

Financial Dealmaker of the Year

Technology's premier banker closes the book on a tremendous year, and leaves no doubt: Frank Quattrone is back.

BY PATRICK HOGE

San Francisco Business Times

Frank Quattrone is back on top.

Five years after its launch, Qatalyst Partners, the technology-focused investment bank Quattrone leads as CEO has been the sole or lead adviser on \$70 billion in tech industry transactions, mostly deals in which Qatalyst represented sellers of companies or assets.

Last year was Qatalyst's best. The San Francisco-based firm represented 15 companies in more than \$28 billion of sales (some prices were not disclosed), including the \$12.5 billion sale of Motorola to Google.

From 2008 to 2012, it has been sole or lead adviser on over \$50 billion of deals involving public technology companies with price tags of \$1 billion or more. That's a record Qatalyst says it believes is unmatched by any other firm for the period.

It's also a stunning comeback for Quattrone. He rose to superstar status in the dot-com boom, but spent the next few years battling federal charges that he interfered with a federal investigation into



\$70 billion comeback

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Qatalyst

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David Sacks
Yammer



Sacks



Bedecarré

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Credit Suisse. A mistrial followed a hung jury in 2003. Quattrone was convicted in 2004, but that verdict was overturned on appeal in 2006. All charges were dropped in 2007, and a regulatory ban from the securities industry rescinded. He started Qatalyst in March 2008.

Quattrone previously helped build and run technology banking groups at Morgan Stanley, Deutsche Bank and Credit Suisse First Boston. He and those teams led more than 350 financings, raising over \$65 billion for technology companies, including Netscape, Cisco and Amazon.com, and advised global technology companies on more than 400 mergers and acquisitions with an aggregate transaction value over \$500 billion.

Already Qatalyst’s rocket-like ascendance has put it in the top tier of all merger and acquisition banking outfits in the nation, in the realm of much larger entities. Fees for deals of this magnitude are enormous: One legal filing shows Qatalyst took in \$24 million from Qualcomm’s 2011 acquisition of Atheros Communications for \$3.1 billion.

Qatalyst’s astonishing rise and superior 2012 make Quattrone the San Francisco Business Times’ Financial Dealmaker of the Year. He provided an exclusive email interview to the Business Times.

Despite recent success, Quattrone and Qatalyst have avoided limelight. He declines most interview requests and is loath to discuss his past legal battles. He is deeply involved in the Northern California Innocence Project, a Santa Clara University program to exonerate innocent



Frank Quattrone spent years fighting and ultimately defeating federal allegations that he interfered with an investigation. Now he’s back at the top of the game.

prisoners and seek reform relating to wrongful convictions.

Quattrone acknowledged Qatalyst has been “winning a good share of the industry’s most important transactions,” and said the firm has earned its reputation for getting sellers significant premiums.

“Over the last two years we were lead or sole adviser on the two largest, three of the four largest, and five of the twelve largest technology M&A transactions,” Quattrone said.

“It’s a combination of knowledge of the industry and how it is changing, a creative and custom approach to each assignment, negotiation expertise and a bit of good luck,” he said.

Quattrone and his clients also attribute Qatalyst’s success to its sole focus on advising technology companies — it has no other financial products — and the wealth of experience on its 32-person team, a number of whom worked with Quattrone in the past.

Qatalyst is a private partnership with no outside investors. There are eight partners who each have from 15 to 30 years of experience.

“We are passionate about the technology industry and spend all our time thinking about its structure and the strategies of its major participants — our clients tell us that our depth of industry knowledge is a big advantage,” Quattrone said.

Strict focus to avoid conflicts

Former Credit Suisse Managing Director George Boutros, who had previously worked with Quattrone at Morgan Stanley and Credit Suisse, said via email that he joined Qatalyst in early 2010 partly because he saw that investment banking “had strayed away from its roots of putting clients’ interests first by getting involved in too many businesses that created serious conflicts of interest.”

Qatalyst, by contrast, does strictly one thing: It advises technology companies on transactions. Its expertise has helped it land in the middle of a large share of “transformational” tech industry deals, Boutros said. Quattrone, meanwhile, is “extremely demanding” that clients’ interests be put first, he said.

