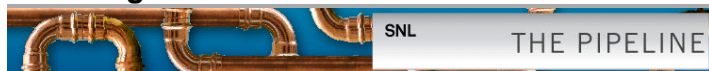


SNL Blogs



Tuesday, July 26, 2016 7:05 AM ET

Turning bronze into gold, part 3

By Joe Mantone

A high-stakes game of musical chairs is taking place in the depository investment banking space as a number of firms have ramped up coverage by hiring away from competitors. This is the third article in a series on the state of the depository investment banking industry. The *first two* examined the different growth initiatives investment banks are employing in an effort to gain market share in the space.

Sandler O'Neill & Partners LP and Keefe Bruyette & Woods Inc., the depository investment banking leaders, aren't flinching as competitors make moves to gain market share.

Several competitors have been building investment banking coverage of banks and thrifts, but since the credit crisis, Sandler O'Neill and Keefe Bruyette & Woods have increased their lead in the rankings of financial advisers by number of depository M&A deals. On U.S. bank and thrift M&A deals announced from 2008 through June 30, 2016, Sandler O'Neill and Keefe Bruyette & Woods each worked on more than 4x as many transactions as any other investment bank, and in the five years before that, the two worked on about twice as many deals as the next highest ranking investment bank, according to SNL Financial data.

Sandler, KBW pulling away from pack Bank and thrift M&A financial advisers ranked by number of deals

Since onset of credit crisis (2008 - 2016)		
Rank	Adviser name	Aggregate deal value (\$M)
1	Sandler O'Neill & Partners LP	311
2	Keefe Bruyette & Woods Inc.	251
3	Raymond James & Assoc. Inc.	59
4	FIG Partners LLC	56
5	Sheshunoff & Co.	55
Before eruption of credit crisis (2003 - 2007)		
Rank	Adviser name	Aggregate deal value (\$M)
1	Keefe Bruyette & Woods Inc.	211
2	Sandler O'Neill & Partners LP	198
3	Hovde Financial Inc.	105
4	Howe Barnes Hoefer & Arnett	57
5	Ryan Beck & Co.	44

Data compiled July 19, 2016.
Rankings include whole and minority U.S.-based bank and thrift deals announced between Jan. 1, 2003, and June 30, 2016.
Excludes terminated deals.
Unlike SNL's league tables, this chart does not retroactively adjust rankings to give buyers credit for a sellers' deal history.
Analysis includes in-house advisers.
Source: SNL Financial, an offering of S&P Global Market Intelligence

Consolidation by Keefe Bruyette & Woods' parent, [Stifel Financial Corp.](#), has helped take out some competition. Stifel's 2013 acquisition of Keefe Bruyette & Woods essentially removed a competitor from the marketplace. Stifel's depository i-banking team finished third in SNL's 2012 number-of-deal rankings, but that business was merged into Keefe Bruyette & Woods. Stifel's 2015 deal for Sterne Agee Group Inc. removed the 2014 third-place finisher in SNL's number-of-deal rankings.

Stifel didn't purchase Sterne Agee's i-banking business because of overlap concerns, and as a result, Sterne Agee's depository i-bankers joined different companies. The availability of Sterne Agee i-bankers sparked growth initiatives at [Piper Jaffray Cos.](#) and [Stephens Inc.](#) Other competitors such as [D.A. Davidson & Co.](#), [FIG Partners LLC](#), [Hovde Group LLC](#) and [Raymond James & Associates Inc.](#) have also continued to steadily grow their depository coverage in recent years.

But the competition is nothing new to Keefe Bruyette & Woods and Sandler O'Neill. Keefe Bruyette & Woods Chairman, President and CEO Tom Michaud said competitors change as different companies increase or scale back coverage, but the space always has many players.

"I'm in my 30th year with the firm, and I can never remember the year where I said, 'Where did all the competitors go?'" Michaud said.

Sandler O'Neill Senior Managing Principal James Dunne III said he focuses on clients, not on the competition. Still, he acknowledges that plenty of competition exists and said it can come from large companies or one-man shops that have great relationships and "are myopic in their focus, which is what we are."

Keefe Bruyette & Woods and Sandler only cover the financial services sector, and they are most active with depositories. Keefe Bruyette & Woods has around 35 managing directors in investment banking, while Sandler has a total of 35 managing directors and principals in investment banking. By comparison, Raymond James, one of the largest competitors in the space, has 11 managing directors and a vice chairman on its financial services i-banking team, according to the company's website.

The big teams help Sandler O'Neill and Keefe Bruyette & Woods cover depositories across the U.S., while competitors are strong in certain regions and absent in others. Dunne said he doesn't think his company needs to get bigger, and Michaud said he's happy with Keefe Bruyette & Woods' position.

