

Buyouts

MIDDLE MARKET INVESTMENT BANK OF THE YEAR:
Robert W. Baird & Co.

Robert W. Baird's 10-Year Plan Pays Off in 2007

SNAPSHOT:

Firm: Robert W. Baird & Co.

Headquarters: Milwaukee, Wisc.

Number of Mid-market Buyout-backed Transactions in 2007: 28

Disclosed Deal Value: \$5.4 billion

Representative Deals: ECO SpA, LKQ Corp., Wilton Industries

In the mid-1990's, executives at mid-market investment bank **Robert W. Baird & Co.** took a hard look at their firm and decided it was now or never.

To move beyond their Milwaukee, Wisc., roots and build a global brand, they'd have to make some changes. So the bank hired a passel of professionals, including Baird's current President and CEO **Paul Purcell**, formerly of Kidder Peabody & Co. This new group set the framework for Baird's evolution from "an old-line regional brokerage firm" to "a bona fide leading middle-market international firm," said **Chris McMahon**, Baird's head of U.S. mergers and acquisitions.

And the little bank that could eventually became the little bank that did. In 2007, Baird had its best year ever, completing 57 mid-market transactions worth more than \$12 billion in disclosed deal value. Of that total, 28 deals, carrying a disclosed value of \$5.4 billion, were led by financial sponsors.

Baird began its transformation by expanding the number of industry sectors where it can provide M&A advice. The bank's core areas of expertise are manufacturing and business services. Over the last four years it has added real estate, financial institutions and health care.

It also beefed up its technology coverage, opening a second Bay Area office and adding two senior technology investment banking professionals in 2007. Baird has seven equity research analysts covering more than 100 technology companies. In the past five years, Baird has advised on capital raising and M&A transactions totaling more than \$5.7 billion for technology-focused companies.

The firm's knowledge of manufacturing, particularly in heat-transfer devices, helped it beat out some bulge-bracket banks to represent Eco SpA, an Italian maker of heating and cooling coils, when it put itself on the block last year. Eco

SpA was a portfolio company of British LBO firm Compass Partners. In addition to its industry knowledge, McMahon thinks Baird won the deal when it counseled Compass Partners against the staple-financing packages being offered by the big banks.

"The fees [the large banks] would earn on the staple dwarf the M&A fee, so there's a natural bias and potential conflict as staple provider," McMahon said.

Luvata OY, a portfolio company of Sweden-based **Nordic Capital**, wound up buying Eco SpA, giving Compass Partners a 10x-plus multiple, McMahon said. The scope of the deal was not lost on Baird. "Here we are advising a U.K. private equity firm with an Italy-based portfolio company on a sale to a strategic buyer out of Stockholm. A few years ago that's not a deal we would have been equipped to complete effectively," McMahon said.

The firm has made an effort to build its buy-side advising platform

as well. There, too, Baird touts its industry-related chops where other banks offer their deep pockets. "That's not in our playbook. We don't have the balance sheet to go out and tell people, 'Yes, we're going to loan you \$500 million to do this deal,'" McMahon said.

He pointed to last summer's \$811 million acquisition of Keystone Automotive Industries Inc. by LKQ Corp. as an example of how Baird's industry knowledge won the day. Both companies recycle parts from damaged cars. "It was a niche-y, narrow sector we knew well. We provided equity research of the target. We provided equity research of the buyer.

That's how we got the buy-side mandate," he said. Baird lined up Deutsche Bank and Lehman Brothers for financing.

Expanding its global footprint over the last 10 years also has yielded gains for Baird, which doubled its income from European deals between 2006 and

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Why The Firm Won

- **Evolved from a Midwestern regional bank to a leading international firm in a decade.**
- **Won deals through its deep knowledge of industry verticals such as manufacturing and health care.**
- **Grew its buy-side transactions by more than \$7 billion in one year without using its own capital to provide loans.**
- **Within three years, sponsor-led deals ballooned from less than 25 percent of its total M&A volume to more than half.**

2007. The firm established a presence in India and did its first deal there last year. It also uses its Asia platform—Baird Asia—to help source deals for portfolio companies of the bank's buyout and venture capital shops, which collectively form the Baird Private Equity unit.

While Baird had advised on private equity-backed transactions in the past, around 2003 the bank formalized its financial sponsors coverage group in an effort to grow its relationships with buyout shops. In 2004, deals involving private equity firms accounted for less than 25 percent of Baird's overall M&A activity. By 2007, more than half of Baird's transactions were driven by private equity firms, and the aggregate dollar value of those deals was nearly \$5.4 billion, up 63 percent over the year before.

"This group, along with our industry sector focus, has been an important part of our increased market share," said **Chris Coetzee**, head of Baird's financial sponsors group.

Content to be neither a wannabe bulge-bracket bank that "tries to be all things to all people" nor a boutique firm, Baird will continue to stake out its own territory in the middle market. "When we look around, there are not a lot of folks who look like Robert W. Baird," McMahon said.—J.P.

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