A native of Philadelphia whose

grandparents were first-generation Italian immigrants, Quattrone has been laser-focused on tech since he worked at Morgan Stanley's technology group after graduating with an M.B.A. from Stanford Business School in 1981.

Tom Bedecarré, chairman of AKQA, was impressed by Quattrone's depth of knowledge about the tech sector in a conference presentation Quattrone gave.

"It was like a Harvard economics professor's lecture," Bedecarré said.

San Francisco-based AKQA, a fast-growing digital advertising agency, had repeatedly declined prior acquisition offers from advertising holding companies, including WPP. It hired Qatalyst assuming there might be other, better offers from the tech sector. In the end, WPP's \$540 million offer was the best.

"What differentiates Qatalyst is the depth and length of contacts Frank and the senior partners have with the who's who of Silicon Valley and the tech community," Bedecarré said.

"They're able to operate at extremely high levels, very fast, with a lot of discretion and experience behind them," he said. "They're also noted as being very tough negotiators."

David Sacks, co-founder and CEO of Yammer Inc., made similar comments about Qatalyst's role in Microsoft Corp.'s \$1.2 billion acquisition last June of his company, which makes social networking and collaboration software for businesses. Yammer was not shopping itself, and though Sacks had not worked with Quattrone in the past, when an offer came in, the choice of Qatalyst was clear.

"Microsoft approached us," Sacks

said. "In that case, it's not possible to interview deal advisers without losing confidentiality. So we went straight to the best. You only get to sell your company once. It's important to handle the deal correctly."

Sacks also said Quattrone had laid the groundwork well in advance by cultivating ties with Yammer.

"Frank's reputation was the key factor in choosing Qatalyst," Sacks said. He worked particularly with Qatalyst co-founder and managing director Brian Cayne, who previously worked in the M&A group at Credit Suisse, and Ian MacLeod, a former Goldman Sachs managing director who leads Qatalyst's software and services practice.

"Because of their experience handling other transactions, they knew what to expect," he said. "They know how to interpret subtle communications from the other side, and they know how to make sure we don't inadvertently miscommunicate."

Quattrone's entrée to Silicon Valley's A-list appears not to have been dimmed at all by the federal government's long-running and unsuccessful efforts to punish him. In fact, they have cheered him on since charges against him were dismissed in 2007 as part of a deferred prosecution agreement that imposed no sanctions on Quattrone.

When Qatalyst launched, its press release included praise from Google Inc. Chairman Eric Schmidt. Qatalyst then advised Google regarding Microsoft's hostile attempt to take over Yahoo.

The acclaim has continued, even as Qatalyst sometimes has extracted top-dollar from previous allies — representing Motorola in last year's sale to Google.

Hewlett-Packard Co. paid more

than double the original agreed price for Qatalyst-advised storage company 3Par in 2010 after a public bidding war erupted.

The next year, HP paid \$11.7 billion for Autonomy Corp, also represented by Qatalyst. (That deal didn't end well for HP, which last year wrote down \$8.8 billion of the purchase while accusing Autonomy of misleading bookkeeping.)

This year, Qatalyst has continued to rack up big deals, representing Ancestry.com in its \$1.6 billion sale to Permira in December and Acme Packet in its pending agreement to be acquired by Oracle Corp. for \$2.1 billion, which was announced last month.

Craig Johnson, vice chairman at JMP Group, the largest publicly traded West Coast-based investment bank, looks back with satisfaction at the fact that for the first nine months of its existence, Qatalyst operated as a subsidiary under a licensing agreement with JMP Securities while awaiting approval of its own license application.

The question of potential business risk arising from Quattrone's past legal travails came before JMP's executive committee, and the members voted unanimously to extend JMP's umbrella for Qatalyst, said Johnson, who had known Quattrone for two decades.

"He was cleared, clearly, but I had 100 percent confidence in Frank as a human being and as a professional," Johnson said. "Every single individual that I've ever dealt with who dealt with Frank had very, very high regard for him.

"It was a great decision for us. We've been nothing but pleased to see how well he's done," Johnson said. "It has been an amazing success story."