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## Bay State investment banks watch numbers soar

### Hub outfits see \$6.1 trillion in deals through October

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Local merger-and-acquisition specialists are once again having a banner year, as both deal values and transaction numbers have soared on the wings of a strong economy and a torrid, private-equity-infused buy-out climate.

Investment banks with Boston operations this year closed 2,750 deals worth a whopping \$6.1 trillion through October. In dollar terms, activity over the 10-month period outpaced the numbers posted for all of 2005, when the area's top 25 banks closed just under \$5 trillion in deals. The Boston Business Journal's top 25 investment banks closed 3,229 transactions during the 12 months ended Dec. 31.

Among firms headquartered locally, **Covington Associates** in Boston saw the largest year-over-year gains in deal value, closing 20 acquisitions totaling \$1.6 billion. That dollar amount is roughly 213 percent higher than the \$510 million in deal value booked during the same span last year. In 2005, Covington advised clients on

21 acquisitions, the most in its 15-year history.

Founder Chris Covington shrugged off the dollar gains, noting that a handful of deals can easily boost or bust a small firm's numbers from year to year.

Acquisitions involving such clients as National Evaluation Systems Inc. in Amherst and Inverness Medical Innovations Inc. (AMEX: IMA) in Waltham were among the firm's larger local transactions this year. "We didn't have a ridiculous year, but it's been good," Covington said.

While investment banks with national operations are seeing one of their best years ever, 2006 has proven a mixed bag for smaller, locally based players.

Of the eight local firms on the BBJ's top 25 investment banking list, only four - Covington, Downer & Co. and Capstone Partners in Boston, and Revolution Partners in Cambridge — reported strong year-over-year gains through October.

Three other firms, America's Growth Capital and Newbury Piret & Co. in Boston and McNamee Lawrence & Co. in Waltham, saw drops in both deals and deal values.

Meanwhile, Shields & Co. of Boston has had a flat year thus far, closing nine deals totaling \$295 million. Through October, Shields' average deal size was down 32 percent to \$32.8 million.

Investment banks generally net around 5

percent of the first \$10 million of an M&A transaction and stand to gain roughly 1 percent of the deal's value thereafter.

For example, a \$50 million transaction would likely net an advisory boutique about \$900,000 in commissions, of which between 15 percent and 35 percent (or \$130,000 and \$320,000) is usually delivered to the deal's lead banker. That said, swings in deal value can dramatically affect individual firms, especially come bonus time.

Locally, Covington saw the biggest jump in average deal value (up 229 percent to \$80 million), followed by Revolution Partners in Cambridge (111 percent, \$38 million) and Capstone Partners in Boston (37 percent, \$39.5 million).

Revolution closed 13 transactions totaling \$500 million through October, compared with 11 deals valued at \$200 million for all of last year. Capstone reported 19 deals totaling \$750 million through October, versus 13 deals worth \$375 million during the corresponding period last year.

Newbury Piret saw the most significant drop in average deal value, tumbling 48 percent to \$24 million. It was followed by Shields, America's Growth Capital (32 percent, \$75.6 million) and McNamee Lawrence (21 percent, \$25.2 million).

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