

Investment Banker Finds Opportunity in Lower Middle Market

■ By JOHN COX

The previous investment bank tried for a year to find a buyer for a certain Southern California manufacturing company. Nothing. Then the owners hired **Nia Stefani**.

She could see there were probably two good reasons the lower middle market company hadn't sold. The buyer would have to be familiar with a niche sector, and it would have to accommodate split ownership, in which half the business was owned by a would-be retiree, and half belonged to a younger partner eager to stay involved.

Stefani got them their price within a month, she said, and both partners got to do as they wished.

"It's because of our knowledge in the market," said Stefani, founder and CEO of national investment banking firm **Xnergy Financial LLC**.

Stefani is a winner of the San Diego Business Journal's 2017 Business Women of the Year Award in the category of small company.

Established in 2000, San Diego-based Xnergy provides corporate finance and merger-and-acquisition services to emerging growth companies. The firm employs 25 people, all but five of whom work in the local area.

Before opening Xnergy, Stefani

worked as a lawyer specializing in mergers and acquisitions and securities. She negotiated and structured a wide range of transactions.

While every one of her investment banking clients has had different needs, the case is usually that the ownership entity wants to sell, or it needs additional capital. Stefani sees her role as understanding the situation, then tapping her range of potential investors, including specialty lenders and private equity.

It helps that Stefani has years of experience in the lower-middle market. She said it's a specialization that's generally too big for small-business brokers small and too small for most other investment bankers.

Capital Constraints Common

Stefani remembers one California client – she wasn't at liberty to disclose names – that was more or less typical of those she works with now. That is, it faced a lot of opportunities but was what she calls "capital-constrained."

The business could have grown organically or through acquisition, Stefani said. To the owner, though, the most important thing was not to give up a controlling majority as it grew.

"We brought him a lot of different offers in a very short amount of time," she said. Ultimately, a buyer was found that

assigned the company a higher valuation than expected while also allowing the owner to maintain a controlling interest.

Another former client, this one in the specialty retail sector, had plans to grow by buying up small companies over a period of many years.

With Xnergy's help, Stefani said, he gained access to more than \$300 million in inexpensive debt. It allowed him to buy a larger competitor in short order.

"He was really able to cut years off of his business plan," she said.

Driven to Succeed

Relatively speaking, not a lot of women are investment bankers; Xnergy has two. While Stefani hesitates to generalize, it seems to her women put a lot of care into their clients.

"I stay up at night. I think about my clients," she said. "I take it very seriously when I engage a client."

Maybe this extra attention gives her an advantage, she said.

"It's very important to me. Failure is not an option. Every client has to succeed. I really, truly care," she said before pausing for a moment. "But I don't know if that's a woman thing."

Stefani mentors local startups and is involved in the San Diego chapter of **Tech Coast Angels**. She was named among the Most Promising Up and



Bob Thompson/Fotowerks

Nia Stefani helps find potential buyers and investors for private companies.

Coming Women by the New York State Commerce Association.

Xnergy has received a certificate of appreciation by the City of Los Angeles, and has earned the **U.S. Commerce Association's Financial Services Award**.

