

Brazos partners essay sample

[Business](#), [Customers](#)



- Bowers and Clayton – they seem to have built a strong business, and are not selling because they think that there is something wrong with the business or it has topped out. I believe that because Bowers is staying on to handle marketing and sales, the transition should be relatively smooth
- Brazos Partners – these three men bring a unique set of skills to the table. The private equity experience from Fronterhouse and McGee seems pretty standard with running a fund like this. I think that the skill set of Fojtasek gives the Brazos partners a competitive advantage because of his specific experience with LBO's that competitors very well might have.
- One concern I have for the Brazos Partners is the fact that they are feeling pressure to finish a deal. This is never an ideal thing, because it can lead to poor deals being pursued. They need to make sure this is a deal they would pursue if they had no pressure. Opportunity:
- Though the LBO market is not as flooded and lucrative as it was in the 80's, I believe the right team can still make a good return. This group clearly has no problem raising capital, so I think that a decline in the returns and popularity of LBO's could prove to be a positive for the team as they will have less competition.
- Because Comark sells primarily to the government and educational institutions, the risk of recession or downturn is low, but I think this is also a negative for potential growth (long term).
- Comark is clearly running at full capacity, and I believe that an injection of capital will provide sustainable growth for the business. I think the business should continue its focus on selling to the government, but as soon as the company gets to a place where there is idle capacity, begin to turn its

marketing focus more toward the private sector.

- I think the fact that Comark both manufactures and sells directly to the customer is a competitive advantage because they can undersell the competition. This means that Comark can undersell 200 of its 300 competitors and still sell with a good profit margin.
- If the government decides to switch vendors on these modular houses, Comark will be run into the ground. I believe this is the biggest risk for the business and in order to lower this risk, marketing to the private sector should be ramped up to provide some insurance. Deal:
 - The deal itself seems pretty standard and fair for both sides. The sellers are getting the price they wanted, and the majority in cash. The remaining balance left in the business in equity and the seller's note is a key to success for Brazos because it keeps management involved.
 - The asset approach is clearly better for the business itself, if the sellers continue to refuse, I may structure something that gives them \$700, 000 now just like they would get in tax savings in an equity transaction, and then they would somehow get less of the annual savings later. KSF's:
 - Relationship with government customers
 - Direct selling to customers, not dealers

2. Having the government as a customer is both a good and bad thing. It is steady and recession prove which is low risk, but at the same time, if the government chooses to go with a different vendor, the business has just lost 73% of sales, which makes the heavy reliance on the government high risk in

some regards. I would focus on diversifying the customer base as the company grows.

3. I think the three most important issues that were identified were that Comark sells directly to customers, that the company is operating at full capacity and looks primed for growth, and the fact that revenues rose dramatically as the sales force was increased. I believe the first factor is a competitive advantage and the second two are important in assessing the return you could possibly receive on the investment.

4. I do agree that capital would spur growth. My second two reasons in the previous question are perfect examples of this. I think that capital is one of the only things holding the company back.

5. To convince the existing management that the asset sale is best I would focus on the fact that they still own 27% of the company and have a seller's note out. The asset sale is clearly better from tax savings standpoint in the long run. If they still refused to do this deal, I would try to structure something that gave them a pay out up front equal to the equity option and less later.

6. The most important reason for going through with the deal is that the growth provided by the deal allows the company to grow and hopefully diversify its customer base. This also takes the pressure off of the Brazos partners to complete a deal.