



HOULIHAN LOKEY

# FINANCIAL SERVICES

MARKET UPDATE | COVID-19

APRIL 2020





- The outbreak of COVID-19 has resulted in a global health emergency, which is having a significant impact on a range of financial services. The following tables set out our latest dataset as of 9 April 2020. After the initial sell-off, markets have settled at a level in the past week, but volatility remains. Markets are reacting to the ebb and flow of developments informing changing views on the length and severity of the downturn. However, it is too early for hard data and company reporting to be informing these views.
- The market reaction to COVID-19 has been significant, with the FTSE 100 dropping more than 30% in only four weeks between 24 February and 23 March. We have prepared an indicative assessment of the quantum of this decline relative to past bear markets to illustrate the difference in market reaction.

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## Specialty Finance and Banks

Many **specialty finance (SpecFin)** firms and **banks** are reducing or pausing lending for the time being, as it is now hard to assess affordability given the uncertainties on prospective income levels and employment status. It is too early to assess the effect on potential arrears and the extent to which companies will be expected to show forbearance. Property asset prices may also be affected. The impact of this on property secured lenders may be less severe than following the global financial crisis, as LTVs in general are much lower now.

		Country	Market cap (£m)	Av. daily volume		P/E (today)		P/E (1 Jan 2020)		Share price change		Reporting dates			
				This week	2019	2019	2020	2019	2020	1 month	1 year	Last	Next		
Banks	Banca Farmafactoring	IT	763	0.391	0.399	8.9x	8.4x	9.4x	8.8x	11.2%	1.4%	10/02/20	08/05/20		
	Banca IFIS	IT	431	0.206	0.349	6.1x	5.7x	9.2x	8.6x	(10.1%)	(41.2%)	11/02/20	07/05/20		
	Banca Sistema	IT	86	0.739	0.451	3.5x	3.2x	5.2x	4.8x	1.8%	(21.0%)	06/02/20	31/07/20		
	Bank Norwegian	NO	680	0.880	0.453	4.5x	4.2x	9.3x	8.7x	(25.4%)	(33.9%)	20/02/20	30/04/20		
	Cembra Money	CH	2,177	0.127	0.082	15.9x	15.0x	18.9x	17.9x	(10.6%)	(6.4%)	21/02/20	23/07/20		
	Close Brothers	GB	1,652	0.706	0.319	8.4x	8.5x	12.2x	12.3x	(2.6%)	(27.0%)	24/09/19			
	Collector	SE	238	0.818	0.131	2.3x	5.3x	8.2x	18.6x	(22.6%)	(71.4%)	13/02/20			
	Komplett Bank	NO	64	0.603	0.286	2.8x	3.7x	7.9x	10.4x	(30.0%)	(64.7%)	12/02/20	13/05/20		
	Metro Bank	GB	160	1.167	1.528	nm	nm	nm	nm	(19.6%)	(88.6%)	26/02/20			
	OneSavings Bank	GB	1,019	2.414	0.888	3.7x	4.6x	6.9x	8.7x	(30.8%)	(44.1%)	19/03/20			
	Paragon	GB	866	0.527	0.449	6.8x	6.5x	10.7x	10.2x	(14.0%)	(22.0%)	26/11/19	20/05/20		
	PCF Bank	GB	55	0.719	0.170	7.2x	6.0x	11.5x	9.5x	(22.1%)	(29.0%)	04/12/19	03/06/20		
	Provident Financial	GB	476	1.315	0.805	4.0x	4.1x	9.6x	9.8x	(44.9%)	(63.1%)	27/02/20	29/07/20		
	Resurs Holding	SE	520	1.483	0.614	5.2x	4.8x	9.7x	8.9x	(31.3%)	(46.7%)	04/02/20			
	Sbanken	NO	450	0.262	0.090	7.8x	8.4x	10.9x	11.6x	1.5%	(36.4%)	14/02/20	15/05/20		
	Secure Trust Bank	GB	181	0.013	0.029	5.5x	4.7x	9.1x	7.8x	(26.8%)	(37.2%)	07/08/19	30/03/20		
Nonbanks	TF Bank	SE	121	0.029	0.014	7.0x	6.0x	11.7x	10.0x	(30.0%)	(22.4%)	06/02/20	16/04/20		
	Virgin Money	GB	1,161	9.719	3.589	3.6x	nm	8.4x	nm	(30.1%)	(60.2%)	28/11/19	06/05/20		
	1pm	GB	13	0.210	0.196	2.2x	1.9x	5.1x	4.6x	(44.8%)	(67.4%)	25/09/19			
	Amigo	GB	88	1.181	1.292	1.1x	1.1x	3.9x	4.0x	(19.2%)	(92.3%)	28/11/19			
	Fellow Finance	FI	14	0.035	0.008	25.3x	nm	46.1x	nm	(33.9%)	(71.0%)	14/02/20	28/08/20		
	Ferratum	FI	87	0.004	0.000	4.2x	nm	8.3x	nm	(44.9%)	(60.7%)	18/03/20	20/05/20		
	Funding Circle	GB	192	0.100	0.393	nm	nm	nm	nm	3.8%	(82.3%)	12/03/20	06/08/20		
	H&T Group	GB	125	0.043	0.041	7.7x	6.4x	8.3x	6.9x	(12.0%)	(0.5%)	10/03/20			
	International PF	GB	117	0.591	0.239	1.9x	1.8x	5.7x	5.5x	(65.4%)	(74.0%)	26/02/20			
	Morses Club	GB	51	0.186	0.234	3.3x	2.9x	11.7x	10.3x	(62.9%)	(77.3%)	10/10/19	30/04/20		
Non-Standard Fin.				GB	38	1.311	1.006	3.0x	2.2x	5.2x	3.8x	(44.0%)	(76.9%)	20/08/19	28/04/20
S&U				GB	202	0.014	0.004	7.0x	6.6x	8.8x	8.3x	(19.7%)	(8.7%)	08/04/20	

