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HD **Lazard upbeat on broad-brush 2014 mergers rush**

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Lazard Australia's Lachlan Edwards is confident a surge in merger activity across sectors this year will buoy advisory earnings, after a decline in revenue and an almost doubling in benefits paid to employees saw the **firm** swing to a statutory loss for 2013.

Lazard posted a $9.3 **million** loss in the 12 months to December 31, according to accounts lodged with the corporate regulator. That compares with a $6.1 **million** profit in 2012.

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Mr Edwards told The Australian Financial Review that though the accounts pointed to a loss, due to historical obligations, the **firm**'s underlying business was profitable. "It is an inherently profitable business," said Mr Edwards, the head of Lazard's Sydney office. "Last year was not great but in the end it is giving advice to do things or, as an independent adviser free of conflicts, to not do things, that will drive outcomes. This year is already looking much better, for that reason.

"We need to bring in some more senior people, to reflect the volume of deal flow and balance the business."

Reflecting a sombre year for deals, 2013 revenue slumped 23 per cent to $25 **million**. Expenses swelled to $38.2 **million**, as employee benefits almost doubled to $31.4 **million**. That jump was predominantly linked to earn out payments relating to Lazard's 2007 **acquisition** of Carnegie Wylie & Co.

The accounts were affected by income from a large transaction being delayed. Lazard worked on **China** State Grid's multibillion-dollar **acquisition** of stakes in Singapore Power's **energy** distribution assets, and revenue from that deal will be booked in 2014.

It is difficult to garner a complete view of Lazard Australia from the accounts, as it does not include some income booked for cross-border transactions, or revenue from Lazard's private **equity** or asset management units.

Mr Edwards said an indicator of a more favourable deal environment was that private **equity** was again targeting undervalued local companies or companies perceived as vulnerable.

"This time it is across the board. Private **equity** picking off the weaker companies is probably the canary in the **coal** mine. I would be concerned if it was just private **equity** harvesting assets, but when they are buying it implies there is upside in buying."

Lazard has been busy. It won the scoping study role for the **sale** of Medibank Private, and is advising Ramsay Health Care alongside Crédit Agricole on its takeover of Générale de Santé. After the departure of Tony O'Sullivan and Garren Cronin last year, Lazard is seeking to replenish its bench. Mr O'Sullivan is now executive chairman at Bvrlington Investment Advisors.

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