

Canaccord Genuity

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Coffee with Samso - Emergence of a giant in the Australian stockbroking industry

DJ Carmichael was founded in 1896 and has its fair share of ups and downs. Recently it was bought by Shaw and Partners which itself had new owners earlier this year with the Swiss private bank, EFG International taking a 51% stake.

On the surface, this may appear to be just a transaction but when you view the Patersons Securities and Canaccord Genuity partnership in June 2019 at the same time, there is a trend appearing.

The quiet nature in the way DJ Carmichael and Shaw did the deal gives me the impression a sense of urgency to get the consolidation of the broking industry completed.

Coffee with Samso sensed that there is more to learn and invited Davide Bosio to have a coffee.

I have known Davide for several years. I have seen his progress from the early days at CK Locke which was followed by a move to his own firm at Pareto Capital in 2008. Finally, there was the move to the driver's role at DJ Carmichael.

The times I have spoken to Davide, he has given me a great breath of fresh air in this industry in Perth.

When he accepted my invitation to have coffee at Blacksmith, I was very appreciative of his time.

Who is EFG International?

EFG was a start-up which has grown up to a major player in the world of equities. I view private banks more like a private fund than the typical meaning of a bank. The operations are more akin to that of a stockbroker with access to their own stash of funding.

When their clients are positioned, they will let the other participants in the game. This is no different to Macquarie, UBS, Goldman Sachs, Citibank, etc.

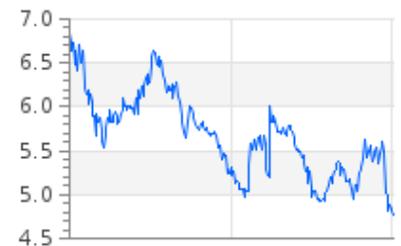
According to the EFG website, these are the major milestones for the company:

- 1995: Establishment of the bank in Zurich by two entrepreneurs with a wealth of experience in Swiss private banking. The geographical expansion follows as a result of organic growth and acquisitions.
- 2005: Listing on the SIX Swiss Exchange.
- 2016: Combination with BSI, one of Switzerland's oldest banks (founded in 1873 in Lugano) that has a strong tradition of Swiss private banking and a broad international network.
- 2019: Acquisition of majority stake in Shaw and Partners.

Price: 4.76

Market Cap: \$467.95 m

1 Year Share Price Graph



November 2018 May 2019 November 20

Share Information

Code: CF

Listing: TSX

52 week High Low
7.08 4.74

Sector: Financial Services

Website: www.canaccordfinancial.com

Company Synopsis:

Canaccord Genuity is a leading independent, full-service financial services firm, with operations in two principal segments of the securities industry: wealth management and capital markets.

action@proactiveinvestors.com.au

What is interesting to me is the mention of the 2019 acquisition of Shaw and Partners. These are major milestones and these make me wake up.

The acquisition of Shaw must be a major drawcard. In the early 2000s, there was the consolidation of the nickel industry and recently we are seeing the consolidation of the gold midcaps. What we have not really seen is the consolidation of the broking industry.

We all know that there is a decrease in the market participation of many broking firms since the onset of online broking. However, this is the first time that we have seen two major transactions of this size.

My theory is that the resource market is poised to make some significant gains and the big players are taking advantage of the low valuation of broking firms to get future market share.

It is a no brainer that the likes of Shaw and Partners taking over DJ Carmichael will allow them a foot in the door to the "players" in town. It is a win-win scenario as existing clients of DJs will get a much larger network of investors and the EFG funds will get a larger share of the smallcap plays. However, one would also wonder if that is a really good thing.

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