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Banking & Finance

St. Louis CFOs share thoughts on financing growth

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by [Angela Mueller](#)

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Growth is the goal at companies large and small, but financing that growth can be a challenge for businesses of all sizes.

We asked the chief financial officers from three local companies to share with us how they're financing growth and what their plans are for funding future expansions. Participants were Catherine Matthes, CFO of Kereos Inc., a product development company in the life science industry; Kathi Haller, CFO of DataServ LLC, a provider of outsourced people, process improvement and document management technology; and Thomas Strunk, CFO of World Wide Technology, an IT and supply chain solutions firm. Portions of their responses are featured here.

How would a financial analyst measure the success of your company?

MATTHES: Kereos is a product development company in the life science industry. As with other venture-backed endeavors, the typical means of measuring a company's success -- the balance sheet and income statement -- does not give the full picture of our accomplishments.

Looking for revenue streams and other financial ratios in R&D firms won't give you much. The most important figures for predicting product development milestone achievements for a young, private firm like ours are the cash balance and burn rates.

HALLER: DataServ LLC is an on-demand provider of outsourced people, process improvement and document management technology for the finance and administrative departments of midmarket to large companies. Our market is high-growth and expanding rapidly. Analysts would first look at top-line revenue growth as the main indicator of success. A secondary measure would be EBITDA (earnings before interest, taxes, depreciation and amortization).

To whom do you and your company go for financial advice?

MATTHES: We are fortunate to have access to the vast experience of our current investors. Through these relationships, we obtain financial advice about the venture capital business. In addition, we periodically seek financial advice from our attorneys, auditors, investment managers and bankers.

HALLER: Because of DataServ's focus on the finance and accounting industry in the delivery of our services, we have a significant amount of financial expertise in-house. When we need outside financial expertise or additional bandwidth, we have used services from RubinBrown, Brown Smith Wallace and Oxus Consulting.

How are you financing your company's current expansion and/or capital needs?

MATTHES: We currently finance our capital needs by raising equity through preferred stock financings as well as through creative leasing and debt-financing arrangements.

HALLER: DataServ's capital needs in the past have been met with bank debt and internal cash; however, DataServ is currently seeking outside investment to fund its future five-year growth plan.

STRUNK: WorldWide Technology has historically financed our growth through a combination of retained equity and a line of credit. Our current working capital facility is led by GE Commercial Distribution Finance (GECDF). We are entering our fifth year with GECDF. When

we first entered the relationship, it was a \$65 million facility with two other banks participating along with GECDF in the deal. Currently, the facility is \$350 million and we have nine other banks in the deal. We focus a lot of time on making sure GECDF and the rest of our banking partners understand our business and where we are headed. A strong relationship with this group is critical to our success.

For your next major capital project or acquisition, would you be more likely to fund it through the sale of equity, fixed-income securities, bank loans or cash, or some other way and why?

MATTHES: Although we do not have any major capital project or acquisition plans in the works, we would likely have to finance a facilities expansion or similar proposal through the sale of equity. The current cash on hand available to us is committed to product development and working capital needs.

HALLER: DataServ is currently considering acquisition of several businesses, which will be part of our five-year growth plan and will be financed through the funding of that plan, most likely predominantly debt or equity.

STRUNK: We will continue to leverage our line of credit and banking relationships to finance our growth. As a private company with no plans on going public, this has been the most cost-effective source of capital.

What do you see as your company's biggest business challenges in the coming year, and what will be the role of the finance function in meeting those challenges?

MATTHES: Our company's biggest challenge is developing our products to advance into human clinical trials during 2007. To support this, the finance role will be to ensure budget compliance; maintain proper cash balances to fund working capital needs; and provide infrastructure, systems and reporting support to give stakeholders the information they need.

HALLER: Our biggest challenge will be managing through significant growth periods and providing managers the daily financial information they need in order to make the best decisions about the company's direction.

STRUNK: Our biggest challenge in 2007 will be balancing our short-term profitability needs with the investments necessary to meet our longer-term growth goals. While we do not have the pressure of meeting quarterly earnings targets that public companies may have, we have our own set of stakeholders to whom we must be accountable. Our shareholders, our bank group and most importantly our employees all have an interest in our profitable growth over the long term.

What do you believe are the most important personal characteristics and job skills to be an effective finance leader?

MATTHES: For a small company such as Kereos, the most important characteristic is to be a "roll up your sleeves" manager. Our finance organization does it all, from ordinary transaction processing to strategic financing and business development. Be prepared to work hard. In addition, industry knowledge is very important. It is difficult to understand the financial nuances of venture-backed product development companies unless you have been exposed to it.

HALLER: The ability to keep lines of communication open to all departments and most importantly upper management. This communication allows the organization to be flexible and able to react to new market and financial situations quickly. As always, but especially in today's environment, the finance organization should be responsive and trustworthy.

STRUNK: Effective finance leaders today need leadership skills and a personality to be able to manage the finance function as well as communications to shareholders, banks and employees. In addition, finance leaders must possess a deep understanding of other areas of the business and a passion to make a contribution by helping in areas outside of finance.

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