

# Fixed-Income Focus: Keeping score: Big deals make for a big year for advisers in financial services M&A

January 04, 2006 7:08 PM  
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With a number of big deals announced across various segments of the financial services industry in 2005, the year was understandably a good one for investment banking firms who provide M&A advisory services to asset managers, broker/dealers and specialty lenders, according to SNL league tables.

Although the volume of activity declined markedly in the asset management and specialty finance businesses, increasingly only among broker/dealers, aggregate financial services deal value of \$96.2 billion was the highest annual sum since 2000's record \$110.1 billion, according to SNL. By segment (and including whole-company and asset deals as well as transactions pending, completed and terminated), deal volume among specialty lenders declined to 156 from 226 in 2004, but combined deal value more than tripled, to \$73.8 billion from \$20.5 billion. Among broker/dealers, deal volume surged to 77 transactions in 2005 from 55 in the prior year, with aggregate value of \$14.9 billion, compared with \$4.1 billion in 2004. Among asset managers and trust companies, volume declined to 88 deals from 103 in 2004 and value increased to a combined \$7.5 billion from just under \$2 billion, according to SNL.

Based on aggregate deal value, Goldman Sachs & Co. was the leading M&A advisory firm in the broker/dealer and asset manager segments, while UBS Securities LLC was tops in the specialty finance group. As ranked by deal volume, Goldman Sachs led among broker/dealers, Berkshire Capital Securities LLC ranked highest among asset managers and trust companies and **Milestone Advisors LLC** was the leader among specialty lenders, according to SNL.

Full league table information across industries and with enhanced functional-

## Leading 2005 M&A advisers (ranked by deal value)

SPECIALTY LENDERS					
Adviser name	2005		2004		
	Deal count	Total value (\$M)	Deal count	Total value (\$M)	
<b>Most notable 2005 deal</b>					
1 UBS Securities LLC <i>Bank of America/MBNA</i>	4	37,701.0	2	NA	
2(t) Joseph Perella <i>Bank of America/MBNA</i>	1	35,707.5	0	0.0	
2(t) Keefe Bruyette & Woods Inc. <i>Bank of America/MBNA</i>	1	35,707.5	3	18.7	
4 Citigroup Global Markets Inc. <i>Washington Mutual/Providian</i>	4	11,240.8	3	1,913.9	
5 Goldman Sachs & Co. <i>Washington Mutual/Providian</i>	5	9,200.8	2	2,435.2	
<b>Industry total</b>	<b>156</b>	<b>73,849.1</b>	<b>226</b>	<b>20,464.1</b>	
BROKER/DEALERS					
Adviser name	2005		2004		
	Deal count	Total value (\$M)	Deal count	Total value (\$M)	
<b>Most notable 2005 deal</b>					
1 Goldman Sachs & Co. <i>Archipelago/NYSE</i>	9	7,322.1	0	0.0	
2 Morgan Stanley <i>Investor group/Linsco-Private Ledger</i>	4	6,137.0	0	0.0	
3 Citigroup Global Markets Inc. <i>Ameritrade/TD Waterhouse</i>	4	4,051.1	0	0.0	
4 Evercore Partners Inc. <i>E*TRADE/BrownCo LLC</i>	2	2,300.0	0	0.0	
5 Thomas Weisel Partners LLC <i>NASDAQ Stock Market/Instinet</i>	2	2,085.5	0	0.0	
<b>Industry total</b>	<b>77</b>	<b>14,907.7</b>	<b>55</b>	<b>4,068.0</b>	
ASSET MANAGERS / TRUST COMPANIES					
Adviser name	2005		2004		
	Deal count	Total value (\$M)	Deal count	Total value (\$M)	
<b>Most notable 2005 deal</b>					
1 Goldman Sachs & Co. <i>Legg Mason/Citi asset mgmt. ops</i>	4	4,695.0	4	86.5	
2 Morgan Stanley <i>Legg Mason/Permal Group</i>	2	1,677.0	5	472.0	
3 Berkshire Capital Securities LLC <i>Legg Mason/Permal Group</i>	7	989.7	13	48.5	
4 Merrill Lynch & Co. <i>Legg Mason/Permal Group</i>	2	945.6	5	1,302.2	
5 Lazard Freres & Co. <i>Legg Mason/Permal Group</i>	1	930.0	1	300.0	
<b>Industry total</b>	<b>88</b>	<b>7,473.6</b>	<b>103</b>	<b>1,956.7</b>	

Note: Deal value may not be announced on all transactions; totals include terminated deals  
Source: SNL Financial

ity is available online on SNLi. Simply click on the "Industry Data" tab at the top of the screen.