Banks	Mean	5.0x	5.4x	7.7x	8.9x	(18.7%)	(39.7%)
	Median	5.4x	5.3x	9.3x	9.5x	(22.4%)	(36.8%)
Nonbanks	Mean	6.2x	3.3x	11.5x	6.2x	(34.3%)	(61.1%)
	Median	3.3x	2.2x	8.3x	5.5x	(39.0%)	(72.5%)
Total	Mean	5.4x	4.8x	8.9x	8.1x	(24.3%)	(47.3%)
	Median	4.5x	4.7x	9.1x	8.7x	(24.0%)	(45.4%)

Wealth Management

**Wealth managers** are likely to experience income decline, which could arise as a result of client fund redemptions and where revenue is derived as a percentage of AUA/AUM; this will be a strong test of the resilience of each company’s business model. In this environment, we may also see attempts to limit the damage to profit through a mixture of raising fee levels, cutting costs, and consolidation.

	Country	Market cap (£m)	Av. daily volume (£5D)		P/E (today)		P/E (1 Jan 2020)		Share price change		Reporting dates	
			This week	2019	2019	2020	2019	2020	vs. 24 Feb	1 year	Last	Next
AFH Financial	GB	115	0.039	0.073	8.8x	7.7x	11.6x	10.1x	(28.7%)	(15.6%)	20/01/20	
AJ Bell	GB	1,349	0.815	0.816	42.8x	42.6x	55.6x	55.4x	(14.8%)	(5.4%)	05/12/19	
Brewin Dolphin	GB	714	1.076	0.519	11.8x	10.7x	18.1x	16.5x	(31.6%)	(25.4%)	27/11/19	13/05/20
Brooks Macdonald	GB	230	0.014	0.016	11.5x	10.0x	17.1x	14.8x	(32.6%)	(15.0%)	12/09/19	
Charles Schwab	US	37,760	10.868	8.219	13.5x	17.8x	17.6x	23.2x	(16.6%)	(17.5%)	16/01/20	
Charles Stanley	GB	139	0.011	0.015	12.3x	10.1x	14.6x	12.0x	(19.3%)	(1.8%)	21/11/19	
Curtis Banks Group	GB	118	0.010	0.041	11.5x	12.8x	19.2x	21.3x	(36.6%)	(28.1%)	18/03/20	
Focus Financial	US	790	0.433	0.241	9.2x	7.5x	13.1x	10.6x	(34.5%)	(44.3%)	20/02/20	
Frenkel Topping	GB	22	0.021	0.028	nm	nm	nm	nm	(23.2%)	6.8%	10/04/19	21/04/20
Hargreaves Lansdown	GB	7,058	1.419	1.024	28.0x	29.7x	36.4x	38.6x	(11.1%)	(27.5%)	31/01/20	
IntegraFin	GB	1,537	0.634	0.387	39.0x	33.6x	37.4x	32.2x	(9.2%)	26.4%	18/12/19	
Kingswood	GB	43	0.017	0.047	98.5x	7.9x	103.5x	8.3x	(25.4%)	125.1%	15/04/19	
LPL Financial	US	3,656	1.077	0.660	8.8x	12.8x	14.1x	20.5x	(34.2%)	(20.4%)	30/01/20	30/04/20
Mattioli Woods	GB	185	0.012	0.020	17.3x	16.3x	20.2x	19.0x	(19.1%)	(12.9%)	03/09/19	
MLP	DE	468	0.053	0.043	14.8x	17.2x	17.0x	19.6x	(11.9%)	8.9%	05/03/20	14/05/20
OVB	DE	190	0.001	0.000	20.6x	30.8x	24.0x	35.9x	(11.1%)	(9.5%)	30/03/20	07/05/20
Quilter	GB	2,232	6.240	3.751	11.4x	16.2x	15.5x	21.9x	(27.8%)	(21.4%)	11/03/20	
