



Private Banking

# Corporate Advisory Group (CAG)

## Road Map

Jan-Arne Farstad & Marie-Louise Faering

## Background

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- ◆ Where we are today is result of evolution of business model for CAG over last 3 years
- ◆ Many colleagues have contributed to this process with the result that we believe we now have a workable business model and distinct value proposition to offer
- ◆ Valuable lessons have been learned and are incorporated in the business model that emerged
- ◆ The result is that we have started to implement a uniform approach to providing corporate finance advisory and execution services across the global private bank through CAG with the main goal to attract net new money (NNM)
- ◆ Jan-Arne Farstad appointed Global Head February 2002 and Louise Faering appointed Deputy Head March 2002

## CAG Operating Structure

**It may seem obvious now, but resolution to the five inherent conflicts listed below had to be agreed for a credible business model in CAG to be established**

- ◆ **NNM** ↔ Fees
- ◆ **Corporate Finance Specialists** ↔ PB CA Generalists
- ◆ **Integration** ↔ Competition with CAs and UBSW
- ◆ **Shadow Accounting NNM/Fees** ↔ Profit Centre NNM/Fees
- ◆ **Central Process Controls** ↔ Decentralised Process Controls

Each of these five issues corresponds to a valuable learning point now incorporated into our business model and value proposition



## CAG Business Model

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- ◆ CAG's raison d'être is to generate NNM (fees are secondary)
- ◆ Corporate finance skills are required in CAG to add value for CAs and with their clients
- ◆ CAG is not in competition with CAs or UBSW - CAG drives the origination and execution of monetisation deals in co-operative team fashion
- ◆ Assets, fees and expenses go to CAs ("shadow credit" for CAG)
- ◆ Clear processes and controls applies globally (designated BRG)
- ◆ CAG serves as "clearing house" with UBSW and seeks co-operation through designated "buddies" (sectors, geographic and products)
- ◆ CAG works best as "virtual organisation" providing its expertise in structured co-operative team efforts across UBSPB and UBSW

## Market Focus

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- ◆ HNWI clients are often owners of corporate interests, making optimisation of these assets a key concern
- ◆ The annual “rich lists” are increasingly dominated by new entrepreneurial money rather than inherited wealth
- ◆ In Germany alone, there are 1.6 million family owned businesses, 320,000 of which need to find a succession solution next 5 years and 84,000 are expected to opt for whole or partial business sale
- ◆ The trend is increasingly to look for an external succession solution due to increasing capital cost, consolidation and globalisation
- ◆ The main focus of CAG will be on sale mandates in connection with succession or corporate restructuring. Other mandates may be exceptionally considered by BRG based on NNM potential.



## Client Services On Offer

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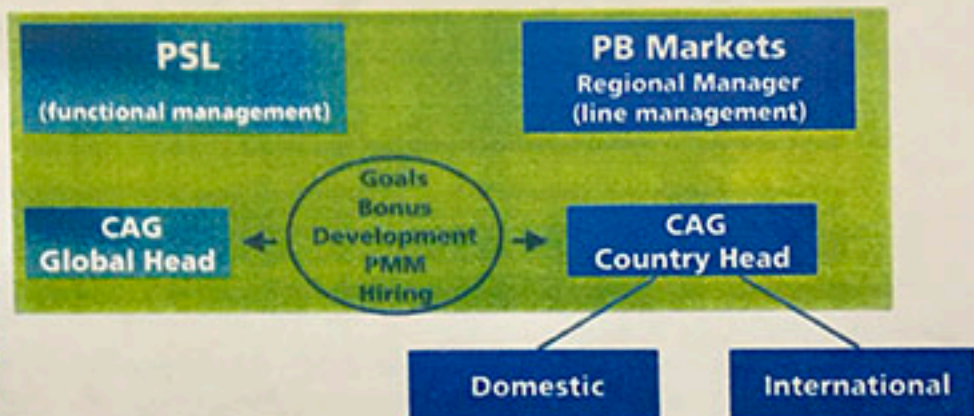
- ◆ Evaluation of strategic options
- ◆ Indicative company valuations
- ◆ Prepare all stages for transaction
- ◆ Develop negotiation strategy
- ◆ Develop list of potential investors
- ◆ Production of documentation
- ◆ Position client for potential buyers/investors
- ◆ Production of placement memorandum
- ◆ Co-ordinate all external advisors
- ◆ Develop transaction structure
- ◆ Preparation for stock market flotation
- ◆ Advice on choice of syndicate banks
- ◆ Prepare and advice of DD
- ◆ Select and co-ordinate syndicate banks for launch
- ◆ Research for stock market launch

## Entrepreneurs Team and Corporate Advisory Activities for Private Clients





# Organisational Structure



- drive origination/execution of CAG deals
- set up consistent control network
- lead BRG
- establish quality standards/training
- harmonise product offering
- set standards for reporting (pipeline, WIP)
- represent CAG

