

# The Aussie brokers pitching ASX stories to London's big money

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*London* | There are many ways to measure the pandemic's disappearance into the rear vision mirror. One prime indicator, in the past six months, has been the heavy traffic in business class on QF1, the flight to London.

Just like the old days, the CEOs of ASX-listed companies have been busy doing the rounds here, spruiking their narratives to big London-based institutional investors.



Hyde Park Partners' Alex McGree, Edward Delany and Philip Beard. **Grainne Quinlan**

But in one respect, it's not like the old days. Until about six years ago, pretty much every investment bank had an Australian broking desk in London. Many were staffed, of course, by expat Aussies.

These brokers would run the investor roadshows for visiting ASX companies, and do the accompanying analysis or research. It was a brisk, competitive business. But almost overnight, it fell off a cliff.

The European Union's MIFID 2 regulations, which were designed to improve the finance industry's transparency, prevented the banks from using their broking services as a potentially loss-leading calling card. The fees and costs had to be made clear upfront; and once that happened, clients no longer wanted to pay. Broking operations began downsizing. That meant some of those Aussie brokers were left at a loose end. It also left quite a few Australian companies unsure where to turn when they wanted an intro to big British investors.

Among the brokers with time on their hands were Edward Delany, who had been the Aussie wrangler at Credit Suisse, and Philip Beard at Citigroup (who also, many decades ago, had my job as London correspondent for *The Australian Financial Review* – but that's another story). They decided to have a crack at a new business model.

## Pitching and targeting

Delany reckoned the London banks were going to start fobbing the visiting Aussie companies off with people who were junior or inexperienced. "They may not have actually ever been to Australia, they may not even know what the company does. They may not necessarily know the investors particularly well, and more specifically, the relevant investors for that specific corporate which is coming over," he says.

"I saw this coming, and I felt that I could do it better than the banks were going to be able to do it."

He and Beard began pitching, and Delany targeted the investor relations team at CSL. He had to persuade them that a service the banks used to offer for free – in the hope of getting other business – was worth paying for.

"CSL ended up being the first company and they understood the business model, they understood why it was worth their while to invest the money to do this properly," he says.

Delany and Beard then founded Hyde Park Partners, and were recently joined by a veteran of UBS's Asia-Pacific desk in London, Alex McGee.

Their trick is that they aren't trying to win client business from the investors – their client is the Australian company. So they avoid an onerous MIFID rule, which demands that investment banks have a contract with every single institutional investor to whom they're pitching.

“We're not trying to sell research or trade execution services or investment banking services to the institutional investor, so we fall outside of the MIFID net. Which means that we can interact with any investor,” Delany says.

## Tight roster

McGee says this lack of ulterior commercial interests is one of the things that drew him to Hyde Park. He doesn't have to roadshow Australian companies that he isn't keen on, and he doesn't get asked to show his companies to the wrong investors. He reckons the investors get this.

“When you develop relationships over 20 years, I think they understand that you're not going to bring forward a company that is completely irrelevant, or which you're just bringing through because you're getting paid money to do so,” he says.

The trio stick to a pretty tight roster of Australian clients that they actually want to work for. The list includes CSL, Origin Energy, Sonic Healthcare, Chalice Mining, Silex and Judo.

Often there's an angle to these companies which Hyde Park reckons Brits will more readily seize on than the Aussie market. For Origin, it's the company's Octopus Energy investment [<https://www.afr.com/link/follow-20180101-p5e8tn>]; for Judo, it's Britain's more developed market in challenger banks. The Chalice story might appeal to the vogue for critical minerals in Europe.

Hyde Park also tries to keep these stories in investors' minds in between roadshows, as part of ensuring that these investors are “sticky”, as Delany says British institutions tend to be.

“We've just done a roadshow with Sonic Healthcare. The institutions are not interested in quarterly or half-yearly numbers. They're interested in backing management, backing strategy over the long term. And if there's volatility they just ride it out, basically.”

McGee says getting some British or European presence on the share register can also “send a big signal to the Australian market”.

“A few IPOs where you’re struggling in the Aussie market, if you just take one big order out of the UK, that could sort of scare the local institutions into thinking that perhaps there is something there, from a global perspective,” he says.

The risk in the model is that MIFID could be repealed or reformed in Britain, allowing the banks to come storming back. Delany says he isn’t losing sleep over this.

“If they were going to start reinvesting in the sales side, then it would have to be the pan-European and maybe US desks. The peripheral markets, we’re so far away. Even though we’re an important market, it’s just not something that I can see changing,” he says.

The other risk, perhaps, is that there’s a limit to the number of clients that three men can reasonably handle.

“The idea is not to double or triple the number of clients,” McGee says. “There’s a maximum number of clients we might take on.”

Delany says the business has “room to grow”. How large? “We’ll know when we get there. But we certainly wouldn’t want to go above anything that’s going to compromise what we’re doing.”

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