

M&A sector view: US leads Europe on deals and pay

By Sarah Butcher

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While several European financial centres have seen large increases in the volume of mergers and acquisitions deals announced this year, senior M&A bankers in the US rule the roost when it comes to pay.

According to figures from specialist M&A recruiters in the US and across Europe, top managing directors working in M&A on Wall Street can expect to earn as much as \$10m (£5.7m) this year. By comparison, recruiters say a senior M&A banker in Milan or Paris will be lucky to receive €1m. Pay is higher in Frankfurt and London, where recruiters say upper limits of €2m and €4m respectively are on the cards. M&A bankers in Geneva rank among Europe's poorest, with pay topping out at €400,000.

Why are Europe's senior financiers paid relatively poorly? The discrepancy is largely down to deal size. In the year to date 2005, Thomson Financial says M&A deals worth €741.5bn (\$982bn) were announced in the US market, compared to deals worth €641.6bn across the whole of Europe. In individual European markets, M&A volumes were significantly lower: Italian M&A deals announced so far this year total €97bn, while in Switzerland just €14.8bn of deals was announced in the first half.



UK and US: Still the money makers

While they also have the greatest cost of living compared to their European counterparts, senior M&A bankers in the City of London and Wall Street make the biggest money. Why? According to Thomson Financial, the value of M&A deals announced in the UK rose nearly 40% in the first nine months of this year to £152bn. On Wall Street, deals rose nearly 30% to nearly £510bn.

Dee Symons, co-head of global banking and markets at Russell Reynolds in London, says bonuses for managing directors working in London M&A teams could rise between 30% and 40% in 2005 compared to 2004. "It's been a good year," she says, "Compensation has been driven up by recruitment and increased business activity." Senior M&A staff moving to other banks in 2005 have secured guaranteed pay packages at least 30% higher than 2004, says Symons. Banks will need to increase internal bonuses by a similar amount to avoid staff being lured away.

Linda Bialecki, chief executive of Bialecki Inc, a Wall Street recruiter, says senior US M&A bankers typically earn most of their pay as bonuses. "If you ask people what their base salary is, they won't even know," she says. Accordingly, Bialecki says base pay on Wall Street is poor, at just \$150,000 to \$200,000. But she says bonuses on the Street can be stupendous, with star bankers making as much as \$10m.

Germany and France: Top performers up

In Germany, M&A volumes rose more than 100% in the first nine months of the year, driven by the likes of Allianz's purchase of Italian insurer Riunione Adriatica di Sicurtà for €5.7bn and the €4bn purchase of Reebok by Adidas-Salomon. Frankfurt has also seen a handful of senior hires. In August Deutsche Bank hired Wolfgang Hammes from Merrill Lynch as head of its financial institutions group.

Andreas Weik, a financial services consultant at search firm Hofmann Heads in Frankfurt, says senior M&A recruitment in Germany is currently poor, with recruiters putting hiring on hold until bonuses are paid out. However, he says senior Frankfurt M&A bankers can expect bonuses as much as 30% higher than last year.

Top performers should receive €2m or more.

In France, the value of M&A deals announced rose nearly 20% in the first nine months of this year. Denis Marcadet, managing director of search firm Vendômes Associés, says base pay for senior M&A bankers in France is around €280,000 maximum, with senior staff in Paris earning as much as €1m.

Italy: Low bonuses, job market light

Low pay in Milan is attributable to two additional factors: a culture of low bonuses at Italian banks, and limited hiring. Alberto Gavazzi, a specialist financial services consultant at search firm Russell Reynolds in Milan, says Italian banks typically pay their senior M&A bankers bonuses equivalent to 100% of base pay. International investment banks pay more generously, says Gavazzi, with bonuses reaching 300% or more.

With the value of Italian M&A tripling in the first nine months of 2005 compared to the same period of 2004, however, some Milanese bankers should do well this year. But bonuses for most senior M&A staff in Milan are unlikely to reach millions. Despite headline grabbing deals such as ABN Amro's controversial purchase of a controlling stake in Banca Antonveneta for €7.6bn, Gavazzi says M&A hiring in Milan is weak and the danger of poorly paid bankers defecting to rivals is low.

"There's very little happening here," says Gavazzi, "Most M&A recruitment for Italy is now focused on London. Banks have been centralizing M&A teams in London for the past few years and staff here are being kept to a minimum."

Switzerland: Paid less

It's a similar story in Geneva, where Jean-Pierre Pedrazzini, a financial services specialist at search firm Egon Zehnder, says the community of senior M&A bankers is small, due not just to the country's restricted market but to the tendency for banks to cover the Swiss market out of London. "The big banks have most of their M&A execution teams in London," he says, "People who are based in Switzerland are generally paid less."

A managing director working in M&A in Geneva or Zurich can expect a base salary of CHF300,000 to CHF400,000 says Pedrazzini, equivalent to between £136,000 and £175,000. However, it's in terms of bonuses that Swiss investment bankers really lose out: while foreign rivals typically earn bonuses equivalent to multiples of their salaries, Pedrazzini says it's rare for Swiss bonuses to exceed 100% of base pay.