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# Business Buyouts – A Breath of Fresh Air For Our Economy

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The Trump administration's attack against the Canadian economy may have more than just economic consequences. In addition to pointing out certain shortfalls in that area, there could be serious political and social repercussions, as well.

There were warning signs in regard to our productivity deficit. In 2005, the *Manifeste des lucides* urged us to be more productive and called for a "work environment that encourages performance and innovation." Now we are being challenged to jump into action and take control of our economic future. We need to make a fresh start, and that means innovation and investment.

**The efforts of Québec entrepreneurs have led to some impressive advances, particularly within large companies. But now we are facing the prospect of massive transfers of those businesses to the next generation.**

According to the latest estimates, there were more than 24,000 Québec businesses whose owners wanted to sell in 2024.

This was not a surprise, as the number of businesses transferred since 2021 exceeded the number created. This is a worldwide trend that emerged during the COVID-19 pandemic and was accentuated by the logistical requirements to adapt to changing markets. Compounding this are the effects of demographic change, as a large number of entrepreneurs reach retirement age. We are witnessing a true generational shift, and we should be pleased with the opportunities opening up for the next generation. But this transition must harness the driving forces of Québec's economy to ensure its success – innovation and productivity are key to the viability of our future prosperity.

This is where a collective approach to business buyouts comes into play. They are essential to the health and vitality of an entire economic sector. As we have seen over the past few years, this phenomenon is already underway.

**The transition will not be easy. Buyouts must be able to count on the mobilization of key players in Québec's economy, whose financial support is essential.**

A number of them are already hard at work, including institutions such as the Caisse de dépôt et placement du Québec, the Solidarity Fund FTQ, our network of banks and *caisse populaires*, as well as Investissement Québec. Private equity funds and family offices are also making a considerable contribution. Through their strategic, operational and transactional advice, accounting, financial advisory and law firms will increasingly assert themselves in their role as transition facilitators.

## Taking advantage of business opportunities

At a crucial point in its development, a buyout offers a business the chance to move forward with renewed life, often able to count on a solid base, experienced employees, an established customer base and a solid reputation. The challenges lie mainly in financing, human resource management, modernizing activities and opening up markets. New leaders must adapt to changing market realities and the contribution of new technology, such as artificial intelligence. These are all opportunities to reinvent ourselves, accelerate growth and diversify. To fully reap the rewards, we must combine the experience and values of the founders with the energy, talent and new ideas of the next generation.

**These challenges require preparation. Stakeholders must put in place the training and skills required for the buyout process.**

Buyouts are key to an economic strategy based on diversification and increased productivity. They present a unique opportunity to renew our economic fabric while preserving the entrepreneurial heritage of previous generations and its community footprint.

The same applies to governments, who must review their strategic involvement in this transition. In addition to funding training programs, they need to think beyond their traditional roles and devise tax measures that encourage business transfers.<sup>1</sup>

**A word of advice to entrepreneurs who, sooner or later, will be called upon to transfer their business: a sale is not a simple transaction. It must be planned and organized.**

Entrepreneurs should be prepared to discuss the future with their families, management teams, boards and employees. This will help broaden their horizons and create business synergy.

Our message to young Québeckers is this: You have the power to transform our society and build a resilient, prosperous and innovative Québec. Step up, innovate, buy a business and take your ambitions to the next level. Our collective future depends on your creativity, courage and enthusiasm. The next step is up to you.

<sup>1</sup>While we applaud the decision to backtrack on the increase in the capital gains inclusion rate, we need to be more innovative from a tax perspective, for example by allowing at least the deferral of a portion of the tax payable on a pass-through to future generations or a sale to employees, or by providing a tax advantage when someone reinvests in a business transition, including in institutional funds or private equity funds focused on buyouts. Some of these suggestions were part of the recommendations in the Séguin report on maintaining head offices in 2014. It is time to bring them back to the forefront.