



**Success Story:** Subsidiary Restructuring and Sale

**Client Classification:** Financial Services Technology Provider

**Service Category:** Organization Transformation, Business Acquisition, Integration, & Divestiture

**Situation:**

The client had a private ATM network with \$100 million in revenue and \$99 million in direct expenses. The business, one of three major players in the private ATM network sector, was operating as a separate division within the Client organization and was on the Balance Sheet for \$85 million. The Client doubted they could sell the business for a profit in its current state. The division management wanted to expand the business, which required significant capital investment with a high risk outcome and the plan was based on internal assumptions not backed up by competitive analysis or sound revenue projections. The CEO asked LoBue to review the strategy of the Business, assess the competitive situation and recommend possible solutions for the dilemma.

LoBue performed a survey of the industry and major competitors, and a scan of small to medium competitors. The analysis showed the business proposition going forward was clouded by the significant trend to cashless payments, such as 60% of Starbucks purchases moving to plastic. Other trends suggested that the ATM private network business would be a mature commodity business at best. Further, LoBue conducted an assessment of the internal operations of the business and found a somewhat inefficient operation.

**Recommendations:**

LoBue recommended that the plan for expanding the business be abandoned as it was too costly.

LoBue recommended a restructuring of the Business based on the internal assessment, targeting a \$7 to \$8 million expense reduction while maintaining the current revenue base. Strong belief in this proposition led LoBue to offer to purchase the business for book value if the management could not find another solution.

**Results:**

The parent company CEO took the LoBue analysis to a major competitor and, with the restructure plan as an aid, sold the division for \$155 million. The new capital allowed for the purchase of a card based enterprise that was growing at a significant compound rate. This materially improved the company's Market Cap.

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