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Market Insight – June 2010

Curtain Starts to Drop on the IB Hiring Window ?

I got a call from the AFR asking me to partake in a Q&A around the so called “Clouds Circling Investment Banking”...now whilst I felt this was a tad sensationalist I think it timely to make some concerned observations. How will this all ultimately play out? Well I will leave you to gaze into your crystal ball or stare at the tea leaves in your cup for genuine enlightenment - a handy lesson learned from our friend the GFC.

- As widely published IB revenue is down on last year - one figure quoted was 36% and yet established players have tooled up by increasing existing headcount. In addition, new entrants looking to take market share, have and will continue to build-out and hire.
- So a market widely regarded as “overbanked” becomes even more crowded. Not helped by the loss of major contributors of IB fees such as Macquarie (now a changed model so increasing 3rd party advisory competition), Babcocks and Allco (RIP).
- M&A huff and puff is high but few deals have closed and uncertainly exits that many will this year. The equity IPO Window (expected to replace last years capital raising fee fest) has not firmly opened and who knows when it will....please refer to crystal ball.
- Base salaries have gone up, with speculation this has resulted in a 50% increase in fixed costs for some – with expectation on bonuses not subsiding and some sitting on healthy guarantees for 2010, which are not about to be adjusted down.
- So I can imagine some overseas heads of business returning from their northern hemisphere holidays will be staring at rather bleak looking P&L's from their Australian offices.

We are now mid-year – let's take a breath. This brings, not a complete closing, but certainly a narrowing of the recruitment window for many firms, though those with key strategic hires or strong business cases can still generally get them through, though justification will have to be well argued I sense.

So what lies ahead? Better get shuffling those Tarot Cards.....

Moves and Restructures

Investment Banking

- Steven Ivak, Partner at EY Melbourne and his colleague, Joel Andersen have left to join Canterbury Partners.
- Andrew Champion, ex of Citi has moved to Austock in Sydney.
- Dave Goffage gone to BoAML from RBS in ECM.
- Barclays Capital have hired Lars Aagard ex Morgan Stanley in financial sponsors and Stuart Nash ex Macquarie Capital, in the industrials team.
- James Douglas, co-head of IB, has left Citi and is starting his own mid-market investment firm.
- Morgan Stanley's head of M&A for Asia-Pacific, Ed King, has resigned and according to sources, will be joining Barclays Capital in a similar role. He will be succeeded by Samuel Kim and Peter Ding, who have been appointed co-heads of M&A for Asia-Pacific. Morgan Stanley has set up a new corporate finance execution team for the region, which will be headed by Terence Keyes.
- Andrew Low, COO for Macquarie Capital Advisers, is leaving after almost 20 years to pursue other interests.
- David Wood from Rothschild to BoAML in resources.
- John Prendiville, global head of resources for Macquarie Capital is stepping down.
- Grant Chamberlain has joined Nomura from Deutsche Bank to take charge of M&A.
- Deutsche Bank has hired Justin Dwyer as MD, Robert Snow as Director and Melinda Robertson as Associate, to boost its ECM team.

Private Equity

- Guillaume Valdant, who ran the PE/VC portfolio, has left Access Capital Advisers.
- Blue Sky Private Equity has launched a new fund called the Blue Sky Private Equity EC2010 Fund in June.
- Ovidio Iglesias, Grant Fleming and Bill Humphreys previously of Wilshire have set up an illiquid assets advisory and asset management firm, Continuity Capital Partners.
- Rohan Wolfers has left Navis to join PEP.
- John Shin ex Babcock has joined the Roberts family office as CIO.

Fixed Income and Capital Markets

- UBS has combined its equities and fixed-income business to create a unified securities trading platform. Two new co-heads of equities, Gary Head and Robbie Vanderzeil, will lead the combined operation alongside the current fixed income head Grant Lovett. They will report to Gerard Satur, who has taken the newly created position of head of securities after returning from UBS in New York.
- Citi have hired James Arnold ex RBCCM and Ian Campbell ex Daiwa as VPs into their debt syndicate and DCM team respectively.
- Andy Harris has joined Morgan Stanley on the rates trading desk under Dave Adams leaving Nomura after a brief time.
- James Land ex Westpac head of rates has joined Nomura as MD head of fixed income.
- Richard Homberger has joined TCV as senior risk manager after 3 weeks at BoAML following gardening leave from a 6 week stint at RBS!
- Adam Francis has joined BoAML as Director in principal investments leaving Fortress after 4½ years.

