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Lead Left Interview – Brad Raymond (Part 2)

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This week we continue our conversation with Brad Raymond, Head of Investment Banking at Stifel Financial. Stifel provides strategic advisory services globally, as well as raising public and private debt and equity. Clients are served by more than 400 bankers at Stifel and its owned companies including KBW and Miller Buckfire. *Second of two parts – View part one*.

TLL: *Tell us about your healthcare practice.*

BR: It's a very productive area for us. Our healthcare business includes our life sciences, medical technology and healthcare services teams. We are growing across all of these sectors. Historically, the biggest part of our healthcare business has been life sciences, which is mostly biotech. Over the past five years this sector has been driven by rapid advances in science and technology that enable companies to develop effective therapeutics and bring them to market more quickly than in the past. The sector has an insatiable need for capital to fund companies. Money has piled in both from private and public investors. These days, this is the only sector where companies can go public with no revenues and achieve market values in excess of $1 billion. It is also one of the few sectors where companies can go from sub-$100mm valuations to billion dollar valuations overnight. These dynamics make the sector very exciting.

TLL: *You haven't mentioned industrials or business services.*

BR: These are relatively smaller for us than FIG, tech, or healthcare. But we've made significant hires in these areas over the last few years as well, and it will be a big growth engine. Industrials are tied tightly to the sponsor business. As with tech, we dedicate 15 MDs, though everyone is subsector specialized. In addition, there is an enormous synergistic benefit between our sector groups, as both strategic and financial clients have sought broader opportunities through M&A. For instance, you'll commonly see a software team work in tandem with healthcare technology when an opportunity is tapping both pools of buyers.

TLL: *What about spinoffs or divestures of larger companies?*

BR: That's a big focus of ours. We have a coverage plan linked to companies over $10 billion in revenues. We're not as systematic about it as with other sectors, but we try to talk to everyone.

TLL: *Like GE?*

BR (laughs): We do talk to them a great deal.

TLL: *Any surprising areas of growth?*

BR: We recently hired an energy team. They've been more productive in a shorter period of time than anyone we've hired, utilizing more areas of the firm – Miller Buckfire, Eaton Partners, and our 144A team.

TLL: *You mentioned activism. How is that a strategy for you?*

BR: Activism has become a critical part of the capital markets and M&A toolkit. There's a huge amount of dollars going into activist funds as they've generated outsized returns and institutional investors are increasingly supporting activist strategies.

The biggest change has been with midcap names. Five years ago no one thought it was worth targeting smaller sized firms, even though the majority of activism occurs in the middle market. That's completely changed. We hired an activist team, with the thesis that all companies, regardless of size, should be prepared for an activist to be involved in your business.

Stifel represents corporate clients in this effort. It's allowed us to deliver better advice. We are hired by companies in need of advice, who want to put corporate governance into place, and who need help communicating clearly to investors. How and what you say is important, especially as the governance teams at the major institutional investors have grown in size and sophistication. Activism certainly has created some disruption in the market.

***TLL:** So tell us how tax reform has impacted your business and the market?*

BR: Tax reform and the increase in economic confidence have resulted in everyone leaning forward. Clients are thinking aggressively. Tax reform does matter. It has increased market value, and changed the overall tone. It's clearly accelerating growth, creating higher valued stocks, and a better currency for buyers. This will drive strong M&A and new issue markets.

***TLL:** So Brad what has been your biggest surprise since starting this business seven years ago*

BR: I would have to say how fundamentally and radically we've changed this firm while doing it in a very gradual and incremental way. From eight years ago on the institutional side – which represents one- third of the overall business – most of the people are still here. It's amazing given as much change as we've had.

It's by far the most fun I've had – competing at a high level and growing a business rapidly.

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