

2017 STATE OF THE INDUSTRY

—

The Current State of the Capital Markets

BOYAR  MILLER
ATTORNEYS AT LAW



Friends,

Knowledge is power.

That is one reason we believe in sharing information, expertise and perspectives about the current business environment. As strategic business partners to our clients, our attorneys are dedicated to providing counsel that helps our clients make better decisions. And our events continue that commitment by bringing together experts who deliver insightful strategies and informed opinions that may impact your business.

This eBook highlights "The Current State of the Capital Markets" Breakfast Forum where we heard much-welcomed business confidence and optimism. We thank Matt Anstead, Ali Nasser and Bill Pyle for sharing their wisdom with us. I hope you enjoy reading this recap and I invite you to share it with others.

As always, we stand ready to help you advance your business goals.



Regards,

Chris Hanslik

CHRIS HANSLIK
Firm Chairman

CONTACT

2925 Richmond Avenue, 14th Floor
Houston, Texas 77098

713.850.7766

Visit boyarmiller.com

[LEARN MORE ABOUT THE FORUM](#)

TABLE OF CONTENTS

- 03 : The Breakfast Forum Snapshot
- 04 : Expert Insights
 - Private Equity & M&A
 - Equity & the Public Markets
 - Commercial Banking & Lending
- 08 : Attorney Insights
 - Current capital market climate creates favorable opportunities for entrepreneurs
- 10 : BoyarMiller Capital Markets Practice Leaders



The Breakfast Forum Snapshot

The level of business confidence this year has increased tremendously.

ALI NASSER



The lending market is 'white hot' and private equity is flush with cash – fantastic for borrowers.

BILL PYLE

Companies with differentiated oilfield technology are the most attractive to energy investors.

MATT ANSTEAD



Business Confidence and Optimism Rally at BoyarMiller Capital Markets Breakfast Forum.

Here is a summary of the highlights from three experts who shared their insights and perceptions on the current state of the capital markets and its impact on business owners.

Hint: it's a good time.



Expert Insights

Private Equity & M&A Key Takeaways

MATT ANSTEAD

Partner, EV Private Equity

- From 2015–2016, there were fewer oil and gas services transactions than some industry experts had expected. From a private equity perspective, that trend rapidly reversed in early 2017.
- With oil prices more consistently around \$50 per barrel, more sellers seem to be looking to transact and buyers may be more confident about continued positive market conditions. Moreover, oilfield services businesses are typically leaner and more profitable than they were before the downturn in late 2014.
- Obviously, it has been a very difficult couple of years in the oil and gas industry. Companies are well aware of the fundamental change in the macro that has occurred. Many have adjusted their focus accordingly.
- US Land is a bright spot in the global oil and gas industry. International and offshore activity levels are still severely depressed.
- There is no shortage of capital looking for a home in North America. The bigger question is to what extent investment in other regions makes sense. For example, deepwater may be a buying opportunity for those that believe in the long-term importance of supply from offshore.
- Lower capital gains tax would benefit business owners, but on the other hand uncertainty regarding changing tax rates is a disruptive influence deal volumes.



ABOUT MATT

Matt is a Partner with EV Private Equity (EVPE) in Houston. He currently serves as Non-Executive Director for five oilfield services EVPE portfolio companies. Matt is involved in all aspects of EVPE's business, including origination, execution, stewardship, exits and investor relations. Prior to EVPE, Matt worked for Simmons & Company, Booz Allen & Hamilton, Wood MacKenzie and Schlumberger in many oilfield locations around the world. Matt holds a Masters in Mechanical Engineering from Imperial College London and an MBA from London Business School. EV Private Equity is an independent growth equity firm applying its specialized expertise to build world-class companies and uncover new technologies in the oil and gas sector. Since 2002, EVPE has raised five funds with committed capital in excess of \$750 million. With teams in Stavanger, Houston and Aberdeen, EVPE helps companies operate competitively and achieve a more sustainable future.



