



# Taking a Counterintuitive Leap of Faith

*Capital and Opportunities Abound for Healthy Family Businesses*

## TRUE OR FALSE:

- *Commercial banks are no longer interested in making loans, having over-committed capital to non-performing loans.*
- *PE sources have little or no capital to commit to new investments.*
- *With the current financial and economic uncertainty, this is a poor time to strengthen a family business' global competitive position.*

If you answered "true" to any of these assertions, you'd be mistaken!

It may seem counterintuitive, but economic uncertainty and financial restriction may spell opportunity for healthy family businesses. As much of the business world feels paralyzed as they wait and see what will happen next, strong, smart and bold family businesses are able to access capital from commercial banks and PE sources to finance investments and acquisitions that would strengthen their global competitive position.

First let's look at the current lending environment. Given their recent experience, banks are going back to traditional practices of lending to healthy corporations that have the proven ability to repay the loans. Strong family companies are prime targets for commercial banks in today's environment.

Second, consider the private equity market. Flush with healthy levels of investible capital, PE sources continue to seek new investments that generate attractive returns without excessive high leverage. With fewer attractive investment opportunities available today, private equity sources are becoming increasingly flexible with the terms and structure of such investments. Many will

consider joint venture deals and acquisition financing that only require a minority position. Isn't this a great time for a healthy family business to seek capital from the private equity market either to gain liquidity or make new investments?

Concerning the third notion, about whether this is a good or bad time to enhance your company's global competitiveness, several clients have expressed concern about the difficulty to "bargain shop" for overseas acquisitions given the weaker dollar and reluctance of foreign banks to finance such transactions. While this may be true, we believe this is an opportune time to seek U.S.-based investments and acquisitions that would strengthen the company's long-term global competitive position. Instead of growing horizontally to increase global market share, we recommend exploring vertical acquisitions that will strengthen the company's niche. The idea is not to get bigger, but to become stronger. What is the company missing today that would make it more competitive globally in the long-run?

Competitiveness is not defined in terms of size or market coverage, but in terms of depth of product and service content. Therefore, one should define

*(Continued on page 2)*

(Continued from cover)

acquisition criteria vertically, focusing on a niche-strategy vs. market expansion. By becoming the best in the world at what you do instead of the biggest is a much more defensible position when growth returns.

Additionally, the global financial crisis has significantly reduced competition for deals in the U.S. This reduction, coupled with lower sellers' price expectations, has brought down price multiples of the M&A market domestically. The U.S. – not Asia, not Europe – should be the focus of investments and acquisitions in times of economic uncertainties. Let's shop at Wal-Mart in Arkansas ...not at Harrod's in London!

Similar to Warren Buffet's strategy of investing in undervalued companies with solid fundamentals—especially during cyclical downturns and periods of economic chaos—the current financial fallout contains many opportunities for savvy, solid and bold family businesses.

## Alternative Financing Options

**W**HILE IT IS NO SECRET that the credit markets are experiencing unprecedented turmoil and uncertainty, and the causes and the timing of a strong recovery remain hotly debated topics, the real question that family owned and closely held business owners are asking is: *What can we do now about real business capital needs and shareholder liquidity needs, and where can we look if the traditional source of capital - our local lender - is less prone to lend more money?*

de Visscher & Co. has a long history of focusing on more “family friendly” and longer term sources of both debt and equity capital for our clients. In response to the current credit crisis we have been surveying some of our capital providing relationships to gauge their current interest, and wherewithal, to provide funding in the near term. While many are still making loans, it is some of the non-bank-related sources of capital that are particularly active and worthy of a closer look.

- o Banks Not Impacted by the Mortgage Crisis – Some institutions were not involved in sub-prime mortgage

lending and have hardly been impacted by the current crisis. They remain actively looking for good credits and long term relationships.

- o Non-Bank Commercial Finance Sources – a corps of commercial finance sources, that often struggle to compete with aggressive bank lending in long running, overheated market periods, are enjoying stronger deal flow as traditional senior lenders have retrenched. Although many have an asset and collateral orientation, they are actively lending on working capital, equipment and real estate assets.

- o Limited Partnership Specialty Finance Groups – a number of boutique lending shops have raised their capital from limited partnership investors instead of bank depositors. Thus they are not subject to the same restrictions, capital requirements and regulatory pressures that some of their institutional banking brethren are encountering. A subsection of this group that is expected to play an emerging role as a source of capital is foreign investment/sovereign wealth funds. This source of capital should play a more active role in today's market and has exhibited an increasingly sophisticated approach.

- o “Junior Capital” Alternatives including the use of:
  - *Subordinated Debt Sources* - that offer “interest only” financing for a few years and provide debt capital amounts over and above the levels that the traditional banker cannot accommodate.
  - *Patient Capital Equity Sources and Minority Investors* – that tend to be more “family friendly”, and “patient” in nature, in the structure of their investment terms. These sources, a mix of family offices and private family investors, take a longer term outlook, typically a 5–7 year, or longer, investment horizon. For these reasons, they are often the most attractive investment partners for family owned and closely held companies.

de Visscher & Co., has developed a niche in securing alternative sources of capital to supplement, enhance or replace traditional bank debt. Please don't hesitate to contact us to discuss your financing or refinancing needs.

