

## Jefferies enters the banking mainstream



By offering top level relationships and niche sector coverage, Jefferies has become a pillar of stability in corporate finance, writes **David Rothnie**. Now it is playing a more active role in public company takeovers.

When Dubai-based ride-hailing firm Careem Networks was looking for an adviser to help it explore a \$3.1bn sale to Uber earlier this year, it turned to Jefferies. What was surprising and impressive about this is that the US bank does not have a physical presence in the Middle East.

Instead, Jefferies, which shut its Dubai operation two years ago, deployed a compelling mix of specialist industry knowledge and M&A expertise to help its client.

The Careem deal team was led by Gaurav Kittur, the firm's New York-based global co-head of internet investment banking who knows Careem's chief financial officer, and Storm Duncan, the bank's San Francisco-based global co-head of technology M&A investment banking, who also runs Jefferies' global mobility investment banking effort.

Not every bank has expertise in "global mobility investment banking" but this is Jefferies, the firm which also has an "automotive aftermarket investment banking team" that last month lent a hand to the take-private of UK-listed BCA Marketplace, a secondhand car auctioneer.

Such granular sectoral specialism has become Jefferies' hallmark and has enabled it to build relationships with entrepreneurs and financial sponsors across the world. The fact that Jefferies can execute a Middle East deal without a local presence is clear evidence that its model of sector and product expertise is working.

"In every case we aim to match sector bankers with product experts. We combine access to buyers with deep industry knowl-

edge," said Dominic Lester, the firm's head of European investment banking.

Lester leads by example, playing a lead role last year on the €3bn sale of a controlling stake in Italy's biggest listed healthcare company Recordati to CVC Partners. Rivals wondered how Jefferies pulled it off. Tommy Erdei, the bank's joint global head of healthcare, had known Recordati for years, while Lester has known its founding family for decades.

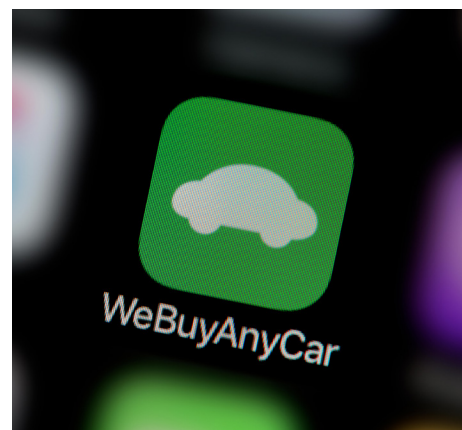
"The family wanted to sell the holding company while maintaining maximum confidentiality, so they wanted a firm that they could trust, which would advocate for the sellers and maintain maximum discretion," said Lester.

When Lester joined the firm nine years ago from UBS, it was the start of a reboot of its European operations. Back then, the bank had a scrappy outsider reputation for aggressive hiring raids that did not always work out.

Nowadays, Jefferies is a pillar of stability. Following a recruitment spree that saw it hire 18 MDs in the last two years, Jefferies now has 55 managing directors in its London operation — the most it has had in Europe — of which 38 are coverage bankers, a tally that makes it bigger than some of its more established rivals.

"We have increasingly moved to hiring teams, as we have found that our chances of achieving success are greater than when we recruit individuals, as they have a proven track record of working well together," said Lester.

Jefferies' new approach to recruitment began in January 2018 when it developed its presence in the power, utilities and infrastructure sector with the recruitment



Jefferies' niche car industry expertise helped BCA sell Webuyanycar

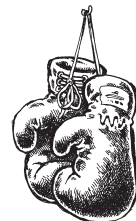
of a team from Royal Bank of Canada led by Dai Clement and Lorna Shearin. The bank has staffed up in the Benelux region, where it recruited a team from Deutsche Bank, and has just recruited another team to oversee an expansion of its German operation.

### The Noblet prize

But Jefferies' most high-profile move came last summer when it poached a three-strong team from HSBC led by seasoned rainmaker Philip Noblet. The move drew the ire of a group of HSBC bankers, who wrote an anonymous letter to their bank's board suggesting that Noblet's decision to join Jefferies was emblematic of HSBC's decline. In fact, it was evidence of the growing attraction of the US bank as a coming force.

"When I thought about joining, I looked at the calibre of people already here and saw that Jefferies was building an impressive UK operation," Noblet told *GlobalCapital*.

# Hiring spree pays off for Jefferies



Noblet, who has also worked at Morgan Grenfell, Lehman Brothers and Bank of America Merrill Lynch, now heads a 25-strong team at Jefferies that includes fellow former HSBC banker Paul Bundred, Tony White from Bank of America Merrill Lynch, and Ed Matthews from Shore Capital among its 11 senior bankers.

The team's formation was the catalyst Jefferies needed to turn an established corporate broking franchise into an integrated UK investment banking advisory effort.