## Specialty lenders

If 2005 could best be characterized by the rapid consolidation among mono-line credit card companies, then the year's league tables were dominated by one transaction in particular in that business.

Bank of America Corp.'s June agreement to acquire MBNA Corp. for \$35.7 billion was the largest deal of 2005 in the financial services industry as a whole. All three of the firms that worked on the transaction finished the year atop the league tables, based on transaction value. Keefe Bruyette & Woods Inc. served as Bank of America's primary adviser in the deal, reportedly with assistance from Banc of America Securities LLC (SNL's league tables do not offer credit for such intracompany relationships). Joseph Perella and UBS advised MBNA. For Perella, the deal was notable given that it followed his widely publicized departure from Morgan Stanley last April. For KBW, it was the key transaction in its ascension to the top spot in the specialty finance league tables (in terms of deal value) for the first time on record.

UBS advised on a total of four deals with combined transaction value of \$37.7 billion in the specialty finance segment during 2005, also working on HSBC Holdings Plc's \$1.5 billion acquisition of Metris Cos., CIT Group Inc.'s \$388.4 million purchase of Education Lending Group Inc. and AmeriCredit Corp.'s \$62.5 million acquisition of Bay View Acceptance Corp. In 2004, UBS advised on only two specialty finance deals: CIT's acquisition of Citigroup Inc. Western European vendor finance business and KeyCorp's purchase of American Express Co. unit American Express Business Finance. Deal value was not disclosed in either case.

For Goldman Sachs and Citigroup Global Markets Inc., work on Washington Mutual Inc.'s \$6.9 billion acquisition of Provident Financial Corp. was key to their ranking among the top five advisers in

the specialty finance space, based on deal value. Goldman led that list four times in the last seven years, last doing so in 2004.

In terms of deal volume, the story as it relates to the league tables was unchanged from 2004. Washington, D.C.-based Milestone ranked highest relative to that criteria for a second consecutive year, working on a variety of transactions in business pursuits ranging from asset-based finance to residential mortgage origination and representing clients ranging from independent finance companies to diversified powerhouses Morgan Stanley and Royal Bank of Canada.

With 15 specialty finance deals to its credit since the start of 2004, Milestone has easily outpaced nearest peers J.P. Morgan Securities Inc. and Credit Suisse First Boston, each of which advised on eight transactions in the segment during that period.

Eugene Weil, Milestone's CEO, said that his firm, which focuses on clients in the mortgage, consumer and commercial finance businesses, as well as an active practice in bank and thrift space, benefits from its specialty finance industry focus and experience.

"We're very deep in consumer, commercial and mortgage, and the firm's

## Leading 2005 M&A advisers (ranked by deal volume)

### SPECIALTY LENDERS

Adviser name	2005		2004	
	Deal count	Total value (\$M)	Deal count	Total value (\$M)
1 Milestone Advisors LLC	6	90.6	9	92.6
2(t) Credit Suisse First Boston	5	8,559.0	3	2,082.0
2(t) First Annapolis Capital Inc.	5	9,059.0	1	1,758.9
2(t) Goldman Sachs & Co.	5	9,200.8	2	2,435.2
5(t) Citigroup Global Markets Inc.	4	11,240.8	3	1,913.9
5(t) UBS Securities LLC	4	37,701.0	2	NA
<b>Industry total</b>	<b>156</b>	<b>73,849.1</b>	<b>226</b>	<b>20,464.1</b>

### BROKER/DEALERS

Adviser name	2005		2004	
	Deal count	Total value (\$M)	Deal count	Total value (\$M)
1 Goldman Sachs & Co.	9	7,322.1	0	0.0
2(t) Citigroup Global Markets Inc.	4	4,054.1	0	0.0
2(t) Keefe Bruyette & Woods Inc.	4	1,973.0	3	61.8
2(t) Morgan Stanley	4	6,137.0	0	0.0
2(t) Putnam Lovell NBF Securities Inc.	4	40.0	1	NA
<b>Industry total</b>	<b>77</b>	<b>14,907.7</b>	<b>55</b>	<b>4,068.0</b>

