



Koelmel likes development of First Niagara's internal deals team

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By Joe Mantone

First Niagara Financial Group Inc. regularly uses M&A deal advisers, but company CEO and President John Koelmel believes he has built a corporate development team that doesn't always need external support.

First Niagara has been one of the most active banks in the country on the M&A front, executing seven acquisitions using five different advisers since April 2009. On the company's most recent acquisition — a deal for insurance broker Pierson & Smith — First Niagara enlisted Mystic Capital Advisors Group LLC as a deal adviser, but Koelmel said much of the work on the transaction was done internally. Koelmel said First Niagara's Matthew McKenna, director of financial services M&A, was the point person on the Pierson deal, and he has been leading the effort on First Niagara's insurance acquisition strategy.

McKenna joined First Niagara in July 2010 and is part of a beefed-up corporate development team that is led by Oliver Sommer, who joined First Niagara in June 2010. Koelmel wanted to build the corporate development team so the company wasn't solely dependent on outside advisers for assistance.

"We want to ensure that we have the internal capacity that will supplement external support rather than being unduly reliant on external players for help," he said.

He added that the corporate development team does pull in outside advisers as necessary, and First Niagara did just that on the Pierson deal with Mystic Capital. First Niagara has also reached out to several advisers on other transactions during the last two years, using Marsh Berry & Co. Inc. on three deals, Sandler O'Neill & Partners LP on two and Goldman Sachs Group Inc. unit Goldman Sachs & Co. and KBW Inc. unit Keefe Bruyette & Woods Inc. for one each.

With all of the acquisitions in a short period of time, it certainly raises the question of whether First Niagara is attempting to grow too quickly. However, one of the company's long-time advisers, Marsh Berry President John Wepler, believes the bank has followed a disciplined growth plan that will allow First Niagara to smoothly integrate the acquired firms.

"They haven't just been gobbling up anything that's been in their path," Wepler told SNL. "They have been very selective in buying quality."

Wepler believes First Niagara has been able to remain committed to its growth plan by hiring Sommer, someone who was no stranger to First Niagara when he joined the company.

A June 2010 news release announcing Sommer's hire at First Niagara said he was an external adviser to the company for five years while he served as president of the bank consulting firm Aston Associates. The release added that he led the Aston advisory team that helped First Niagara execute and integrate two Pennsylvania acquisitions, a likely reference to the deal for Harleysville National Corp. and the branch deal with PNC Financial Services Group Inc., which needed to divest branches after its acquisition of National City Corp.

Since Sommer joined the company, First Niagara has announced and closed five deals, including the \$1.5 billion acquisition of NewAlliance Bancshares Inc. and four insurance broker/dealer acquisitions. Koelmel did little to hide the fact that those weren't the only deals the company considered. Although he did not mention specific transactions, he noted that some banks around First Niagara's market have recently agreed to sell, and First Niagara was well aware of the opportunities before they were announced.

"One can conclude that we've been taking a look at some of this stuff and have opted out, and that's probably not an incorrect conclusion," he said.

Koelmel did not say why First Niagara opted out on some recent bank deals, but price seemed to play a role because the executive said some recent bank deals in the Northeast were "aggressively priced."

One recent deal announcement in the region that some have viewed as pricey was the Bancorp Rhode Island Inc.-Brookline Bancorp Inc. deal. In that transaction, Brookline agreed to pay about 2x tangible book value for Bancorp Rhode Island.

From a strategic standpoint, an acquisition of Bancorp Rhode Island might have made some sense for First Niagara because the deal would have allowed the Buffalo, N.Y.-based bank to move farther east into Rhode Island. But if the price isn't right, Koelmel is not going to bite.

"To the extent the going market and going rate is meaningfully north ... of our terms and conditions, we'll take a pass and wait for the next one," he said.

First Niagara is still looking for acquisitions, and Koelmel said his firm regularly considers options. "All of the investment bankers are talking to us and vice versa about opportunities," Koelmel said.