

The addiction of six bankers from Citigroup is a statement of intent, writes Caroline Meehan

## Lexicon looks to diversify expertise

Hiring half of Citigroup's utilities team last month has been the largest single change to Lexicon Partners, the London-based corporate finance advisory boutique, since it was set up nearly four years ago.

Andrew Sibbald, who set up the partnership with Angus Winther and other former Donaldson, Lufkin & Jenrette (DLJ) bankers in 2000, had previously focused on financial institutions deals. He said the firm had become as large as its equivalent teams in investment banks and its route for growth was to diversify in expertise. Read Gomm, previously co-head of Citigroup's European utilities team and six of his colleagues, fitted the bill.

The partnership has been successful in three years of depressed markets, advising on 45 deals worth £5bn (€7.4bn) and turning over an estimated £45m (€66m), the firm says.

One head of European FIG at a US investment bank said: "They have some very talented people who have come out of DLJ. Their strength lies in advising on mid-market deals. I would only expect them to appear on a big deal where the parties concerned did not want to use a big investment bank."

However, Sibbald said Lexicon planned to build a large independent house, offering advisory expertise in several sectors and geographies. It has considered branching out into media, support services, technology, property and retail but Sibbald said a new direction would be defined by who was hired: "It's less about the sector and more about finding the right people to work here."

Sibbald said Lexicon would only consider hiring a sizeable number from a team and only if the bankers

could take credit for individual relationships with clients, rather than through the institution. "You can buy a house brick by brick or you can add a large extension," he said.

Sibbald has considered hiring country teams for the US or the Continent given that 40% of Lexicon's business has been based outside the UK, but the firm had not yet found any suitable teams.

He added there were no plans for hires as large as the Citigroup team in the immediate future, but they would recruit more juniors this year.

Sibbald said it was important that bankers had worked together for some time – new arrivals Gomm, Mark Connell and Dominic Freely had worked together for more than 10 years at Schroders and Citigroup.

Lexicon bumped into them on a rare utilities deal when it advised Glas Cymru, an acquisition vehicle, which was buying Welsh Water in 2001. Citigroup advised Western Power Distribution, Welsh Water's parent.

The divorce between Citigroup and its departing utilities bankers is understood to have been amicable:



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Andrew Sibbald,  
Lexicon Partners

they have agreed to jointly advise on a number of deals including American Electric Power on the sale of Fiddlers Ferry and Ferrybridge, two UK power stations. They have started work at Lexicon immediately. Jim Long, previously co-head of Citigroup's utilities team, takes full charge.

One banker said there had been a "tide change" against working in an investment bank and the revenue pres-

ures to be number one in the league table. Gomm said: "The smaller environment enables us to focus all our efforts on providing the highest quality advice to clients rather than selling financial products."

Lexicon is not the only independent house to have profited in the equity market downturn, raking in deals and bankers as some clients have stopped using integrated banks that push products, such as debt finance, on the back of their M&A advice.

Lexicon maintains close relations with investment banks. It is advising Eureka, a Dutch insurer on the possible €1bn initial public offering of F&C Management, its UK fund manager, and is understood to be short-listing potential bookrunners.

When conflicts arise for an investment bank, they prefer to turn to an independent house rather than a rival bank, he added.

The appointments of Gomm, Freely and Connell as managing directors adds to Lexicon's existing four.

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### Lexicon's top five deals Jan 01 to Mar 04

Target	Bidder	Country	Value (€m)
Hyder*	Glas Cymru	UK	3,000
Prudential*	Winterthur	Switzerland	572
Vendcrowm	MBNA	US	295
EW Blanch	Benfield Greig	UK	252
PRI Group	Brit Insurance	UK	242

Lexicon clients in bold \*subsidiary sold  
Source: Dealogic