### ASSET MANAGERS / TRUST COMPANIES

Adviser name	2005		2004	
	Deal count	Total value (\$M)	Deal count	Total value (\$M)
1 Berkshire Capital Securities LLC	7	989.7	13	48.5
2 Putnam Lovell NBF Securities Inc.	5	389.7	14	167.8
3 Goldman Sachs & Co.	4	4,695.0	4	86.5
4 Sandler O'Neill & Partners LP	3	26.0	2	9.5
5(t) Davenport & Co.	2	14.2	0	0.0
5(t) Griffin Financial Group LLC	2	24.0	0	0.0
5(t) Merrill Lynch & Co.	2	945.6	5	1,302.2
5(t) Morgan Stanley	2	1,677.0	5	472.0
5(t) UBS Securities LLC	2	800.0	2	NA
<b>Industry total</b>	<b>88</b>	<b>7,473.6</b>	<b>103</b>	<b>1,956.7</b>

Note: Deal value may not be announced on all transactions; totals include terminated deals

Source: SNL Financial

principals spend a lot of time focusing on it," Weil said. "That's really translated, both on the buy-side and the sell-side, into our ability to get hired."

While 2005 was a good year for **Milestone**, Weil said that he expects 2006 will be even better, given several macro- and microeconomic factors. He anticipates that dwindling margins will lead to more consolidation in the mortgage business and that a flat yield curve will drive more deal making in commercial pursuits, such as asset-based lending. Special servicers will also be in demand.

"There are a lot of conversations that are starting right now about 'what do we do to either rationalize our business, grow our business, or get out of the business,'" Weil said of the mortgage industry. On the outlook for commercial finance consolidation, Weil said, "Commercial banks are having a lot of heartburn right now as they're watching margins get negatively impacted. They're looking for assets, higher-yielding assets in particular."

### Broker/dealers

Goldman Sachs placed atop the league tables in terms of deal value and volume in the broker/dealer space in 2005 for the first time since 2001, working on nine deals with aggregate announced deal value of \$7.3 billion. But the firm might have emerged from the year best known not for the magnitude of its activity, but instead the controversy that surrounded its role in one particular transaction.

In the landmark proposed merger of the New York Stock Exchange and Archipelago Holdings Inc., Goldman Sachs represented both players in a move that generated its share of bad press and ill will in the process. SNL Financial does not assign a dollar figure to that deal, but its significance was unmistakable even in a year in which consolidation among the conglomeration of brokers, dealers, exchanges and investment banks was its most active in terms of volume since 2002 and in terms of value since 2000.

Goldman Sachs' dual role was listed prominently in a lawsuit filed in May by a number of NYSE seat holders, who alleged among other things that the relationship (along with NYSE CEO John Thain's background as a one-time president and co-COO of the investment banking firm and the potential for his indirect ownership of Archipelago shares through a hidden trust) tainted the terms of the merger and created a conflict of interest. Goldman Sachs was listed as Archipelago's second-largest shareholder at the time the merger agreement was announced, according to published reports. Lazard Freres & Co., on whose parent company's behalf Gold-

man Sachs led an initial public offering last spring, was reportedly recommended by the investment bank to provide a fairness opinion in connection with the proposed merger; Lazard has contended that it was not conflicted in evaluating the transaction. Greenhill & Co. also represented Archipelago, reportedly upon Goldman Sachs' recommendation.

Under terms of a settlement agreement between seat holders and the NYSE that cleared the way for the merger to move forward, Citigroup Global Markets provided an additional fairness opinion. In approving the settlement, New York State Supreme Court Judge Charles Ramos took issue with some of the

### Changes at the top

Of M&A advisers in various segments of the financial services industry, only Milestone Advisors LLC retained its lead from the previous year in any of the categories reviewed

#### Top adviser (by deal value - \$M)

##### SPECIALTY LENDERS

2005	UBS Securities LLC	37,701.0
2004	Merrill Lynch & Co.	2,722.3
2003	Goldman Sachs & Co.	11,761.0
2002	Goldman Sachs & Co.	23,877.2
2001	Lehman Brothers Inc.	17,722.2
2000	Goldman Sachs & Co.	32,237.9
1999	Goldman Sachs & Co.	6,168.1

##### BROKER/DEALERS

2005	Goldman Sachs & Co.	7,322.1
2004	Banc of America Securities LLC	1,282.5
tie	Credit Suisse First Boston	1,282.5
tie	Deutsche Bank Securities Inc.	1,282.5
tie	Sandler O'Neill & Partners LP	1,282.5
2003	Merrill Lynch & Co.	3,253.0
2002	Morgan Stanley	1,910.5
2001	Goldman Sachs & Co.	1,585.4
2000	Goldman Sachs & Co.	31,041.9
1999	Goldman Sachs & Co.	1,699.7

