Market favours solo flight of bankers

Executives leave large banks to create their own firms

If the mood in Brazilian financial markets has been exciting investment banks in general, among some specific bankers the climate is of euphoria. From the last year until now, a new wave of important executives of the sector decided to create firms to advise on IPOs, mergers and acquisitions – and, with this, compete with their old employers.

One of the most recent cases is Ricardo Lacerda, executive responsible for emblematic deals such as the sale of Arisco to the American Bestfoods and of Atacadao supermarket to Carrefour. In July of last year, the banker left his presidency of Citi in Brazil and created BR Partners.

In total, 17 people already work on what is being called “business bank” (the institution does not have Central Bank authorization to act as a de facto bank). Among the partners that injected capital in the company – there are 12 – are Andrea Pinheiro, ex-BMC bank and Enrico Carbone, ex-Credit Suisse and Merrill Lynch.

The first deal by Lacerda’s team was closed in December. BR Partners advised Hypermarcas in the purchase of pharmaceutical company Neo Quimica for R$1.3 billion. “I always wanted to start my own business,” says Lacerda. “The crisis faced by large institutions globally and the strong expansion of the Brazilian economy facilitated an unique environment for the creation of new financial institutions.”

BR Partners also created a private equity fund, which acquires participations in companies, with R$250 million in investments from individuals and intends to administer the resources of family offices (offices that manage the wealth of business families).

Beyond the macroeconomic scenario, another reason led to the creation of BR Partners, according to executives in the sector. The financial crisis that swallowed Citi in the United States also affected the operations in Brazil. The bank fired employees last year and others left the institution given uncertainty about investments in Brazil.

The re-purchase of Pactual by Andre Esteves’ BTG, only three years after having sold it to the Swiss UBS, created two new businesses. Given divergences with the new owners, part of the then executive committee left the bank. One group, led by Gilberto Sayao, one of the main shareholders of Pactual, created Vinci Partners.

The company, born with R$8 billion allocated in funds, is already one of the largest managers of independent assets in the Brazilian market and will also manage wealth, advise on mergers, acquisitions and capital markets transactions. In all, 80 people work in the offices of Vinci Partners in Rio de Janeiro and in Sao Paulo.

The second group, formed by Rodolfo Riechert, Andre Schwartz and two more partners of the old Pactual, resulted in Plural Capital, which should provide similar services to Vinci. The construction of the office in Sao Paulo is practically complete and a good part of the team has already started working.

The founders of Plural Capital believe that the domestic capital markets has become sophisticated enough that there is space not only for the large banks but also for small advisors with more personalized services.

“The banks became too mechanical. They sell the same product to everyone, independent of sector in which the company acts,” says Riechert. “We want to do what we already did with builder MRV when we were at Pactual. We spent one and a half years preparing the company for the IPO.”

The grand model for the new financial advisory firms is the investment boutique Estáter. Founded in 2003 by the executive Pércio de Souza and three other partners who had left ItauBBA, Estáter participated in some of the most important mergers and acquisitions transactions of the country, such as the association between Pao de Acucar and Casas Bahia and the acquisition of Brenco by ETH. “When we started, no one believed that a small boutique would make big deals,” says Souza.

Now that the concept is proven, Estáter’s problem is different: maintain itself as a boutique despite the growing harassment. The firm is not only sought for a much larger number of transactions, but also for public offerings. “You even become tempted to do many small deals, but it’s necessary to manage the anxiety and focus on the big deals. It also doesn’t make sense for us to enter different areas because we would need the structure of a bank,” he says. “We have to grow doing more of the same.”

This is exactly the great challenge of the new advisors: discover the path to profitability despite the size. The big risk is an absence of mandates in progress that sustain the operations of the large banks.

The services of wealth managers and asset managers can support in compensating for this challenge. Not that the bankers expect to have an easy time. After all, despite being millionaires, no one wanted to retire.

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