Rathbone Brothers	GB	826	0.047	0.043	11.6x	14.8x	16.4x	20.9x	(20.9%)	(33.5%)	20/02/20	29/07/20
St. James's Place	GB	4,402	2.698	2.083	22.2x	17.7x	31.4x	25.0x	(26.5%)	(21.3%)	27/02/20	30/04/20
Taaleri	FI	157	0.015	0.012	12.6x	8.9x	16.8x	11.9x	(30.9%)	(13.7%)	12/02/20	13/08/20
Tatton	GB	123	0.031	0.061	19.5x	15.2x	23.9x	18.6x	(24.9%)	(3.9%)	11/11/19	
VZ Group	CH	2,167	0.004	0.003	25.6x	22.9x	23.1x	20.6x	(8.1%)	29.3%	28/02/20	
Total			Mean		21.5x	17.3x	26.0x	21.8x	(22.7%)	(5.5%)		
			Median		13.5x	15.2x	18.1x	20.5x	(24.0%)	(14.3%)		

Receivables Management

**Receivables management** firms are likely to experience reductions in collections through increased debtor financial stress, collection teams being obliged to home work, and, in many countries, an unprecedented temporary cessation of recoveries through the courts. This has led to dramatic falls in share prices, though US firms have held up better so far. There is hope that, in time, this may lead to a price reset for NPL portfolios and a period of much higher portfolio IRRs, which has been the experience of previous market downturns.

	Country	Market cap (£m)	Av. daily volume (£5D)		P/E (today)		P/E (1 Jan 2020)		Share price change		Reporting dates	
			This week	2019	2019	2020	2019	2020	vs. 24 Feb	1 year	Last	Next
Arrow Global	GB	194	0.582	0.373	3.3x	3.7x	7.7x	8.5x	(60.6%)	(43.5%)	12/03/20	14/05/20
Axactor	NO	107	2.290	0.325	72.3x	49.1x	186.7x	126.7x	(49.9%)	(63.6%)	12/02/20	21/04/20
B2Holding	NO	136	0.842	0.997	13.9x	3.0x	31.6x	6.8x	(39.1%)	(66.2%)	28/02/20	30/04/20
doValue	IT	422	0.286	0.076	7.4x	23.2x	15.0x	46.7x	(47.2%)	(51.0%)	13/02/20	12/05/20
Encore Capital Group	US	716	0.822	0.270	4.9x	4.2x	6.0x	5.2x	(13.2%)	(0.4%)	26/02/20	
Hoist Finance	SE	197	0.556	0.571	4.3x	3.5x	7.9x	6.5x	(47.1%)	(32.4%)	12/02/20	06/05/20
Intrum	SE	1,483	1.935	0.286	5.8x	4.5x	11.4x	8.9x	(47.5%)	(45.0%)	04/02/20	06/05/20
KRUK	PL	309	0.128	0.046	4.7x	4.9x	9.3x	9.7x	(46.8%)	(47.5%)	05/03/20	28/05/20
PRA Group	US	1,014	0.741	0.242	15.3x	10.2x	19.9x	13.3x	(23.3%)	3.9%	27/02/20	07/05/20
Total			Mean		14.7x	11.8x	32.9x	25.8x	(41.6%)	(38.4%)		
			Median		5.8x	4.5x	11.4x	8.9x	(47.1%)	(45.0%)		

Insurance

**Insurance distribution** was recently dominated by the announced acquisition by Aon of Willis Towers Watson; M&A from business or team spin-offs or mandatory divestments for competition reasons is likely to emerge.

