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Piper Jaffray Aims for Big Splash Handling Bank M&A

Several recent developments are giving ambitious investment banks an opportunity to do more business with financial institutions.

Piper Jaffray in Minneapolis is among the firms eager to grab a piece of that business. The company, which has historically handled very little business for banks, recently went on a hiring spree, snagging a number of banking analysts and investment bankers from Sterne Agee Group. Its agreement to buy River Branch Holdings, a boutique firm in Chicago, should help it make bigger strides.

Expect more hiring—and possible acquisitions—as Piper looks to build out its platform and potentially expands its financial services group beyond banking. The goal is to provide sales and trading, equity research, fixed income and investment banking services.

“We want to be aggressive with our expansion,” Chad Abraham, global co-head of Piper Jaffray’s investment banking and capital markets group, said. “We’re very much an industry leader in other areas, such as health care, and we’re entering FIG with the same aspirations to have a market-leading franchise.”

Piper’s forceful push to do more business with financial services firms shouldn’t be surprising, said Bob Wray, president and chief executive at Capital Corp., an investment bank that works with smaller institutions. Bank mergers have picked up since early last year,

with most involving community banks.

Ongoing regulatory burden and a shift in customer preferences will only serve to accelerate consolidation, industry experts said.

“It is an industry with a lot of change,” Ken Hallett, national chair of the Quarles & Brady business law group, said. “Any time there’s change there can be transactions, and therefore opportunities.”

Piper will face challenges as it tries to establish itself as a deal adviser, in part because a number of bigger firms dominate the M&A scene, said Rick Childs, a partner in the advisory services practice at Crowe Horwath. In addition, dozens of smaller firms are angling for the next deal, he added.

For perspective, Keefe, Bruyette & Woods, which is owned by Stifel Financial, handled 45 deals last year valued at \$8.3 billion. Sandler O’Neill advised on 59 deals with an aggregate value of \$6.1 billion.

To successfully compete, Piper must get a few transactions under its belt quickly to build trust and show that it has the necessary relationships to get deals done, Childs said. Adding two well-known Chicago bankers—David Olson, a former investment banker at Credit Suisse, and Steven Kent, who previously worked at KBW—should help. “Piper hasn’t been a player in this field,” Childs said. “While they have a strong reputation as an investment



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Piper Jaffray Aims for Big Splash *continued*

firm, they have to overcome” a lack of reputation working with financial services clients. “You can get a good jump start on this, but they need some momentum through deals.”

Investment banking, like many other industries, has seen its share of market disruption over the years, which could help Piper. One clear example was its ability to hire workers in the wake of Stifel’s acquisition of Sterne Agee.

More consolidation is likely among investment banks that serve banks, industry experts said.

Mergers represent a “natural progression” for financial services firms, including investment banks, said Robert Kafafian, president and chief executive of The Kafafian Group. “You should see more of this,” he added.

Consolidation lets firms reduce costs and “get rid of a competitor,” Wray said. Smaller firms can also feel pressured to sell because they lack the “the support personnel” that exist at bigger firms, he added.

Joining Piper will provide River Branch with more resources, including capital markets services, said Olson said. Piper said Olson, River Branch’s chairman and chief executive, will become co-head of its financial institutions investment banking group when the deal is completed.

While River Branch proved that there is room in the market for “really good” firms, Olson said the environment can be difficult for smaller investment banks that complete just one or two deals a year.

River Branch, which wasn’t actively looking to sell itself, had received other offers, but liked the idea of helping Piper “make a big splash” in investment banking, Olson said. Piper offered the firm “a really clean experience” with “no stigmas,” he said.

By Jackie Stewart

