

# Securities Finance Report



## Take-off for M&A Advisors

Bankers and capital markets - These bête noir of the credit crunch are now the kingmakers when it comes to creating the airlines of the future. So why are independent M&A advisors suddenly so shorted?

What do you need if you have the following predicament? You sense a once in a lifetime opportunity to consolidate your industry and create a company sufficiently diverse to survive any future economic troubles. Standing in the way, however, are pension deficits, lots of corporate debt, Union battles and, most importantly, competition authority rules. The answer, of course, is bankers and the capital markets. These bête noir of the credit crunch are now the kingmakers when it comes to creating the airlines of the future. So why are independent M&A advisors suddenly so shorted?

**Greenhill & Co (GHL)** are an independent investment bank with previous experience working on airline deals. US listed GHL worked for **Delta Air Lines (DAL)** from 2006, steering it through bankruptcy, a hostile approach from US Air and a merger with Northwest Airlines. Short selling in Greenhill has shot up of late from an already high 8% of total shares to 16%. At the same time, the price has been rebounding after an almost continual fall since October last year. With so many companies working on takeovers and with the airline industry in consolidation mode it is hard to understand the negative sentiment we can observe in this M&A specialist.

**Evercore Partners (EVR)** are another US listed M&A advisor showing a recent spike in short interest. Like GHL, the price had

been falling up until late July when it bottomed out and has recently increased markedly. Short selling is over 10% of the shares outstanding but was as high as 12% a few weeks ago. They may have missed earnings estimates in Q2 but the volume of takeovers has proliferated since then and they are currently working for Sanofi in their Genzyme bid and helped Intel buy Infineon Wireless.

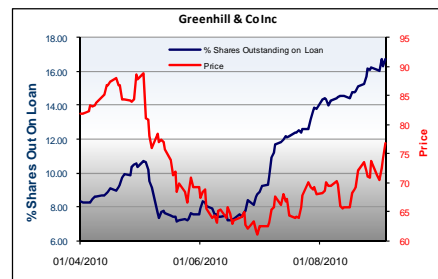
Of course, the big investment banks will be the main beneficiaries from fees associated with airline consolidation since they can charge for advice and make money from issuing any new instruments to finance a deal. Their M&A departments have been starved of deals for so long but they now look set for a busy autumn spent working on, amongst others, complicated airline mergers. **UBS (UBSN)** are advising **British Airways (BAY)** on their merger with Iberia so stand as good a chance as any bank of working on more deals for BA. Short interest in UBS is only 1.2% and recently falling. No major investment bank has significant short interest.

Lawfirms will be burning the midnight oil working on ways round the competition rules but since they are not public companies so we have no visibility on how they are predicted to perform. I will conclude by saying that it is in the public interest that airlines can move to a more sound finan-

cial footing. As things stand they cannot afford to invest as their businesses are. We will fly on older and older planes and be served by more and more grumpy cabin crew thereby reducing the appeal of long distance travel. Banks and the capital markets can dispel their image as parasites on society if they are able to help airlines make this leap through some serious consolidation.

### Will Duff Gordon

For more information on any of the stocks mentioned in this article, please contact [news@dataexplorers.com](mailto:news@dataexplorers.com)



## Securities Financing Forums

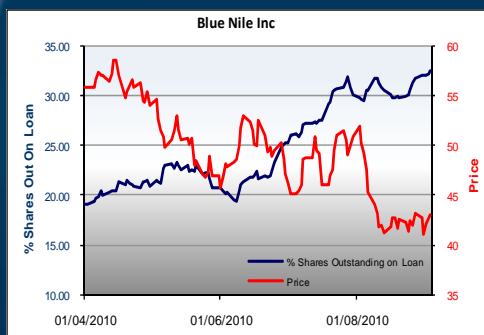
Where global asset owners, agent lenders, prime brokers and hedge debate the future of securities lending.

Hong Kong Forum - 7th October  
Dubai Forum - 11th November

[www.dataexplorers.com/forums](http://www.dataexplorers.com/forums)

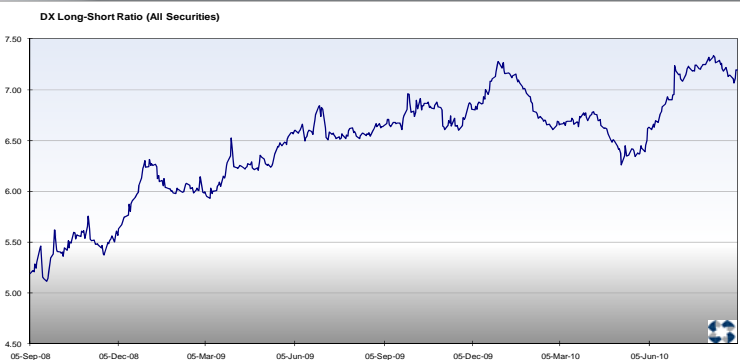
## Stock of the Day: Blue Nile Inc (NILE)

NILE has been subject to an increase in short interest over the last 3 months. The shares of the online retailer of diamonds and jewellery recently traded at a 52-week low.



% Total Shares Outstanding on Loan  
Price

## Long Short Ratio: All Global Securities



03 Sep 10	Chg	% Chg	Week % Chg	52 Week High	52 Week Low
7.19	-0.00	-0.03%	+0.69%	7.34 (10-Aug-10)	6.26 (07-May-10)

This is a very simple way to understand whether the market is getting more or less short. It is derived by taking the institutional longs that are made available to borrow through the securities lending programs and divides this by what has been put out on loan.

