Initiatives and innovation

MIRIAM GREENWOOD'S CAREER PATH INCLUDES MANY INNOVATORY TRANSACTIONS THAT HAVE QUICKLY BEEN ADOPTED BY THE MARKET.

PHOTOGRAPHER: ROGER HARRIS

Miriam Greenwood qualified as a barrister, "but it quickly became apparent that it would be very difficult as a woman to make my way in my chosen field of company and commercial law," she says, looking back to the beginning of her career. Now head of debt advisory at Brewin Dolphin Investment Banking, over three decades she has held senior positions with several of the financial services industry's main players and in 2001 was awarded the OBE for her services to corporate finance. In the late 1970s though, it was still a struggle to get established in what then remained a male-dominated environment.

HEADING FOR THE CITY "A friend persuaded me that going to work in the City would be a good proxy, so I set about applying to the merchant banks and received a series of rejections," she recalls. However, a renewed attempt in which she omitted her first name succeeded in securing a couple of interviews; one of which was with Warburg. Although the position offered was not in her preferred area of corporate finance, it was in international banking.

Greenwood duly joined Warburg's international banking division in 1979 and became co-head of syndication responsible for the UK, the Netherlands and North America. She is still highly complimentary of what she calls "an immensely stimulating, top quality organisation to work for", with a team of "very clever and cosmopolitan individuals".

In the pre-Big Bang era, work focused on major loan syndications and clients included Italy's rail network and its national power group Enel. "Warburg was probably London's leading internationally-focused merchant banking business, with a stellar client base of corporates and government entities," adds Greenwood.

It was a period of innovation, with the development of what are now familiar financial transactions, including the first interest rate and currency swap for the group Finance For Industry – later to become 3i – and US borrower AMFAC. The division also introduced the first multiple option and tender panel facilities, enabling banks to bid on margins. The results were "astonishing in their effect on margin compression, capturing the most competitive banks that would bid on a rolling basis". Making the banks bid in such a public way was a novel concept at that time.

WARBURG TO THE RESCUE Warburg was also involved in the rescue bid for Johnson Matthey Bankers in 1984, whose parent group was a lead member of the London gold market and had been hurt by Nelson Bunker Hunt's bid to corner the world's silver market. When its banking arm had several loans turn bad, it had insufficient capital to make good the shortfall.

"At that time, there was a confluence of potentially disastrous scenarios for the capital markets; for example, Midland Bank was experiencing problems from its acquisition of Crocker Bank in the US," Greenwood recalls. "The rescue of Johnson Matthey was integral to maintaining confidence."

The Bank of England called on JP Morgan to lead the rescue; the first time that such a role had been delegated to a non-UK institution. After "weeks of work" a deal was devised, under which the BoE bought the bank for a token sum of £1.

RUN UP TO THE BIG BANG In 1984, as Big Bang drew closer, Greenwood was head-hunted by Hill Samuel; initially to work on its recent integration with stockbroker Wood Mackenzie. However, she quickly moved to lead the combined group's sterling capital markets business, which had lost a number of key staff. In this new role, she was involved in the first-ever bond issue for Scottish & Newcastle and the opening of the sterling commercial paper market in the UK.

"This was a development that at the time was not particularly welcomed by the BoE, which believed that the acceptance credit market already adequately met everyone's needs," she says. "However, a number of companies and banks regarded the new market as a very positive step."

Two years later, Greenwood moved to Morgan Grenfell to head up its commercial paper business. However, the timing was not propitious. The fallout from the contentious takeover of Distillers by Guinness, in which the bank was involved, quickly spread to the point where "no-one wanted to be seen giving a public mandate to the group".

As Greenwood puts it, she was faced with the options of quickly reinventing her job or losing it completely. She chose the former, and set about establishing Morgan Grenfell's corporate treasury business, which "marked the start of my formal relationship both with treasury and with the ACT." Creating the new function involved pulling together what had previously been relatively fragmented relationships between the firm and its corporate clients. As the new business was integrated, for the first time "we were able to talk to treasurers about a whole range of different hedging and money market products from one desk."

Despite this success the late 1980s was a tense time for the group. A consequence of the Guinness affair was the decision that Morgan Grenfell should not retain its independence. After lengthy speculation over potential bids, it was eventually acquired by Deutsche Bank in 1990, and for nearly a decade operated as Deutsche Morgan Grenfell.

It was around this time that Greenwood became a member of the ACT. "I joined the ACT in 1991 and I am very proud to be an MCT and of my long association with this body. The expertise it promotes has helped me in my career and it provides an essential bridge between the corporate and financial worlds, two worlds where I have spent so much of my career. The education and training it provides is clearly needed more than ever."

ONCE IN A LIFETIME Greenwood spent most of the 1990s with Deutsche Bank, moving north in 1992 to take up the post of managing director of Morgan Grenfell Scotland, in addition to her overall responsibility for UK financial institutions. However, in 1999 she was approached by Bank of Scotland to oversee a partial management buy-out/buy-in of Edinburgh-based British Linen Bank, which had been acquired 30 years earlier by BoS and by then had become a corporate finance business.

