

M&A pay up for European juniors, US seniors

By Sarah Butcher

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Want to make good money working in M&A and corporate finance? Now is the time to be either a junior banker in Europe with a few years' experience or a senior banker in the US with a fat rolodex.

While the US M&A market has been thriving, Europe's has been withering. First quarter 2005 transactions involving any European buyer and seller were down nearly 30% compared to 2004.

Unsurprisingly then, European corporate finance recruiters report lackluster demand for senior M&A talent. But the market for junior M&A staff is still vibrant on the continent, and so is their pay.

'Right now there's a lot of demand for second- and third-year analysts and associates,' says Andrew Morland, a consultant at recruitment firm EM Finance. 'First-tier banks are cherry picking good people from the second- and third-tier banks that picked them up during the redundancies of 2001 and 2002.'



Junior corporate financiers hit pay dirt in 2004. 'Senior associates got well protected in the last bonus round and were up on 2003,' says one London search consultant. 'Some banks paid incredibly well.'

A survey of around 150 London-based junior corporate financiers by EM Finance revealed first-year associates earned total packages worth up to £100,000 in 2004; second-years received up to £150,000, and third-years received up to £200,000.

Morland says rising pay is causing problems with vice presidents (VPs), who have seen the pay differential eroded between themselves and the more junior associates.

Recruiters say banks in Europe are less interested in recruiting corporate finance staff at VP level and above. Patrick von Pfetten at German search firm von Pfetten & Kollegen says there's limited demand in Germany: 'M&A bankers are in a difficult position right now.' Jürgen Merkel, managing director at MB Consulting in Frankfurt, says he gets plenty of CVs from VPs, but there are no jobs for them.

Overcapacity remains a problem, says Merkel: 'There are not enough M&A deals to feed all these people.' Banks are cutting staff. JP Morgan announced the departure of 150 front line investment bankers last November, corporate financiers are understood to be among Deutsche's 6,000 redundancies, and headhunters say Citigroup and UBS are also discreetly showing people the door: 'Banks are trimming fat, but they are doing so very quietly,' says one.

Wall Street: Long guarantees make a comeback

By contrast, the US M&A market is looking distinctly healthy. After soaring nearly 50% in 2004, deal value was up 4% during the first quarter of 2005, according to data provider Thomson Financial.

Search firms say Wall Street banks are angling for staff as a result. They need top managing directors in M&A and corporate finance and are offering increasingly juicy bait.

'Banks are looking for senior level manpower both to execute deals and to work on business development,' says Peter Gonye, co-head of the investment banking and private equity practice at Spencer Stuart in the US. 'More people are being hired on two and three-year guaranteed bonuses, and pay is starting to

creep up again.'

'For the right person, who brings real client relationships, price is no problem right now,' says Linda Bialecki, president of Bialecki Inc, a corporate finance-specialized executive search firm in New York City.

Are banks returning to their profligate ways of the last millennium? 'No,' says Bialecki. 'Banks are differentiating between those who do and those who don't.' But she says those who do are increasingly able to do it on their own terms.

Recruiters say demand is strongest for senior level staff specializing in financial institutions, healthcare, natural resources, and consumer products.

Recent hires reflect banks' appetite for high level corporate finance talent. HSBC hired two managing directors from JP Morgan for its energy and utilities team in February. In March, Bank of America hired Andrew Bednar from Goldman Sachs as head of US M&A. A spokeswoman at the bank declined to comment on rumors that Bednar came on a package worth multiples of his last year's pay.

Search consultants say banks' interest in senior M&A staff has coincided with a reduction in their appetite for juniors. 'Last year there was big demand for senior associates and junior VPs,' says one. 'This year, we're getting calls for senior bankers with rolodexes.'

Junior M&A bankers are unlikely to complain. Recruiters say they were well rewarded during the last bonus season and are mostly happy where they are. For example, CSFB offered its third year associates guaranteed packages of \$300,000 in 2004. But recruiters say pay was typically 25% to 50% above this: 'Banks paid associates above the guarantees,' says one. '\$400,000 for a third-year associate wasn't unusual.'