### DXI Global 50



The DXI™ Data Explorers family of indices tracks the change in securities lending, a proxy for short selling, in relation to shares outstanding of the largest companies in each region. The advantage of the DXI™ methodology is that it is not impacted by changes in price or by changes in trade volume so securities lending activity is not obscured by cash market movements.

The region-specific DXI™ US, UK, Europe (ex UK), Japan, and Asia (ex Japan) 30 each cover the securities lending loan base for the 30 largest market capitalised companies in each region, respectively.

The DXI Global 50 is made up of the 50 largest companies from the five regional indices.

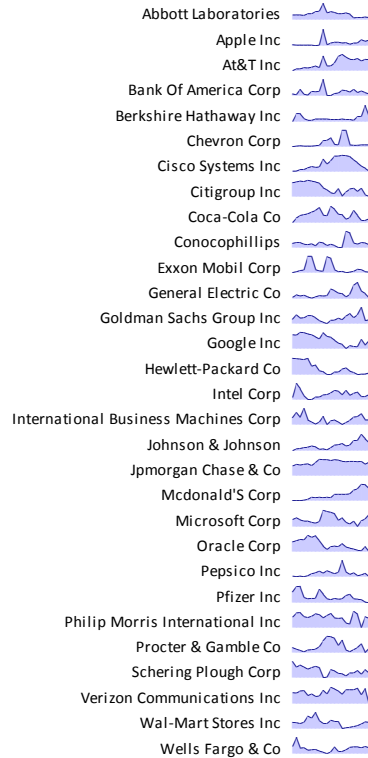
A rising DXI™ index represents a relative increase in quantity on loan (i.e. short selling) while a falling index highlights a decrease in the quantity on loan (i.e. short covering).

Each index has a base as of 6 January 2010 and is rebalanced quarterly. The indices are not weighted.

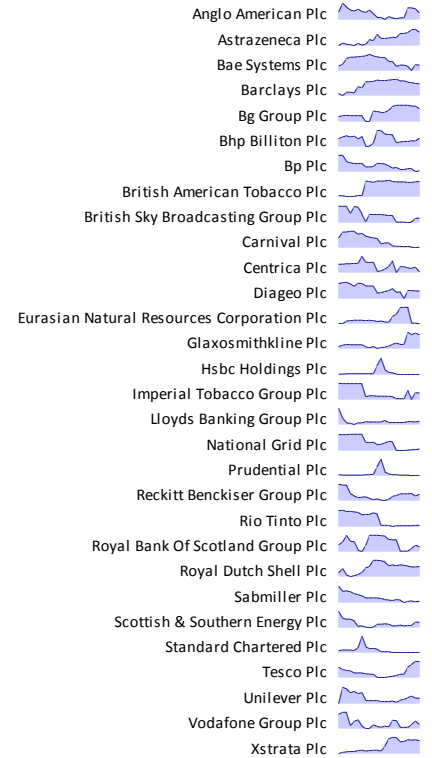
The chart for each index component shows the percent shares outstanding on loan for each company. *Note: this is not to a common scale but rather shows the trend over the past 22 trading days.*

For more information please contact Data Explorers.

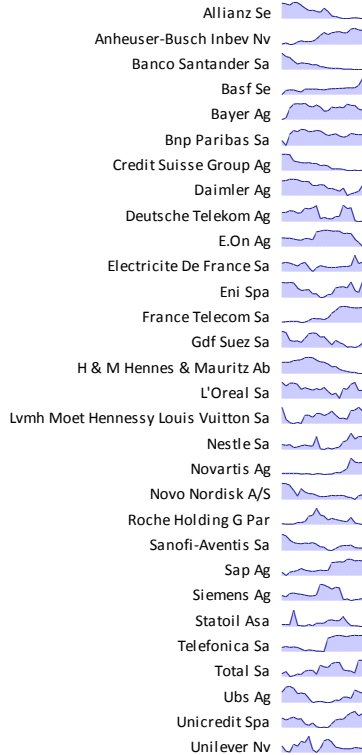
### DXI US 30



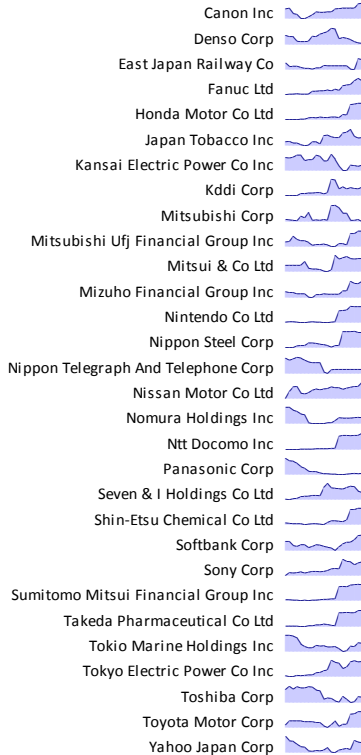
### DXI UK 30



### DXI EU xUK 30



### DXI Japan 30



### DXI Asia xJP 30



Although Data Explorers has made every effort to ensure this information and data are correct, nevertheless no guarantee is given as to their accuracy or completeness. Any opinions or estimates expressed herein are those of Data Explorers on the date of preparation and are subject to change without notice; however no such opinions or estimates constitute legal, investment or other advice. You must therefore seek independent legal, investment or other appropriate advice from a suitably qualified and/or authorised and regulated adviser prior to making any legal, investment or other decision. This is intended for information purposes only and is not intended as an offer or recommendation to buy, sell or otherwise deal in securities. Recipients may redistribute this report, but only without modification. Copyright © Data Explorers. All rights reserved.