Share price performance of **insurance underwriters** has been more mixed, as the market attempts to differentiate between lines where losses for interruption and COVID-19 may bite versus those who should be more insulated given their focus.

		Country	Market cap (£m)	Av. daily volume (£5D)		P/E (today)		P/E (1 Jan 2020)		Share price change		Reporting dates	
				This week	2019	2019	2020	2019	2020	vs. 24 Feb	1 year	Last	Next
Distribution	Aon	GB	35,891	0.998	0.711	21.0x	18.5x	22.8x	20.0x	(14.0%)	11.1%	31/01/20	01/05/20
	Arthur J. Gallagher	US	13,218	2.443	0.981	24.3x	21.4x	26.7x	23.4x	(18.2%)	10.5%	30/01/20	30/04/20
	Marsh & McLennan	US	39,095	1.884	0.875	20.8x	19.1x	24.0x	22.1x	(14.8%)	3.7%	30/01/20	
	Willis Towers Watson	GB	20,255	1.658	0.912	17.9x	16.3x	18.4x	16.8x	(4.6%)	9.5%	06/02/20	
Underwriters	Admiral	GB	6,379	24.615	10.695	15.0x	16.3x	15.7x	17.0x	(2.0%)	(0.4%)	05/03/20	
	Allianz	DE	59,779	10.523	6.044	8.9x	8.4x	11.8x	11.1x	(26.0%)	(20.2%)	21/02/20	12/05/20
	Aviva	GB	10,374	2.066	1.689	4.6x	4.8x	7.3x	7.6x	(32.1%)	(38.5%)	05/03/20	06/08/20
	AXA	FR	32,532	0.451	0.139	5.7x	5.7x	9.2x	9.3x	(33.5%)	(33.0%)	20/02/20	05/05/20
	Beazley	GB	2,134	8.757	5.190	12.1x	10.0x	16.5x	13.7x	(27.8%)	(22.4%)	06/02/20	14/05/20
	Chesnara	GB	473	0.674	0.893	9.8x	15.9x	9.8x	16.0x	(1.6%)	(17.3%)	29/03/19	15/04/20
	Direct Line	GB	3,801	0.969	0.908	10.0x	11.0x	11.2x	12.2x	(13.7%)	(16.5%)	03/03/20	04/08/20
	Hastings	GB	1,211	0.762	0.423	17.0x	12.3x	16.6x	12.1x	4.0%	(15.5%)	27/02/20	05/08/20
	Hiscox	BM	2,968	33.044	17.107	55.6x	20.3x	77.0x	28.2x	(20.8%)	(34.1%)	02/03/20	03/08/20
	Lancashire	BM	1,287	2.760	1.593	16.6x	10.4x	19.9x	12.5x	(20.0%)	(2.0%)	13/02/20	30/04/20
	Legal & General	GB	12,640	2.693	1.377	7.0x	6.9x	9.9x	9.8x	(29.2%)	(24.7%)	04/03/20	05/08/20
	Munich Re	DE	23,656	8.715	5.869	9.7x	12.6x	13.3x	17.2x	(26.9%)	(10.3%)	28/02/20	07/05/20
	Phoenix Group	GB	4,320	5.780	3.283	8.1x	7.3x	10.1x	9.1x	(21.8%)	(13.4%)	09/03/20	06/08/20
	Prudential	GB	27,205	1.195	0.573	7.2x	7.4x	9.9x	10.2x	(26.3%)	(36.5%)	11/03/20	11/08/20
	RSA	GB	3,941	1.332	0.505	9.7x	8.1x	14.4x	12.0x	(30.4%)	(27.0%)	27/02/20	
	Sabre Insurance	GB	715	0.325	0.358	15.3x	15.4x	16.5x	16.6x	(8.9%)	(2.2%)	07/04/20	
	Swiss Re	CH	18,871	0.797	0.507	16.9x	11.6x	23.5x	16.2x	(22.2%)	(21.4%)	20/02/20	30/04/20
	Zurich	CH	39,529	2.612	1.329	12.1x	11.6x	15.0x	14.4x	(22.7%)	1.4%	13/02/20	14/05/20
Total				Mean		14.8x	12.3x	18.2x	14.9x	(18.8%)	(13.6%)		
				Median		12.1x	11.6x	15.4x	14.1x	(21.3%)	(16.0%)		

Software and Services

**Recurring revenue businesses** are less impacted through the last month versus those that are more transactional or consulting in nature. Arguably, part of the sector—where they are embedded in their underlying ecosystem or have contractually recurring revenue or software at the heart of their propositions—now looks cheap.