- set up marketing plans
- co-ordinate cross-over
- local recruiting
- measure performance
- implement quality standards
- implement reporting tool



## Compliance and Process

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- ◆ CAG will update and finalise the Red Book, setting out rules and process for performing corporate finance services within UBSPB
- ◆ Compliance rules for CAG within UBSPB and UBSW will ensure that all transactions have been professionally checked for any conflict or other compliance issues
- ◆ A European BRG has been established, which will monitor all CAG transactions from within Europe, chaired by Jan-Arne Farstad, and including Raoul Weil, Henry Hirzel, L&C (Abigail Topley) and the respective country head for each transaction
- ◆ BRG will deal with issues of reputation, as well as transaction structure and merit, and relevance for UBSPB
- ◆ CAG operates as an investment banking team with UBSPB and adheres to strict confidentiality and Chinese wall requirements

## Working With UBSW

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- ◆ The goals of CAG include the generation of attractive corporate finance mandates for UBSW
- ◆ CAG will work closely with UBSW Sector, Country and Product Teams, to ensure best coverage of UBSPB clients, and that attractive transactions are executed by the UBS group
- ◆ Contact people ("Buddies"), designated within the Sector and Country teams of UBSW, will work as contact points for CAG, to ensure seamless support and leveraging of UBS resources. Their KPIs now include their role as buddies for UBSPB
- ◆ Additionally, UBSW has established a Corporate Owners Group to provide investment banking services to wealthy individuals and large family enterprises headed by Ken Costa and Lucas Wilson
- ◆ CAG serves as "clearing house" with UBSW in all these areas



## Execution Alternatives

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- ◆ UBSW has first right of refusal on execution of all transactions generated by CAG
- ◆ For transactions which are not within UBSW transaction criteria, execution will be performed by Approved Service Providers in each country, or through CAG itself
- ◆ The goal is to improve the reach of CAG to allow the country teams to execute attractive sale mandates in-house, with the support of sector and research capabilities of UBSW
- ◆ The focus of CAG execution is likely to be in the €20-200 million transaction size below UBSW criteria and where a high potential for NNM has been identified

## UBSW Designated Buddies

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### ◆ Country Buddies:

Michael Meade, UK  
Alberto Franzone, Italy  
Manuel Gomez del Rio, Spain  
James Geary, France  
Andreas von Habsburg, Germany  
Rui Costa Santos, Portugal  
Andreas Tuczka, Austria  
Lucas Wilson, Russia  
Edouard De Vitry/Remko Eddes,  
Belgium/Lux  
Hakan Erixon, Scandinavia  
Remko Eddes, Netherlands  
Christos Sclavounis, Emerging  
Countries

### Sector Buddies:

Andreas Ludwig, Industrial Sector  
Nick Barton/Charlie Jenkins,  
Consumer Products  
Robert Vartevanian, Tech  
Willian Plane, Retail  
Carlos Colon, Power & Pipelines  
Roger Ader, Oil & Gas  
Ian Gladman, FIG  
Karl Schmidt, Healthcare  
David Freud, Transport



## Modest NNM Success To Date

€ Million	2000	2001	Total 2000-01	Target 2002
France	60	190	250	300
Spain	83	108	191	85
Germany	0	65	65	250
Italy	90	15	105	127
Others				138
<b>TOTAL</b>	<b>233</b>	<b>378</b>	<b>611</b>	<b>900</b>

## Current CAG Status 1/2

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- ◆ Successful teams operating in France and Spain where 35-40% of total NNM in 2001 was based on deals with CAG involvement
- ◆ New management in Italy has recognised need for CAG team and is in process of establishing one
- ◆ In Germany the deal pipeline is strong and we expect to reach take-off within next 12 months (new head of CAG just appointed)
- ◆ In the UK CAs work closely with UBSW, which covers mid-caps there and benefit from their proximity to UBSW
- ◆ In Switzerland CAs work closely with UBSW, which covers mid-caps and with PCC where a dedicated small-caps M&A team exists
- ◆ A New York based CAG member is in place to provide coverage for the Latin American region (Alejandro Duran)



## Current CAG Status 2/2

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- ◆ NNM targets for CAG seniors and juniors in CAG have been set at €70 and 30 million per annum respectively - CAG executives expected to generate more NNM than normal CAs
- ◆ CAG members integrated into local market teams (in domestic PB entrepreneur or FO teams)
- ◆ CAG team in Switzerland covers offshore client base and the cross-over when transactions are executed - ultimately there are no offshore CAG deals, only domestic ones
- ◆ Fairly complex business which requires close co-ordination and seamless team approach
- ◆ Present focus on our five European priority markets
- ◆ Introduce service in Latin America and Asia thereafter

## CAG Contact Details

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