"BoS was keen to bring in an experienced team to complement the existing corporate finance team," she says. "So it was a once-in-a-lifetime opportunity to run a business, and to do so with a good group of people as an independent corporate advisory business specialising in mergers/acquisitions and debt advisory."

With the benefit of hindsight, setting up British Linen Advisers at end of the 1990s could have been better timed. The dotcom boom was faltering and the M&A market entering a more difficult period. Although its work included advising transport operator National Express on setting up £800m revolving credit and term loan facilities and a number of corporate restructurings, its cost pressures increased.

"After four years, the team and I felt we'd given it our best shot and we moved to Quayle Munro – an interesting business, really a PFI (private finance initiative) business and interesting equity investment portfolio but which lacked debt advisory specialists," says Greenwood. "We were able to take that skill set over to them." Quayle Munro had a portfolio of PFI and public private partnerships (PPP) business, and a debt advisory business to complement this was quickly added.

"We created the first listed vehicle for investing in PFI equity, titled The PFI Infrastructure Co and sold Quayle Munro's portfolio of equity investments into this new vehicle," adds Greenwood. "Effectively capitalising on those equity investments and translating them into a fund management contract, this increased the group's market capitalisation over time from £15m to £60m." The team also won a number of corporate mandates to add to the existing PFI/PPP business.

FORESEEING THE DEBT CRISIS Four years ago, Greenwood was again head-hunted, joining Brewin Dolphin Investment Banking (BDIB); to set up and head its debt advisory business.

"When I and my team joined, M&A and equity clients often asked why they needed a specialist debt advisory team," she recalls. "That changed completely two years later. As our head of compliance noted: 'We didn't have a debt crisis until we had our own debt advisory team'!"

Brewin Dolphin is probably best known for its private client wealth management business, with the investment banking alongside. The latter focuses on UK small to mid-caps and has over 90 retained clients.

"It's a fantastic business, which the group was looking to expand while developing its investment banking skill sets," says Greenwood. "In order to complete transactions, you need to understand the dynamics of the entire capital spectrum – you can't simply focus on one area."

She cites refinancing transactions as a good example, where the restructuring of leverage has to be done with the aim of keeping the cost of raising new equity – and the overall cost of refinancing – to a minimum. A recent example was the CareTech Group, which specialises in providing services and support for people with learning and physical difficulties. BDIB assisted the company when it floated on AIM and more recently played a key role in advising on the £165m refinancing of its senior debt; a competitively-priced facility specifically structured for multiple acquisitions over its life. The team also advises the company on interest rate hedging.

Current conditions are tough though, Greenwood admits, and are likely to remain so for the foreseeable future. "The new banking regulations on capital, liquidity and leverage suggest that capital will be less available and also more expensive, so the debt markets won't be easy," she comments. "Even if we don't end up with Basel III exactly as per the proposed version, we'll have to live with something very like it.

"The small- to mid-caps are struggling to find alternatives to senior bank lending. We would like to see the private placement market move further down the spectrum to include some small- to mid-caps, but we're still some way from getting vibrant, liquid markets." She cites as one glimmer of hope M&G Investment's announcement, in early June, of the first transaction for its new UK Companies Financing senior debt fund – a £100m loan to logistics group Stobart, part of which will finance further development at Southend Airport – which could be "a promising development".

SEARING EXPERIENCE BDIB sees mostly finance directors and treasurers from small- to mid-caps; many of whom have found the last two years "a searing experience," says Greenwood. "Assumptions they made about their banking relationships have often not been borne out."

She adds that institutions are much more cautious, no longer encouraging companies to raise further leverage. And with market conditions now far less competitive, the ability to shop around has vanished. There is considerable pressure on treasurers and CFOs to produce other earnings for the banks; for example, by hedging more.

Does she have any advice for those who are feeling the pressure? "As you would expect, I'd recommend that companies look to specialist advisers, but also to ensure that they fully understand the relationship between the company, its funders and the implications involved – particularly if the company is relying on leverage to achieve its strategic ambitions."

Greenwood is "fairly cautious" about the years ahead and the likely future direction of the markets, with a double-dip recession still possible. Although there are few encouraging factors, some comfort can be drawn from having emerged from a major global economic crisis with more companies surviving than might have been expected.

If this challenge was not enough, Greenwood also holds several non-executive directorships and recently accepted the invitation to serve a third term as a non-executive of the Gas & Electricity Markets Authority (OFGEM), which she joined in 2004. With energy issues regularly in the news, she describes it as "possibly the most interesting and challenging thing I've ever done" and has been a member of the sub-committee on all price controls for the electricity transmission, distribution and gas markets in the past five years.

"What is absolutely clear – and presents a major challenge for the UK – is that there will be huge demands for capital in future."

As part of the advisory group, she is reviewing the development of energy regulation over the past 20 years to determine what changes will ensure that the framework remains fit for purpose to 2030. She also oversees the committee on offshore electricity transmission, which has the potential to become an important component of the UK's renewable energy mix. All in all, the years ahead promise to be every bit as busy as the past three decades.

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