Expert Insights

Equity & the Public Markets Key Takeaways

ALI NASSER, CFP, AEP

CEO and Founder, AltruVista® and Business Owners Fund®

- Since the election, companies with higher corporate tax rates have rallied and their valuations are higher; the current market has priced in the potential of tax reform.
- Confidence in business has increased substantially as further incentives may be coming.
- With high business valuations, the dilemma faced by business owners is whether to evaluate the potential for re-investment growth or consider this an opportunity to execute an exit strategy.
- Three factors for business owners to evaluate their options are: opportunity cost, risk, and where they are in their business and life cycle.
- While the Federal Reserve has indicated possible interest rate hikes are forthcoming, inflation has been very mild and it is usually the driver for increased costs.
- Watch for changing tax policy. Lowering the capital gains tax would be fantastic because of the reinvestment value it would provide and the associated positive impact on business.
- Entrepreneurs are the lifeblood of change. Creative disruption – like businesses getting impacted by Amazon – requires re-innovation. The best way to enhance value and grow is for businesses to continually innovate within their areas of expertise, and focus on their unfair competitive advantage.



ABOUT ALI

Ali Nasser is the CEO and Founder of AltruVista® and Business Owners Fund® as well as an Instructor at Rice University's Certified Financial Planning Graduate Program. Ali is an expert on the entrepreneurial mindset and how it relates to wealth and financial strategy. His professional life is dedicated to helping business owners capture and maximize their success.

Ali developed the Wealth with Purpose® planning process that identifies major gaps for the 'all set' high-net-worth business owner and helps integrate their life goals, financial strategies and team of professional advisors. His company, AltruVista®, provides specialized wealth guidance to business owners that have outgrown the traditional sales-based model of financial services.

To solve a common problem for today's entrepreneur, Ali created Business Owners Fund®, an online portfolio solution for business owners to park their excess cash in a way that maintains liquidity and security while helping keep up with inflation.

Ali has a degree in Finance from the University of Houston and is a Certified Financial Planner, Chartered Financial Consultant and an Accredited Estate Planner. Ali sits on the board of directors for the Houston Estate & Financial Forum and was named to Houston Business Journal's 40 Under 40 in 2017.



Expert Insights

Commercial Banking & Lending Key Takeaways

BILL PYLE

*Managing Director of Syndicated Finance,
Texas Capital Bank*

- Banks are very profitable right now and are making loans to business-to-business companies that need growth capital.
- There is the perception that banking regulations will get friendlier under the current administration; that probably will not happen.
- This is a robust environment in which to do business and that is a good thing for borrowers.
- Businesses understand that a sound financing structure means your lender is a partner who understands the business. Deals should have a modest amortization schedule rather than one that holds the business back.
- The current capital gains tax punishes those who have grown value in their business; now they don't think they can afford to sell. Anything that slows down the corporate tax rate frees up money for business growth. Cash flow goes to positive factors like expansion, raises, increased hiring. Overall, more disposable income for the company and people is good for the economy.
- It is a fantastic time with revenues up and the lending industry making more loans. Bank regulators keep a watchful eye, and that's okay. There was fallout from the financial meltdown that required change.
- Basically, it's a good time to get financing that is reasonably priced and adaptable, so if there is a downturn, the business owner has some options on ways to work through the situation.



ABOUT BILL

Bill joined Texas Capital Bank in January 2015 as Managing Director, Syndicated Finance. He has more than 35 years of experience in banking at both the corporate and commercial level. Throughout his career, the majority of Bill's clients have been privately held, family-held and/or sponsor-backed middle-market companies. Prior to joining Texas Capital Bank, Bill served as Director of Corporate Development for Faust Distributing Company, a beer distributor based in Houston. He joined Faust after having served on its Advisory Board for more than 10 years. Before joining Faust, Bill was with Amegy Bank of Texas for 11 years, managing Amegy's corporate banking line of business. Bill also managed a \$125 million portfolio of bank alternative investments leading to numerous transactions for sponsor portfolio companies. Previously, he spent 20+ years with JPMorganChase covering clients in a range of geographies and industries. Bill holds a BBA with Highest Honors and MBA from the University of Texas at Austin.



Attorney Insights

Current capital market climate creates favorable opportunities for entrepreneurs

PHILIP A. DUNLAP
Shareholder, Business Group

BILL BOYAR
Founding Shareholder, Business Group

The financial pessimism from more than 24 months of low oil prices, and a tumultuous political year, has many business owners wondering whether fair-priced capital is available for them and if so, where should they look? After hunkering down through the storm, entrepreneurs are asking “can I come out now?” The answer is a resounding “yes,” but the choice of which capital to pursue can depend on your goals and industry. Not all capital will work equally well for all businesses.

