BUSINESS

It's Back to the Basics for Investors and Public Companies

NewsUSA

(NU) - In today's tumultuous and ever-changing marketplace, company owners and investors alike must return to financial fundamentals, says new insight from business analysts.

For company owners entering the market, statistics suggest that businesses must place equity as their primary strategy for sourcing capital. Equity capital will allow a company to better implement its business plan and develop its overall capital structure.

Implementing an equity-focused strategy is particularly important due to the two often-misunderstood but equally important product lines that a public company must support.

The first, a company's products and services, makes up the entity's core business. The second, the company's securities, demonstrates to financial markets why a given business is worth an investment. A lack of understanding of these equally-important product lines has resulted in a plethora of poorly-performing public companies.

"Public company management must engineer the business structure and operations to be successful with both product lines," says RYS & Co. Managing Partner Roy Salisbury. "No business can succeed in the long run without maintaining sound business fundamentals."

Unfortunately, the misunderstanding often affects investors. In today's micro and small-cap marketplace, a misguided belief exists that it is essential to drive share volume, or liquidity, to access capital from the market. However, when this occurs, the securities line is forgotten, and true stability is limited.

Today, hundreds of such public companies exist as so-called "shell companies." For investors, sifting through these broken public companies can be both confusing and deceiving.

Roy Y. Salisbury, Managing Partner, RYS & Co.

The solution, experts suggest, is research. Business strategists recommend looking for a handful of simple but important "red flags" before investing in a company.

An easy place to start is by examining the history of stock shares. Potential warnings include a large number of unnecessary authorized shares, a sharp increase in number of outstanding shares, or issuance of preferred shares convertible into a large number of common shares to insiders.

In addition, investors should check if up-to-date reporting data exists and if any toxic financial commitments can be uncovered, including a lack of gross revenue. Management turnover and any involvement by an Investor Relations Campaign Company (IR) are equally important signs of instability.

In a market where business scams are plentiful, due diligence and common sense are essential. Many strong businesses exist, but finding them or becoming one requires a well-rounded business plan led by a committed, experienced management team.

To learn more, visit RYS & Co. at www.rysgp.com.