Concentrating on one sector does make the business vulnerable to downturns. As a stand-alone public company, Keefe Bruyette & Woods reported losses of \$31.7 million in 2011. Sandler O'Neill is a private company, but Dunne said his company's performance "will ebb and flow with financials."

But the companies are known as experts in their space, and each had to rebuild that reputation after 9/11. Both had their headquarters in the World Trade Center, and on Sept. 11, 2001, Sandler O'Neill lost 66 people, or 39% of its staff, and Keefe Bruyette & Woods lost 67 people, or 30% of its staff.

While each of them [rebounded](#) and remain ahead of the competition, Sandler O'Neill has been winning more and larger M&A deals in the depository space of

late. During the four-quarter period ended June 30, Sandler O'Neill advised on 62 U.S. M&A deals with a total value of \$20.16 billion, while Keefe Bruyette & Woods advised on 45 deals with a total value of \$6.24 billion, according to SNL data.

Michaud noted that rankings fluctuate, and sometimes Keefe Bruyette & Woods advises possible buyers that elected to not take part in an announced transaction. He added that few bank mergers in the country occur in which Keefe Bruyette & Woods didn't have a client that was a potential participant.

"What I care most about is: Are we in the dialogue? Are we in the flow?" he said. "We're essentially in the dialogue and the flow almost everywhere."

In equity underwriting for U.S. banks and thrifts for the four-quarter period ended June 30, the rankings are close, with Keefe Bruyette & Woods landing spots on 24 deals for a total value of \$736.1 million and Sandler O'Neill landing spots on 20 deals with a total value of \$759.7 million.

With underwriting, Michaud noted that Keefe Bruyette & Woods can have an advantage because of Stifel's global wealth management business, which provides retail distribution. Being part of Stifel has also given Michaud more time to focus on Keefe Bruyette & Woods' business. "I've probably taken back two hours a day of admin work that I was doing as a CEO of a public company," he said.

Dunne, too, has reduced the amount of time he spends on administrative work as Senior Managing Principal Jonathan Doyle has taken on day-to-day operations. Now, Dunne said, he can solely focus on clients, and he believes this helps Sandler compete.

"I have the flexibility to help every client that is interested in us helping them," he said.

Grace Dan Deudor contributed to this article.

Wednesday, July 13, 2016 11:02 AM ET

Turning bronze into gold, part 2

By Joe Mantone

A high-stakes game of musical chairs is taking place in the depository investment banking space as a number of companies have ramped up coverage by hiring talent from their competitors. For many, the goal is to rank third in market share behind bellwethers Sandler O'Neill & Partners and KBW.

This is the second article in a series on the state of the depository investment banking industry. The first examined the progress Piper Jaffray and Stephens have made since embarking on a rapid expansion in 2015.

Some investment banks believe slow-and-steady growth is the best way to win the highly competitive race to become the third-most active adviser in the bank M&A space.

Raymond James & Associates Inc., Hovde Group LLC, FIG Partners LLC and D.A. Davidson & Co. are taking that approach and are packed together around the third spot in the depository financial adviser rankings based on number of deals. Raymond James and Hovde tied for third with 56 deals, followed by FIG Partners with 52 and D.A. Davidson with 48 in SNL's U.S. bank and thrift M&A number-of-deal rankings for the five-year period ended June 30.

Close race for third place

Financial advisers ranked by number of bank and thrift M&A deals over the last five years

Rank	Firm	No. of deals	Total deal value (\$M) ¹
1	Sandler O'Neill & Partners LP	235	45,384.9
2	Keefe Bruyette & Woods Inc. ²	223	24,434.5
3	Raymond James & Associates Inc.	56	3,968.8
3	Hovde Group LLC	56	1,612.2
5	FIG Partners LLC	52	2,468.1
6	D.A. Davidson & Co.	48	1,861.6
7	Capital Corp. LLC	38	219.3
8	Sheshunoff & Co. Investment Banking LP	36	1,024.3
9	Austin Associates LLC	34	942.2
10	Commerce Street Capital LLC	33	1,240.7

Data compiled July 11, 2016. Rankings include whole and minority U.S.-based bank and thrift deals announced between July, 1, 2011, and June 30, 2016. Terminated deals are excluded. Analysis includes in-house advisers.

In the event that advisers merge or an adviser is purchased by the parent of another adviser, SNL retroactively adjusts historical rankings to the single, highest-level adviser. If the buyer is already receiving credit for a particular deal, it will not receive additional credit following the merger.

¹ Based on announcement deal values.

