

Backgrounding privately-held companies: a strategic approach

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Begin with the obvious

Before you dive into public records, start with the most available and widely-disseminated information. It may not be the sexiest or most clever method of learning about a company but there are advantages to doing this first. For one, you can pick up nuggets of information that may not have occurred to you. For another, you will pick up clues about the nature of the company you're studying—that is, you will learn *what questions to ask* about this particular company—then you can use public records and other sources to answer those questions.

Step one: draw up a plan

Plot your research strategy on paper by creating a **factsheet**. Think of as many things as you can that you want to know about this company. List them on paper, leaving a blank for your answers. Include a blank line for your source—***always record the source of your information***. I've attached an example of a factsheet for company research, but don't feel limited by what's listed on this example—determine what *you* (and your readers) want to know based on your story. Think creatively.

Step two: run a literature search

Academic researchers always begin their research projects with a literature review—reporters ought to make it their habit as well. Search general interest newspapers and magazines, the business press and any trade publications relevant to your company's industry. Keep a special factsheet just for the literature search. Don't just print out the articles—every time you see a useful fact, ***write it down and note the source***. Forbes has a good annual list of the largest private companies and Inc. magazine has a list of up-and-coming entrepreneurial companies. There are many local published lists as well—the Washington Post has a list, for instance, and local business journals often have an annual list of the largest local private companies. Companies that provide databases of full-text periodicals include Lexis-Nexis, Factiva, ABI-Inform, Dialog, ProQuest and InfoTrac. If you don't have access to one of these subscription database vendors at your desktop, your news library may have one or more of them. If you don't have a news library, your local public library will undoubtedly have access to one of these online databases. Some reference books are actually compiled from journals and newsletter excerpts and these can be quite useful. Two good examples are the Market Share Reporter and Predicasts. There will be a source note with each entry so that you can follow up where the table was originally published. While you're at it, run the company's name and the names of any principal corporate officers that you know in a search engine like Google and see what comes up.

Step two-and-a-half: know the industry

If you're already familiar with the industry—say if you're a technology reporter and you follow the computer industry closely, but you need more information on a particular company—then you may skip this step. But if not, it's extremely important to understand your company in context. In addition to knowing something about the company's competitors and its market share, you need to know industry trends, the outlook for that industry and challenges unique to that industry. An entire workshop could easily be devoted to the topic of industry research—there are too many sources and strategies to list in a fast-track program on company research. Suffice it to say for now that to understand a company, you must understand the industry in which it operates.

Step three: cruise the company web site

Web sites can contain a wealth of information. There are some standard areas that appear on most company web sites that you should look at. There usually is an "about" link that leads you to a page that describes the company in brief, lists the major corporate offices and usually includes a short company

history. Also click on the “contact us” link—sometimes all that leads you to is the webmaster’s e-mail or a general mailbox, but often it’s a useful list of contacts that reads “for questions about _____, contact _____.” Privately-held companies usually don’t have an investor relations page, of course, but a company seeking venture capital or other private investments may make similarly useful financial data available. Be sure to browse the online press releases. Remember, PR doesn’t only accentuate the positive—damage control is a major function as well. So you can get a good overview of a company’s ups and downs by simply scanning the press releases. You’ll want to look at the customer pages to learn about the company’s products and services, including pricing, specifications and marketing strategy. If you don’t know much about the company, checking the domain registration of the web site can be instructive, using sites such as www.internic.net/whois.html, www.betterwhois.com or www.fasterwhois.com. This will tell you who owns and administers the web site. Services like Netmind www.netmind.com notify you whenever a web site is changed.

Step four: call and ask

You may want to save this for one of your last steps, so that the people you’re contacting will know and appreciate that you’ve done your homework before you called them. But I’m including it here among the so-obvious-it’s-not-always-obvious methods of company sleuthing. It’s amazing what employees of a company will tell you if you catch the right person at the right time. Interviewing is a staple of reporting, of course, but note that calling-and-asking is also a favorite method of competitive intelligence professionals who work within many major corporations. Most ascribe to a code of ethics that includes identifying themselves when they call—so if *they* can get an employee to spill the beans to a known competitor, surely you as a reporter have a chance as well. My experience has been that when I call and ask for a private company’s annual sales, I have a one-in-twenty chance that they’ll actually tell me. Not particularly long odds—certainly not so long that it isn’t worth a try.

Beyond the obvious: public records, credit reports, regulatory agencies and interested bystanders

Search SEC filings

“Gotcha!”, you exclaim. “That only works for public companies.” Wrong you are, proxy-breath! While it’s true that privately-held companies aren’t required to file with the Securities and Exchange Commission, the companies that are required to file will also be required to detail major business relationships with other companies, and it doesn’t matter whether those are public or private companies. Companies with more than 500 shareholders and at least \$10 million in assets must file with the SEC even if those shares aren’t publicly traded. Some companies that are still privately-held will have S-1 filings online—the remnants of aborted IPOs. On a web site like 10Kwizrd www.10kwizard.com, you can keyword search all the SEC filings that are on EDGAR (and there are a lot) in one shot for a company name or the name of a corporate officer. Get your free journalist account on 10Kwizrd and have at it!

