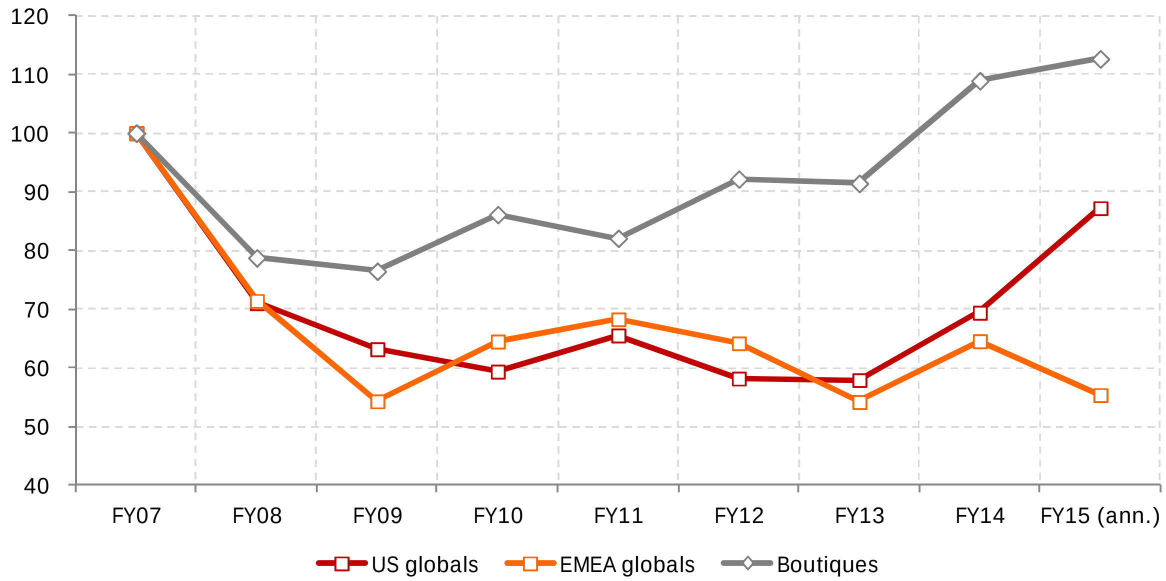
M&A boutiques vs globals

- Boutique firms weathered the post-Crisis much better than US or European globals, but are saddled with high cost/income ratios.
- Based on current market trends, we expect US globals to continue gaining market share from European banks and boutiques.

The downturn impacted globals much more than boutiques. Having suffered only a slight dip in revenue in 2009, boutiques then embarked on a long period of steady growth. Demonstrating the value of choosing which regions and/or sectors deserve coverage - boutiques' combined revenue was 10% ahead of end-2007, growing further in 9m15. Greenhill & Co is losing ground, with 2014 M&A/Advisory fee income c.20% below 2007 level, but both Lazard and Evercore in 2014 generated record post-Crisis fee revenues, the latter nearly 50% ahead of 2007 level.

The US globals laboured with unexciting revenues for several years, but then powered ahead from the end of 2013, surging their lead over European globals in the current year. In 9m15, while US global all posted double-digit year-on-year growth, Barclays and Credit Suisse were the only two of the Top 10 banks to see a year-on-year decline in their M&A/Advisory fee earnings - despite global leaders' volumes being c.35% higher than in the prior year period (largely due to Americas volumes and fees).

Operating revenue dynamics (indexed to FY07, US$)



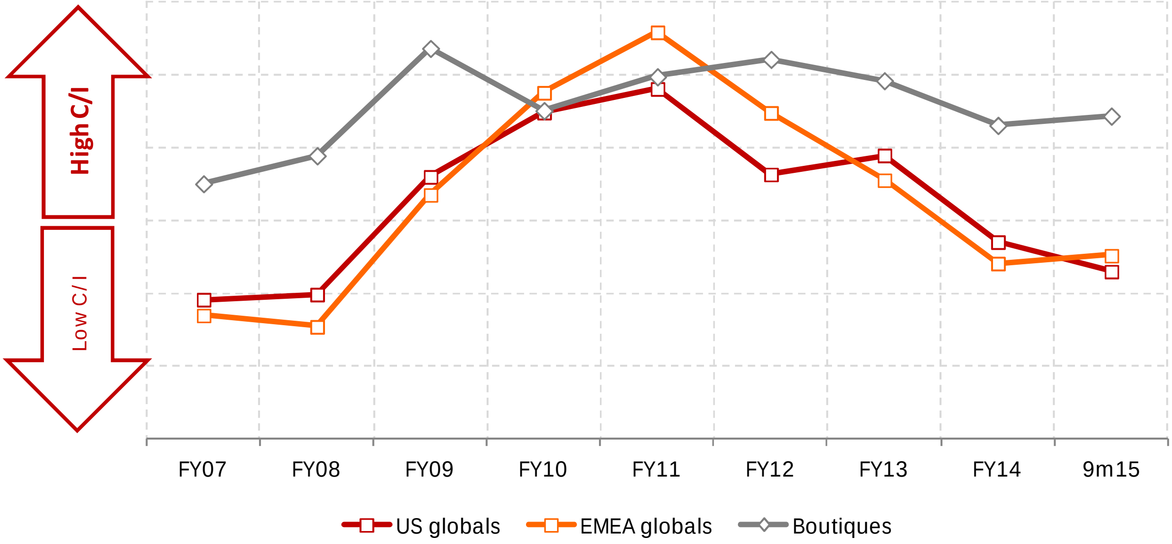
Source: Tricumen. Note: US globals: Bank of America Merrill Lynch, Citi, Goldman Sachs, J.P.Morgan, Morgan Stanley. EMEA globals: Barclays, Credit Suisse, Deutsche Bank, UBS. Boutiques: Greenhill & Co, Evercore Partners, Lazard.

