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MARKET INSIGHT

Areas of Movement

- Marked pick up in some of the larger Investment Banks looking to hire mostly at the junior level and this has been in line with an increased in M&A activity off the back of capital raising at the beginning of year
- Ongoing opportunistic hiring in certain sectors at a senior level for example Resources & FIG
- New entrants into the market on the advisory side, for example Barclays Capital and Moelis
- On the Private Equity side, things are still very quiet with sporadic hiring at very junior levels amongst funds that have navigated the past 2 years more successfully than their peers, no senior level hiring at this stage
- New Real Estate Firm, Qualitas has opened its doors as a private equity property investor and advisor
- Recent Analyst and Associate hires across the board in Melbourne & Sydney
- JPM have started to rebuild their ranks in real estate with Anthony Ryan joining from Deutsche, Craig Smith (ex UBS) and David Gray (ex Deutsche) joining to run ECM. They have also picked up Jay Hipolito from Barcap into DCM
- Barcap have hired Dan Janes and Steve Boggiano (both from RBS) to establish an M&A practice for them
- Palladio have hired Kent Greig (ex of Credit Suisse) for their Melbourne office
- Angus James and Colin McKeith have opened the doors of AquaAsia, their own advisory boutique
- Recently formed Sigiriya Capital have celebrated closing their first deal by hiring their third team member in Australia
- Steve Zuckerman (ex-SG and Barclays) has moved to Citi as Director, Head of Loan Markets
- Cathy Yuncken (ex-GE and Barclays) has moved to CBA as Head of Institutional Loan Markets
- Solid demand for Retail and Institutional business development candidates
- Strong activity in financial markets, particularly across Fixed Income/Trading and Sales
- In the last 2 months the market has seen significant hiring in Equity Research, this has been across all sectors both junior and senior roles. This has been due to team movements and

banks utilising this time to upgrade existing analysts and replacement of those moves. This has also been heightened by CBA and CLSA hiring from the domestic markets therein creating more opportunities and vacancies

- The banks that cut a number of junior people late last year have now begin to replace them, this has not been easy as similarly Investment Banking and other markets have picking up in hiring as well, creating a vacuum of junior talent
- The sectors that still remain hot are resources, industrials, basic materials and financials

Market Expectations going into 2010

Investment Banking

Evidence points to an increase in professional standards within the industry. Banks now re-hiring are demonstrating a preference to hire still employed bankers at rival firms, perhaps assuming those held onto during the downturn may be of higher quality. The economic downturn has also had a disaggregating effect on the industry and talent continues to re-distribute away from global investment banks to independent boutiques and corporates. Further, hiring and growth in the boutique, independent sector is expected in the second half of 2009 and into next year. Opportunities in corporate development have also become more competitive in recent months as the pay gap between corporates and banks has narrowed. However, despite its increased attractiveness, demand in corporate development is likely to remain weak, as many large companies maintain tight cost controls and minimise new hiring in the face of continued volatile trading conditions and weak growth.

For further information please contact Andrew Valentine on 03 9653 8610 or avalentine@jmichel.com.au

Equities

Employers are conscious that over the last few months their staff have been stretched post the earlier redundancies. The hiring taking place is to ensure teams are well supported and key staff do not burn out. Furthermore, from a business perspective coverage is increased and leaves firms less exposed if there are any departures.

- Guarantees are back, as are counter offers and staff buy backs.
- In some cases salaries have been increased to accommodate for the inability to pay bonuses as firms have done in the past.
- For some firms, bonuses have had a significantly larger stock component.
- Counteroffers have played a significant part in the recruitment (or non-recruitment!) of candidates.

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Funds Management & Alternatives

There has been a tale of two stories for 2009 with the first half of 2009 mirroring the slowdown and GFC and most recruitment at least put on the backburner or shelved altogether with an increase in redundancies. Whilst growth is not a major focus, ensuring they have the teams in place and scale to meet business requirements and have a platform to move forward is definitely back on the agenda for the second half of 2009. 2010 is looking more optimistic and planning and budgets for 09/10 are starting to reflect an increase in demand for hiring. Senior appointments are still on the slow side but demand for mid level investment and distribution personnel is increasing with the stability and recovery of financial markets coming to fore. The agenda for what we thought was stronger hiring in 2010 seems to be brought forward to the current markets and demand is picking up particularly in distribution and sales.

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Private Equity

On paper at least, it should become a very good investing market moving into the latter half of 2009. The quality of assets coming onto the market is improving and the gap between valuations and vendor expectations is reducing all of the time. Many funds have equity still to invest and will not want to miss out on favorable investment opportunities. The lack of debt is likely to prevent deals at the large-cap end of town from being even contemplated, but we anticipate some activity in the small to mid-cap space, and with it hiring needs in the respective deal teams. Likely needs are going to be at Analyst and Associate levels as funds seek to promote from within rather than hire senior professionals, although for candidates with a solid investing track record, there may be selective opportunities. However, whilst the investing climate is set to improve the fund raising market is still challenging. This has and will impact on hiring for those funds struggling to raise capital in these challenging conditions.

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Corporate/Institutional Banking

- Capital will be tight and key clients will be over-serviced to ensure stability.
- Sector specialisation will continue but there is an expectation of broader product knowledge than just debt.
- M&A activity has started to increase so there are will be some financing requirements in this space, as well as general corporate deals to be done and /or refinanced.
- Companies' demand for committed credit lines will increase in lieu of reduced capital markets issuance/investor appetite.
- Recent reports of international banks retreating from Australia appear overblown (apart from TD and Dexia). A number of international banks actually incrementally grew their Australian loan books in 2008.

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