		Country	Market cap (£m)	Av. daily volume (£5D)		P/E (today)		P/E (1 Jan 2020)		Share price change		Reporting dates	
				This week	2019	2019	2020	2019	2020	vs. 24 Feb	1 year	Last	Next
AFM Consulting	GB	139	0.224	0.107	10.3x	9.8x	18.8x	17.9x	(40.5%)	(45.9%)		20/11/19	
Alfa Financial	GB	264	0.056	0.268	33.2x	38.4x	45.3x	52.4x	1.4%	(34.8%)		07/03/19	
Equiniti	GB	613	0.984	0.816	9.2x	9.8x	11.3x	11.9x	(19.8%)	(21.2%)		12/03/20	30/07/20
GoCo Group	GB	320	0.656	0.779	16.8x	13.9x	23.0x	18.9x	(16.3%)	(0.3%)		03/03/20	30/07/20
JTC	JE	479	0.226	0.103	20.8x	18.0x	19.7x	17.1x	(4.4%)	19.8%		17/09/19	22/04/20
LendingTree	US	2,100	0.462	0.161	33.4x	28.9x	50.5x	43.7x	(41.3%)	(44.8%)		25/02/20	
MoneySuperMarket	GB	1,679	2.919	1.685	17.3x	17.6x	18.3x	18.6x	(6.3%)	(8.9%)		20/02/20	16/07/20
Mortgage Advice Bureau	GB	270	0.049	0.067	18.3x	28.5x	27.2x	42.3x	(32.2%)	(9.1%)		24/03/20	
Sanne Group	JE	912	0.447	0.429	26.7x	24.1x	28.7x	25.9x	0.2%	16.2%		19/03/20	
SimplyBiz	GB	180	0.060	0.077	14.8x	12.9x	19.6x	17.1x	(18.3%)	(16.3%)		10/03/20	
XPS	GB	225	0.047	0.275	11.3x	10.9x	14.0x	13.5x	(26.2%)	(18.8%)		27/06/19	
Total				Mean		20.7x	21.0x	27.0x	27.6x	(17.7%)	(14.3%)		
				Median		18.3x	18.0x	23.0x	18.9x	(16.3%)	(9.1%)		



Spotlight—Historical Bear Markets

- The market reaction to COVID-19 has been significant, with the FTSE 100 dropping 30% in only four weeks—from 7,156 (24 February) to 4,993 (23 March)—before recovering slightly to its current level of 5,843 (9 April).
- Below, we have prepared an indicative assessment of the quantum of this decline (relative to past bear markets) to illustrate the difference in market reaction as compared to previous events.
- In the past, structural bear markets—including the dot-com bubble and the global financial crisis—have tended to last longer and take longer to recover, with event-driven bear markets declining more rapidly and recovering faster.

