

Moelis Hires Private Placement Banker

Firm expands capital markets business with addition of ex-BofA Merrill private placement chief.

BY JOSHUA HAMERMAN

As first reported by IDD, Moelis & Co. has continued building out its capital markets group by hiring Stan Lai as a New York-based managing director.

Lai, who starts early next month, was most recently a managing director and head of private placements at Bank of America Merrill Lynch. Before the merger of BofA and Merrill, Lai was part of Merrill's private funds placement group. Earlier in his Merrill tenure, he was a vice president in the private equity business.

Lai joined Merrill in 1997 from Salomon Brothers, where he was an associate in the domestic corporate finance and natural resources groups. Before receiving his MBA from the MIT Sloan School of Management, he was an analyst in the Deloitte & Touche management consulting practice's restructuring services group.

Christopher Ryan, a Moelis & Co. managing director on the capital markets team along with Dominick Petrosino, hired Lai. The capital markets group will consist of five professionals upon Lai's arrival.

Ryan joined Moelis in the spring following nine years at UBS, where he was global head of credit fixed income. Petrosino came aboard in early 2009 after working at Bear Stearns, where he was most recently head of leveraged finance capital markets.

"We're helping clients figure out the best way to access the market and optimize capital structure, whether it be to issue debt or equity or recapitalize through our restructuring and recapitalization group," Ryan tells *IDD* regarding Moelis & Co.'s efforts on the capital markets side. "Stan's background is predominantly equity but the intention of our platform is to be product-agnostic and focus on what our clients need."

Although primarily known for its M&A and restructuring practices, Moelis & Co. has also been working on private placements. Some of them have been equity transactions, and others have been bank loan-related transactions with private distributions.

Many of them have operated under 144A safe harbors, but are marketed like public deals. Ryan declined to name the issuers.

On the private placement front, Ryan predicts heavy primary equity activity, adding, "Over the next two to three years, I'd expect a re-equitization of balance sheets, particularly leveraged ones."

As for other capital markets transactions, Moelis & Co. has advised Wynn Resorts and Energizer on equity raises and is helping Beazer Homes restructure its debt. The firm also worked with Beazer on a debt offering in March.

On Friday, Sonic Automotive announced plans to offer 9 million shares of class A common stock in a registered public offering. Simultaneously, Sonic Automotive also stated it would offer \$125 million in convertible senior notes due 2029 in a registered public offering. The Charlotte, N.C.-based company plans to use proceeds from the two offerings to pay down the outstanding debt on its 4.25% convertible senior subordinated notes due 2015 and its 6% convertible senior subordinated notes due 2012. Moelis & Co. is acting as co-manager on both offerings with Stephens Inc. and Wells Fargo Securities.

"Our long-term mission is to be able to sell stocks, bonds and loans for clients when they need us to," says Ryan. "We don't have a sales and trading capability right now, so our focus is on providing clients with advice in terms of capitalization and strategy as well as advising them when they execute a transaction."

Moelis & Co. has three options for how to start a sales and trading business: build organically, find an acquisition or form a strategic alliance/partnership with another firm. No course of action has been decided upon, says Ryan.

Clients seeking the firm's capital markets services have expressed two major concerns. "Clients are concerned that the securitization markets don't provide the level of certainty they would like in terms

of funding, so they're looking to diversify away from that source of funding," says Ryan. "Our clients would also prefer to have more conservative capital structures."

For now, Moelis & Co. is concentrating on U.S. issuances, although European opportunities may also present themselves. A few weeks ago, Mark Aedy, the firm's head of European, Middle Eastern and African investment banking, told *IDD* that European banking clients are increasingly asking for assistance on matters related to the content and shape of balance sheets.

"Our business in Europe is much newer than our business in the U.S. from an overall investment banking coverage perspective, so we've decided to wait until we have a little more scale in Europe before we roll out a capital markets product suite to our clients in that region," says Ryan. "But we definitely aspire to do it."

Moelis & Co. has also launched a risk advisory platform. "We established our risk advisory business to help clients understand and mitigate risks that they have on their books or in their derivatives portfolios where they feel an outside advisor would add value," says Ryan, who is a member of the risk advisory team. "Like the capital markets business, the idea is to leverage relationships we have and/or improve relationships with clients who may need assistance evaluating balance sheet issues and managing complex risk."

The risk advisory practice's first member was Yadin Rozov, who joined Moelis & Co. as a managing director during the summer from UBS, where he was head of the Americas repositioning group.

The team is small, but works with other Moelis & Co. bankers from relevant sector groups when appropriate. The risk advisory group also works with the restructuring and recapitalization practice on assignments where risk on or off clients' balance sheets are essential elements of overall structurings.