² Keefe Bruyette & Woods Inc. is a subsidiary of Stifel Financial Corp. Source: SNL Financial, an offering of S&P Global Market Intelligence

The four trailed Sandler O'Neill & Partners LP and Keefe Bruyette & Woods Inc. by a wide margin, but those two i-banks have the most resources dedicated to the space. The four competitors behind KBW and Sandler have been growing their depository coverage, albeit in piecemeal fashion.

Hovde focused on M&A advisory before adding an equities business. FIG Partners and D.A. Davidson started off by gaining share in certain regions before expanding to other areas of the country.

Raymond James acquired Howe Barnes Hoefler & Arnett Inc. in 2011, but has built its depository practice more gradually when compared to Piper Jaffray Cos. and Stephens Inc., two i-banks that had little exposure to the space before hiring several senior i-bankers.

Rapid builds like those undertaken by Piper and Stephens can offer instant credibility across the U.S., but others believe the deliberate approach sends a message of staying power to clients and recruits.

"What we will like to tell people is we've been covering banks for over two decades," said Rory McKinney, D.A. Davidson's co-head of investment banking.

Others can make similar claims. FIG Partners, founded in 2003, and Hovde, founded in 1987, each solely focus on the bank and thrift industry. Raymond James started building up its financial institutions group around 2000.

At one time, D.A. Davidson's depository investment banking activity was

more concentrated in the West, but the company's focus widened to the Midwest and Southwest after the 2012 hires of Stephen Nelson and Eugene Katz. During the five-year period ended June 30, all of D.A. Davidson's bank M&A advisory engagements have come in the Midwest, Southwest and West. Only KBW and Sandler have landed more deals than D.A. Davidson in those regions during that time frame.

"We're not trying to become a Keefe or a Sandler, but someone that could be third or fourth or top 5 in the league table on number of transactions," McKinney said. "That's good business for us."

In May, D.A. Davidson announced an expansion of depository coverage to the East by hiring Edward Losty and Jay Junior, who will lead efforts in the mid-Atlantic and Northeast.

McKinney noted that D.A. Davidson plans to cover depositories throughout the U.S., with the Southeast being a possible area of future expansion. He added that the company could consider an acquisition to fill gaps, but "hiring one or two good bankers at a time" is his preferred building method.

FIG Partners and Hovde are following similar models. FIG Partners primarily lands deals in the Midwest, Southeast and West but recently added Sloan Deerin, whose coverage includes the mid-Atlantic. Hovde primarily lands deals in the Midwest, Southeast, Southwest and West. It also recently added Jason Blumberg to focus on the mid-Atlantic and Northeast.

Hovde may expand beyond depositories and into other related areas, such as financial technology, insurance and real estate, according to President, COO and general counsel David Magli. He said Hovde will remain focused on banks and thrifts, but the company would like to deepen the pipeline of opportunities it can offer depositories that may have interest in adding complementary businesses such as mortgage finance or insurance.

If Hovde did expand, Magli expects the company to execute the plan through hiring. "We'd rather wait and be selective and hire one or two producers than hire five guys on the hope that one hits," he said.

Aside from its deal for Howe Barnes, Raymond James has mostly relied on hiring to build its depository team. While Raymond James has not announced the hiring of a single depository i-banker in 2016, the company is seeing the benefits of a hire from last year, Robert Toma, who is a listed adviser on at least six of Raymond James' 17 U.S. bank and thrift M&A financial advisory deals from July 1, 2015, through June 30, 2016.

Much of Raymond James' depository M&A market share is concentrated in the Southeast and Midwest, but parent [Raymond James Financial Inc.](#) has the wherewithal to expand the depository coverage. Vice Chairman of Investment Banking Richard Durkes said his company plans to do that.

"[We're building] not just to become No. 3, but become competitive with one and two," he said, referring to Sandler O'Neill and KBW. "It will take a while because they have a lot of boots on the ground."

John Lachica contributed to this article.

Monday, July 11, 2016 7:15 AM ET

Turning bronze into gold, part 1

By [Joe Mantone](#)

A high-stakes game of musical chairs is taking place in the depository investment banking space as a number of firms have ramped up coverage by hiring away from competitors. For many, the goal is to rank No. 3 in market share behind bellwethers Sandler O'Neill & Partners and KBW. This is the first article in a series examining the state of the depository investment banking industry.

[Piper Jaffray Cos.](#) and [Stephens Inc.](#), relatively new entrants to depository investment banking, have learned firsthand just how competitive the space is.

In 2015, the two companies began building national depository practices in earnest, hiring a number of former [Sterne Agee & Leach Inc.](#) i-bankers who became available after [Stifel Financial Corp.](#) agreed to acquire the company. Both firms have started to carve out a niche, with Piper Jaffray enjoying more success in the M&A business, while Stephens has landed more tombstones in the capital raising arena.

