Presidential, MidFirst Acquisition – Hitting a Perfect Strike

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Tom Matthesen makes no bones about it. The CEO of the Atlanta-based company notes the March 1 acquisition of Presidential Financial Corporation (PFC) by MidFirst Bank is a win-win-win proposition any way you slice it … for Presidential and its clients, for the asset-based lender’s previous shareholders and for the acquirer. He explains, “We’re very excited about what this means for both MidFirst and Presidential as well as our clients and our employees. PFC has a long history that goes back 32 years. In 2008, I was brought in by the private equity group to reorganize and reposition the company to accomplish exactly what we achieved with this acquisition.”

And by all accounts, Matthesen was the right man for the job. Having spent his entire career in the asset-based lending industry, he has held positions at SunTrust Bank, GE Capital, Heller Financial and the firm he founded, Wall Financial Services. “I was able to take the collective experience I gained by working at a large bank, a large non-bank financial firm, a mid-sized non-bank commercial finance company, and my own start up asset-based lending firm, and apply that experience at Presidential.” It was in 2008 when Matthesen sold Wall Financial to Presidential that the company began its transformation that ultimately led to the MidFirst acquisition.

Matthesen says, “Prior to 2008, Presidential was one of the front runners in providing asset-based loans to the small-ticket market. When we came on board, we changed many things, including a move to focus on larger, middle-market growth companies. But one thing that needed no enhancement was the value of our brand. The Presidential brand has always resonated with the market, and all of our efforts during the last five years focused on maintaining, and building upon, that brand. MidFirst, also being privately-held and entrepreneurially focused, sees the value in our brand and is committed to helping us build the brand in even bigger and greater ways. Operating as a wholly owned subsidiary of MidFirst, our brand stays intact and carries the full strength of MidFirst Bank behind it.”

The Perfect Strike

As for the acquiring institution, Matthesen explains that the privately held bank fit the bill as the right choice from many perspectives. He says, “By the nature of its structure, being owned by a private equity firm determined that an exit day would be inevitable … but we had been approached several times over the last couple of years and none were what I’d call the right fit. So we ran our own process to find the right buyer. We found that in MidFirst.”

Headquartered in Oklahoma City, Matthesen explains the bank maintains a retail banking presence in Oklahoma and Arizona with commercial real estate offices in Chicago, Houston, New York and Southern California. One could wonder what makes this combination such a good fit.

For Matthesen and the team at Presidential, it all has to do with the synergies between the two institutions. “MidFirst focuses on the same spaces we do … the small- to mid-cap market. And they view our business as highly complementary to their ongoing activities. They understand that acquisition will add value and expand the way they serve their existing markets. And collectively, we all understand what it means to take this great brand – we think we’re one of the
best operated companies in our space – and put the capital and breadth of products on top of what we’ve been offering. It’s a powerful combination.”

Matthesen confirms the anticipated synergies envisioned during the pre-closing are already proving themselves to be evident one month after the acquisition was completed. He states, “The timing proved to be great and we’ve seen an immediate impact. The synergy between Presidential and MidFirst that we thought we were going to see is absolutely happening.”

**The Game Changer**

Beyond the great timing and the advantageous synergies now available to both MidFirst and Presidential, Matthesen says Presidential clients stand to benefit a great deal from the acquisition.

"Ultimately it’s about how we can better serve our clients. As an asset-based lender, you can sometimes get tagged as a ‘transitional lender.’ And it’s funny because we have client relationships that go back 20-plus years. But even so, you can still get pigeon-holed there. But with this combination, we can cover our clients’ needs whatever they may be. When their risk-return profile gets stronger, we can modify what we do, and how we do it for them, across their entire life cycle."

And that, in and of itself, is what excites Matthesen the most. “We do this great job for our clients and we work very hard, and in time, clients would leave us down the road because they grew to a certain size, or to a certain level of financial strength … it’s a graduation of sorts. Now, there are no more graduation days … they no longer have to go.”

At the same time, Matthesen and his team now have a greater array of products to offer their clients. “Previously, our product offering was very narrow. Like most of our peers, it has been receivables and inventory lending with a little bit of term lending mixed in. And our cost of funds was not low. Today, we have access to every relevant banking product. Whether its treasury management, merchant services, SBA lending or fixed-asset lending, we’re now able to provide that to our clients with our costs dropping significantly at the same time.

“We’re now a one-stop shop for all of their needs. And that’s great because we’ve worked very hard to build these long-lasting relationships. As asset-based lenders we all reach out to our customers a great deal. We’re very pleased that we can better serve them and that’s what it’s all about at the end of the day.”

**Some Things Change, Others Don’t**

It is perhaps a bit paradoxical that while Presidential stands at the dawn of a brand new day, much of its day-to-day way of doing things will stay intact. Matthesen confirms, “Our core go-to-market strategy is not going to change. And our core messaging is generally staying the same. But when all is said and done, we’ll be able to do much more and we’ll continue to adopt the ‘Best of Both Worlds’ approach that we’ve been talking about. It truly is the best of asset-based lending combined with the best of traditional banking.”

In addition to the continuance of the Presidential brand, Matthesen notes the company’s methodologies, lending parameters and infrastructure will also remain the same. He notes, “I would say this bank is outstanding in what it does and certainly over time, we will be in a perpetual mode of seeking best practices with whatever tools we have available. But for the foreseeable future, it’s business as usual in terms of the market and how we deliver our products to our borrowers.”
And of course, for Matthesen and his colleagues, core values are never up for grabs. “We still want to be the best-in-class lender serving the small- to mid-sized market. We love to serve the entrepreneurs who give it their all seven days a week and their success is our passion. We think this combination is going to be unique and it will give us an enormous competitive advantage.”

As for the overall state of things, Matthesen concludes, “The market has been both opportunistic and tumultuous and I think there will be many companies changing hands over the next few years … particularly among the non-bank lenders.

“But for us, we’re very proud of what we have accomplished in the last five years, and we’ve emerged as one of the most versatile lenders in our market, but one where we retain our employees, the successful model continues and we do it with a partner that has the qualities of MidFirst Bank. Situations like that don’t happen every day … so we feel fortunate in that regard.”

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