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MID-MARKET BANK OF THE YEAR

Middle Market, Large Ambitions

Robert W. Baird's European acquisition and stock buyback laid the groundwork for leaps and bounds in 2006

In 1999, it initiated an acquisition of a London-based bank **Granville**; the subsequent boom in cross border business has since made the acquisition enviable by any standard. Today this Wisconsin-based shop is recognizable on an international basis with a presence on three continents, and spouts several business lines, including a flourishing cross-border equity capital markets arm and a budding private equity affiliate. It was these factors that helped distinguish Robert W. Baird from its peers, making it the logical choice for Middle Market Bank of the Year.

Baird - its Wall Street moniker - managed nearly $70 billion in client assets as of Dec. 31, 2006, and posted about $650 million in revenues in 2006, up from $632 million in 2005, according to the firm. It operates a private equity arm, a wealth management division and an asset management business in addition to its capital markets franchise. Moreover, at a time when the value of offering analyst research is questioned at the bulge bracket level, the firm expanded its coverage last year to oversee 510 US companies in the small- and mid-cap universe.

Describing Baird as firmly focused on the middle market, **Steven G. Booth**, director of investment banking, stresses it's actually the *global* middle market that captures Baird's attention. Its European investment banking team has grown to 22 bankers located in London and Frankfurt "who are focused entirely on middle market M&A," Booth says.

Its European group completed 26 deals in the last two years with the average transaction size last year reaching $120 million, with the fees from its European activity subsequently jumping by 50% between 2005 and 2006.

To wit, Baird advised **Financial Dynamics** on its $260 million sale to **FTI Consulting** — a deal that demonstrates the strides Baird has made not only in its European deal flow but also in its attempt to better connect with the financial sponsor community. Financial Dynamics was a portfolio company of **Advent International**.

During the last two years, Baird has made a concentrated effort to boost its status within the private equity community, according to Baird CEO **Paul Purcell**. Between **Baird Capital Partners**, the firm's private equity group, and its investment banking business, Baird reported a 40% increase in transactions involving private equity firms last year, with 28 announced deals. In 2004, Baird could only count two deals that involved financial buyers.

"We made the financial sponsor community a focused effort in the last few years and it has helped us enormously in the last 24 months," says Purcell.

Thanks in part to this effort, aggregate deal value in 2006 was about $3.1 billion, up from $1.9 billion in 2005. The firm's median deal size also increased last year, jumping 80% to $105.6 million.

"Go back three years ago and the level coming from private equity would have been about 10% to 20%," says

Booth, noting that today around 43% of activity is derived from financial sponsors.

The Next Big Thing?

Armed with a new branding initiative – a redesigned logo and a new tagline - Baird rolled out a restructuring business late last year. But what may be most impressive is what has yet to be done. Baird Capital Partners maintains offices in Hong Kong, Beijing and Shanghai. There is much consideration for adding investment banking capabilities there.

"We were driven to Europe by our US clients wanting to acquire companies there and that's the parallel for us with China and Asia," says Booth, who adds that currently the "middle market M&A in China is really just developing."

Baird watchers may also see an acquisition. Purcell confirms actively seeking deals in the asset management realm, perhaps in the $1 billion to $5 billion range. Baird manages $14 billion in capital.

Meanwhile, with so much FIG IPO activity, some speculate that Baird might follow suit. However, such a move may be unlikely. Two years ago the Baird employees entered into a share purchase plan that gave them control of the firm, and it may seem counter intuitive to revert away from that. (**Northwestern Mutual** had previously been the majority stakeholder in Baird.)

"The single biggest event for us was in 2004 when we finished the buyback and became employee owned and privately held," says Purcell. "There are not many employee-owned and privately held middle-market financial firms left." Baird's success would seem to refute the idea that a dying breed can't thrive.

Colleen Marie O'Connor
Colleen.Oconnor@sourcemedia.com