

FINANCIAL NEWS

High achiever: the firm's offices are on the 32nd floor of Tower 42, originally built to house NatWest



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Fenchurch finds there's room at the top

The boutique adviser has emerged from the credit crunch as one of the winners, writes Harry Wilson

It is appropriate that a firm that has specialised in advising financial companies on buying one another should be based in the former headquarters of a bank that was the target of one of the largest takeovers in the banking industry of the past decade.

Malik Karim, chief executive of Fenchurch Advisory Partners, which is housed on the 32nd floor of Tower 42 originally built to house NatWest, appreciates the direct connection to recent banking history as well as the impressive views the office provides.

A 20-year financial sector investment banking specialist, Karim did not work on the Royal Bank of Scotland takeover of NatWest in 2000, however another Fenchurch managing director, Richard Locke, then at Cazenove, worked on the NatWest defence team. Karim said: "Being in the heart of the City near many of our clients is very pragmatic. In fact, we are in the process of doubling our office space so that

we can have more meeting rooms to cope with the higher volume of work we are handling."

Fenchurch counts some of the UK's highest-profile financial companies among its clients. In the last year alone, Fenchurch has advised businesses ranging from banking group Barclays on its £226m acquisition of Standard Life Bank to asset manager Insight Investment Management on its sale to Bank of New York Mellon, adding to a roster of regular clients that includes the London Stock Exchange and F&C Investments.

Founded in 2003 by Karim, a former managing director at Credit Suisse First Boston and Kleinwort Benson; Simon Yun-Farmbrough, a former head of strategy and M&A at UK insurance group Prudential; and Kevin Cunningham, a former Deutsche Bank financial institutions group banker, Fenchurch has established itself as one of the top financial sector advisory boutiques.

Last year, the firm reported a

turnover of £5.75m (€6.31m), up 21% on 2007 and a more than ten-fold increase on revenues in 2004, which was the firm's first full year of operation.

This year, Fenchurch intends to more than double its 2008 revenues, which are expected to exceed £10m for the first time, with the firm working on seven mandates worth more than £900m.

The increase in income will be lucrative for Fenchurch's partners. Last year, the firm's top paid employee took home £2.21m, up from £1.75m in 2007, with the eight partners sharing an overall pay pool in 2008 worth £4.54m compared to £3.9m the previous year. This year, the partner pool is likely to be more than double this amount.

Locke said: "From a revenue and momentum perspective, this has been an excellent time to be a pure advisory business specialising in financial services. This line of business has seen a real increase in activity whereas most others,

apart from equity capital markets and restructuring, have seen a material decline.

"The credit crunch is creating unprecedented challenges for the sector, which is translating into higher-quality mandates and revenues. We have, however, been careful not to grow too quickly so as to ensure we continue to provide an outstanding service to our clients."

Up to now, Karim and Yun-Farmbrough have eschewed the temptations among some boutique businesses to go out and make a raft of hires, maintaining a relatively small staff of just 14, comprising three managing directors, five directors and a small team of junior associates.

Since its founding, Fenchurch has added only one other managing director with the hire of Locke from JP Morgan Cazenove in 2007, however it has created an eminent senior advisory team of City heavyweights that has helped raise the firm's profile.

In 2005, former Barclays chairman Sir Peter Middleton was brought in to work as an informal senior adviser. Two years later, former Direct Line chief executive and RBS Insurance chairman Ian Chippendale joined in the same role, and this June, the duo were joined by former Wellington Underwriting chief executive and top insurance industry figure Julian Avery.



Middleton, Chippendale and Avery have helped provide Fenchurch with the credentials and introductions that are vital to boutique firms to compete for business against bulge-bracket rivals.

For instance, Fenchurch's mandate last year to advise US insurer Allstate on a potential bid for RBS Insurance was no doubt helped by the presence of Chippendale, while Middleton's clout within the UK banking industry is still strong.

For Fenchurch, the question is: what next? Karim and the firm's senior partners are interested in expanding the business into new sectors and are on the look out to hire new teams.

The firm intends to double its

office space, taking over nearly the whole of its current floor. The pleasure of doing this must be heightened by the fact that the offices the firm is expanding into were until recently occupied by Karim's former employer, Credit Suisse.

He said: "We concluded some time ago that the sector would experience enormous structural and regulatory change as many traditional business models were fundamentally reworked or re-examined. This trend, combined with a decline in credible providers, has underpinned our recent and anticipated growth.

"At this stage in Fenchurch's development, we have been able to persuade some excellent practi-

tioners to join us at a time when they can make a real difference. Obviously, not everyone has the boutique DNA, so unfortunately we have had to kiss a few frogs in the process."

Senior hires this year have included in July former UBS FIG banker Simon Thompson to focus on the insurance sector and in January Vincent Bounie from Morgan Stanley to cover asset managers.

This is quite a change from previous years when Fenchurch found it difficult to lure top-performing FIG bankers out of large banks, but with the credit crunch and ensuing financial crisis the firm has suddenly found its appeal rise dramatically as bonus prospects look more uncertain at large firms and the attractions of a boutique firm become more compelling.

As with any boutique operation, the elephant in the room is the question surrounding the business's ownership.

The partnership has done well so far, however the pressures to offer some kind of equity incentive to staff or to look at selling to a larger rival are often strong.

Karim said Fenchurch had no plans to sell any time soon. But with its impressive roster of clients and a strong deal pipeline, it is likely that for banks looking to move into the FIG market it would make an attractive acquisition.

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Malik Karim



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Richard Locke

Fenchurch
Advisory Partners