The journey began in 2012, when it bought Hoare Govett, the corporate broking business owned by RBS, but Jefferies initially failed to convert its promising list of blue chips into fully fledged advisory clients.

In isolation, corporate brokers do not generate big profits but are crucial for an institution to win a seat on lucrative capital market and M&A mandates. By recruiting Noblet, Jefferies bridged that gap.

"We had the third largest mid-market broking franchise, but not the public M&A track record," explained Lester. "At Jefferies we had much more experience providing M&A advice to private companies, but we were not securing the lead M&A adviser role when our public UK broking clients were being sold. With the arrival of Noblet and his team, we are now acting as the lead adviser."

The new integrated approach has enabled Jefferies to climb the UK league tables, ranking ninth by investment banking fees in the first six months of the year, compared to 20th a year ago. In EMEA it jumped to 19th from 27th in the same period, according to Dealogic.

The improvement in Jefferies' performance has come about through its involvement in three of the five biggest public-to-private deals in the UK market. Last month, Noblet and Bundred secured the bank top billing as lead adviser to BCA Marketplace, the owner of Webuyanycar, on its sale to a private equity consortium led by TDR. Noblet knew the CEO of BCA from his time at BAML, and when he moved to HSBC he secured a corporate brokership for his new employer.

Last year, Goldman was lead adviser to BCA on an approach from Apax Partners that fizzled out, but this time Jefferies brought TDR to the table while Noblet also had input from the aforementioned

automotive aftermarket team in New York.

The public-to-private theme is set to continue as private equity firms, flush with cash, make a move for undervalued assets.

"UK mid-cap companies are starved of capital, and coverage and corporates are wary because they see too much near-term risk from Brexit. But financial sponsors are taking a four to five year time horizon and will take the Brexit derating for future upside," said Noblet.

## Early impact

For Jefferies, the BCA win followed its role acting as corporate broker and adviser to UK packaging firm RPC on its recommended cash offer from Berry Global Group. It also worked as joint financial adviser to Provident Financial on its successful £1.3bn (\$1.64bn) defence against a hostile offer from NSF in February 2019.

As well as being in the deal making flow, Jefferies has added nine new broking clients so far this year, bringing the total to 72, including 31 FTSE100 and FTSE250 clients.

"Our value proposition is that we are the only firm to cover the mid-market overlaid with global industry expertise," he said. "We cover these companies in depth. We have an equity sales team of 115 people in the US, of which eight are tasked with selling European and UK stocks into the US."

Jefferies likes its bankers to make an impact, and many of its most recent mandate wins have come from its newest hires. As well as Noblet with BCA, Matthews, who joined in April 2018, played a leading role in the 'Save Superdry' campaign, advising founder Julian Dunkerton on his successful six-month battle to return to the board of the UK clothing company. As a result of his efforts, Superdry appointed Jefferies as corporate broker and financial adviser in April. Meanwhile, Graham Davidson, who arrived as European head of FIG from Perella Weinberg last year, made an early impact by bagging a mandate to advise Provident.

Now Jefferies is seeking to replicate the integrated approach it has deployed in the UK in Germany, where it is ramping up its presence 11 years after establishing an office. In February, it received a securities licence to operate in Frankfurt, enabling

it to push ahead with plans to build an ECM operation with the appointment of Oliver Diehl, who, with several colleagues, joins next month from Berenberg. The bank has also hired Ulrich Böckmann, who arrives from Barclays as head of coverage for Germany, Austria and Switzerland.

"Our progress in Germany has been driven by our financial sponsor expertise. But we see an opportunity serve a whole swathe of mid-cap German corporates with M&A and ECM products," said Lester. "There's a similar dynamic in the UK where we are close to founders and family owned businesses."

The expansion into public company takeovers adds an extra dimension to a model that previously thrived due to its strong relationships with financial sponsors arising from its sector-based approach. Rivals say Jefferies' regulatory status as a broker-dealer means it can operate under fewer constraints and can lend more aggressively, giving it a competitive edge on sponsor-led financings. But as recent momentum shows, the firm has a much broader proposition and besides, it rarely acts as sole financier on big leveraged buyouts.

Jefferies prides itself on an intensive culture, with a flat structure in which Rich Handler, the group's Chairman and CEO, and Brian Friedman, its Chairman of the Executive Committee, play active roles with clients, while the firm's global head of investment banking, New York-based Ben Lorello, is known for his hard-charging style and weekend conference calls. But the focus on clients is working.

Since the financial crisis, Jefferies has grown global investment banking revenues from \$750m to close to \$2bn, putting it in the top bracket for performance. With that level of growth it is telling that the competitor some Jefferies M&A bankers say they now come up against most on deals is Rothschild, the doyen of deal-making and the UK's most prolific M&A house. It will perhaps be a while before Jefferies can overtake such a prestigious rival, but it shows how far it has come and that it can no longer be dismissed as a scrappy outsider.

In a shifting European banking landscape, Jefferies is a firm that is here to stay.