FT FINANCIAL TIMES

SE INSIDE BUSINESS

HD **Dealmakers forced to rethink Asia strategies**

BY By Jennifer Hughes on Asia

WC 816 words

PD 4 June 2014

SN Financial Times

SC FTFT

ED London Ed1

PG 20

LA English

LP

Matt Hanning piled out of his family car in a hurry and into Sydney's Shangri-La **hotel** where he was greeted by Kuok Khoon Hong. The scion of Malaysia's Kuok family and chief executive of Wilmar, the agribusiness **group**, was in town looking to **buy** Australia's Goodman Fielder. Mr Hanning, a veteran UBS dealmaker, had been on holiday with his family an hour north of the city and scrambled to make the meeting after a cab failed to turn up. That gave Mr Kuok just time to introduce Mr Hanning to a room of executives before he departed for the airport, leaving the **group** to put together the plan.

TD

Wilmar's late-April A$1.4bn bid alongside First Pacific, an investment vehicle backed by Indonesia's Salim family, was always going to be worth watching. It involves a first-time tie-up between venerable southeast Asian dynasties (the Kuoks own the Shangri-La **hotel group** among other interests, Salim investments include telecoms, **property**, banking and food brands) whose sprawling empires look like dream fodder for investment bankers . The deal, however, also illustrates the continued importance in Asia of long-term relationships. Mr Hanning might have had to wrest his attention from the beach to the boardroom while facing a roomful of strangers, but as the banker who first piqued Wilmar's interest in Goodman two years earlier, he knew the background.

As the big banks ponder their future in a region once considered the industry's great hope for fee growth, few of them have the appetite, or the support, to continue building such ties in the hope of profiting at some point in the future. Regulators and investors are far more interested in the here and now. One senior figure puts it in trading terms: "Now you need to play for spot [instant delivery]. A lot of people in Asia have, in effect, been playing the forwards market."

A series of senior investment banking job moves in the region suggest the terrain is shifting. Among them, Citigroup's regional investment bank head, Farhan Faruqui, has left to join ANZ. HSBC's Russell Julius, head of banking for Asia-Pacific, is returning to London. Barclays has seen departures and moves since it announced plans to slash a quarter of its global investment banking headcount. More job losses will be announced this week. At UBS, Mr Hanning last week became head of Asia-Pacific investment banking, replacing Matthew Grounds, the bank's star Australian dealmaker who dropped his global responsibilities to focus back home.

There is no single theme linking all the moves - and there is of course a personal element involved. But the lack of a theme suggests that banks are thinking more carefully about their strategy instead of accumulating bankers in the belief that fees would follow.

Some groups focus on how Asia fits into their global operations. Barclays will cut its headcount but not the number of countries it operates in. The bank doesn't give financial performance for the region, but net profits seem unlikely: the industry assumption is that the top three banks by fees are profitable and the next three might break even. Barclays' best ranking in the past five years is 13th, according to Dealogic. Still, a third of its top clients are Asia-domiciled, implying the region is an integral part of its bigger US and UK-based operations.

Other banks, including HSBC and ANZ, are focusing on business stemming from their **commercial** banking strongholds. UBS, meanwhile, has a broader investment banking franchise and tends to rank first or second for the region. But it also has a particular dominance in Australia - which Mr Grounds' new focus should buttress.

Strategies may be diverging, but some things stay the same. All bankers stress the importance of balance sheet discipline and targeting only profitable activity. The spot versus forwards message appears to have been understood - that is, until deals loom. The same week that Mr Hanning scrambled to help Wilmar, WH **Group**, the Sino-US pork producer, was forced to pull a $6bn **Hong Kong** initial public offering. For this it had enlisted a record-setting 29 banks, few of whom expected to make money. That implies the bankers either hoped for future profitable work or were scared of being left off the list. In an ideal world, Asia's investment bankers would have deal-hungry Wilmar-like clients, or at least the time to use unprofitable IPO roles to win them. The differing strategies and talk of discipline are an acknowledgment that few have that luxury.

But the WH **Group** experience shows there is still a big gap between strategic rhetoric and front-line reality.

Jennifer Hughes is the Financial Times' Asia Financial Correspondent.

jennifer.hughes@ft.com www.ft.com/insidebusiness

CO fdgl : Goodman Fielder Ltd | shlhot : Shangri-La Hotel | ubs : UBS AG

IN i665 : Lodgings | i83101 : Investment Banking | ibnk : Banking/Credit | i66 : Hotels/Restaurants | i814 : Banking | i831 : Financial Investments | ifinal : Financial Services | iinv : Investing/Securities | ilea : Leisure/Arts/Hospitality | i41 : Food/Beverages/Tobacco | i6651 : Hotels (except Casino)/Motels | i81402 : Commercial Banking | icnp : Consumer Goods | itourm : Tourism

RE asiaz : Asia | austr : Australia | indon : Indonesia | malay : Malaysia | sydney : Sydney | apacz : Asia Pacific | ausnz : Australia/Oceania | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | nswals : New South Wales | seasiaz : Southeast Asia

PUB The Financial Times Limited (AAIW/EIW)

AN Document FTFT000020140604ea640000v

