

# FINANCIAL REVIEW

SE Companies and Markets  
HD **Nomura not bothered by fifth straight year in the red**  
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Investment bank Nomura's Australian arm has gone deeper into the red with a 13.8 per cent hike in losses for 2014 to \$27.1 **million** – the fifth consecutive year it hasn't made a profit.

But its local chief operating officer says he's not concerned and **business** is picking up.

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The result was driven by a 37.7 per cent collapse in revenue in 2014 to \$31.6 **million**, partly offset by an \$18 **million** fall in costs, including drops in commissions and floor brokerage paid, lower equipment and IT costs and fewer employees, according to financial statements lodged with the Australian Securities and Investments Commission.

Commissions and brokerage fees it paid were \$390,794 in the 2014 financial year compared to \$2.7 **million** in 2013, equipment and IT more than halved to \$1.6 **million** and staff costs fell by about \$8 **million** to \$34.5 **million**.

In June 2013, Nomura Australia emulated many global investment banks and culled most of its equities sales staff here, losing about 30 people.

Its main businesses in Australia are now its investment banking, **M&A** and debt advisory and its markets **business** in fixed income and **equity** trading.

The result of the cuts is an improvement on 2012-13, when its loss increased by 22.8 per cent to \$23.8 **million**.

Nomura Australia's chief administrator, David Cummins, moved from **Hong Kong** to Australia in 2012. He said he could not recall the last time Nomura made a profit in Australia.

He said this was not deliberate to reduce taxes – which have been zero since 2009 due to no profits booked, but just a result of their "global booking model" that many investment banks employ. This means where revenue and profits are recorded can vary greatly from year to year depending on where deals originated and which of the investment bank's teams did the work.

"A lot of our deals are cross-border deals. If we do an outbound **M&A**, revenue can get recognised in a different market's **business**," he said.

"The loss isn't something that causes us too much concern. This year is proving to be quite a good one for us. [2015] year to date is tracking towards a smaller financial loss. We may see some better financial numbers, but I think people are quite comfortable about where we are."

He said Nomura had done a lot of Kangaroo bond deals (offshore issuers into Australian market) pushing it up to third ranked in this.

It has also worked on several big **M&A** deals, including IOOF in its acquisition of Shadforth Financial **Group** and is involved in \$5 **billion** worth of announced transactions and announced "potential"

transactions, such as the recent approach by giant private **equity** house KKR to Treasury **Wine** Estates.

Nomura Australia accounts back to 2008 show revenue is volatile as it is dependent on the number of deals it works on.

It did make a profit of \$4.5 **million** in 2007-08 financial year, even though revenue was a lot lower than in recent years.

That profit plunged to a \$60.4 **million** loss for the year ending March 2009 at the height of the financial crisis. This was quickly pegged back to a \$6 **million** loss in 2009-10, before falling again in 2010-11 to a \$46 **million** loss then to a \$19.4 **million** loss in 2011-12.

**CO** nomsec : Nomura Holdings Inc

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