Stephens' head of investment banking, J. Bradford Eichler, said competition in the space is clear in M&A advisory as more than 70 than different i-banks can land deals in a given year. Piper Jaffray Global Head of Equities Jeff Klinefelter said he doesn't worry about the oversupply of competition.

"There's too much capacity, and it doesn't go away," he said. "We can't control that. All we can control is how far up the ranks we move."

Third not the worst

While all investment banks want to land the most transactions, it's an accomplishment for financial advisers in the bank and thrift space to finish with the third most. Cracking the top two is not easy because [Sandler O'Neill & Partners LP](#) and [Keefe Bruyette & Woods Inc.](#) have the largest teams of i-bankers dedicated to the space and have long been the leaders in rankings that list investment banks by number of assignments on depository deals. For instance, through the first half of 2016, Sandler O'Neill led the depository M&A rankings with 25 deals, followed by KBW with 19, and [Raymond James & Associates Inc.](#) with nine, according to SNL data. Before its breakup, Sterne Agee held the No. 3 spot in 2014 with 18 transactions.

Robert Hutchinson, a former Sterne Agee i-banker and now head of Piper Jaffray's head of depository institution i-banking coverage, said he's eyeing his former company's position.

"We have to build back to where we were at Sterne Agee, get to the No. 3 spot in M&A," Hutchinson said.

To get there, Piper Jaffray and Stephens are following the Sterne Agee blueprint. In 2012, Sterne Agee didn't [rank](#) in the top 10 of SNL's depository number-of-deals M&A rankings, but it quickly moved up after a [dedicated](#) effort to expand its team.

Signs of progress

So far, Piper Jaffray has taken some M&A market share. Before the September 2015 [acquisition](#) of financial services-focused investment bank [River Branch Holdings LLC](#), Piper Jaffray officially [announced](#) its FIG expansion in May 2015. From that month through June 30, 2016, Piper Jaffray's i-bankers, including the River Branch team, have landed spots on 13 M&A bank and thrift deals — the seventh most in SNL's rankings of financial advisers by number of deals.

All but two of those 13 depository deals have involved targets in the Midwest, Northeast or mid-Atlantic regions, but Piper Jaffray is looking to expand its geographic reach. The company has [hired](#) Kalan MacGinley to cover depositories in the West and Michael Perry to focus on the Southeast. Hutchinson said Texas is a possible area of future expansion for the team, but he believes the company now has much of the country covered.

Stephens recently expanded its team as well, hiring [James Troy](#), who has experience covering the West. But much of Stephens' depository i-banking build came in 2015 when the company hired KBW i-banker [Matthew Switzer](#) and [five](#) Sterne Agee i-bankers.

Stephens [announced](#) the hiring of the Sterne Agee i-bankers in April 2015, and from that month through June 30, 2016, Stephens has landed spots on seven U.S. depository M&A deals, ranking 17th based on number of deals, according to SNL data. During that same time period, Stephens landed spots on six U.S. depository equity offerings, ranking eighth based on number of deals. Three of those transactions were IPOs, and only Sandler O'Neill and KBW landed more IPOs during that period, according to SNL data.

Stephens' Eichler said he has been pleased with the progress. "This is clearly an industry where clients are wanting different sources of advice," he said.

Vast undertaking

To adequately cover the community banking industry and its nearly 6,000 institutions, many in the industry believe firms need teams with a high number of senior bankers focused on different regions. One investment banking executive, who asked not to be named, said covering the cost of a depository team with many senior bankers can prove challenging because the deals in the space are often small and don't bring in large fees.

Many other investment banks have hired smaller teams that focus on a particular region. For instance, [Banks Street Partners LLC](#) covers the Southeast and some states just beyond that region. Other bigger firms such as [D.A. Davidson & Co.](#) and [FIG Partners LLC](#) started with a regional focus and expanded to other parts of the country.

"You can be in the business without covering the entire country, and there are a lot of regionals that are proving that," said Barry van Roden, president and founder of financial services-focused executive recruiting firm van Roden Associates.

Stephens and Piper Jaffray are taking different routes. Piper Jaffray's Klinefelter believes adding a large experienced team is the best way to gain market share in a competitive space such as depository i-banking. Growing organically and trying to "boot strap" the company's way into a competitive sector would be daunting, he said.

Despite the competitive challenges, Eichler believes Stephens will continue to build a team and have long-term success.

"You'll see a couple firms emerge as very strong newer entrants, and I think we're going to be one of those firms," he said.