

# Macquarie targets sweet spot in Canadian banking

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Heeding Rupert Murdoch's words, global financial powerhouse is taking on the big domestic players in a specific niche

Canada, meet Macquarie Group.

In a little more than two years, with three major acquisitions, the giant Australian bank has become one of the biggest foreign challengers in Canadian high finance, with about 1,000 employees across a broad range of businesses.

And the name is about to become a lot more familiar.

With the most recent purchase, the acquisition of Blackmont Capital's chain of financial advisers, Macquarie is the first big non-Canadian player in years to try to face off against the RBC Dominion Securities and BMO Nesbitt Burns of the world in the business of stock brokerage and mutual fund sales to everyday Canadians.

As of next month, when Blackmont is rebranded as Macquarie Private Wealth, the name will be on the wall across Canada in cities such as Victoria, Edmonton, Ottawa and Guelph, Ontario.

It's all part of a strategy by Paul Donnelly, who came to Canada from Sydney in 2007 to head Macquarie's business here and exploit what the company believes is a gap in the Canadian market, now dominated by big banks and small boutiques. Those banks are huge but mostly focused on Canada, giving Macquarie what it believes is an edge because of its global presence. At the same time, the Australian firm plans to offer more services than the boutique investment dealers.

Mr. Donnelly wants Macquarie to feel like a Canadian firm, rather than like a small branch of a global bank, which is the model for many of the immense so-called bulge bracket foreign firms that try to do business in Canada with just a few locals and others who fly in from head office when needed. "We're proud to be different and we're deliberately different," Mr. Donnelly said.

"We're global perhaps in a way that the large Canadian banks aren't. We're truly committed to Canada perhaps in a way the bulge brackets aren't, and we're really full service in the way perhaps the boutiques aren't."

Starting in 2007 with the first big deal, the purchase of Orion Financial Inc., the Australian firm has built a business in Canada that specializes in financing industries such as construction, real estate and infrastructure, and that aims to offer all the products of a big Canadian bank along with international experience and access.

Mr. Donnelly's philosophy is based in part on a quotation from tycoon Rupert Murdoch, who Mr. Donnelly laughingly calls "that famous ex-Australian." Mr. Murdoch once said "You have to look for a gap where competitors in a market have lost contact with the customers" - words that stuck with Mr. Donnelly.

"If we are really strong in something, but all the Canadian banks are equally strong, maybe you can break through but you're going to butt your head against the wall a lot before you succeed. So we just focus on a clear and discernible difference: Where can you sit down and have a conversation with someone that's going to be different than any other conversation they're having."

Prior to the acquisitions, Macquarie's presence in this country was a mixed bag of businesses few Canadians would have run across: A group of mining bankers here, an infrastructure investment fund there, a mortgage business on the side. All in all, there were about 300 people, but few outside of niche finance businesses would have run across them.

Starting in late 2007, that changed. The Orion purchase gave the firm a big team focused on energy and mining.

Then Macquarie began to broaden further, spending money on high-profile hires. Former senior bureaucrat Stanley Hartt, once a top man at Citigroup Inc. in Toronto before the bank shut down its operations here, is now chairman of Macquarie in Canada. Top-ranked analysts followed in

key areas such as utilities, real estate and banking.

With the purchase last year of Calgary-based Tristone Capital, Macquarie added expertise in energy. It also became a player in what's known as acquisition and divestiture - the business of helping oil and gas companies buy and sell real estate.

It hasn't all been smooth. Some key personnel left Tristone, and one of the biggest mining bankers who came from Orion recently departed for a competitor.

But the result of all the expense has been some big clients. Now, the firm is advising the government of New Brunswick on the sale of its power producer to Hydro Quebec and helping Suncor Energy Inc. sell natural gas assets.

The final piece was Blackmont, which gives the firm a force of about 130 brokers who can sell shares of companies that Macquarie finances to individual investors. The goal now is to double that number in three to four years.

Doing the acquisitions of Tristone and Blackmont in quick succession wasn't part of the original plan, but fast growth has been a hallmark of Macquarie globally.

"When you want to act and when the opportunities are available rarely line up," Mr. Donnelly said. "You can't do a linear strategy. You have to take advantage of the opportunities"

He doesn't expect there's anything more that Macquarie needs to buy in Canada.

But then, Mr. Donnelly points out that getting bigger fast is in Macquarie's DNA - globally the firm has expanded at a furious pace - giving the sense that if something offbeat were to come up, something unexpected that could help the company, Macquarie might be there with a check book and a plan to grow.

"We didn't know we were going to do Tristone, and we didn't know we were going to do Blackmont, but that's the nature of our organization."