

Jefferies European pitch boosted by LongAcre acquisition

By Sarah Spikes

Jefferies has acquired LongAcre, a media-focused mergers and acquisitions boutique investment bank, marking the US-based mid-market investment bank's latest push into Europe.

Jefferies did not disclose the value of the transaction, but it is understood to be paying about £40m, or 2.5 times LongAcre's 2006 revenue, which is at the upper end of the range that UK-based investment banks have fetched recently.

Jefferies has been in the UK since 1985 and after hiring 63 people in the past 12 months has a staff of 270 in London, with a small number of staff in offices in continental Europe.

While the company is frequently rumoured to be on the prowl for a UK independent investment bank – following failed talks to acquire Panmure Gordon in 2005 – it has denied recent rumours about sizing up London-based competitors. Jefferies was also conspicuously absent from the list of possible bidders for Bridgewell, the UK investment bank that earlier this month was bought by Landsbanki, the Icelandic bank.

The decision to avoid larg-

er UK acquisitions in favour of poaching individuals and acquiring small competitors with strong sector expertise is in keeping with Jefferies' strategy in the US.

In 2002, it bought Quarterdeck Investment Partners, a boutique investment bank specialising in defence, and then Broadview, a technology M&A boutique, in 2003. Broadview gave it its first investment banking business in the UK. It followed those deals in 2005 with the purchases of Helix Associates, a US-based agency that matches private equity funds with investors, and Randall & Dewey, an oil and gas investment bank

boutique.

The hiring campaign in Europe led to the appointment of David Weaver, Deutsche Bank's co-head of European equity capital markets, who joined Jefferies as head of international banking and began work there this week. "Media, digital media and technology have been a cloud of opportunity that we see as having major importance for Jefferies, so LongAcre fits well with what we're doing and the LongAcre people will be able to serve as a good nucleus within a much larger business," Mr Weaver said.

Jefferies, 52 per cent of which is owned by its staff,

was founded in 1962 with current chairman Richard Handler joining from Drexel Burnham Lambert in 1991. A cadre of former Drexel Burnham Lambert bankers is still at the helm, with many of the senior management who joined as part of acquisitions also still with the company. It is listed in the US, where it has a market value of \$3.62bn (£1.83bn).

Jefferies initially concentrated on sales and trading, but in the 1990s began to develop a corporate finance business.

Corporate finance now contributes about 37 per cent of its revenue worldwide.

A consummate networker and dealmaker

Soon after Jonathan Goodwin launched LongAcre Partners in 2000, he was hit by the bubble bursting in internet and media asset prices.

"We certainly learned a lot from starting at the wrong time," he says.

Mr Goodwin has always wanted his investment banking boutique to be Europe's answer to Allen & Company, the US merger advisory firm. He feels that the deal with Jefferies will give him the infrastructure

and the contacts to play in a bigger field.

Mr Goodwin is the largest shareholder in LongAcre and it is believed that he is set to receive about £14m, mostly in Jefferies' shares. He will become the chairman of the US investment bank's global media practice, and is expected to become a "player" in that arena.

With long-standing ties to UK media executives, including Elisabeth Murdoch,

Kelvin MacKenzie, the former Sun editor, and Steve Morrison of All3Media, he is a consummate networker and dealmaker.

LongAcre, whose fee revenues almost doubled to £15.8m last year, has advised on €4.3bn (£2.9bn) of deals, including the sale of uSwitch to EW Scripps and several deals for John McCall MacBain's Trader Classified Media group.

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