




# Investment Banking


*CASE STUDIES*





## BEECHWOOD CAPITAL ADVISORS\*



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\* *Securities offered through Rockland Securities, LLC*



## Beechwood Capital Advisors

A middle-market focused investment bank and financial advisor founded in 2003 by a team of experienced professionals, with combined wall street experience of almost 100 years.

## Rockland Securities, LLC

Beechwood's FINRA – registered securities broker-dealer affiliate through which all securities transactions are processed. All the principals of Beechwood are registered FINRA representatives and supervisory principals with a long history of compliance and regulatory oversight.

## Overview

- We have prepared 4 Case Studies representative of situations in which Beechwood could assist you and your customers or prospects address certain financial needs
  - ❑ The Over-Leveraged Company
  - ❑ Capital Required For Growth Via Acquisition
  - ❑ Company Sale To Address Shareholder Liquidity
  - ❑ Receivables sale to recapitalize overleveraged company

## □ Overview

- Manufacturing Company with \$30 million in revenue
- Over a 5 year time period EBITDA declined and leverage increased (Debt/EBITDA)
- Company streamlined operations but there were covenant defaults and bank did not want to advance any more funds
- Company had contracts with new customers that can't be funded
- Bank and Company are at a “standstill”

## □ Beechwood's Role

- Beechwood met with the Company to find a mutually agreeable solution
- Beechwood analyzed current operations and future operations, prepared a brief valuation analysis and presented a number of possible solutions including a subordinated debt option and an equity option to reduce leverage
- Company preferred to de-leverage and reduce interest carrying costs and decided on the preferred stock option
- Beechwood raised preferred stock, Company gave up a substantial minority equity position
- A portion of the equity proceeds went to the Bank to reduce leverage and the balance was used to fund the new contracts resulting in increased revenues and EBITDA
- Net Result - Company reduced its debt carrying costs, brought in a new strategic/financial partner and developed a path for growth that did not exist before



## □ Overview

- Consumer Products Company with \$50 million in revenue
- Company had a strong Bank relationship
- Company had a strong management team with a dynamic growth plan
- Company identified a \$50 million strategic acquisition that they wanted to fund
- Existing Bank would only fund half of the required acquisition cost
- Company needed to find a way to finance the remaining balance of the acquisition

## □ Beechwood's Role

- Beechwood was introduced to the Company to see if the capital gap could be addressed
- Beechwood met with Company, analyzed current operations and future operations, prepared a pro-forma valuation analysis after giving effect to operating synergies
- Beechwood recommended a package of preferred stock and subordinated debt
- Company took advantage of an improved pro-forma valuation (after expense add-backs) thereby minimizing equity dilution
- Net Result – less dilution due to increased valuation from operating synergies and better debt coverage due to expense elimination from operating synergies post-acquisition

## □ Overview

- Packaging and Distribution Company with two equal owners and a value of approximately \$50 million
- One owner wanted a full exit and one owner wanted to continue operating the business but still take some money out of the business and reduce his equity risk
- The owners could not agree on how to go about structuring a transaction to accomplish both of their objectives

## □ Beechwood's Role

- This situation was brought to Beechwood by the Company's accounting firm
- Beechwood met with the owners together and separately
- Beechwood created a structure where one owner sold all his equity in the business (50%)
- Beechwood identified a Family Office to purchase a portion of the remaining owner's equity
- The end result was as follows:
  - Exiting Owner sold all his shares in Company and cashed out
  - Remaining Owner got a meaningful amount of cash and kept a minority interest in the business along with a 5 year employment agreement. Opportunity to cash out again in 3 to 5 years at a higher valuation
  - New Family Office owns a majority of the Business, assumes control and takes on risk associated with growth

## □ Net Result – Both Owners got what they desired

## □ Overview

- Telemarketing and retail food sales Company of in-home meal solutions was purchased by a private equity firm for approximately \$50 million.
- Business was overleveraged and ultimately sold to two distressed debt funds, who showed little interest in the company and refused to provide additional funding to support the growth and turnaround of the business.
- The Company was insufficiently profitable to support their current asset-based revolving credit facility but had sizeable receivables which could potentially be financed

## □ Beechwood's Role

- Beechwood was approached directly by the Company
- Beechwood created a structure where the receivables were sold to a third-party Finance Company.
- The proceeds of the accounts receivable sales were sufficient to repay the debt to the distressed debt funds and provide liquidity to the Company.
- As a result, the Company was able to use the additional liquidity to restructure operations and ultimately return the business to profitability.
- The Company was subsequently sold to a NJ based investor group who has acquired a portfolio of food companies.

- Beechwood can be a resource to your firm with existing or potential customers
- Beechwood can assume a consultative role in an informal way prior to a potential transaction
- Beechwood can help companies assess the market, assess their strengths and weaknesses and make recommendations to enhance the success of a potential transaction
- Beechwood can work with you to strengthen customer relationships and help keep customers from potentially seeking “outside” solutions that could result in a loss of business
- Beechwood can access financial resources that may not be available to overleveraged and distressed companies
- Beechwood has access to non-bank lenders that have less regulatory pressure and can be more aggressive in financing less attractive credits and “troubled” situations