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Welcome to Podcast No 5 today with the title:

Financing a company

MARTIN SCHNEIDER

Welcome back from your summer holidays. How was it?

SVEN OLOF ANDERSSON

I enjoyed the midnight sun in Scandinavia! How's about you?

MARTIN

It was great. Monika and I went camping with Marcin, our youngest. Mathieu who is now 17 and his girlfriend went by bike from our home near Zurich to Paris. It took them 9 days. After that, they stayed for two days in Paris and then took the train home. This was quite a challenge for them, especially the camping out. Being young with little money this is a great way to see the world. I am proud of Mathieu and almost wish to be young again.

SVEN

Yes I know what you mean.

Now I hear you are in the middle of re-financing a company. Can you tell our Podcast listeners, what you're doing and what steps you take? And first of all is this the right time? Is enough money out there for your client? He is looking for 200 million euros, right?

MARTIN

Actually, we are close to finalizing the deal. About this being the right time: There was always money available, even during the financial crisis. But many investment houses kept the liquidity for themselves. Now there's more liquidity in the markets again.

Anyhow, to find 200 million is never easy and our client wanted us to obtain offers without revealing his identity. So we had to limit ourselves to general information such as which industry the company is active in without mentioning its name. In the end we managed to get investors interested.

SVEN

Have you seen any difference in investors' behaviour from two or so years ago? I know that some financing deals for large infrastructure projects have seen very large groups of banks joining up for instance. It seems that banks want to share the risks! Have you seen this trend as well?

MARTIN

Yes I see that too. In the case of our client a consortium of about 10-12 banks is involved.

SVEN

Can you mention anything about the conditions that investors are looking for right now? Are they different from what they used to be, pre-crisis?

MARTIN

The good news about the refinancing is that 8 of these 12 banks are the same as the ones that have been used by the client previously and they are willing to improve their conditions.

When talking privately to the investors, they actually admit that the conditions in the original financing were too much in favour of the investors. Now, they display a more reasonable view. This has surprised me a lot. It shows a change in behaviour.

SVEN

How did you proceed specifically?

MARTIN

Together with the CEO and his team, we discussed every potential investor before initial contacts were made. The CEO has a long time business experience and knows which persons, banks and investors would most likely be interested in investing. While the CEO's office contacted his closest business circle, Tomato contacted the rest of the people on the list.

SVEN

So is it your impression that a lot of financing business goes through informal channels, old friends and so on?

MARTIN

As usual in business, we all use the channels which have worked before.

SVEN

I have been involved in the financing of start-up companies lately with my company, Total Management Group. And I can confirm that it is quite difficult to attract investors. We managed to secure 500,000 francs for a software company in January from a Swiss bank and I thought that was pretty amazing. But people are very careful and everything takes a lot longer.

MARTIN

And conditions?

SVEN

In my area, we have seen people who want more return or more influence for their money than before the crisis. We have negotiated with a group of US business angels for a company in the bio-tech area, but they got so greedy that we walked away from the offer in the end. It was simply not worth it.

MARTIN

So to summarize how we see the current market for financing: There is a lot of money out there but the conditions are really tough, investors are more careful and require lots of security, and process times have gotten really long. But in some cases, investors are prepared to give you very good conditions for excellent companies in a solid business area.

SVEN

Exactly!

MARTIN

Great to meet you again Sven after the summer, let's now go back to our clients and give our outstanding service they are looking for.
Enjoy and good bye!

SVEN

Good byyyyyyyyy and see you soooooon again on Tomatoooooo podcast!