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## Why Hire An Investment Banker

Growing businesses face many pressures. As growth accelerates, pressure on capital, time, and resources increases significantly.

Along with a company's attorneys and accountants, the professional advisory team should include a carefully selected investment banker who can work with management and other outside advisors to craft the best possible long term financing strategy for the business.



*Turney  
Stevens*

**Why an investment banker?** Investment bankers are professionals, with extensive training and years of experience in their specialty. They can assist management in developing or evaluating strategic alternatives, help develop sound long-term capital structures, raise equity or debt on the best possible terms for growth, and identify opportunities for acquisitions or liquidity exits when timing is appropriate.

When investment bankers are only employed for specific transactional situations, the opportunity may have been lost to develop a long view of the company's capital needs and the instruments and options in the marketplace to address those needs.

**Why not save the fees and do the deal yourself?** Many clients, especially those with experienced Chief Financial Officers or prior experience with investors or bankers, often feel that a few phone calls without a banker being engaged will speed up the process and reduce fees. This may be occasionally true,

but often results in a shop-worn deal that still ends up in the hands of an advisor.

What is most important is that the opportunity is missed to "auction" the deal to the full market in an organized and competitive process. This *always* results in the best possible valuation and the most options for management. The endorsement and credibility of third party professionals also helps immensely to get the deal efficiently to the right desks.

**Expertise, experience and current knowledge matter.** Focusing on core competency is a term that executives use freely and with great pride as they speak of their own management skills. Management's core competency is running the company. An investment banker's core competency is in-depth knowledge of the capital markets and successful transaction structures.

Having up-to-date knowledge of what is appealing to investors and bankers is invaluable and these trends change far more often and more rapidly than most executives realize.

**Focusing on operating results will pay great dividends to management.** Few executives who have not previously been a client of an investment banker have any real idea how long most transactions require to be completed. Six months to as much as a year is not uncommon.

During this period, any blip in financial performance can make the difference in success or failure of the transaction. If an investment banking team has to work essentially full-time to complete a transaction, it's nonsensical to think that a management team can take time out of their schedules, pursue a transaction, and still have time to produce the very results that make the trans-

action attractive in the first place. The better the results, the better the terms of the transaction when completed.

**What happens after the term sheet is signed?** Most clients assume the deal is done when the term sheet is agreed to by the client and the investor or lender. This is like believing that the tip represents the bulk of the iceberg.

Most investment bankers invest more time in getting a deal through due diligence and all of the issues that inevitably arise prior to closing than they do in actually marketing the deal prior to the term sheet agreement. This is a critical phase where many issues will be addressed affecting both the ultimate outcome of the deal and its terms.

**Optimal outcomes are the ultimate objective.** Few investment bankers will take on an assignment unless they believe there is a very high probability of a successful outcome. But what management should be focused on is not just a closing but the best possible terms.

Raising \$10 million and giving up 90 percent of the company is a lot less attractive than raising the same money and only giving up 60 percent. Believe it or not, that much variance—and more—in valuation does exist. Bankers are experienced not only in structuring the process to raise the probability of a successful conclusion but also in developing an environment for the deal that results in the best valuation to the sponsors.

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