

FINANCIAL NEWS

Moelis off to a flying start with boutique

Corporate finance business is quietly becoming one of the top US advisory boutiques, writes Harry Wilson

When star bankers leave to launch their own boutique advisory firm, it can take years before they make a dent in the league tables or make an impact on the business.

But Ken Moelis, former president of investment banking at UBS who helped put the bank on the map in the US, is off to a flying start. Moelis & Company, an advisory boutique founded by Moelis, is in the unusual position of being on course to break into the top 10 in the US mergers and acquisitions league tables in its first year of operation.

After opening in July, Moelis picked up its first multi-billion dollar mandate on its second day of business when Hilton Hotels Corporation hired it alongside UBS to advise on a \$26.7bn (€18.3bn) takeover approach from US private

equity firm Blackstone.

Hiring Moelis was the decision of Hilton's chairman Stephen Bollenbach, however Moelis' contact book, including billionaire investor Sam Zell and CNN founder Ted Turner, makes him one of the first ports of call for many US business leaders when they have something they want to discuss.

The emergence last week of Moelis as a defense adviser to Yahoo!, which had already hired Goldman Sachs and Lehman Brothers to defend it from an unsolicited offer from software company Microsoft, has shown the firm is no one-trick pony.

Moelis is ranked 10th for US M&A advisory for the past seven months with five deals worth \$73.7bn, according to data provider Dealogic, taking a lead over more

established rival boutiques such as Perella Weinberg Partners in 15th with \$19.9bn of deals and Greenhill in 28th place with \$11.3bn.

Perella Weinberg in 2007, its first full year of operation, ranked 27th in the US advisory league table, working on six deals worth \$26.6bn. Tony James, global chief operating officer of Blackstone and a former colleague of Moelis from his days at

the now defunct Donaldson, Lufkin & Jenrette, said Moelis stands a good chance of success.

"It is a return to his roots. It is a great business model and there is no one doing it at the moment. There are not many firms filling the niche between the bulge-bracket banks and the corporate finance boutiques," he said.

The firm operates out of three

Top 10 US M&A advisers 01 July, 2007 – 2008 YTD

Rank	Adviser	Deal value, \$bn	Number of deals	Market share, %
1	Goldman Sachs	268.4	130	29.6
2	JP Morgan	164.7	114	18.2
3	Lehman Brothers	159.1	72	17.5
4	Morgan Stanley	155.5	84	17.1
5	Merrill Lynch	152.3	85	16.8
6	Citigroup	124.9	82	13.8
7	UBS	114.2	97	12.6
8	Deutsche Bank	108.6	57	12.0
9	Credit Suisse	93.1	92	10.3
10	Moelis & Company	73.7	5	8.1

Source: Dealogic



Ken Moelis

Curriculum Vitae

Age – 49
Married, four children

Education

Undergraduate degree and
MBA The Wharton School,
University of Pennsylvania

Career highlights

1976: Managing director at
Drexel Burnham Lambert

1990: Co-head of Los
Angeles-based investment
banking group of Donaldson,
Lufkin & Jenrette.

2000: Head of Americas
investment banking UBS.

2004: Co-head of investment
banking UBS.

2005: President of investment
banking and member of UBS
managing board.

2007: Chief executive of
Moelis & Company

Interests

New York Giants fan

sites, with offices in New York, Boston and Los Angeles, and has 65 staff, 40 of whom are front-line bankers. In a nod to his 14 years at 1980s junk bond kings Drexel Burnham Lambert, the LA office is located on Wilshire Boulevard, close to where Michael Milken set up Drexel's office.

The business's early success has enabled Moelis to attract top bankers to his firm, last month hiring top industrials rainmaker Mark Henkels from investment bank CIBC World Markets and Stephan Oppenheimer, from private equity firm CCMP Capital Advisors, for its investment group.

The staff at the firm include

many of Moelis' former UBS colleagues, including chief operating officer Elizabeth Crain, a former member of the board at the investment bank, Bob Crowley, the former global head of high yield capital markets, Jeff Raich, the former joint global head of M&A, and Warren Woo, the former global head of financial sponsors, hedge funds and leveraged finance.

Of Moelis' 12 managing directors, seven are from UBS, while five are former colleagues from DLJ, and two, Kurt Larsen, previously a managing director at buyout firm Cerberus, and Woo, were at Drexel at the same time as him.

A former colleague spoke of

Moelis' dislike of bureaucracy, and said he hardly ever communicates with staff through memos, preferring instead personal contact, an approach that is liked equally by staff, colleagues and clients.

James said: "He is the confidant. Clients trust him and his commercial instinct, and know he will deliver what it is they are looking for."

Winning the Yahoo! mandate is a good example from Moelis' Rolodex. Sue Decker, Yahoo!'s president, is a former colleague of Moelis, having run DLJ's research team, at a time when he was head of the bank's corporate finance business, and it was this connection that brought the firm in on the deal.

So far, Moelis' deals have been based mainly on his existing contacts. But the chief executive of one rival boutique warned that the real test of the business could come in the next few years as it tries to win clients.

He said: "The big question with a boutique is do you have the capacity to build a sustainable business, or do you end up winning mandates from clients you have known for years?"

He added that the other big challenge for Moelis was the likely decline in M&A activity this year and next. "There is a finite demand for independent advisory, and the quantum of that demand is inevitably falling," he said.

Like Perella Weinberg, Moelis aims to be more than just an advisory firm, but while Perella Weinberg is going down the asset management route, Moelis will be a private equity investor and is currently raising a fund.

Details of the fund are not yet public, but the idea behind it will be to follow a traditional merchant banking model of investing alongside trusted clients on a selective basis.

James at Blackstone said: "He is likely to find support from hedge funds and other investors, but time will tell how the market will react to his move into this business."

Moelis is also unlikely to remain a US-only business for long. Plans are afoot to establish an office in London and following that, Moelis is known to be keen on setting up in Dubai to get closer to the Gulf-based sovereign wealth funds that have become important providers of capital.