Get the corporation papers

Every state has an agency where these are filed, usually the Secretary of State’s office. Chances are they are filed either in the state where the corporate headquarters are located or in Delaware, which is the Cayman Islands of incorporation in the United States. The information available is dependent upon how the company chooses to incorporate. Fully-incorporated companies benefit from the highest level of liability protection, but in return, they are required to disclose a number of details, including identification of their primary owner, Board of Directors and major corporate officers. Certain types of partnerships, such as a Limited Liability Corporation (LLC) have considerably less legal protection, but are not required to disclose their “principals”—the people behind the company. Many states now have searchable summaries of corporate documents on their web sites. You will still want to order copies of the complete documents, however. Ask for the complete charter documents, including the incorporating papers, amendments and annual reports.

Get a credit report

This is the richest source of information on private companies and often the only source of financial information. While individuals are protected by law from disclosure of their credit history, the same is not true for companies. The best source for business credit reports is Dun & Bradstreet. I've attached a copy of what I think is the most useful report for news gathering: the Business Information Report. This includes business location, annual sales, number of employees, audited financial statement (if available), corporate history (the D&B summaries are very good), operations, litigation and UCC filings. There is, of course, also the credit information. Turn-around times from billing to payment are indicated, both as an average (using something called a "Paydex score") and detailed for specific creditors. D&B used to be more liberal with their sales estimates—once upon a time, they made estimates based on the size and industry of the company without any further information about the company's finances. Now, D&B reports sales only if they obtain an audited financial statement or if the information is volunteered when they call the business. **Don't pay full price for D&B reports until you make sure your company doesn't already have a contract.** There's a good chance that your credit department subscribes to D&B. If you call D&B customer service, they can check on this for you and give you a contact name. If your paper or station is part of a chain, you may be able to take advantage of group rates and pay half what you would if you paid for reports using your credit card.

UCC filings

Article 9 of the Uniform Commercial Code provides for a public record of credit secured by business assets other than real estate. Much as a mortgage is a record of how your homeowners' loan is secured by your house, so a UCC filing is a record of a secured business loan or of property that is not entirely paid for. For instance, a farmer might buy a combine on the installment plan. The farm implement dealer will file a UCC statement noting that if the farmer doesn't pay off the combine, the dealer gets the security (the combine) back. Often, you will see examples of companies borrowing heavily against their assets. A clue to this type of debt are UCC filings with a wide-ranging, boilerplate collateral statement that essentially says they're putting up the whole business for this loan, rather than purchasing a specific piece of equipment on credit. You can search UCC filings on many Secretary of State web sites as well as many of the popular commercial public records services such as Choicepoint, Accurint and Merlin. Also check the local recorder's office for liens that were filed either by a taxing authority or by a private individual.

Has your company been behaving itself?: litigation and watchdog services

You should run court checks on your company, both civil and criminal. Use PACER to search the federal dockets (see if your newsroom has an account) and then check your local (or the company's local) courts. Also check the FTC www.consumer.gov/sentinel/, the Better Business Bureau search.bbb.org/search.html and the National Fraud Information Center www.fraud.org/news/newsset.htm.

Industry-specific resources and government regulation

Your company may be in an industry with special reporting requirements. Banks are highly regulated, for instance. You can find financial statements for banks, credit unions and holding companies at www.ffiec.gov/nic/. A.M. Best is the source for information on insurance companies, including ratings and financial data. www3.ambest.com/ratings/advanced.asp. Utilities are usually regulated by a state agency. There are many other examples—the point is to think about who might have a special interest in the company you're researching. Look at local licenses, permits, tax assessor's property records, environmental or labor-related violations, etc.. See if your company is contracting with the local, state or federal government and get the contract information. I've attached a list from the competitive intelligence firm Washington Researchers that will give you more than a few leads for information.

Patents and trademarks

Patents and trademarks can be searched at www.uspto.gov. You can search for images of logos in the trademark section and you can search for existing patents as well as patent applications and preliminary notices in the Official Gazette. Proceed with caution regarding patent applications—a common tactic of

corporate deception is to publish sham patent applications in the Official Gazette to confuse competitors and then withdraw the patent application before review.

Some miscellaneous tips in closing

A unique piece of information can lead you to estimate other information that's not readily available. For instance, if you know how many beds a health care facility has and you know the industry standard rate, you can estimate potential revenues.

Advertising budgets, including dollars spent and media mix (how much in magazines, TV, billboards, etc.) can be found in the Standard Directory of Advertisers.

If part of the company's workforce is unionized, have a chat with the union local office.

Happy hunting!