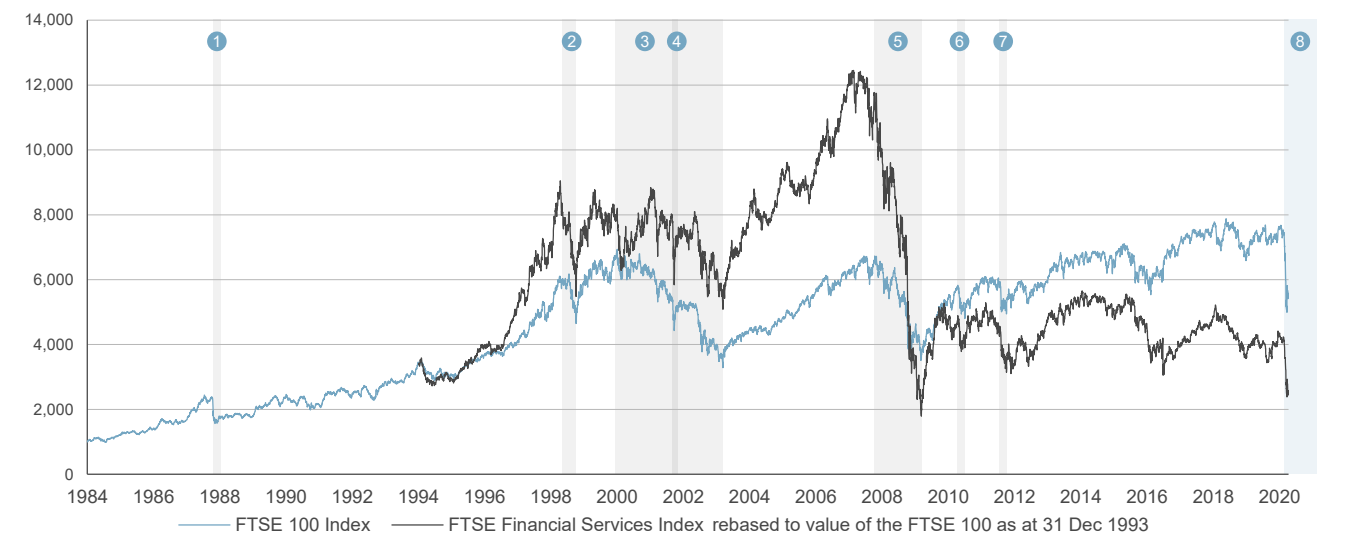
FTSE 100 Bear Markets and Recoveries

Event	Peak		Trough		Decline %	Months	Months to recover <sup>(1)</sup>
	Date	Index	Date	Index			
1 Black Monday Crash	19 Oct 87	2052	01 Dec 87	1579	23%	1	14
2 Asian Financial Crisis	20 Jul 98	6179	21 Sep 98	4649	25%	2	5
3 Dot-Com Bubble	30 Dec 99	6930	12 Mar 03	3287	53%	39	146
4 September 11	11 Sep 01	5034	21 Sep 01	4434	12%	0	55
5 Global Financial Crisis	12 Oct 07	6731	03 Mar 09	3512	48%	17	51
6 Greek Debt Crisis	15 Apr 10	5825	01 Jul 10	4806	17%	3	4
7 Eurozone Debt Crisis	17 Feb 11	6087	10 Aug 11	5007	18%	6	17
8 COVID-19 Pandemic	24 Feb 20	7157	23 Mar 20 <sup>(2)</sup>	4994 <sup>(2)</sup>	30% <sup>(2)</sup>	1 <sup>(2)</sup>	n/a

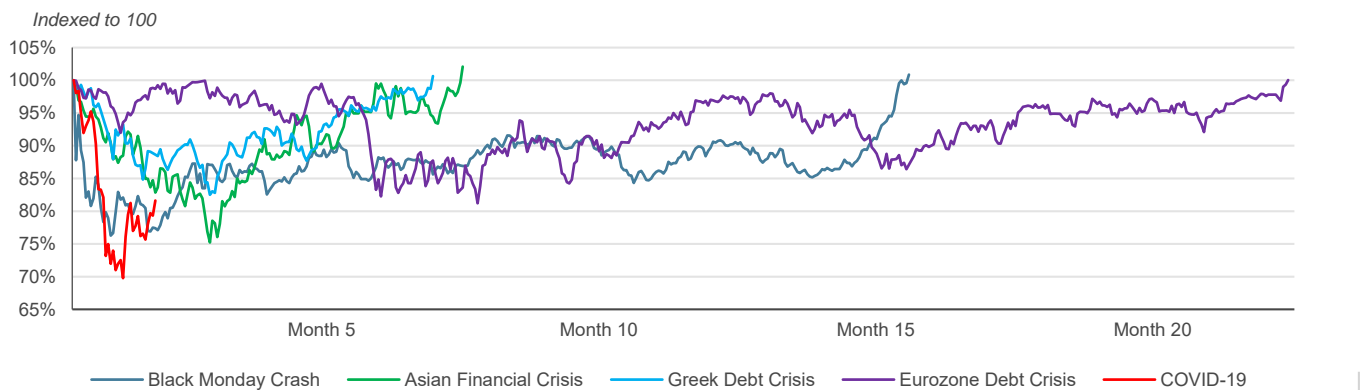
(1) Months taken to return to the index level pre-crisis from trough.

(2) Trough to date.