##### ASSET MANAGERS / TRUST COMPANIES

2005	Goldman Sachs & Co.	4,695.0
2004	Merrill Lynch & Co.	1,302.2
2003	Goldman Sachs & Co.	3,474.0
2002	Goldman Sachs & Co.	2,224.4
2001	Goldman Sachs & Co.	6,504.6
2000	Credit Suisse First Boston	5,204.9
1999	Goldman Sachs & Co.	4,602.0

#### Top adviser (by deal volume)

##### SPECIALTY LENDERS

2005	Milestone Advisors LLC	6
2004	Milestone Advisors LLC	9
2003	AssetExchange Inc.	11
2002	Goldman Sachs Co.	18
2001	Credit Suisse First Boston	10
2000	Salomon Smith Barney	12
1999	Goldman Sachs Co.	13

##### BROKER/DEALERS

2005	Goldman Sachs & Co.	9
2004	Keefe Bruyette & Woods Inc.	3
2003	Freeman & Co.	4
2002	Putnam Lovell NBF Securities Inc.	5
2001	Goldman Sachs & Co.	5
2000	Berkshire Capital Securities LLC	8
1999	Credit Suisse First Boston	4

##### ASSET MANAGERS / TRUST COMPANIES

2005	Berkshire Capital Securities LLC	7
2004	Putnam Lovell NBF Securities Inc.	14
2003	Goldman Sachs & Co.	7
2002	Berkshire Capital Securities LLC	11
2001	Berkshire Capital Securities LLC	9
2000	Putnam Lovell NBF Securities Inc.	8
1999	Berkshire Capital Securities LLC	8
tie	Putnam Lovell NBF Securities Inc.	8

Note: Deal value may not be announced on all transactions; totals include terminated deals

Source: SNL Financial

arrangements between Goldman Sachs, Lazard and the NYSE, citing Goldman Sachs' ownership stake in Archipelago and its "hefty fee" from the Lazard IPO.

"Selecting an independent firm to issue the fairness opinion created an opportunity to purge the conflicts. Instead, the problem was multiplied by choosing a conflicted Lazard," Ramos wrote.

At any rate, the merger is on track to close shortly, with the combined entity becoming a publicly traded company to be called NYSE Group Inc. It stands as one of a host of deals announced in 2005 that will bring further efficiency to the broker/dealer space, as evidenced by Nasdaq Stock Market Inc.'s \$1.9 billion purchase of Instinet Group Inc.; KBW, Thomas Weisel Partners LLC, Lehman Brothers Inc., Morgan Stanley and UBS all worked on that deal.

Continued consolidation among online brokerages also offered a boost to

advisers. Most notable among the year's transactions were E\*TRADE Financial Corp.'s \$1.6 billion purchase of BrownCo LLC and \$700 million acquisition of Harrisdirect LLC — Evercore Partners Inc. advised E\*TRADE on both deals, and was joined by Morgan Stanley in the BrownCo transaction — and Ameritrade Holding Corp.'s \$3.9 billion acquisition of TD Waterhouse Group Inc. Citigroup Global Markets represented the buyer and Goldman Sachs the seller in that deal.

### **Asset manager/ trust company**

Aggregate deal value for targets defined as asset managers or trust companies in 2005 totaled \$7.5 billion, but one buyer was responsible for more than half of the total. Legg Mason Inc. pulled the trigger on its largest deal on record, acquiring the asset management business of Citigroup in a transaction valued in

total at \$3.7 billion. As part of the deal, Legg Mason shipped its broker/dealer business to Citigroup. Concurrently, Legg Mason agreed to pay \$930 million in cash and stock for hedge fund Permal Group Ltd.

Goldman Sachs represented Legg Mason in both transactions, with Citigroup receiving advice internally. The combination of Merrill Lynch & Co., Lazard and Berkshire Capital advised Permal Group parent Sequana Capital in that deal.

The Permal transaction was one of seven credited to Berkshire Capital in the asset management and trust company segment in 2005. It was the fourth time since 1999 that Berkshire Capital has ranked as the most active adviser in that business, according to SNL.

That company's presence at the top of SNL's league tables was one constant in a year characterized by change in a number of other places. *i*