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Market Insight – February Edition

The Market in early 2010

Investment Banking

- Demand at major investment banks for Senior Analysts, Associates through to Directors has continued into February. A number of US and European IB's have been adding resources to their M&A teams in anticipation of stronger pipelines this year.
- It would appear that a number of mid level M&A bankers have resigned post bonus and elected to take time out from the industry to pursue alternative career paths in research, corporate development or funds management.
- Bonus season is upon us and generally speaking the numbers have been solid, if not spectacular. Expectations late last year amongst the more strongly performing houses were arguably higher than the levels eventually paid out, although those expectations were in most cases managed reasonably well. High performers have been looked after, particularly at the mid levels. The stock component in the reward is varied and understandably increases with seniority, with vesting schedules being drawn out to try and retain staff. We've also seen a leveling of base salaries amongst the leading international IBs, with those that hadn't raised bases in line with the Government supported firms following suit.
- The market for talent across all levels in M&A and ECM is fiercely contended. Most IB teams are on the hunt and the pool of high quality available local candidates remains small. Add to this the continued migration of junior and mid level bankers out of the market (to corporate M&A, MBA school, offshore banking roles, entrepreneurial ventures, research and funds...and travel!) means teams will struggle to hire in line with growth aspirations for 2010. Teams are still reluctant to look at offshore candidates or those from the legal or chartered world, although this is bound to change as seats remain vacant.

Private Equity / Corporate Development

- Private Equity is still challenged from a deal standpoint (both exits and acquisitions) but showing some signs of recovery from a recruitment perspective. Funds are interested in junior level bankers/consultants as they anticipate a pickup in activity. Limited opportunities for more senior candidates. Eventual numbers and timing of hires will depend on capital raising success and timetables around these.
- In-house business development is also actively hiring and proving a very popular area for bankers seeking a change of career direction and sometimes perceived improved lifestyle. Again, mostly at the junior-mid levels.

Fixed Income and Capital Markets

- As predicted, both global and local banks are shoring up their teams, with some firms adding to their product range or establishing trading platforms locally.
- Both loan and bond markets are showing some life as predicted off the back of M&A and equity activity, so expect some moves in DCM.
- As bonus season comes into full swing, there will be concerted efforts to add to or retain well performing teams – the key is both the quantum of bonuses and the split between cash and stock.

Structured Debt

- Leveraged / acquisition finance again has been on the rise with local (NAB) and global firms (Morgan Stanley) adding to their teams.
- Not surprisingly the structured finance / tax arbitrage business has been shrinking as firms look to more traditional ways of generating annuity income. Most banks are redeploying staff from these teams.

Institutional Banking

- There is speculation that some local banks will add to the sectors they cover in line with investment banking, equities coverage as we see an upswing in certain sectors.
- NAB has been active adding to both sector teams and corporate finance – both junior and senior levels.
- Some of the local commercial bank employees were less than happy with their bonuses for 2009 so inbound enquiries to us have been strong.

Funds Management

- Funds Management is experiencing a healthy demand for those with capital raising and distribution experience.
- Only limited hiring in manufacturing, but many more moves on the distribution side of the business – both retail and institutional.
- No real hedge fund hiring as a result of very little allocation of additional capital.
- We are seeing the need for clients to act fast in this current climate. Candidates in some case are picking up multiple offers so clients need to react accordingly.

Equity Research

- Areas most in demand are oil, gas and resources in Equity Research.
- Real estate is also making a comeback.
- With respect to bonuses, generally the consensus was that numbers were fair given current climate. In some instances and covering specific sectors, some total compensation numbers did compare more favourably than 2007. Associates generally suffered as a result of having to look after lead analysts and some firms also had salary freezes.

CFO/COO/Risk Management

- The credit risk market has seen increasing volume over the last month or so with a focus on hiring at Director level and above both domestically and in the region. Specific deal or sector experience is still stipulated by clients however, with very little or no lateral hiring.
- The Private Equity market has shown some signs of life with several transactions coming close to fruition – this activity has led to some selective CFO hiring in investee companies.

