

Battle for dominance in M&A advisory

Bulge-brackets vs. Boutiques

Bankers love battle metaphors, but the industry may be missing one of the biggest fights in years.

The warriors on the M&A advisory battlefield

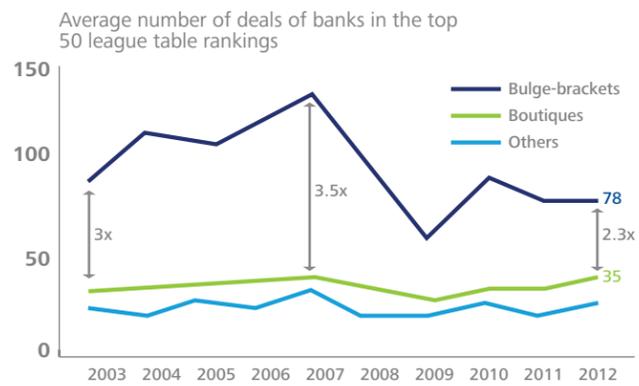
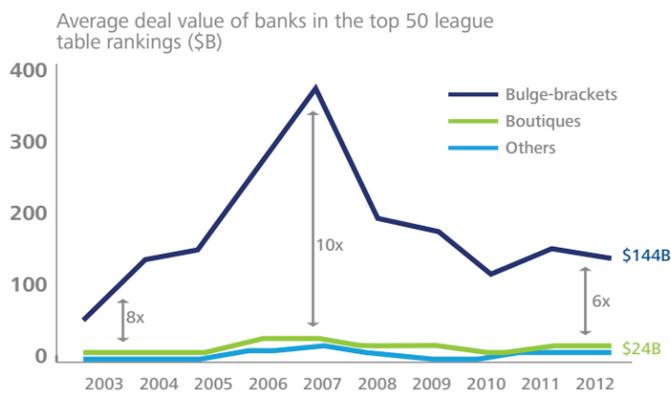
Bulge-brackets
U.S. and foreign full-service investment banks with a large presence in the USA (assets >\$500 billion)



Boutiques
Small investment banks (assets <\$50 billion)

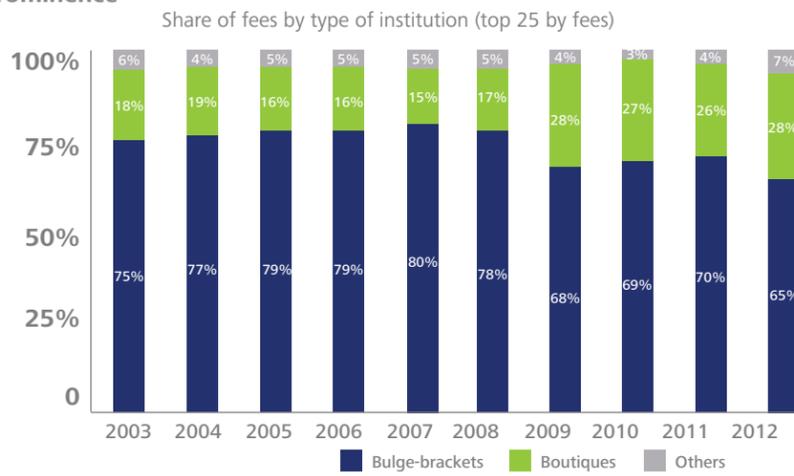
The opposing forces over time

Bulge-brackets remain powerful, but weakened...



Bulge-brackets' differentials in average deal value and number deals have fallen since 2007.

...while boutiques have gained prominence



Boutiques have sustained the jump in fees since 2009.

The balance of factors

Key success factors

Degree to which trends favor each player

Factor	Bulge-brackets (Shield)	Boutiques (Swords)
Capacity	Global reach, large teams of M&A professionals, and large balance sheet to fund M&A deals	Small balance sheet limits funding, low headcount reduces volumes
Corporate relationships	Ability to leverage preexisting relationships from other business lines to cross sell advisory services	Limited opportunity to gain complementary business
Talent	Layoff pressure, constrained compensation, and limited entrepreneurial opportunities	Attractive compensation, increase in hiring, and partnership culture
Brand reputation	Tarnished reputation and potential conflicts of interest between lending, advisory, and trading	Independent advisory model

Strategies and tactics

What is their current focus?

- Focus on mid- and small-market M&A to expand market and fee share
- Safeguard advantages in the talent area, particularly in retention

What more should they target?

- Improve talent policy by deepening nonfinancial incentives and building pool of mid-level talent
- Build scale to take advantage of favorable trends
- Address reputation challenges by aggressively defending independence with clients
- Diversify in ways that reduce concentration risk that won't damage "independent" brand

Report methodology

The analysis is based on data from Thomson M&A league tables for U.S. targets from 2003 to 2012.

Drawing from the top 50 players in each year, 105 distinct institutions were classified into one of the three competitor profiles — bulge-bracket, boutiques, and others. The asset sizes used in classification lend rigor to subjective assessments of institutional types.



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