

How to interpret investment banker-speak

Nearly every deal these days will have an investment banker advising one or both parties. Sometimes there'll be an investment banker advising another investment banker.

You can see them coming from miles away: Hermes

power tie, fancy cufflinks, hair perfectly coiffed, somewhat dashing. They have firm handshakes and everything they do looks, well, expensive. Their driver is waiting and they haven't seen the coach section of an aircraft since Al Gore invented the Internet.

And then there's the language of the i-banker. You're negotiating a deal with them and they seem to be saying four or five things all at once in a language you don't totally understand. It's like watching a foreign film without subtitles.

Since i-bankers are ubiquitous on deals these days I thought it might be helpful to produce a glossary of banker-speak. When you hear these phrases, you'll at least know where you stand:

- **Acquisition strategy:** The current products have no market.
- **Basically on plan:** There's a revenue shortfall of 25 percent.
- **Biotech business model:** Potentially bigger fools have been identified.
- **Broad auction:** If we didn't market this dog to your grandmother we missed someone.
- **Considerably ahead of plan:** We hit plan in one of last three months.



Equity Line

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- **Contacted only three buyers:** Meant to say 33.
- **Core business:** It's an obsolete product line.
- **Currently revising the budget:** Financial plan is in total chaos.
- **Cyclical industry:** We posted a huge loss last year.
- **Entrepreneurial CEO:** The CEO's totally uncontrollable, bordering on maniacal.
- **Ingredients are there:** Given two years, we might find a workable strategy.
- **Investing heavily in R&D:** We're trying desperately to catch the competition.
- **Limited auction:** Only contacted 50 potential dummies.
- **Limited downside:** It can't get much worse.
- **Long selling cycle:** We haven't yet found a customer who likes the product.
- **Lots of interest:** One person said they might think about it.
- **Major opportunity:** Last chance.
- **Niche strategy:** A small-time player.
- **On a manufacturing learning curve:** We can't make the product with positive margins.
- **Our fee is market:** We're the only ones who'll ever get rich on this deal.
- **Possibility of a slight shortfall:** There's a revenue shortfall of 50 percent.
- **Repositioning the business:** A multi-million-dollar investment was recently written off.
- **Somewhat below the plan:** There's a revenue shortfall of 75 percent.
- **Strategic investor:** Investor who will pay a preposterous valuation.
- **This project is my primary focus:** I'm only working on seventeen other deals.
- **Too early to tell:** Results to date have

been grim.

- **Turnaround opportunity:** Lost cause.
- **Unique:** The business has no more than six competitors.
- **Upgrading the management team:** The organization is in complete disarray.
- **Volume sensitive:** Massive fixed costs.
- **Well below plan:** An outright, unmitigated disaster.
- **Window of opportunity:** Without more money, the company is dead.
- **Work closely with management:** Talk to them on the phone once a month.
- **You need to improve your bid:** We can tell you're hooked and we'll get every penny out of you.
- **You're our buyer of choice:** You offered 50 percent more than anyone else.
- **Your price is competitive:** You wildly overbid with two or three other idiots.

A wise person once wrote that language is a lot like lingerie: It both hides and reveals. Suffice it to say bankers use language to make the company look as good as possible, hiding some things, revealing others, all in an effort to create the "illusion of scarcity."

Your job is to understand that when someone tries to entice you with a "turn-around opportunity to reposition a niche strategy that's been performing somewhat below plan," it's time to hold onto your wallet. It's not so important both sides speak the same language as long as they both understand the same language. When that's the case, you should have no problem working out a deal with the banker.

Then the only time you should really worry is when they call you to say, "Congratulations ... it's your company."