144As no longer a pipe dream for Roth Capital

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By Joe Mantone

Even though Roth Capital Partners LLC isn’t known for executing 144As, John Hamel believes his new firm has some of the resources needed to help complete the complicated transactions, which are private placements for private companies.

Hamel, recently named head of FIG at Roth, previously worked at FBR Capital Markets Corp., which calls itself “the dominant firm” in the 144A equity market space, having raised $13 billion in 45 transactions during the last 10 years, according to its website. Hamel said he and Henry Fan, who became a Roth FIG managing director in 2010, worked on some of the earlier 144As that FBR completed.

Traditionally, Roth hasn’t had a 144A focus, but it is experienced in private investments in public equity, or PIPE transactions, which Hamel believes require a similar set of back-office, support resources to 144As.

“What was attractive to me at Roth was Roth’s historical focus on private placements and their capability to deal with a lot of nuances of closing these complicated, private placement transactions,” Hamel said.

Hamel is also experienced in public offerings and M&A advisory, but some might consider his 144A work a valuable commodity because not every firm has the specialization to execute 144As. The deals might not come with a high degree of frequency, but they can be lucrative. One i-banker referred to 144As as “elephant hunting” because they are typically large deals that aren’t always easily executed.

Still, Hamel believes Roth’s large base of institutional investor contacts can help him place 144As. He said that similar to FBR, Roth targets the top 800 largest institutional investors, while bulge-bracket competitors in the private placement space typically target only about the largest 100 investors or so.

Within FIG, Hamel believes nonbank financial companies will make the greatest use of the private placements. He noted that specialty lenders that have been in survival mode are looking for growth capital, and he believes they will increasingly look to raise capital, either through private placements or public offerings, during the next two years.

While many stand-alone lenders would no doubt prefer to stay independent, they might also find growth opportunities if they partner with banks. Hamel said many depositories in the U.S. are liquid and have a substantial amount of low-cost deposits. However, they haven’t been able to use those deposits to grow loans. He said many of his bank clients are interested in purchasing companies such as a mortgage originator that could put the deposits to work.

“Asset originators, broadly [speaking], are definitely very attractive to most of my bank clients,” he said. He added that banks are also interested in purchasing portfolios of assets from companies.

Hamel envisions the Roth FIG team dividing its time evenly between bank clients and nonbank clients, but that could change as the group grows. Roth is looking to add one managing director in FIG and three additional i-bank professionals.