Less Love, Less Money: C-Suite Insight For Investment Bankers

Commissioned by the editors of Dow Jones Investment Banker

Conducted by ClientKnowledge

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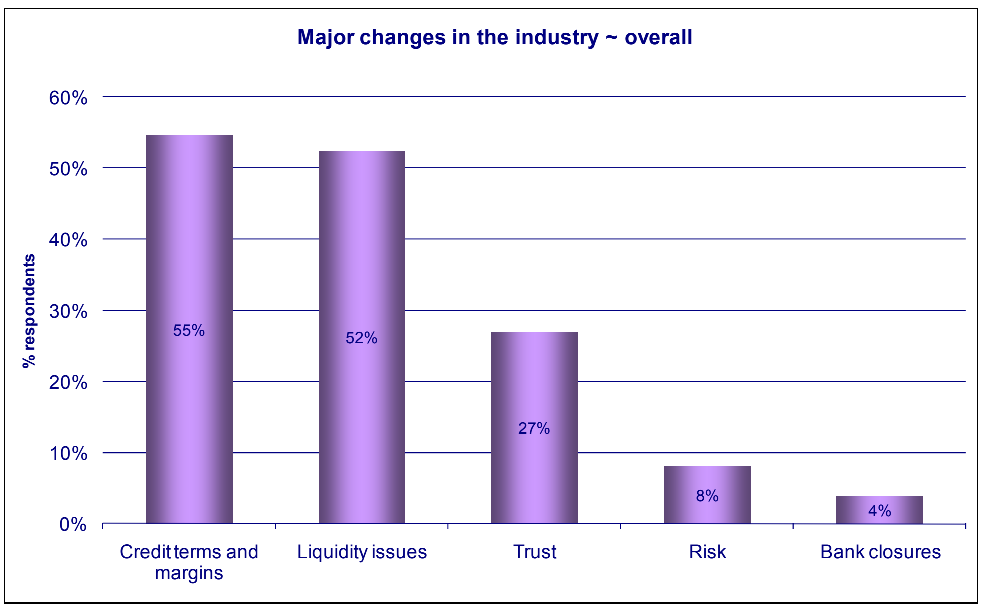
Executive Summary: Less Love, Less Money — C-Suite Insight for Investment Bankers

How is investment banking perceived today by CFOs, treasurers and other corporate finance executives and what major changes are occurring that are having an effect in their industries? The editors of Dow Jones Investment Banker commissioned ClientKnowledge, a London research firm, to find out. Their findings, "Less Love, Less Money: C-Suite Insight for Investment Bankers," are based on interviews with 221 executives across 13 industries* in Fortune 1000 companies who shared their views on the state of the investment banking industry, the banks – and the bankers. A summary of the research is offered below.

Industry Changes: Credit, Credit, Credit

What are the major changes in the investment banking industry affecting respondents? More than half (55%) cited changes in **credit terms and margins**, reporting tougher terms when credit is available. This was true for nearly every industry except automobiles, which viewed declining **liquidity** as its greatest challenge.

> *"Banks are hungry for smaller transactions and are not willing to negotiate credit terms or fee structures."*



* Industries: Aerospace & Defense, Automobiles, Consumer Products, Energy, Financial Services, Food & Beverage, Healthcare, Industrials, Resources, Retail, TMT, Transportation and Utilities.

Other significant changes reported by 27% of corporate finance officers include declining levels of **trust**, with fears of **insolvency** a major contributor.

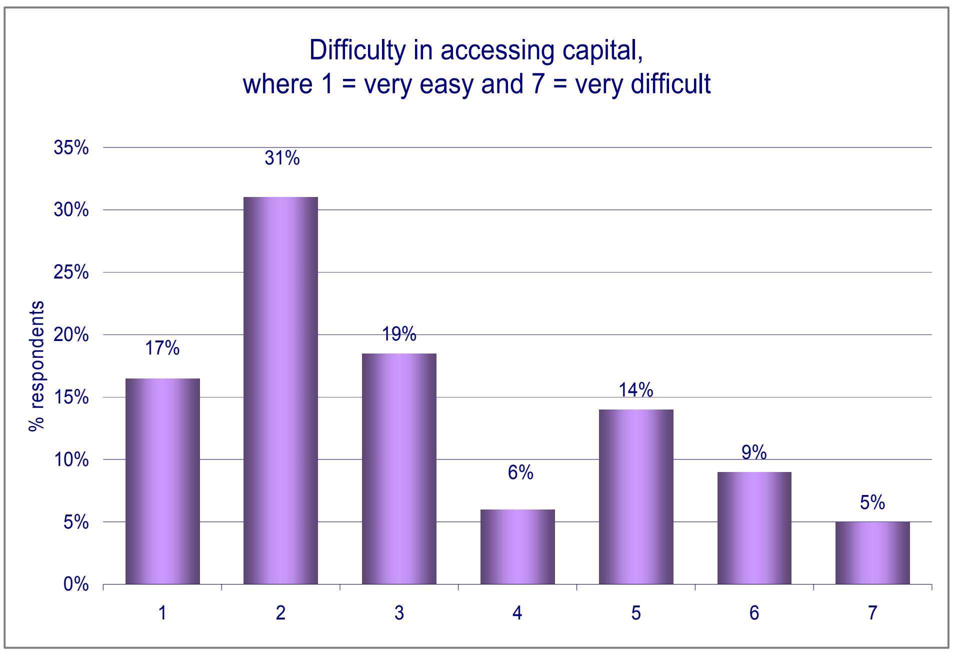
Assessing **risk** was cited by less than one out of ten respondents (8%), including financial services, consumer products companies, retail and telecom, media and technology (TMT) firms.

