HOW TO MAXIMIZE THE VALUE OF A BUSINESS BY THE BEST USE OF INVESTMENT BANKERS

By Mayfair Securities, LLC

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PRIVATE INVESTMENT BANKING

When asked what we do, the reply "investment banker"; is not always fully understood. So we thought that we would devote this newsletter to a clear explanation. Most of our activity is the representation of the owners of companies with $20 million or more of revenues who are contemplating a liquidity event. That is the focus hereafter.

Other than the common mistake that we somehow manage investments, the other major misconception is that our sole purpose is to find a buyer or investor for our client's business. This is, in fact, only a small part of what we do.

When used properly, investment bankers are the quarterbacks for major liquidity events in a company's history. We should be the first professionals consulted when such a process is envisaged. Sometimes that means three years in advance of the event. Optimally employed, we should do at least the following long before "going to market":

1. Work with the client to assess and improve financial systems and procedures. An audit does not mean that systems are adequate.

2. Realistically identify gaps in management (and often help fill them).

3. Assemble a first rate group of transaction-savvy professionals including lawyers, accountants and tax specialists (If not already there).

4. Identify value-adding improvements to the business model. This can include strategies to reduce customer concentration; execution of long term contracts with suppliers and/or customers; spin-out of certain assets or businesses to maximize value.

All of the above takes time, often two years before an active liquidity event process can begin. But it is well worth it. The private equity professionals who dominate the merger and acquisition world today have clearly demonstrated their willingness to pay a premium for companies which have taken the steps above. This can mean tens of millions of dollars for the prudent seller.

Once the active process begins, we advise clients to expect a highly intensive 6 to 12 month period. Our work is divided into the following phases.

1. Prepare a confidential information memorandum containing both history and projections. We identify and validate "add-backs" to EBITDA. For example, in a recent assignment we advised a client that a change in an unusually generous medical benefit plan, which no buyer would continue, would increase the sale price by $5 million.

2. Contact qualified buyers and disseminate information. Using our proprietary databases, we will isolate the most appropriate candidates worldwide, both financial and strategic.

3. Select shortlist of interested parties and conduct auction (or negotiation, if that is determined best strategy).

4. Manage due diligence and documentation with ultimate winner.

5. Remain involved in post-closing representation and warranty period (18-24 months after closing).

Throughout the process we find it best if we are authorized to be the primary point of contact with the prospective buyers. This permits our clients to continue to run their businesses effectively, which is critical since missed projections during a sale period can kill a deal. Further it avoids contradictory statements being made to a buyer which can erode confidence. Finally, it allows clients to avoid difficult, sometimes antagonistic, situations with people they will need to work with after closing.

We hope you can see from this that it is essential for us to meet companies long before they are ready to act. So the next time someone to whom you are a trusted advisor says "I'm not ready to talk to an investment banker yet," perhaps you could persuade them otherwise.

We will work hard to reflect positively on our introducers. We take our motto very seriously.