

Mizuho seeks to break curse over foreign forays on Wall Street

Japanese lender targets US investment banking top 10 after acquisition of boutique firm Greenhill

JOSHUA FRANKLIN — NEW YORK

Mizuho Financial Group has set its sights on becoming one of Wall Street's top 10 investment banks by 2026, betting its acquisition of Greenhill & Co can help it succeed in a market where many overseas companies have struggled.

The Japanese lender's deal for the New York boutique advisory firm caught many on Wall Street off guard when it was announced in May, both for the price — Mizuho paid a more than 100 per cent premium to where the stock was trading — and the target given that Greenhill's revenues have stagnated for a decade.

Jerry Rizzieri, head of Mizuho Securities USA, told the Financial Times the acquisition would contribute to Mizuho's goal "to be solidly inside the top 10 corporate investment banks within three years", adding: "We're growing and most of the foreign banks are not growing."

The US is the largest investment banking market, accounting for roughly half of global fees. The rewards on offer have attracted many foreign groups over the years that have tried but failed to challenge entrenched local businesses such as Goldman Sachs, JPMorgan Chase and Morgan Stanley.

Mizuho has the 14th-highest US investment banking revenues so far in 2023, according to data compiled by Dealogic, up from 30th in 2013. Across US investment banking and trading Mizuho was the 12th-biggest bank in 2022, according to research group Tricumen.

To comfortably be in the top 10, Mizuho would have to leapfrog the likes of Deutsche Bank, RBC and BNP Paribas.

Its efforts have been aided by rivals stumbling — it is losing one through UBS's government-backed merger with Credit Suisse.

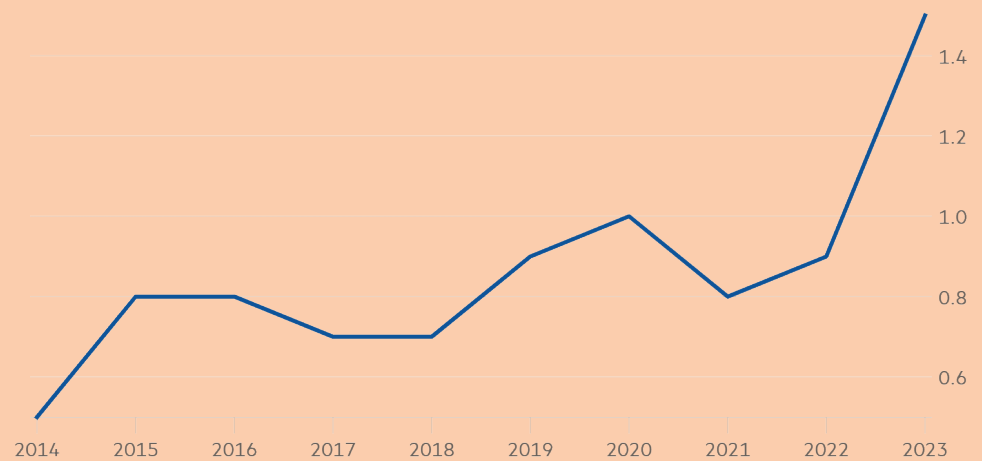
Mizuho is already the main lender to Masayoshi Son's SoftBank and has secured a spot as one of the leading underwriters alongside Goldman, JPMorgan and Barclays on the Nasdaq listing of Arm. The SoftBank-owned chip designer's initial public offering is set to be the biggest in the US in almost two years.

But Wall Street history is littered with cautionary tales of overseas banks that sought to compete before retreating back to their home markets.

The dominant local players "have a significant

Mizuho grows US investment banking revenues

US investment banking market share in %



2023 is YTD
Source: Dealogic
© FT

home field advantage", said one former senior Wall Street executive who worked for years at an overseas bank. "The one [non-US bank] that came close was Credit Suisse when Frank Quattrone was around in the early 2000s," they added, referring to the Credit Suisse First Boston executive who almost single-handedly turned the firm into a leading banker of the internet boom.

In recent years the likes of UBS and Deutsche Bank have pared back their US operations. Even Barclays, which bought Lehman Brothers' North American business out of bankruptcy during the financial crisis and is seen as having competed better than most overseas peers, is struggling from a wave of departures at its US business.