FTSE 100 and FTSE Financial Services Index Over Time



Rebased FTSE 100 Peak to Trough and Recovery Analysis for Event-Driven Bear Markets





## European Financial Services/Fintech Recently Completed Deals

### Banking and Specialty Finance

 <b>pepper</b> European Servicing Advised Pepper European Servicing on sale to Link Group  Date: Feb 2020	 <b>silverfleet capital</b> Advised Silverfleet on majority stake in Collectia  Date: Feb 2020
 <b>PROVENTUS</b> Advised on tier 2 capital raise Date: Jun 2019	 <b>mesthven</b> Capital raise provided by Varde Date: Apr 2019
 <b>TotallyMoney</b> Financial advisor to TotallyMoney on investment received  Date: Dec 2018	 <b>Lowell</b> Advised Lowell on the sale of its payment business unit to Collector  Date: Nov 2018
 <b>optimism credit</b> Advised on the sale of Optimism Credit to Pepper  Date: Oct 2018	 <b>Close Brothers</b> Advised on the sale of Close Brothers Retail Finance to Kiama Bank  Date: Sep 2018

### Insurance

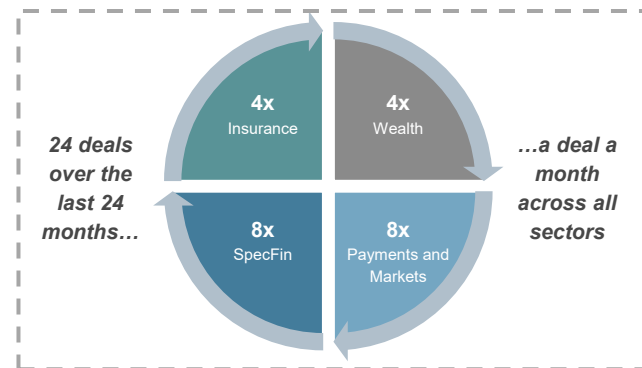
 <b>Bridgepoint</b> Advised Bridgepoint on a growth minority investment in Reassured  Date: Feb 2020	 <b>SUCSEZ GROEP</b> Advised Sucsez Groep on its sale to Five Arrows  Date: Jul 2019
 <b>ROBIDUS</b> Advised Avedon Capital on the sale of Robidus to Aegon  Date: Jul 2019	 <b>BIK BROKERS</b> Advised on the sale of BIK Brokers to Pollen Street Capital  Date: Jul 2018

### Wealth Management and Pensions

 <b>Phoenix</b> Advised on acquisition of Redington Limited  Date: Dec 2019	 <b>Goodbody</b> Advised shareholders of Goodbody on the sale to Bank of China  Date: Nov 2019
 <b>IFG GROUP PLC</b> Advised Epiris of its acquisition of IFG Group  Date: Aug 2019	 <b>Phoenix</b> Provided strategic advice to Phoenix Equity Partners on acquisition of Mobius Life  Date: May 2019

### Payments and Markets

 <b>ROCKALL</b> Advised Rockall on its sale to Broadridge  Date: May 2019	 <b>BARRACUDA</b> Advised Barracuda on its sale to Broadway  Date: Apr 2019
 <b>pirum</b> Advised Pirum on its sale to Bowmark Capital  Date: Mar 2019	 <b>defaqto</b> Advised Defaqto on its sale to SimplyBiz  Date: Mar 2019
 <b>Compuscan</b> Advised Compuscan on its sale to Experian  Date: Dec 2018	 <b>POTEN &amp; PARTNERS</b> Advised Poten & Partners on its sale to BGC Partners Date: Nov 2018
 <b>ASSET CONTROL</b> Advised Marlin Equity on sale of Asset Control to Sovereign  Date: Sep 2018	 <b>Lombard Risk</b> Sale of Lombard Risk to Verweg (Rule 3 advisor)  Date: Feb 2018



## The Senior Financial Services and Fintech Team



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Managing Director  
London



**Lawrence Guthrie**  
Managing Director  
London



**Christian Kent**  
Managing Director  
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**Zam Khan**  
Managing Director  
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**Reinhard Koester**  
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New York



**Jeffrey M. Levine**  
Managing Director  
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**Michael McMahon**  
Managing Director  
Miami



**James Page**  
Managing Director  
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**Arik Rashkes**  
Managing Director  
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**Gagan Sawhney**  
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**Tim Shortland**  
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**Rob Freiman**  
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**Chris Pedone**  
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**Paul Tracey**  
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