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P&M: Convertible bond veteran launches advisory

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Mark Dalton has set up his own firm **Conv-Ex Advisors** to focus on the needs of convertible bond issuers through the lifetime of their bonds, as well as corporate and family office users of equity derivatives.

London-based Conv-Ex will serve companies that often struggle to deal with issues that arise during a bond's multi-year life, particularly around conversion price adjustments. Banks are able to help issuers informally, but tend to be reactive to client's needs rather than proactive, once the bonds have been outstanding for a while. The continual shrinkage of convertible bond teams in banks means their focus has to be on revenue generation, leaving room for an adviser to proactively manage these issues before they become problems.

The advice also includes advice on retiring convertibles – through buybacks, tenders and early conversion incentives – and dynamics around exercise of calls and puts. Dalton also sees the firm playing a role as a more traditional independent adviser where a company may consider M&A or restructuring and wants to understand the implications for the outstanding paper – without creating too much excitement by asking the same questions of a banker.

Similarly there is a gap in the corporate equity derivative space where an adviser could provide an edge to banks working with family offices. Banks can struggle with defining these counterparties as professionals, given their limited experience with equity derivatives. However, if the investor was receiving independent advice from an expert, banks could be more comfortable that the client understands the risks and will ask the right questions. In this way Dalton hopes that many deals that presently fall apart due to lack of comfort from the client could be helped to completion.

The convertible bond market remains a niche in Europe with annual issuance repeatedly struggling to keep up with redemptions. Bankers have to focus on deal generation in order to earn fees. Banks have also been criticised in the past for failing to support a bond just days after issue, leaving little doubt that service levels can dip further in the years between issue and redemption.

Dalton left UBS in January after more than a decade with the firm in equity-linked and derivatives positions, including 20 months running the US structured ECM platform in 2008–09.



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