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MID-MARKET INVESTMENT BANK OF THE YEAR: JEFFERIES

Moving Swiftly Up The League Tables

When it comes to the middle market—that bread-and-butter of the buyout world—there are a good number of investment banks that can sell a company well. There are a smaller number that can sell companies and also advise buyers and arrange debt. And there are fewer still that can advise on both sides of a deal, arrange debt and, years later when a portfolio company matures, underwrite the IPO.

One of those is **Jefferies**, the New York-based bank that's spent a good deal of capital and brain power building up its mergers and acquisitions practice for the middle market. In 2006, the pieces came together to make a great year for the firm. It placed third among all banks in the number of deals it took part in valued at less than \$500 million after leading the pack for the first three quarters of the year, according to Thomson Financial. Jefferies made a huge leap from its performance in the 2005 league tables, increasing the number of deals by nearly a third and moving up from eighth place from a year before.

It led all banks in advising on defense and aerospace deals. It wrote the most single B-grade junk debt issues with values of less than \$150 million. It also led all banks in the performance of underwritten IPOs.

SNAPSHOT:

Number of Mid-market Transactions in 2006: 160
Disclosed Deal Value: \$30 billion
Representative Deals: NationsRent, Neways Inc., Primus International;

“In the middle market, it is extraordinary to be able to do anything and everything,” said **Paul Deninger**, a Jefferies vice chairman who leads its technology investment banking group. “We have every product and—the last piece of the puzzle—we are global.”

None of this is by accident. When **Richard B. Handler** took over as Jefferies's chairman and CEO at the start of the decade, he put the bank on an acquisition and hiring binge. Between 1999 and 2006, the firm grew from employing fewer than 900 to a 2,200-person bank. Market capitalization during the same period jumped from \$1.1 billion to \$3.5 billion.

Starting in 2002, the bank began beefing up its M&A advisory and investment banking practices. It began by buying Quarterdeck Investment Partners, a specialist in the aerospace and defense sector. A year later, in 2003, Jefferies added Broadview International, which focuses on technology. And in 2005, the bank fleshed out its portfolio with Randall & Dewey, an energy specialist, and Helix Associates, a private-equity placement agent that operates in Europe. At the same time, Jefferies expanded its global reach, both in banking and advising capacities, opening offices in Europe and Asia, reflecting a belief that every industry for any size portfolio company is now competing against the rest of the world, Deninger said.

What's more, **Brian Friedman**, who's risen to become chairman of Jefferies's executive committee and the de facto No. 2, is a private-equity veteran who now runs Jefferies Capital Partners, the bank's buyout arm. All of this informs the company's success and its multifaceted approach to deal-making.

Why Jefferies Won

- Led all banks in advising deals with disclosed values of less than \$100 million, and placed second in the number of deals valued at less than \$500 million.
- Big year-to-year gains for Jefferies, which moved swiftly up the league tables.
- Led all underwriters of single B debt under \$150 million.
- A series of acquisitions and additions made earlier in the decade to bolster the M&A advisory business have started to gel.

A look inside a transaction from 2006 reveals Jefferies' diversified approach. Claymont Steel Holdings, a portfolio company of buyout shop **H.I.G. Capital** since 2005, has relied on Jefferies for its banking needs, including two high-yield credit issues totaling \$250 million. When it came time for H.I.G. to arrange an exit for Claymont, it called on Jefferies to be the sole bookrunner for the steel company's December 2006 public offering. Shares priced at the high end of the range, generating \$175 million for Claymont, and Jefferies has since written another \$105 million in high-yield credit.

According to Deninger, a popular saying around Jefferies is that the bank is big enough to matter and small enough to care. While its balance sheet takes on proportions that might seem out of place in the middle market, its success has been built on modest deals, Deninger said.

“When a sponsor needs anything, we can do it,” he said. —J.H.

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Jefferies 

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JEFFERIES NAMED 2006 MIDDLE MARKET INVESTMENT BANK OF THE YEAR BY THOMSON FINANCIAL'S BUYOUTS MAGAZINE

NEW YORK, April 19, 2006 – Jefferies & Company, Inc., the principal operating subsidiary of Jefferies Group, Inc. (NYSE: JEF), today announced that it has been named “Middle Market Investment Bank of the Year” for 2006 by *Buyouts Magazine*, a Thomson Financial publication providing news, data analysis and interpretation of sponsored LBOs.

At Tuesday night's inaugural *Buyouts* Awards Dinner, held at the Grand Hyatt Hotel in New York City, Adam Sokoloff, Managing Director and Group Head of Private Equity Coverage, accepted the award on behalf of Jefferies, a growing investment bank and institutional securities firm focused on growing companies and their investors. *Buyouts Magazine* describes Jefferies as a firm that is “moving swiftly up the league tables” and one of the few firms that “can advise on [either side] of a deal, arrange debt and, years later when a portfolio company matures, underwrite the IPO.”

“We are honored that Jefferies has received this award from *Buyouts Magazine* and to be recognized for our deep knowledge and commitment to the most thriving, dynamic and exciting segment of the economy, namely growing companies,” commented Richard B. Handler, Chairman and Chief Executive Officer of Jefferies. “These companies drive

us, and Jefferies will continue to grow and diversify to serve their needs to the best of our abilities.”

“Private equity buyouts are a strong area of focus for Jefferies and one where we believe we can add particular value,” added Brian P. Friedman, Chairman of the Executive Committee at Jefferies. “We thank our clients and acknowledge the effort, commitment and talent of the 2,297 employee-partners of Jefferies who are directly responsible for our success.”

Investment Dealers' Digest named Jefferies as the “Middle Market Investment Bank of the Year” in 2005, calling the firm “one of a kind.” The Firm's commitment to the middle market is both deep and broad across a range of industries, products and services. It has been a natural area of focus since Jefferies' founding in 1962 and a stated goal for well over a decade. Jefferies is a top advisor and underwriter for growing and mid-sized companies across a range of industries. In 2006, Jefferies worked with growing companies on more than 350 transactions worth over \$145 billion, including more than 80 transactions for private equity clients, valued at \$11 billion.

Outside of investment banking, Jefferies is also a leading provider of execution and liquidity for the securities of small and mid-cap companies,

which comprise 85 percent of the stocks in which the Firm makes a market. In addition, Jefferies' research is focused on providing institutional investors with insight and opportunities most relevant to companies in this segment, with 60 percent of Jefferies' equity research focused on companies with market capitalization under \$2 billion.

About Jefferies

Jefferies, a global investment bank and institutional securities firm, has served growing and mid-sized companies and their investors for 45 years. Headquartered in New York, with more than 25 offices around the world, Jefferies provides clients with capital markets and financial advisory services, institutional brokerage, securities research and asset management. The firm is a leading provider of trade execution in equity, high yield, convertible and international securities for institutional investors and high net worth individuals. Jefferies & Company, Inc. is the principal operating subsidiary of Jefferies Group, Inc. (NYSE: JEF; www.jefferies.com).

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