



Investment bankers switch to debt restructuring after M&A consultancy profits dry out

Ioana David 06.07.2009

The biggest investment bankers on the local market, which used to specialise in mergers and acquisitions consultancy until this year, are switching to debt restructuring or consultancy for infrastructure projects now that the time of major deals is over.

"We have not abandoned the M&A, but it is clear you can no longer make a living out of it. We need alternatives. We are repositioning on financial restructuring, that is debt restructuring and infrastructure consultancy," says Ioana Filipescu, managing director of the Raiffeisen Investment Romania investment bank.

The mergers and acquisitions market stood at approximately 1 billion euros in the first six months of this year, according to Raiffeisen data, compared with 3.5 billion euros in the same time in 2008, but this value also includes the deal whereby businessman Dinu Patriciu sold his remaining stake in Rompetrol. Given such a drastic decline of deals, investment bankers see restructuring as a way to boost revenue.

"At least 30% of companies will have to reduce their loans by 20 to 30%. You can't do it alone, and banks see this (turning to a consultant i.e.) as a good thing," says Matei Paun, managing partner of BAC Investment.

BAC Investment signed a contract for debt restructuring and is in talks with four other firms. The minimum amount of loans that is attractive to Matei Paun's company for restructuring stands at 10 million euros and the maximum amount exceeds 100 million euros. Over the next six months, he says mandates to sell will continue to generate the highest revenues, but next year the balance will tip towards restructuring.

"We continue to have mandates to buy and sell in various stages of negotiation. All in all we have approximately 6 to 12 mandates both to sell and to buy companies," says Matei Paun.

Another local investment firm betting on financing this year is Capital Partners.

"One could see the M&A market dropped 90%. We make money from financing and restructuring. We have mandates in progress but I have no way of knowing when they will be completed," says Doru Lionachescu, managing partner of Capital Partners.

The advisory firm currently has six mandates to sell and only one to buy in progress, but the bulk of demand at this time is coming from financial restructuring segment.

On the other hand, Marian Tescaru, managing partner of Altria Capital, says he continues to bet on mergers and acquisitions consultancy, which is his specialty. "I don't know what others are doing, but I am not experienced in anything else. We have six or seven mandates in various stages of completion. I will not make any forecasts. We hope to close as many of them as possible," he says.

Investment bankers are reluctant to go public with the fees collected or the turnovers posted by the companies they run but according to the data available, their revenues are in the range of several million euros, given that they employ 10 to 15 consultants.

"Comparability is very low. Even when there was a market, it was still difficult to reach the same business level from one year to the next," explains Ioana Filipescu. She is in talks over the restructuring of a 70 million-euro debt.