for the three years prior to the acquisition.

Finally, Statistics Canada carried out regression analyses to determine whether the performance of acquiring firms differed statistically from that of non-acquiring firms, and to measure the amplitude of this difference, if any, on the variables of interest.

We presented the main results with a statistically significant difference. BDC transformed the results presented as percentages into ratios of acquirers to non-acquirers for easier interpretation. BDC also followed the recommendations of Statistics Canada and pooled the estimates for the firm size categories below 500 employees using a weighted average to represent the aggregate result for small and medium-sized businesses.

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