

# Specialized Services for Financial Institutions

business  
360 

## Provider of quality research and analytical services

- **Clients include hedge funds, banks, Fortune 500 corporations, global professional services firms and more**
- **Founded in 1999, in New York**
- **Rationale:**
  - **Variable cost with an outsourced model: allows clients to increase analytical and/or functional capacity without additional fixed overhead**
  - **Access to domain expertise, functional experience**
  - **Versatile analytical capabilities delivered on a flexible basis; hourly, weekly, monthly, or deal basis**
  - **Custom tailored engagement for client-specific needs**

## Range of services for financial institutions

- **Services for investors, intermediaries and company management:**
  - Private Placements of equity, debt and hybrid securities
  - Public debt market analysis (High Yield Research)
  - Buy-side equity analysis and portfolio management
  - M&A transactions, asset purchases
  - Extensive international experience

## Core deliverables form essential components of deal work

- **Fundamental business analysis**
  - Due diligence of business model: revenue growth potential, margin assumptions
  - Validation through customer and supplier contacts
- **Fundamental financial analysis**
  - Valuation, credit metrics/potential debt capacity
  - Assessment of asset base and quality
- **Capital structure analysis and restructuring**
  - Debt level, structure and terms; warrant exercise & conversion terms
  - Restructuring terms of issued and outstanding securities is frequently required to secure capital through private placements
- **Deal management**
  - New deals or workouts of existing investments

## Helping investors cope with the rise in pressing workload

- **Evaluation of new deals or trade ideas**
  - Review potential new deals for investment decision process
  - Pick up new names/new sector for trading
- **Deal management**
  - Administer deals through the investment process
  - Expand the number of investment opportunities evaluated by the investment committee
- **Problem assets**
  - Take over management of problem assets which have become a distraction and drain on resources for the core investment team

## Services to help intermediaries free resources for more urgent needs

- **Core banking functions**

- Due diligence
- Presentation preparation
- Handling investor questions & information requests
- Preparing management for and accompanying them to investor meetings
- Evaluate term sheets and/or LOIs
- Advising management throughout the deal process

- **Special projects or advisory mandates**

- Projects which fall outside the core specialties of established internal teams
- Projects which require coordination between two or more internal teams
- Projects which require attention but have become an excessive distraction to the core internal team

## Services to navigate capital management

- **Assist in approaching potential investors or transaction counterparties**
  - Formulate a clear business description and value proposition
  - Develop a clear and compelling presentation of the business and value proposition
- **Develop analytical presentation and value proposition**
  - Create a functioning financial model
  - Coordinate supporting analysis (cost schedules, sales forecasts etc.)
  - Establish asset value and identify any problematic capital structure issues
- **Prepare management for due diligence**
  - Accumulate and organize documents that validate the financial model (contracts, purchase orders, LOIs, white papers, IP, etc)
  - Prepare management and company suppliers and customers for validation calls
- **Additional services to assist CEO/CFO with forecasting and financial controls**

# Experience

## Experienced team

**Our researchers have worked at many of the top names in the field of finance, including Goldman Sachs, Morgan Stanley, UBS, Barclays, Credit Suisse, Blackstone, as well as companies in related fields; Ernst & Young, PricewaterhouseCoopers, AIG and more.**

**Our analysts also have experience at top institutions and have relevant post-graduate qualifications (MBAs, CFAs, CPAs...):**

- Harold Huffman ([harold.huffman@business360.com](mailto:harold.huffman@business360.com)) has worked in finance for over 15 years with spells in the US, France and Russia, leads our financial services team (see sidebar).
- John Marchant ([john.marchant@business360.com](mailto:john.marchant@business360.com)) runs Business360 in the US. He has some 20 years experience working in the fields of economics, consulting and finance advising many leading companies.
- Roger Sharp ([roger.sharp@business360.com](mailto:roger.sharp@business360.com)) runs Business360 operations in Europe. Roger is an economist who has consulted and advised clients across a wide range of sectors and countries.

### Harold Huffman Bio

#### Stonegate Securities

*Corporate Finance, Dallas / New York*

- Due diligence coordinator, sales desk analyst; Private Placements, M&A

#### GE Real Estate

*Financial Consultant, Santa Fe, New Mexico*

- Working directly for SVP/Head of GERE Pricing, led a project to analyze and improve pricing policy for on-book structured loan products

#### Sovlink

*Institutional Equity Sales, Moscow Russia*

- Established Russian Merchant Bank, start-up Institutional Equity desk, responsible for expanding coverage of U.S. and Western European clients

#### Global Property Advisors

*Senior Analyst/Assistant Portfolio Manager, New York*

- Investment fund focused on listed equities of real estate companies; responsible for coverage, analysis, trading and portfolio management of International holdings (> \$25 million)

#### CIBC World Markets

*High Yield Research, New York*

- Associate analyst covering consumer products, food & beverage sectors

#### Banque Paribas (BNP Paribas)

*M&A/Advisory Services Department, Paris France*

- Large & small public and private transactions, clients included Lagardere, France Telecom, Rhone Poulenc (Aventis) as well as small and medium enterprises