Retail Financial Services

- At the end of 2009 we mentioned that confidence had returned to the retail financial services sector and that it could be shown through the establishment of new business, product lines and revenue streams, now, as we are moving through the first quarter of 2010 we are seeing this confidence leading to new senior roles being created. This is in stark contrast to 2009 where the volume of activity in this space came from simply replacing executives.
- The online / direct banking space continues to be a growth area and candidates that can display good marketing, product and strategy experience in these areas from here and overseas remain in high demand. Westpac have been rumoured to be launching a new online deposits business using the Bank of Melbourne brand, obviously with a view to take some of the market share from the highly successful UBank business which is backed by the National Australia Bank.
- With senior candidates in this space having an increased amount of new opportunities being presented to them, salaries that have remained steady are starting push up again within "hot" areas and businesses will be forced to look at retention strategies such as long term incentives in the form of share plans etc. Within several of the domestic banks there appears to be a deliberate move towards increasing the bonus component of salaries while decreasing the guaranteed component.

People and Team Moves

- Paul Masi has joined Austock as MD.
- Richard Galvin from GSJBW to JPM in ECM.
- BAML took a fixed income currency and commodities team of approx 11 from RBS, headed by Chris Thomas – it will include rates sales, inflation, credit sales and corporate FX.
- Eric Fischer, ex-ANZ and BOSI, joined Morgan Stanley as ED Leveraged Finance.
- Geoff So from NAB joined SMBC as VP Leveraged Finance.
- NAB has been busy in recent times taking: Bart Malecki and Gavin Hutchison in leveraged/acquisition finance from ANZ; Christine Yates in institutional banking also from ANZ, and; Tiernan White from Westpac to head Corporate Banking.
- Jasper Gale joined Barclays Capital as Director Credit Sales from Nomura.
- Sophie Polednik left RBS where she was head of relationship management to join BAML in corporate banking.
- Tom Wilson moved from JPM to Credit Suisse – Research Sales.
- Simon Bowles – Has joined CS as a member of their corporate access team.
- Alex Tonks – Left Citi to join Merrill in Commodities Research.
- Glen Chipman – Left Citi to join Merrill as resources associate.
- Mike Younger – Left Citi to join Goldman as small caps analyst.
- Daniel Toohey, Insurance analyst at Citi has gone to CLSA.
- Callum Bramah has moved from Macquarie Sydney to head up property research in Hong Kong.
- Andrew Lemme has left CBA to join AMP Capital as an equity analyst.
- Hayden Bairstow has left Stonebridge to join CLSA as the small to mid cap Resources analyst.
- Mark Greenwood has left JPM to join Citi as their new lead Oil and Gas analyst replacing Di Brookman.
- Justin Diddams has join Citi from RBS in London as Media Analyst.
- John Burgess is rejoining Austock as a retail analyst.
- Martin Smith has joined Goldman Sachs JB Were Asset Management as Senior Institutional Business Development in Sydney.
- Evan Reedman has left JANA to join QIC in Brisbane.
- Michael Drew has left Q super to join QIC, is going to be developing a life cycle/target date fund product.
- Greg Clarke has joined Pengana from QIC - Head of Multi Manager.
- Gary Rollo has joined Renaissance as a Small Caps Analyst.
- Brett Mitsch, Director is joining Citibank.
- Ed Chan, joining JP Morgan Industrials team as a VP. Returning from London and most recently employed by Citibank.
- Commsec chief executive Matt Comyn has been appointed as the new chief executive of Morgan Stanley Smith Barney in Australia. CBA moved swiftly to announce Comyn's replacement, Stephen Karpin, who had previously held the role of General Manager of Credit Cards.
- Christian Nicks ex of GSJBW joining Investec as head of Corporate Advisory.

We are keen to hear your feedback or should you require further information, please contact Helen Lindner on 03 9653 8600 or hlindner@jmicel.com.au

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