

A Financing Case Study

Backun Musical Services is a world-class niche manufacturer of wood wind instruments and accessories. Based in Burnaby and specializing in the highest end of the market, Backun makes barrels, bells, mouthpieces, clarinets and other woodwind parts using state-of-the-art technology and a small workforce dedicated to excellence in quality. Morrie Backun, one of the world's most respected instrument designers/technicians, and himself a musician, commenced operations in 1999. Originally a repair and technical facility with a small retail component, Backun designed clarinet accessories and started manufacturing on a small scale in 2002. As word spread among professional musicians, direct orders started rolling in from around the world. Wholesale orders began in 2004 and a Steinway distribution agreement commenced in 2006. Backun Musical is considered the "Rolls Royce" of the industry and the Backun name is known throughout the musical world.

Morrie approached Wolrige Mahon Corporate Finance for assistance in helping him develop a banking relationship. From inception, the company had been self-financed and after exponential growth, Backun needed a banking and financial partner. Also, with sales and acquisition opportunities internationally, the company wanted to establish and build a relationship with a financial institution that would support continued growth.

Wolrige Mahon Corporate Finance analysed the company's situation and through discussions with management, created a short list of bankers who would make a good fit and meet Backun's requirements.

Backun Musical Services is now poised for continued growth as the company has established a banking relationship which includes operating, term and lease financing, as well as cash management and international trade services.



Tip: Diversify Your Client Base

A company with a diversified customer list can attract a higher valuation multiple than one with only a few customers. If your business has only a few select clients, increase the number of customers so that the loss of one customer does not pose a significant financial risk to the company.

Fostering International trade with Australia

During May, Wolrige Mahon's Karen Fraser and Doug Ryder joined a delegation bound for Australia aimed at educating Australians about "Doing Business in Canada" The team included two delegates from Miller Thomson, the Australian Trade Commissioner to Canada and members of the Canadian Consulate in Australia. The team presented in five cities on the benefits of doing business in Canada and trading with Canadian business partners. The key things learned by the delegation were:

1. Just how similar Australia and Canada are in the areas of business, culture and social values.
2. How interested Australian business owners are in pursuing the Canadian market.

The trip has provided us with some exciting new clients in addition to many professional contacts to help us facilitate international trade between our Canadian clients and businesses in Australia.

Where Has All The Credit Gone?

As you are no doubt aware, credit markets have tightened significantly in the US and Canada seems to be slowly but surely following suit. While many financial institutions remain "open for business," some (both big and small) are facing liquidity issues, cutting back activity in the real estate sector, and increasing pricing due to a decline in margins. Personal bankruptcies are up, at their highest level since 2004, and are over the 10 year average. The Bank of Canada is now hinting that the days of rate-cutting are coming to an end, as they keep a close eye on inflation. It's not all doom and gloom however. For companies with a solid track record, a well-thought out strategy, a realistic business plan, a committed and talented management team, and of course, a circle of trusted advisors, credit will always be available.