PRIVATE EQUITY

After several years of lower than normal private equity activity, 2016 and 2017 have seen an uptick in private equity investments, particularly in the North American energy sector. Many private equity investors have become comfortable that they can be profitable with energy investments when oil is priced at or near \$55/barrel. Additionally, as business owners have become more confident in the overall economy, valuations have increased, which means now may be a good time to seek private equity investment or an exit.



For a business owner who needs a capital infusion for his business and has the ability to wait for a longer term liquidation event, obtaining growth capital from a private equity investor is a great option. By partnering with a private equity investor, the business owner can focus on growing his business with the additional capital necessary to achieve a sizeable return upon a sale of the business.

Alternatively, for a business owner looking to recapitalize in order to take some money off the table while still retaining an ownership in his company, private equity investors are an attractive option now and in the near future. This model is especially appealing for a business owner who feels now is the time to increase liquidity but wants to remain engaged in the business in order to maximize its potential and make a significant profit upon an exit in four to six years.

With valuations high and private equity buyers ready to deploy capital, growth capital and recapitalizations are both available for business owners to pursue. Additionally, because of an abundance of “dry powder” sitting with private equity firms, deals can become competitive, which ultimately benefits the seller/business owner.

BANKS AND OTHER LENDERS

Despite the regulations that have hindered banks for the majority of the last decade, traditional banks can be a great source of funding for businesses, particularly those engaged in business-to-business transactions and those with steady recurring revenue. With interest rates remaining low, traditional bank financing is an excellent option for a business owner if his or her business fits the preferred industries/business models of traditional banks. Industries that banks are less inclined to lend to include oilfield services, offshore oil and gas exploration and offshore services.

However, if the business would have difficulty obtaining favorable terms from a traditional bank, the growth of non-bank or alternative lenders has served to create another source of capital for businesses. While the terms may not be as attractive as a traditional bank will provide, and they may present extra risk on the business owner in the form of debt that can be converted into equity, non-bank lenders are known for their ability to get deals financed and provide business owners with the capital needed to grow their business.

CONCLUSION

No matter the state or type of your business, thanks to the business confidence of private equity, banks and non-bank lenders, capital is readily available. The only question is which provider and structure are best for you.

Capital Markets Practice Leaders



BILL BOYAR

Founding Shareholder, Business Group

Represents the various parties involved in the acquisition, disposition, capitalization and financing of national and international businesses. Served as lead counsel for numerous complex, multi-party acquisitions and project financings with significant experience in corporate finance, mergers and acquisitions, private equity and structure finance.



GARY MILLER

Founding Shareholder, Business Group

Represents numerous domestic and offshore-based companies in connection with acquisitions and divestitures, financings, joint ventures and general corporate matters in the United States.



STEVE KESTEN

Chair, Business Group

Represents multiple international energy and energy services clients with outbound expansion (i.e., U.S. companies expanding internationally) and inbound expansion (international companies expanding to the U.S.), including start-up expansion or expansion by acquisition, as well as in connection with financing and merger and divestiture transactions.



GUS BOURGEOIS

Shareholder, Business Group

Represents clients doing business domestically and internationally in connection with mergers and acquisitions, finance and multi-jurisdictional transactions, including negotiation of contracts for sales of goods and services (including master service agreements), technology licensing, joint-venture agreements, and employment agreements, with significant experience in assisting foreign businesses in establishing and growing their U.S. operations.



BLAKE D. ROYAL

Shareholder, Business Group

Represents corporations and businesses in corporate transactions, contracts, private equity investments, mergers and acquisitions, corporate restructuring and capital formation strategy and structure.



PHILIP A. DUNLAP

Shareholder, Business Group

Represents clients for corporate and private securities transactions as well as serving as outside general counsel in a variety of matters, including mergers and acquisitions, financing, employment agreements and raising capital through private offerings.



LAWRENCE E. WILSON

Shareholder, Business Group

Represents public and private businesses in acquisitions, divestitures, corporate finance and general corporate matters and provides corporate and commercial counseling – acting as an outside general counsel to various businesses – regarding complex mergers and acquisitions, initial capitalization and growth financing and restructuring transactions.