## Recently Closed Transaction

de Visscher & Co. acted as exclusive financial advisor to Stuyvesant Fuel Services and Companies, a \$500MM revenue, third-generation, Family-Owned, Heating Oil and Natural Gas distribution and marketing company.

The Company elected to pursue a strategic sale of its business and engaged de Visscher to conduct a very targeted marketing process in an effort to maximize shareholder value. The Shareholders ultimately chose to transition the business to Hess Corporation, a multi-billion dollar, publicly-traded, strategic partner.

**“deVisscher & Co. led us through the challenges and intricacies of the strategic merger process that resulted in our affiliation with the best long term partner for our company.”**

**~Martin Rosenman, CEO**



## Current Assignments

### Family Business

### Assignment

Oil Field Metals Distribution

Sourcing growth and liquidity capital through consolidation of debt facilities and private placement of new equity capital.

Building Products Manufacturer

Assist the family owners-managers through a Management transition providing necessary liquidity and growth capital.

Second Generation Family Office

Evaluation and implementation of internal and external liquidity, capital, ownership and control options relating to the Family's non-liquid assets.

Construction Services

Assess the needs of shareholders and implement solutions for the capital and liquidity requirements of the Company.

Precision Machining Company

Assess the needs of shareholders and implement solutions for the capital and liquidity requirements of the Company.

Diversified Family Holding Co.

Evaluate and implement options that meet the capital needs of the business, the liquidity needs of the shareholders, and the family control and management succession needs of the family.

Health Care Services

Conduct analysis of the capital needs of the business with liquidity needs of shareholders.

Corporate Education and Training

Identify value-added strategic or financial partner to achieve liquidity for the shareholders and position the Company for growth.

Industrial Chemicals

Furnish financial advisory services with respect to the pursuit of debt, equity or equity-linked (patient capital) alternatives available to the Company.

Hospitality Company

Assess the needs of shareholders and implement solutions for the capital and liquidity requirements of the Company.

*We will be speaking or participating at the following conferences:*

**Withers Bergman Seminar**

February 25, 2009  
Old Greenwich, Connecticut

**Withers Bergman Seminar**

March 4, 2009  
New York, New York  
for more information please visit  
[www.withers.us.com](http://www.withers.us.com)

**University of Wisconsin**

Family Business Center  
March 31, 2009  
Madison, Wisconsin

**Family Firm Institute Conference**

September 23-25, 2009, New York City  
For more information please visit [www.ffi.org](http://www.ffi.org)

**European Family Office Conference**

November 9-11, 2009, London, England  
For more information please visit  
[www.campdenconferences.com](http://www.campdenconferences.com)

*Save the Date...*

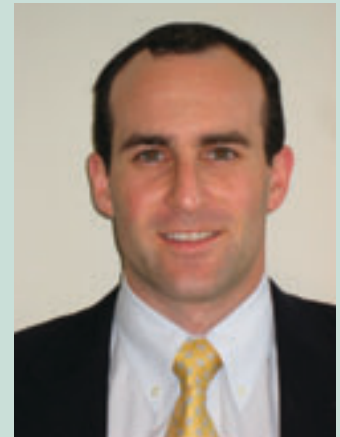


## Employee News

### Ross Sealfon - Promoted to Vice President at de Visscher & Co.

Over the past two years Ross has spearheaded corporate finance and merger and acquisition projects for de Visscher & Co. and assisted with the portfolio companies of Family Capital Growth Partners. Previously Ross was an Associate in Ernst & Young's Transaction Advisory Services Group focusing primarily on valuation services, financial statement analysis, due diligence and market research. Ross earned a BA in Psychology from Middlebury College and an MBA with a focus in Finance and Accounting from Boston College's Carroll Graduate School of Management. He is a volunteer with Stamford Youth Hockey and acts as head coach for one of its youth teams. He resides in Southport, Connecticut with his wife Laura.

Congratulations Ross!



### **de Visscher & Co.**

*is an independent financial advisor to business owning families and closely held businesses worldwide. Through a unique combination of financial advisory, capital raising and investment banking services the team at de Visscher & Co. creates high value-added solutions to the liquidity needs of shareholders and the capital needs of their businesses.*

**Two Greenwich Office Park, Greenwich, CT 06831**

**Tel: 203-629-6500 Fax: 203-629-6547**

**Website: [www.devisscher.com](http://www.devisscher.com) e-mail: [worldhq@devisscher.com](mailto:worldhq@devisscher.com)**



*A National Affiliate Network of seasoned, professional services firms dedicated to providing growth advisory and investment banking services to middle market and family-owned companies and their principals.*

**Website: [www.businessgrowthalliance.net](http://www.businessgrowthalliance.net) Tel: 724-933-6650**