

Institutional Investor



Evercore's Worth:
A global outlook

RAINMAKERS

BACK IN THE DRIVER'S SEAT

Auto banker Stephen Worth is a key player in the U.S. car industry's rebirth.

●● BY IMOGEN ROSE-SMITH

LAST SUMMER, STEPHEN WORTH BOUGHT HIS FIRST Cadillac, a CTS-V Coupe. It's "a terrific car," probably one of the best that General Motors Co. has ever made, Worth says. The veteran automotive banker's purchase reveals how far the U.S. car industry has come since 2008, when the financial crisis forced a major restructuring. It also shows how bullish Worth, a senior managing director in the corporate advisory business of New York-based boutique bank Evercore Partners, is on a sector that struggled for much of the past decade.

To his relief, business feels like it did in the mid-1990s. "We are back to an environment where deals make sense, suppliers have recapitalized and lowered their breakeven, and they can focus on strategy again," says Worth, 45. "This is how industries are supposed to function."

In an industry where emerging markets increasingly drive growth, the numbers are encouraging. So far this year the global auto sector has seen \$36 billion in announced mergers and acquisitions, according to Dealogic, more than in all of 2005. Evercore has benefited from the surge in activity that began in 2009; having participated in some

\$24 billion worth of deals, it ranks third among boutique banks for auto M&A advisory, after Rothschild and Lazard.

Now that the Big Three U.S. automakers — Chrysler Group, Ford Motor Co. and GM — have completely restructured, Worth likes their prospects. "The most interesting dynamic to watch going forward is how competition between all of the global OEMs [original equipment manufacturers] changes given that you have three entirely new U.S. competitors out there," he says.

This spring Chrysler's board of directors hired Worth and Evercore to advise on a recapitalization with Italy's Fiat, which bought a 25 percent stake in the Detroit auto manufacturer in 2009 as part of Chrysler's prepackaged bankruptcy. Worth says he was struck by how fully Fiat has embedded itself in Chrysler; it needs the larger company for scale and global reach.

Worth, who has spent much of his life outside the U.S., chose automotive banking because he wanted to work in the most American business possible. The son of an IBM Corp. executive, he was born in New York but lived in Europe until he was 15. In 1988, after graduating from Wesleyan University with a BA in mathematics and physics, he joined the corporate finance department of New York-based investment bank J.P. Morgan & Co. Two years later J.P. Morgan sent the Portuguese-speaking Worth to work in Brazil.

He returned to New York in 1995, when banking was starting to organize itself into specialties. Worth decided to focus on the auto industry, becoming J.P. Morgan's head of automotive supplies advisory. Business couldn't have been better, he says: Capital was plentiful, and "there was a thesis and a reason for transactions to happen."

After the merger of J.P. Morgan and Chase Manhattan Corp., Worth moved to Swiss bank UBS in 2001 as co-head of global automotive. By then, though, the U.S. car business had fallen into a depression that would last until 2009. Burdened by health care and pension costs as well as union employment contracts, it couldn't compete with its European and Japanese rivals. Meanwhile, the providers of capital had changed from banks to private equity firms to hedge funds to distressed-debt investors. As U.S. car companies looked to cut costs, their relationships with suppliers suffered.

By 2006, Worth could sense that a reckoning was near. He knew that the right place to be was either at a big bank with much of its balance sheet in the auto sector — UBS didn't fit the bill — or at an independent adviser. He settled on the latter, joining Evercore that year.

"Stephen has turned out to be one of the best hires that Evercore has ever made," says Roger Altman, the firm's founder. "I don't know a banker who understands the global vehicle industry better than he does." Altman's own ties to the business date back to 1977, when he oversaw a bailout of Chrysler as assistant secretary of the U.S. Department of the Treasury.

When he came to Evercore, Worth had no idea that the U.S. government would again ride to the rescue — or that the bank would play a central role as restructuring adviser to GM. In June 2009, GM filed for bankruptcy protection, emerging recapitalized a month later through a \$49.5 billion federal cash infusion. The next spring Evercore began advising it on an initial public offering. Last November's hugely successful \$23.1 billion IPO was a cathartic moment for Worth. The restructuring of GM and its peers "changed the dynamic in an industry I had watched self-liquidate for years," he says. ●