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WHO'S WHO IN FINANCE

IF IT'S NOT BROKEN...

Lloyd Greif knows what it means to be an entrepreneur, and his firm's record proves that.

By STEVE CRIGHTON
Staff Reporter

Much has changed in the last three decades, but downtown-based **Greif & Co.** has been a constant for savvy companies in need of equity or debt financing or desiring to be acquired. **Lloyd Greif** founded his namesake firm in 1992 following a decade-long stint as vice chairman at **Sutro & Co. Inc.**, intent on making his new venture "the entrepreneur's bank," the firm's tagline.

Greif & Co. is focused on merger and acquisition dealmaking, and Greif says that aspect of the business is booming despite murky economic forecasts.

You just celebrated your 40th year in investment banking and the 30th anniversary of Greif & Co. How has the finance industry evolved since you started, and in what ways is it still the same?

Private equity is a much bigger factor in M&A today than it was in the early 1980s. Back then, they weren't called private equity deals—they were called bootstrap financings or leveraged buyouts, and there were only about 30 PE firms. It was an emerging industry that accounted for less than 1% of M&A transaction volume.

Now there are over 9,000 PE firms with $7 trillion in capital generating nearly 30% of M&A deals by dollar volume. The term "private equity" was coined in the 1990s to give the industry a more respectable veneer—in the late 1980s, you could finance an LBO with 90% or 95% debt and 5% to 10% equity. When those deals went bankrupt in the recession of the early 1990s, it was time to rebrand.

Another thing that's changed since then is PE deals are no longer so thinly capitalized — a typical PE deal today is more like one-third to one-half equity and the rest debt. So, much firmer footing for the acquired company. Also, the initial focus for LBOs was cash-cow companies that could be milked for all they were worth. Today, it's all about companies with strong growth potential that can be accelerated. The higher the growth rate, the higher the valuation multiple, the more lucrative the exit for the PE firm.

Finally, back in the go-go '80s, you had corporate raiders engaging in hostile takeovers of public companies or extorting them for greenmail to make the raiders go away. Mike Milken's junk bond machine at Drexel Burnham Lambert fueled those deals. Yesterday's "corporate raider" is today's "activist investor." Everything about the business is much more respectable now.

What gave you the confidence to strike out on your own with Greif & Co.?

Actually, that was an easy call. Sutro & Co. was the oldest investment banking firm in the West and I was its vice chairman, head of investment banking and top rainmaker, routinely generating anywhere from 40% to 60% of the division's revenues out of 25 investment bankers.

Previously employee owned and operated, we had sold Sutro to John Hancock Mutual Life Insurance in 1986 and, slowly but surely, the firm became more bureaucratic and less entrepreneurial. I resigned in 1992 with two colleagues and launched Greif & Co. I was betting on myself, and all of my clients followed.

The early 1990s were a contrarian time to be launching a new investment bank, as the country was in the throes of a severe recession. But I felt it was the best time — our Wall Street competitors were either shuttering their L.A. branch offices or laying off staff. Southern California is an entrepreneurship and innovation hotbed and the middle-market company capital of the nation — I knew L.A. wasn't sliding into the ocean anytime soon, and look where we are today. At the time, I didn't think the world needed another investment bank, but we're not just another investment bank. I knew there was room for another good one, one that put its clients' interests first and consistently delivered superlative results for them.

How has your bank's strategy changed since the market highs of 2021, and more recently with the fears of a looming recession?

We have always been a hands-on investment banker, providing our clients not just with financial advice, but also recommendations concerning their business operations, management, strategy — all with a view to improving the company's business model and execution. Call us "investment banker as consigliere"—trusted advisor. Companies need to have their act together with the economy heading into a recession, and we help clients crystallize the issues in their business and take corrective action to put armor over their Achilles' heel. The name of the game today is profitable, sustainable growth.

Your firm is known as "the entrepreneur's investment bank." What does that mean to you?

I meet the same payroll every two weeks that my clients do, so I can look them in the eye as an equal. When we selected entrepreneurs as our target market back in 1992, it was because we found them to be the most challenging and gratifying clientele to have. In my experience, entrepreneurs are dynamic, hard-charging, passionate, mission-driven — and incredibly difficult to please. They set a high bar for performance from their professionals, so we set an even higher bar and then strive to exceed it.

Entrepreneurs are also always interesting and never dull, all of which keeps us at the top of our game and never bored. We serve entrepreneurs in all industries, so there's nothing cookie cutter at our shop. All of the services we provide —f rom financial engineering to marketing creativity to negotiation expertise — are highly customized to the individual and the company. We're all about creating value for our clients through our sales and marketing expertise and negotiations skill.

Does the economic slowdown require you to be more strategic with the entrepreneurs you represent?

We are always ultra-selective when it comes to the firms we work with. Our clients don't just choose us — we choose them, too. Our bread and butter is nicely profitable companies with a differentiated and defensible product or service offering, a solid track record and strong future growth prospects. In times of recession, we disproportionately represent companies in industries that are recession resistant — food and beverage, health care, information technology, consumer staples, etc. — or diamonds in the rough: companies that are performing well despite industry headwinds due to the proprietary positions they occupy.

What other trends in the finance industry should more people be paying attention to? Why is it important?

We're economic cycle riders. We've ridden through multiple cycles over the past 32 years, and each time not only emerged unscathed, but stronger. This year's SPAC demolition derby is no different than the bursting of the dot-com bubble in 2000 or the cratering of the CMO market that triggered the Great Recession in 2007.

Just like most dot-coms lacked viable business models and a near-term path to profitability, the SPAC deals that torched the initial public offering market for the past 12 months were back-door IPOs of companies that were not ready for prime time. Unprofitable companies with unproven business models are appropriate for venture capital, not public equity.

Going public via traditional IPOs allows the typical filtering screens to be applied, including SEC review and institutional investor scrutiny. Bypassing that stricture inevitably results in bad deals and the baby being thrown out with the bathwater, which is what is happening right now, temporarily keeping quality companies from accessing the public market. This cycle will pass soon, although not fast enough to save some companies worth saving.

What is next for your company?

More of the same — if it's not broken, don't fix it. I'm proud to say that, over the past more than three decades, Greif & Co. has never laid off an employee — not during the Great Recession and not during COVID-19. This firm was built on a rock-solid foundation, represented by our swooping owl logo.

Our four foundational pillars are wisdom, integrity, strength, and aggressiveness — all traits that we bring to each and every one of our client engagements.

We will continue engineering value-added merger and acquisition and corporate financing transactions for our clients across the country in all industries.

GREIF & CO.
The Entrepreneur's Investment Bank

GREIF & CO.

HEADQUARTERS: Downtown

YEAR FOUNDED: 1992

BUSINESS: Investment banking

CEO: Lloyd Greif

EMPLOYEES: 22

NOTABLE: Team has engineered several hundred deals worth more than $100 billion in aggregate.