

# 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

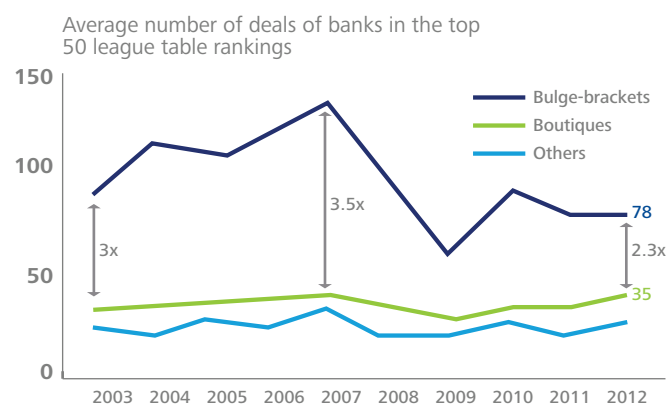
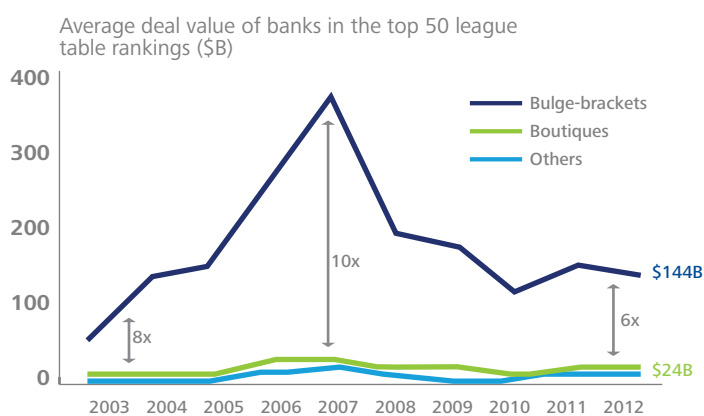
**Bulge-brackets**  
U.S. and foreign full-service investment banks with a large presence in the USA (assets >\$500 billion)



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

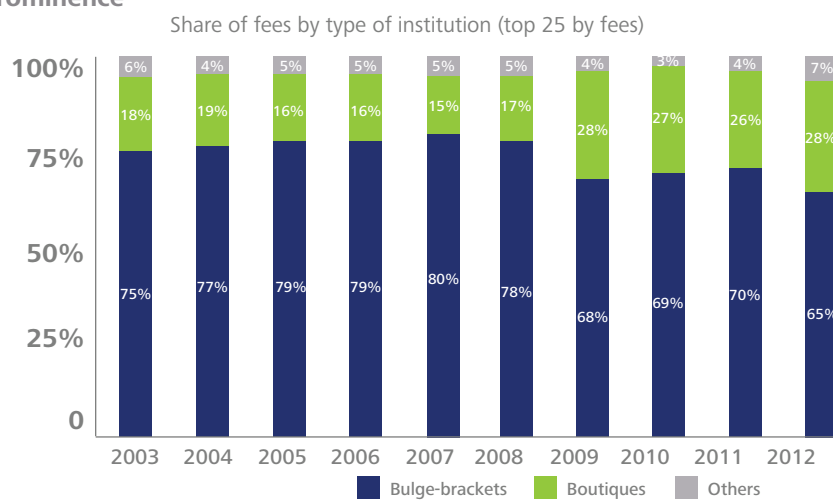
### The opposing forces over time

**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)
<b>Capacity</b>	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
<b>Corporate relationships</b>	Ability to leverage preexisting relationships from other business lines to cross sell advisory services	Limited opportunity to gain complementary business
<b>Talent</b>	Layoff pressure, constrained compensation, and limited entrepreneurial opportunities	Attractive compensation, increase in hiring, and partnership culture
<b>Brand reputation</b>	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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