Mizuho's larger Japanese rivals have opted for partnerships with US firms rather than building out full-service corporate investment banks — Mitsubishi UFJ Financial Group bought a stake in Morgan Stanley while Sumitomo Mitsui Banking Corporation has a partnership with Jefferies Financial Group.

"We're quite different than the other Japanese banks here," Rizzieri said. "We look and operate like a US investment bank. The talent we bring in, they have been doing this for a long time. They've had success in other places."

The acquisition of Greenhill, which has about 360 employees, will build out Mizuho's mergers and acquisitions advisory business. Its strengths have previously been stock and bond underwriting.

"M&A has been an area in which we felt that we were underweight given the opportunity both in the US and in the global markets," said Michal Katz, head of investment and corporate banking at Mizuho Americas.

Greenhill was founded in 1996 by former Morgan Stanley banker Robert Greenhill and emerged as one of a number of independent advisory firms such as Moelis and Centerview that promised clients advisory work without the conflicts of interest that could arise at "bulge-bracket" investment banks that can

work on multiple sides of transaction.

However, it has struggled against increasing competition and its revenues have stagnated at about \$300mn a year over the past decade, missing out on a boom during the pandemic that propelled other banks to record profits. Greenhill also had a loan worth about \$270mn set to mature next year.

I think they'd be the first to admit that they believe that they've underperformed over the last several years," said Rizzieri. "But we've got some tools that we think can help them become even more relevant to their clients."

Scott Bok, Greenhill's chair and chief executive, stands to collect as much as \$78mn in payouts as a result of the deal with Mizuho.

Mizuho's ambitions on Wall Street accelerated eight years ago with the hiring of roughly 130 investment bankers from the US arm of Royal Bank of Scotland, bolstering its investment-grade debt business.

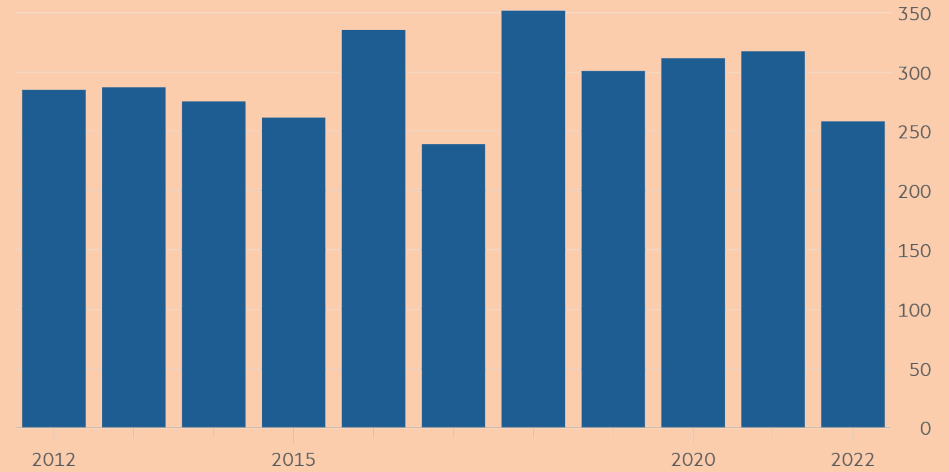
Since then, it has steadily built out other areas of its investment bank, including its coverage of financial sponsors, as well as its fixed income and equities trading business. Its headcount in the Americas has doubled since 2010 to just over 3,000.

"We are the growth engine of the Mizuho Financial Group and as a result of that we've been given a lot of autonomy," Katz said.

But some observers remain unconvinced that Mizuho can avoid the travails that so many of its

Greenhill's revenues stagnate at around \$300mn

Revenues in \$mn



Source: Bloomberg
© FT

non-US peers have encountered.

"When I see the outside guys come in and buy I'm like, 'Why are you doing this?'" said Michael Ice, an associate professor of finance at the University of Rhode Island who worked for decades on Wall

Street including at foreign groups such as Rabobank, UBS and HSBC. "I would argue the market doesn't need Mizuho – but Mizuho wants to play."