#### Education

- M.B.A. Stern School of Business, New York University
- Joint Certificate of European Studies: NYU, HEC (France), London School of Economics
- B.S. International Business, New Mexico State University

# Examples and Case Studies

## \$47mm Debt Terms for Paper Products Manufacturer

- **Private company, established 1.5 years prior to engagement to service an inefficient niche: the supply of paper products to the quick service restaurant (QSR) industry**
  - Started by successful venture capitalist and QSR supply industry veterans
  - Established QSR relationships generated signed long term supply contracts with significant additional business under negotiation: up to \$150mm Rev, \$25mm EBITDA
- **Needed \$28mm for refinancing and equipment purchases plus \$20-25mm growth capital**
  - Contracts originally fulfilled through regional mom & pop sub-contractors
  - Purchased 49% of an existing operator for \$4mm, projected CY EBITDA \$8.5mm, financed by a bank acquisition loan, 5yr term, 7yr amort, Libor + 225, PG
  - Began to purchase equipment to fulfill new contracts, bank financing: \$9mm Sr. Secured, 75% LTC, 5yr term, 7yr amort, Libor + 225, PG
  - Equipment takes 6-9 months to order and install with a portion of the payment up front, quickly swelled out of their bank's 5x TTM EBITDA box
- **\$47mm total debt terms**
  - Commercial finance company \$25mm Capex line, 85% OLV, Libor +350; plus \$10mm Revolver, up to 85% of AR, 60% of Inventory, Libor +225, 3yr term 7yr amort (Capex), prepay penalty 3 yrs 1st lien.
  - Hedge fund \$12mm Mezz, 6yr term, Libor +800, 1% quarterly amort, 50% CF sweep, warrants for 5% of company, up to 3% PIK, coupon & warrants decline according to performance benchmarks, prepayment penalty 1st 2yrs.

## \$6.25mm Debt For Central App Coal Company

- **\$60mm market cap Central Appalachian coal miner**
  - 20mm tons recoverable coal, 3 main seams, 2 capable of 40k tons/month each
  - Delivery contracts with major utilities, potential for \$13mm annual EBITDA
  - \$23mm debt already invested in mine face-up and site construction
    - \$19mm in 2 tranches of convertible SLDs
    - Convertible at \$0.90 with reset provisions based on 3x EBITDA valuation
- **Cost overruns depleted funds before both seams were fully operational**
  - Required additional \$4mm of equipment plus working capital
  - Current production rates could generate maximum \$15mm Revenue, \$1.5mm EBITDA equating to Debt/EBITDA of 14.6x, converts reset to \$0.30
  - Additional debt and full production could produce Debt/EBITDA of 2.2x, EBITDA/Total Debt Service of 2.0x and an EV of \$91mm based on 7x EBITDA multiple
- **Raised \$6.25mm new debt**
  - \$5mm Sr. Secured, \$4.5mm OID, Prime + 400, 36 month term, first lien on new equipment, convertible at 40% premium with resets, 2.5mm deal shares
  - \$1.25mm Unsecured, 15% interest, 36 month term, 1.25mm deal shares
  - Required significant negotiations with existing debt holders to allow new debt issuance

# \$13mm Common Equity Raise for Electric Vehicle Power Management Systems Manufacturer

- **\$80mm market cap developer and manufacturer of digital power management systems for hybrid electric and electric vehicles.**
- **Entering high-growth stage**
  - In process of transitioning from developmental to production stage
  - Established supplier arrangements with major vehicle producers in the U.S., UK, Europe and Asia validated technology and provided visibility to the order pipeline
- **Company still 7-8 quarters from breakeven**
  - Facing significant burn rate, required \$9mm-\$10mm to fund operations through to breakeven quarter
  - Acceleration of production ramp-up called for an additional \$4mm-\$5mm investment in facilities expansion and equipment
- **Raised \$13mm Common Equity**
  - Priced roughly at the market equity price at the time of announcement, deal valuation about \$80mm, no warrant coverage
  - Investors included US investors and European investors through listing on AIM

## \$2mm Bridge + \$32mm Common Equity Raise for Electric Vehicle Lithium-ion Battery Manufacturer

- **\$109mm market cap (at time of engagement) developer and manufacturer of Lithium-ion batteries for electric and hybrid-electric vehicles**
- **High burn rate, heavily indebted with messy cap structure**
  - Operating cash burn running \$4.5mm-\$5mm per quarter
  - \$32mm in convertible debt paying cash interest
  - 440mm shares outstanding plus overhang from convertibles and 2 preferred issues
- **\$2mm 1-yr Convertible Bridge Note**
  - 10% cash pay interest, convertible at the market (\$0.25), 100% warrant coverage, 60-month warrants with \$0.30 strike
- Raised \$32mm Common stock @ \$0.50, 90% warrant coverage, 180-day warrants @ \$0.75
  - Priced at 18% discount at close but 10% premium to 10-day VWAP
  - \$311mm valuation, roughly 3.9x next year's Revenue
  - Warrants fully executed for additional \$43mm in common equity
  - Subsequently did 7:1 reverse stock split, converted all debt, forced conversion on \$15mm out of \$23mm of preferred stock
  - Market cap rose to almost \$700mm

## Contact Information

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