

Ranking the rainmakers: Lead bank M&A advisers for H1'07

August 06, 2007

By Nathan Stovall

Boutique investment banks provided the most active lead M&A advisers in the bank and thrift space in the first half of 2007, while, not too surprisingly, a few bankers at the bulge-bracket firms landed some of the largest transactions.

The Midwest proved the busiest area for M&A in bank-and-thrift land in the first half of 2007, as 47 deals surfaced in the region. With 35 deals and 22 deals, respectively, the Southeast and West followed with the most activity thus far this year. And bankers in those areas certainly benefited from higher levels of activity.

The Midwest also boasted the largest transaction in the first half of 2007, with LaSalle Bank Corp.'s \$21.0 billion sale to Bank of America Corp., and the seven bankers that led the advisory work on the transaction topped the rankings by deal value.

Five bankers from the buyer served in lead roles in the BofA/LaSalle transaction, including the investment bank's global head of FIG, Tony Ursano, as well as recent hire Allen Ginsberg. For the seller, UBS Investment Bank Joint Global Head of FIG Investment Banking Oliver Sarkozy served as lead banker in the transaction.

Meanwhile, recent additions to Credit Suisse (USA) Inc. landed the third-largest transaction in the first half of 2007. Vikram Gandhi, the head of FIG at Credit Suisse, advised State Street Corp. in its \$4.49 billion purchase of Investors Financial Services Corp. Fellow Credit Suisse bankers Ricardo Llanos and Steven Pierson — who Gandhi recently pulled away from Putnam Lovell NBF Securities, where he served as head of investment banking — also advised on the transaction.

Gandhi previously served as co-head of FIG at Morgan Stanley and joined Credit Suisse with the charge of rebuilding its FIG practice. He recently told SNL that much of his time over the past two years has been focused on making senior hires, but he now believes the firm has the talent it needs to compete.

"We've gone out and identified talent at other firms where we needed to fill and build," Gandhi said.

In another appearance worth noting, Sandler O'Neill & Partners LP Senior Managing Principal James Dunne III finished with the second-highest deal value and finished third in terms of deal activity, working on four transactions that totaled \$12.29 billion. Dunne's largest appointment came advising Compass Bancshares Inc. in its \$9.6 billion sale to Banco Bilbao Vizcaya Argentaria SA. Dunne's firm had previously worked on the other side of the table from Compass, advising the seller in Compass' purchase of TexasBanc.

Dunne also advised Greater Bay Bancorp on its \$1.48 billion sale to Wells Fargo & Co. Greater Bay hired Sandler to look for strategic buyers in 2004, and the investment bank advised the company on its last deal in 2001.

Dunne told SNL earlier this year that many of Sandler's clients began as small institutions, but during the last five to 10 years have

grown substantially, creating an opportunity for the investment bank to advise a long-standing, and much larger, client on its sale.

"With our relationships, with the foreign buyers, with the larger U.S. companies, with the midsize and the smaller companies, we're very deep in all of those areas. And that's going to lead to a lot of traffic," Dunne said.

Looking at the rankings in terms of deal volume, Thomas Mecredy, managing director at Howe Barnes Hoefer & Arnett Inc., led the way, working on seven transactions in the first half of 2007, appointments he largely attributed to "long-standing relationships."

Mecredy advised on four deals in Texas, where he has worked and lived since joining Sheshunoff & Co. in 1982. He left that firm for Hoefer & Arnett in 1994 and stayed aboard after the organization merged with Howe Barnes.

Mecredy attributed much of his success to work from fellow employees at the company. He said that former Hoefer & Arnett CEO Steven Didion, who has worked on the West Coast for years, aided in landing the two California-based deals he advised in 2007.

Mecredy said that since the Howe Barnes/Hoefer & Arnett merger, Didion, now director of financial institutions at the combined firm, has been able to spend more time going out into the market and speaking with bankers he knows, as opposed to dedicating himself to administrative functions.