Structured Debt

- Lyndon Hsu, Credit Suisse's head of leveraged finance for Asia in Hong Kong, is moving to HSBC to head the leveraged finance business for Asia, based in Hong Kong and reporting to Oliver Duff, HSBC's global head of leveraged finance in London.
- RBCCM have hired Brett Crocket ex Macquarie and Tim Sturgess ex RBS into their infrastructure capital team.
- West LB has hired into their energy team with Simon Currey as Director and Michael Fabisiak as Manager.
- Mezzanine finance house Babson Capital has hired Sue-Ellen O'Keefe as their new head of capital raising.

Institutional Banking

- Spiro Pappas, who agreed to join Standard Chartered in Asia after only 12 months with NAB as head of institutional banking, is returning to NAB in his old role. He will report to David Hornery.
- Andrew Wright ex ANZ has joined NAB as head of resources in institutional banking, reporting to Spiro Pappas.
- George Giovias, ex head of institutional property has left ANZ after 23 years.
- Brent Griffiths has joined SMBC as SVP corporate finance, reporting to John Ferreira, who was recently appointed co-General Manager of Sydney branch in addition to his role as head of corporate finance.
- Mizuho Corporate Bank has appointed Chris Ammann as Senior Director corporate finance.

Equity Markets

- RBS has been on an aggressive hiring spree leading to the following hires:
Andrew Scott (JPM) as lead building materials and chemicals analyst; Derek Jellinek (Boenning & Scattergood, a specialist US research firm) as senior healthcare analyst; Michael Leonard (Macquarie Bank) to work with John Heagerty and Richard Coles on the insurance and diversified financials sectors; Daniel Blaike (ARIA and prior BoAML) in equity strategy; Tony Sherlock (Aegis) covering small caps, mining developers and contractors; Tony James (CLSA) as a senior sales trader; Mark Skocic (Morgan Stanley Investment Management) has rejoined RBS as head of Australian research sales, Asian clients; Daniel Baker (Mirae Securities) as Australian research sales, Asian Clients from; Stuart Nutting (from UBS Connecticut) as head of Australian research sales, North American clients; John Manchee (from Credit Suisse) as senior options trader and Dan Broeren (CLSA) back to RBS as lead retail analyst.
- Carolyn Tregarthen has moved to CLSA as COO.
- Chris Whitehead has joined Southern Cross as a resources associate.
- Victor German has moved to Nomura to be the lead analyst on banks.
- James Coghill and his associate Scott Olsen from Deutsche have moved to UBS to cover insurance.
- Morgan Stanley has hired John Meredith from Stockland as property equity research associate.
- Citi has hired Hugh Dive from Investors Mutual as lead building materials and chemicals equity research analyst.
- Tom Quarmbly lead banks analyst at Macquarie Bank has left to join Barclays Capital in Asia.
- Jeremy Hooper and Julian Scott have moved from UBS to Morgan Stanley as prop traders.
- Brendan Harris has left Macquarie Bank where he was lead resources analyst and joined BHP in investor relations.
- Lee Bowers is moving from specialist sales at Macquarie to cover BHP & RIO replacing Brendan Harris.
- Troy Derwin joins Moelis & Company from Credit Suisse together with Jon Farthing from UBS.
- Alex Unsworth has also joined Moelis in equity sales after taking a sabbatical from UBS.
- Mark Busittill has left UBS to cover resources at JPMorgan.

Funds Management

- Credit Suisse's Director of alternative investments, Richard Quin and his team will move across after the recent purchase of the fund by Challenger Asset Management.
- Doyle Mallet has joined BNP Paribas as head of fixed income in Australia.
- Mark Hume, oil & gas analyst, has left BoAML to join CFS Global Asset Management in their resources fund.
- Morry Waked and a team of ex-BGI investors are launching a quant orientated boutique. They will be joined by Katherine Allchin, the former head of distribution at BGI.
- S&P has added considerable firepower to their research and distribution business in Sydney by hiring John Huynh from IOOF, Jason Patton formerly of Macquarie, Vesna Peroska ex Credit Suisse Asset Management and Troy Williams in the distribution team from ING.
- Scott Davies prior CEO of Macquarie Communications is leaving the fund.
- INGIM has appointed Jim McKay as head of the wholesale business, signalling more hires as part of a push into the adviser and platform sector.
- James Gruber has left CLSA to join AMP Capital as an equity analyst.

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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