

THE PIPELINE

# Consulting-focused firm lands sizable bank M&A tombstone

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Kafafian Group Inc. does not actively pursue M&A assignments, but it has landed a couple of big transactions thanks to its long relationship with Sandy Spring Bancorp Inc.

Kafafian is advising Sandy Spring on its recently announced \$461.7 million pending acquisition of Revere Bank, and the firm advised Sandy Spring on its \$499.8 million acquisition of WashingtonFirst Bankshares Inc. in 2017. Those deals mark Kafafian's largest advisory financial advisory roles, but M&A is not the focus for the company, President and CEO Robert Kafafian said.

"I say to my staff every single day, 'We are a consulting firm first,'" he said in an interview.

Buyer (ticker)	Target	Side advised	Date	At announcement		
				Deal value (\$M)	Deal value/tangible common equity (%) <sup>1</sup>	Deal value/deposits (%)
Sandy Spring Bancorp Inc. (SASR)	WashingtonFirst Bankshares Inc.	Buyer	05/16/17	499.8	261.3	29.8
Sandy Spring Bancorp Inc. (SASR)	Revere Bank	Buyer	09/24/19	461.7	173.4	21.7
Beneficial Bancorp Inc. <sup>2</sup>	FMS Financial Corp.	Buyer	10/12/06	183.0	246.3	19.3
Valley National Bancorp (VLY)	Greater Community Bancorp	Seller	03/19/08	167.2	272.9	22.3
Cathay General Bancorp (CATY)	Asia Bancshares Inc.	Seller	01/21/15	126.0	161.7	27.8

Data compiled Sept. 24, 2019.  
Analysis includes top five bank and thrift deals by deal value at announcement, where Kafafian Group is an adviser.  
Excludes branch acquisitions, minority deals and failed-bank transactions.  
<sup>1</sup> Deal value to tangible common equity = deal value as a percent of tangible common equity acquired. Derived from per-share values when all ratio components are available; otherwise, aggregate values are used.  
<sup>2</sup> Beneficial Bancorp Inc. was acquired by WSFS Financial Corp. on Jan. 3, 2019.  
Source: S&P Global Market Intelligence

When consulting, Kafafian's firm helps banks with such issues as strategic planning, process improvement, profitability measurement and board and regulatory assistance. Sometimes those consulting relationships can lead to M&A assignments when clients request Kafafian's services. Other times, Kafafian will land roles on deals when larger investment banks cannot advise a bank on a transaction due to a conflict of interest.

"Sometimes we'll jump in on the other side if we have a relationship with the bank," he said.

Kafafian's early work with Sandy Spring was on the consulting side of the business. Sandy Spring President and CEO Daniel Schrider noted that Kafafian helped the bank with strategic planning.

"[They're] very confident and capable in the space, and they've done a nice job for us," Schrider said in an interview.

The bank executive noted that his company works with many investment banks. Boenning & Scattergood Inc. provided a fairness opinion on the Revere deal, and other Sandy Spring advisers have included Sandler O'Neill & Partners LP and Robert W. Baird & Co. Inc.

Kafafian's first M&A assignment with Sandy Spring came on the 2005 acquisition of West Financial Services Inc., an asset management and financial planning company. But the consulting relationship goes back further.

"We've worked with them for 20 some odd years," Kafafian said. "A long time."

Kafafian started the firm soon after the regional investment bank Tucker Anthony Sutro sold to Royal Bank of Canada in 2001. At the time, Kafafian negotiated a buyout of Tucker Anthony's consulting business from RBC, which led to the formation of the independent firm.

The plan has always been to remain focused on consulting, but Kafafian estimates that his firm has worked on some 50 transactions over the years. He noted that Kafafian is in the process of working on six or seven M&A deals, which is more than usual. Many of Kafafian's clients are weighing whether they should stay the course through the next expected downturn, he said.

Kafafian is happy to work with banks and help them make those decisions. But he is not interested in shifting his company's business model and expanding the investment banking business.

"Most of the advisory work we do is ... helping a bank perform to earn their right to remain independent," he said.

*Zach Fox and Armughan Khawaja contributed to this article.*

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