Top lead bankers in bank and thrift deals				
Ranked by number of deals				
YTD rank	Banker	Firm	Deals	Total deal value (\$M)
1	Thomas Mecredy	Howe Barnes Hoefer & Arnett Inc.	7	406.6
2	Steven Kent*	Keefe Bruyette & Woods Inc.	6	347.9
3	James Dunne III	Sandler O'Neill & Partners LP	4	12,285.2
3	Nickolas Barbarine	Hovde Financial LLC	4	692.0
3	Peter Finnerty Jr.	Sandler O'Neill & Partners LP	4	395.9
3	Craig Mancinotti*	Austin Associates LLC	4	92.6
7	Emmett Daly	Sandler O'Neill & Partners LP	3	2,112.7
7	Scott Anderson	Keefe Bruyette & Woods Inc.	3	1,610.6
7	William Hickey	Sandler O'Neill & Partners LP	3	973.4
7	Eugene Katz	Hovde Financial LLC	3	470.5
7	Steven Hovde	Hovde Financial LLC	3	376.3
7	Michael Timothy	Hovde Financial LLC	3	374.9
7	James Mabry	Keefe Bruyette & Woods Inc.	3	360.1
7	Daniel Floyd	Keefe Bruyette & Woods Inc.	3	347.9
7	R. Clark Locke*	Hovde Financial LLC	3	226.5
7	William Boyan III	Sandler O'Neill & Partners LP	3	212.5
7	William Wagner	Howe Barnes Hoefer & Arnett Inc.	3	176.6
7	Thomas Hayes	D.A. Davidson & Co.	3	133.5
7	Ben Saunders*	Keefe Bruyette & Woods Inc.	3	125.1
7	Richard Maroney Jr.	Austin Associates LLC	3	94.7
7	Robert Rogowski	McAdams Wright Ragen Inc.	3	70.0
7	Paul Reese	Professional Bank Services Inc.	3	67.8
7	Jeffrey Brand*	Keefe Bruyette & Woods Inc.	3	NA

*Deal value for at least one deal is not available.
 Year-to-date data is as of June 30, 2007.
 Based on announcement deal values of whole deals
 Source: SNL Financial

Mecredy also said he has been fortunate to work in markets with steady deal activity.

"The pricing was very solid and as high as anywhere in the country in California and Texas," Mecredy said. "When the market is so good and the pricing is so good, a lot of guys think, 'Hey, maybe this is as good as it gets. Maybe now is the time.'"

Steven Kent, managing director at KBW Inc. unit Keefe Bruyette & Woods, followed closely behind, working on six deals in the first half of 2007, five of which took place in the Midwest. Kent said he and his partner, Charles Shomo, have benefited from a strong team, which has been a large part of their success in landing transactions.

Kent worked on National City Corp.'s \$1.92 billion purchase of MAF Bancorp Inc., where Shomo served as lead banker in the deal. And three transactions where Kent served as lead banker involved Omaha Financial Holdings Inc., including his role advising Peak National Bank in its sale to the company, as well as two deals where he advised the company on its purchases of Security Federal Savings and Midlands Financial.

Kent said Omaha Financial restructured its business lines, divesting a securities firm and various insurance lines that failed to provide ample returns on capital. He said Omaha Financial then looked for opportunities to reinvest surplus capital and began investigating the commercial banking space.

Kent said KBW was brought in during the planning stages and after working with the company on ways to maximize financial value, Omaha Financial eventually came back to the investment bank and engaged the firm for its advice on several transactions.

The relationship created with Omaha Financial serves as an example of how Kent and KBW approach the investment banking business. Kent said that investment bankers are by definition financially oriented, but can add value by providing tactical advice and even greater value by engaging in a strategic interchange with key managerial leaders at a particular institution.

So taking a strategic approach to advisory work is essential, Kent said. "The myriad of different underlying cross currents that came to bear, whether we were on the sell side or the buy side, that caused

the seller to rotate into a merger or being acquired have ranged from estate planning to lack of managerial succession to challenges on the asset level to challenges on the other side of the balance sheet to a valuation that's too good. You name it."

Nickolas Barbarine, Hovde Financial LLC principal and director of Southeast investment banking operations, is also among the busiest bankers and the most active in Florida, working on four deals that totaled \$692.0 million.

Barbarine moved to Florida early in 2003 and has since focused solely on that market. In fact, over that time period, he has worked on 33 transactions, 31 of which took place in Florida.

Barbarine said that when he first arrived in Florida, he went out in the market, knocking on doors, introducing himself and telling Hovde's story. After some initial success though, he said that he and the firm earned a reputation that eventually brought in referral business, particularly given an ability to extract a "high price" for sellers. In fact, he said that his deals averaged 3.5x of book value and nearly 30x last-12-months (LTM) earnings, well above the Florida averages of 28.0x LTM earnings and 2.5x book value over the last two years.

"Things have gone great," Barbarine said. "As you do more deals and you get good prices, your reputation grows. I have a great team around me. There's no way I could have done these deals without some talented people around me."

Looking ahead, bankers noted that bank stocks' struggle in the equity markets in recent weeks could slow M&A activity, as buyers' currencies have been weakened. They said if the markets rebound and concerns over credit wane or soften, then deal activity could continue at the pace witnessed in the first half of 2007, particularly since the fundamentals driving consolidation remain in place.

However, bankers agreed that if the sell-off of bank stocks amid credit concerns does not subside, then M&A activity might hit a roadblock.

"Certainly, there are more sellers popping up than there are buyers. There's still deal flow down here in Florida, but are the deals getting tougher to do? Yes. Are there less aggressive buyers? Yes," Barbarine said. *i*