Boutiques do, however, generally have higher cost/income ratios. Greenhill is the only one that matches globals' cost/income; Lazard - the largest of the three boutiques - was at or below break-even point in 2009, 2012 and 2013, and Evercore's average 2007-9m15 cost/income ratio is significantly higher than that of any of the nine globals included in this report. On this measure, boutiques' focused operations work against them, making them less flexible on comp & benefits payouts and potentially lengthening the 'downtime' in specific industries and/or regions; further, they are not able to distribute corporate overheads and the cost of support teams as widely as globals.

Globals, on the other hand, generally provide global coverage, across a wide range of sectors. In lean years, maintaining the cost of this capability is a challenge, but in healthy markets, it works to their advantage - to a degree, this negates the cost of un-/barely-profitable activities (for example, relationship financing). Also, most global banks in our sample have demonstrated their ability to adjust comp & benefits (the bulk of M&A/Advisory costs) to market shifts.

© Tricumen Limited 2015. All rights reserved.

Cost/income



Source: Tricumen. Note: US globals: Bank of America Merrill Lynch, Citi, Goldman Sachs, J.P.Morgan, Morgan Stanley. EMEA globals: Barclays, Credit Suisse, Deutsche Bank, UBS. Boutiques: Greenhill & Co, Evercore Partners, Lazard.

On balance, both universal and boutiques models have their advantages and disadvantages. With most market participants projecting healthy M&A markets in 2016, we expect the US globals to continue gaining market share from their European peers and boutiques.

© Tricumen Limited 2015. All rights reserved.

About Tricumen

Tricumen was founded in 2008. It quickly became a strong provider of diversified market intelligence across the capital markets and has since expanded into transaction and corporate banking coverage. Tricumen's data has been used by many of the world's leading investment banks as well as strategy consulting firms, investment managers and 'blue chip' corporations.

Situated near Cambridge in the UK, Tricumen is almost exclusively staffed with senior individuals with an extensive track record of either working for or analysing banks; and boasts what we believe is the largest capital markets-focused research network of its peer group.

Caveats

No part of this document may be reproduced or transmitted in any form by any means without written permission of Tricumen Limited. Such consent is often given, provided that the information released is sourced to Tricumen and that it does not prejudice Tricumen Limited's business or compromise the company's ability to analyse the financial markets. Full acknowledgement of Tricumen Limited must be given.

Tricumen Limited has used all reasonable care in writing, editing and presenting the information found in this report. All reasonable effort has been made to ensure the information supplied is accurate and not misleading. For the purposes of cross- market comparison, all numerical data is normalised in accordance to Tricumen Limited's proprietary product classification. Fully-researched dataset may contain margin of error of 10%; for modelled datasets, this margin may be wider.

The information and commentary provided in this report has been compiled for informational purposes only. We recommend that independent advice and enquiries should be sought before acting upon it. Readers should not rely on this information for legal, accounting, investment, or similar purposes. No part of this report constitutes investment advice, any form of recommendation, or a solicitation to buy or sell any instrument or to engage in any trading or investment activity or strategy. Tricumen Limited does not provide investment advice or personal recommendation nor will it be deemed to have done so.

Tricumen Limited makes no representation, guarantee or warranty as to the suitability, accuracy or completeness of the report or the information therein. Tricumen Limited assumes no responsibility for information contained in this report and disclaims all liability arising from negligence or otherwise in respect of such information.

Tricumen Limited is not liable for any damages arising in contract, tort or otherwise from the use of or inability to use this report or any material contained in it, or from any action or decision taken as a result of using the report.

© Tricumen Limited 2015. All rights reserved.

© Tricumen Limited 2015. All rights reserved.