Bank closures were mentioned by only 4% of respondents, cited by healthcare executives most frequently. As for changes in **regulation**, 55% weren't affected by it, compared to 45% that were.

Access to Capital: The Sector Counts

Although the majority of those surveyed reported changes in credit terms, when asked about **access to capital**, many more executives said it was easy (67%) than difficult (28%).

> *"If funding was easily available, we would have looked at a few M&A deals last year."*

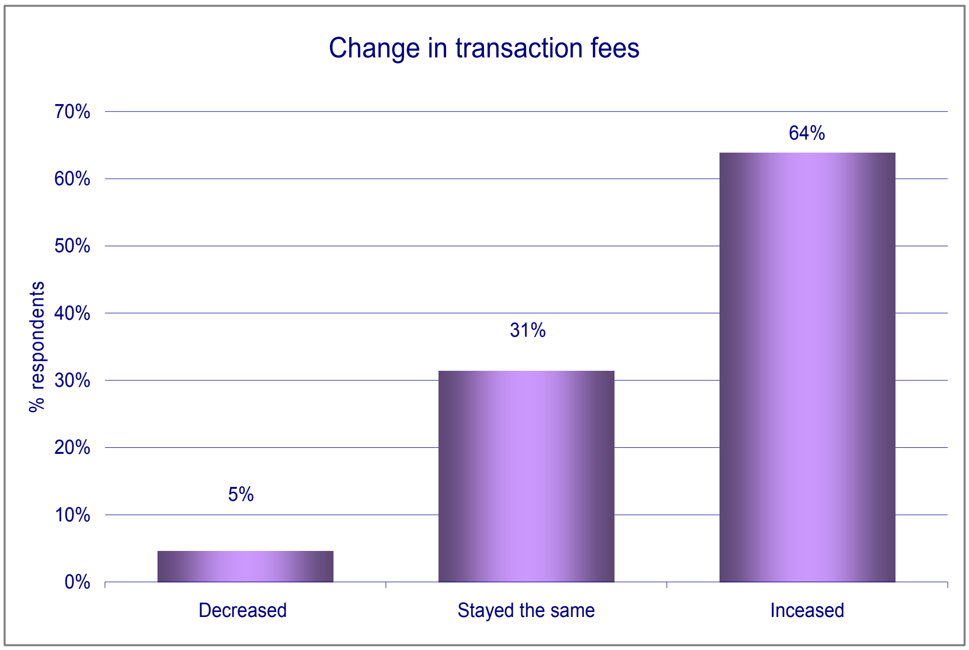


These differences were most pronounced when analyzed by industry, with healthcare and retail executives unanimously reporting that it was easy and 60% of automobile and food and beverage industries indicating that it was difficult to access capital.

Fees on the Rise for Almost Every Sector

Respondents reporting that transaction fees had gone up (64%) outnumbered those for whom they remained the same (31%) by more than two-to-one, while hardly any indicted they had declined (5%). All those surveyed in the transportation sector said that fees had gone up, while less than half of those surveyed in the TMT, retail and healthcare sectors reported increased fees (38%, 43% and 38% respectively).

"Cost of capital has been very high and the banks have added a lot more operational requirements for obtaining capital."



Bank Selection: What's Most Important?

The majority of respondents used between 10 and 20 banks, with healthcare reporting slightly fewer on average. While utilities and retail (both considered strong industries) have added banks, automobiles have both dropped and been dropped by banks.

"One of the major concerns has been lack of trust in the market."

What are the most important criteria for selecting an investment bank? More than half of respondents (53%) cited an institution's relationship/commitment to them as clients over their ability to lead, capabilities, compatibility, financial strength, local/global coverage, quality of service, transparency or risk policies. Pricing was a distant second, chosen by 15% of respondents.

Not surprisingly, corporate finance executives were consistently more satisfied with their bankers than with the investment banks themselves. They did rank JP Morgan as the number one provider of M&A, Debt and Equities Capital Markets, among their top five investment banking service providers, however.

More Love, More Money

Good relationships aside, even industries that traditionally have an easier time gaining access to capital will be inhibited in transacting deals if credit terms remain as tough and fees as high as they are.

What can be done about it? By incorporating into their relationships with clients a commitment to provide services tailored to their particular capital requirements, challenges and industry, investment banks can provide more of what companies need to move ahead in the present marketplace. More Love and More Money, in other words. It couldn't be simpler than that.

"In order to improve relationships the banks need to provide tailored services as per client requirements."

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